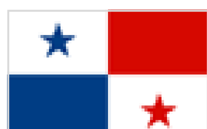
Central America & Caribbean Regional Outlook



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Improving global economic & financial market context

The global economic recovery is setting a positive tone for the 2014-15 Central American and Caribbean economic outlook. The improving economic performance in the United States—the most relevant economy for the region—combined with persistent high growth in China (yet at a somewhat milder rate of expansion), a building momentum in the United Kingdom and a return to growth in the euro zone, are all factors that bode well for the region's growth prospects. Nevertheless, the prospect of interest rate normalization in advanced economies may instill a higher dose of financial market volatility in most countries in the developing Americas in the first half of the new year.

Uneven regional economic growth dynamics

The region remains highly dependent on the US economy through tourism, remittances and investment flows. Improving US economic conditions are evident in auto and housing sector activity and labour markets. We anticipate that the US real GDP will expand by 2.8% on average in the coming two years, following an estimated 1.6% expansion in 2013. After the 2008-09 global financial shock, tourism activity and investment in large-scale projects decelerated significantly in the Caribbean and have yet to recover. However, China is playing an increasingly important role in the new investment environment.

Real output in Central America and the Caribbean will likely expand by 2.2% in 2013; we anticipate that the growth rate will subsequently accelerate to 3.2% y/y on average in the 2014-15 period. Panama, Costa Rica and the Dominican Republic (DR) will lead the regional growth charts whereas Barbados and the highly leveraged Jamaican economy will be the underperformers (but will return to positive rates of growth). Elsewhere in the region, low and modest growth continues to be the norm. The English-speaking Caribbean economies will underperform Central and Latin America as a whole, with output expanding by 2.7% in 2014-15.

Improved price stability, yet sensitive to energy prices

Regional inflation will remain at around a 5.0% annual average in the coming two years, a significant decline from the 6.5% average rate posted in the past decade. Commodity price fluctuations will impact the inflation outlook in the region as most countries are net energy importers. Additionally, the region’s vulnerability to natural disasters could also impair inflation control strategies and erode fiscal sustainability in some countries.

Inflation targeting and more flexible currency arrangements seem to be the policy of choice for Costa Rica and the DR. Meanwhile, well-entrenched dollarization structures remain in place in Panama, El Salvador and, to a lesser degree, Trinidad and Tobago (T&T). The exchange rate anchor provided by the systemic dollarization in the Bahamas, Barbados, Panama and El Salvador is aiding inflation containment goals in these economies, though they remain sensitive to energy price movements.

Persistent external financial vulnerabilities

A process of intra-regional credit differentiation is taking place. Large current account shortfalls, elevated public debt, high reliance on tourism and commodities, fixed currency regimes and low monetary policy effectiveness will remain key risk factors in the region. Jamaica maintains the lowest sovereign credit rating in the region followed by Barbados and El Salvador (both with a ‘negative’ outlook); T&T and Panama remain as the top-rated countries.

Multilateral sources of funding led by the International Monetary Fund (IMF) will play a key role in supporting programs to achieve debt sustainability. Despite a lower level of indebtedness when compared with advanced economies, the region is not immune to financial market stress. Roll-over risk in external government debt obligations remains latent. The IMF stressed that Jamaica is showing progress in implementing adjustments and reforms under the 4-year extended fund facility.

Weakened fiscal consolidation and deleveraging efforts

Public sector debt is increasing across the region. In the last five years, gross government debt increased by 15 percentage points of GDP on average. Current account deficits (excluding T&T) will decrease marginally over the forecast horizon, keeping the region still dependent on external funding.

Wider fiscal deficits will remain of concern in the region, as they will likely stay at high levels. Costa Rica, the Bahamas and the DR are expected to continue to widen their fiscal shortfalls, while we anticipate T&T to move from a surplus to a deficit in the coming years. El Salvador may also face elevated debt sustainability concerns given the poor economic performance and low tax collection.

Governance challenges persist

Escalating drug-related violence, money laundering, policy continuity and a weak judiciary remain key challenges in the region’s governance agendas. Moreover, election-related public spending increases are complicating long-term fiscal consolidation efforts and limiting economic growth prospects.

The implementation of preferential trade agreements with the US will pose short-term structural challenges for some economies, yet they will help solidify bilateral trade and investment relations in the long run. Meanwhile, the Panama Canal expansion will continue to have a material impact on regional economic developments. Finally, political challenges in Venezuela may lead to further revisions to the terms of the Petro-Caribe initiative, having a significant impact on oil supply in the region.

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DOMINICAN REPUBLIC

Capital Market Dynamics

- **Foreign Exchange ►** The managed floating currency regime adopted by the country's monetary authorities will remain in place for the foreseeable future. The Dominican peso (DOP) will continue to be subject to central bank intervention, fluctuations in investors' confidence with respect to fiscal consolidation, government debt issuance and monetary policy normalization in advanced economies. In July, the DOP accelerated its smooth depreciation trend against the US dollar (USD) (-6% year-to-date) prompting the central bank to intervene in the market to limit a significant build-up future in inflationary pressures. We do not discard further official involvement in the FX market, as the authorities have signaled their concerns regarding currency depreciation and its effect on inflation. We anticipate that USDDOP will close the year at 42.5 and maintain a smooth pace of depreciation of around 4.0% in 2014. Reflecting official intervention, net international reserves decreased modestly from May to September, rebounding to US$3.6 billion in October.

- **Sovereign Debt & Credit Ratings ►** The Dominican Republic's sovereign credit profile is stable. The fiscal deficit, high electricity subsidies and low tax revenues remain the primary macroeconomic weakness. As a result of extraordinary election -related public spending in 2012, the non-financial public sector (NFPS) deficit reached 6.7% of GDP last year, significantly above the 5-year average of around 2.5%. Since the election, the government has stated its commitment to fiscal consolidation, expecting to balance the NFPS deficit by 2016. Both Standard & Poor's and Moody's maintain a "stable" outlook on the country's long-term foreign-currency rating of "B+" and "B1", respectively. Last December, Fitch affirmed the country's sovereign debt rating at "B", but revised the outlook from "positive" to "stable". The sovereign debt rating outlook will remain largely affected by the government's ability to reduce debt-to-GDP ratios over the medium term.

Economic Outlook

- **Growth ►** The economy will continue to underperform in 2013 followed by a mild increase in 2014 supported by a better US outlook and less fiscal drag domestically. Although output growth accelerated in the second and third quarter of the year (2.9% y/y in the January-September period), fiscal consolidation undertaken since the end of 2012 has constrained government spending, while household consumption has been hampered by tax hikes and low job creation. Export growth will continue to contribute positively to economic activity, particularly with the increasing production of the Pueblo Viejo gold mine. Tourist arrivals have risen modestly through 2013; however, as the US recovery gains strength next year, the tourism sector—and remittances—will show a more evident pickup. We anticipate real GDP to grow by 2¾% this year overall and by 3¾% in 2014-15.

- **Inflation & Monetary Context ►** Inflation will remain dependent on international food and oil prices as the nation is a net energy importer. The central bank is committed to maintaining the inflation-targeting regime adopted last year with an official range of 4-6%. Consumer price inflation peaked at 5.7% y/y in July (but has decelerated to 4.7% in October), prompting the central bank to modify its monetary policy stance and increase the reference rate by 200 basis points to 6.25% in August. Authorities highlighted that the volatility in the foreign exchange market could jeopardize price stability despite the languid economic recovery. We expect inflation to remain around 4½% through 2015.

- **Fiscal & Current Account Balance ►** The current account deficit will continue to narrow in the coming years, after reaching 6.7% of GDP in 2012. Import growth has moderated as a result of a weak local demand and relatively lower oil prices, while export gains have accelerated due to higher gold production. Additionally, tourism arrivals and remittances will continue to recover, helping the current account deficit to remain around 3½% of GDP through the forecast horizon. The fiscal deficit will remain above the government's 2013-14 budget projection of 2.8% of GDP. Lower government spending coupled with higher revenues (including the renegotiation of the Pueblo Viejo mine contract) will take the fiscal shortfall to around 3% of GDP in the 2013-14 period. However, as highlighted by the International Monetary Fund (IMF) in the most recent country assessment, transfers to the electricity sector will continue to weigh on public spending.

Institutional Framework & Political Environment

- **Governance ►** Despite the austerity measures undertaken since the end of 2012, President Danilo Medina's political agenda has been supported by high public approval rates and a strong majority in the current legislature. However, mild economic growth with substantial fiscal constraints, a high dependence on the US economic outlook, pressures to suppress electricity subsidies and security issues will remain as the foremost challenges of the current administration. The international agenda will remain focused on tightening relations with Central and South America, while possible changes to the terms of the PetroCaribe program with Venezuela will have a material impact on the country's energy policy.

- **Financial Sector ►** The country's financial sector remains well capitalized. Based on the latest IMF statement (October), the authorities are encouraged to reduce the banking system's exposure to the public sector. Lending activity has improved gradually throughout this year. Credit to the private sector increased by 16% y/y in the January-September period; with consumption loans expanding by 20% y/y. The non-performing loan ratio remaining steady at 3.3%.

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COSTA RICA

Capital Market Dynamics

- **Foreign Exchange ►** The authorities will maintain the existing currency regime (intervention bands), despite pressure to allow the Costa Rican colon (CRC) to strengthen against the US dollar. The CRC tested the lower end of the central bank's band which prompted significant intervention at the beginning of the year. Investor demand for the country's financial instruments rose with the issuance of the US$1 billion 10-year Eurobond in April (a previous issuance took place in November 2012 for the same amount). Although the central bank has not intervened in the market recently, which suggests that pressure could be easing somewhat, we maintain our view that the currency will remain close to the 500-510 range in the coming years. Accordingly, the central bank has increased its accumulation of reserves, which reached US$7.6 billion by the end of September, 48% above the previous year's level.
- **Sovereign Debt & Credit Ratings ►** Costa Rica's budget imbalances, low monetary policy effectiveness, still-high financial dollarization and slow progress on the fiscal agenda could put the country's sovereign credit rating at risk of a downgrade. According to Fitch and Standard & Poor's, the country remains in speculative-grade territory ("BB+" and "BB", respectively; both with a "stable" outlook). Moody's revised the rating outlook to "negative" in September, leaving the rating at "Baa3", the lowest investment-grade rating. Total public sector debt increased by 10 percentage points of GDP in the last four years to 52.5% in the first half of 2013, eroding the quality of public finances.

Economic Outlook

- **Growth ►** The Costa Rican economic outlook remains promising, despite the soft patch observed over the first half of the year. Real GDP increased by 2.5% y/y in the January-June period, significantly below the previous two years' average of 4.9%. The deceleration was observed across all sectors of the economy, particularly in the agriculture and manufacturing industries, which weighed on export performance. Based on high frequency indicators, economic activity is picking up, expanding by 5.0% y/y on average in the third quarter of the year. The recovery has been led by free-trade zone activity, which reflects increasing external demand. Nevertheless, local demand remains moderate and the unemployment rate relatively high. We anticipate that the Costa Rican economy will expand by 3.0% in 2013 followed by an acceleration to 4.0% on average over the next two years. The rebound will be driven by faster growth in the US and in other significant trading partners, a recovery in agricultural production, higher tourism-related revenues and a rebound in the construction sector as the government completes infrastructure projects.
- **Inflation & Monetary Context ►** The central bank remains committed to maintaining the 5% (+/- 1 percentage point) inflation target, as it moves towards a more flexible foreign exchange and inflation-targeting regime. Although inflation surpassed the official range in the February-April period, it decelerated to a four-year low of 3.4% y/y in November. Nonetheless, headline inflation has averaged 5.3% y/y year-to-date, the highest level in three years. We expect inflation to remain close to the upper band of the tolerance range; however, any shock to energy or food prices could boost the rate further. Despite the central bank's efforts to absorb excess liquidity—that was created in the foreign exchange market, it remains a source of persistent inflationary pressure. The central bank reduced the administrated interest rate by 100 basis points to 4% in June in an attempt to support economic activity.
- **Fiscal & Current Account Balance ►** The fiscal imbalance continues to be of concern. The public sector deficit will likely reach 5% of GDP in 2013 as a result of increasing government spending ahead of the electoral year and lower revenues due to poor economic performance. We estimate that the fiscal shortfall will likely remain around 4½-5% of GDP in the coming years. The second issuance installment of the US$4 billion in Eurobonds in international markets (maximum $1 billion each year) took place in April and the next one is expected to take palce in the second half of 2014. A second attempt to approve a fiscal reform has been rejected and, although the current government may send another proposal, fiscal consolidation efforts will be passed to the next administration. The current account deficit will likely remain close to 5% of GDP in the 2013-15 period, as Costa Rica is a net importer in both commodities and inputs for the manufacturing industry. However, this will be partly offset by a surplus in the services account, responding to higher tourism and technological services. The current account imbalance will be adequately financed by long-term investment inflows.

Institutional Framework & Political Environment

- **Governance ►** The political environment will remain focused on the upcoming February 2nd 2014 presidential and legislative elections. Johnny Araya, mayor of San José, will be the candidate for the ruling party, Partido Liberación Nacional, which has recently led opinion polls. Fiscal consolidation will remain the key focus for the incoming administration and will probably face a stronger opposition with a politically divided legislature. Nonetheless, business-friendly policies aimed at attracting foreign investment and tourism will remain in place.
- **Financial Sector ►** The country's financial sector is in the process of gradual de-dollarization, maintaining adequate levels of capitalization and liquidity. Private credit growth has been decelerating, with lending increasing by 12% y/y in the first half of the year (15.4% in H1 2012). Foreign-currency loans expanded by 18% y/y, significantly faster than the 7.7% expansion in local-currency lending, raising authorities' concerns over capital outflows and restraints in local liquidity.

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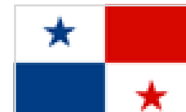
PANAMA



Capital Market Dynamics

- **Foreign Exchange ►** The systemic dollarization of the Panamanian economy remains well entrenched. The existing monetary regime is a major factor of institutional strength supporting the country's highly internationalized financial sector. Domestic liquidity conditions will be influenced by shifts in the US Federal Reserve policy direction. Our revised global currency forecast incorporates a stronger US dollar (USD) versus major peer currencies over the next 24 months; however, we do not anticipate a negative impact on Panama stemming from currency adjustments.

- **Sovereign Debt & Credit Ratings ►** Panama's creditworthiness continues to improve on the back of low-inflation robust growth and adequate funding of external financial gaps; however, the prospect of higher long-term interest rates once the US begins to normalize monetary conditions may force a process of gradual corporate de-leveraging. Credit risk metrics support our positive view on Panama's debt profile as reflected in the gradual decline in five-year credit default swaps over the past five months. Total external public sector debt will remain at a manageable level of 40% of GDP in 2014-15. All of the major rating agencies maintain a "stable" outlook on Panama's ratings since 2012. The creation of the sovereign wealth fund supports the country's improved debt conditions while there is a growing interest in fostering the development of a local government securities market.

Economic Outlook

- **Growth ►** The Panamanian economy remains at the top of the growth charts in the Americas; however, the pace of expansion will decelerate somewhat in the coming years. Panama is advancing in the process of diversification of its economic structure: canal operation, mining, logistics services, tourism and financial services provide a more balanced and diversified economy. On a positive note, there is no evidence of a systemic bubble in the real estate market. We anticipate that the economy will grow by 6¾% on average in 2014-15 following an average annual growth rate of 8.6% over the past decade. Government spending as part of a large-scale public works program is at the core of such strong growth dynamics. Construction remains a key contributing sector supported by the infrastructure development program as well as by pent-up demand for residential housing. The mining sector offers great economic potential; indeed, foreign investment in copper projects may total US$6 billion over the next 3 years.

- **Inflation & Monetary Context ►** Consumer price inflation will remain at levels near the 4-4.5% y/y range over the next two years, with additional upward pressure from persistently tight labour markets and an ongoing shortage of high-skilled workers in selected productive sectors. We believe that inflation control strategies remain well managed; however, higher food and energy price gains coupled with higher consumption as a result of pre-election government spending could jeopardize price stability on a temporary basis.

- **Fiscal & Current Account Balance ►** The major fiscal impulse executed by the government is fuelling a larger fiscal deficit of around 3% of GDP in 2013-14. The expanded Panama Canal, which may suffer some delays, will be in full operation in 2016, offering future governments a source of continuous fiscal revenue. The current account deficit continued to widen (estimated at 9% of GDP) in 2013, linked to high construction imports due to the expansion of the canal and profit repatriation by foreign firms. However, the external gap is almost entirely financed by foreign direct investment inflows. Looking ahead, the implementation of preferential trade/investment agreements with the US and Canada may create opportunities for increased foreign investment in the infrastructure, mining, tourism and financial services industries. Meanwhile, the Colon-based free-trade zone is experiencing some difficulties in connection with policy developments in Venezuela (i.e., payment disruption due to foreign exchange and capital controls) and Colombia (tariff adjustments to counteract low value-added imports from Panama's tax-privileged economic areas).

Institutional Framework & Political Environment

- **Governance ►** Electoral dynamics dominate the political context. Presidential elections will take place in early May 2014. We discount the continuity of overall government policies irrespective of who becomes elected as the next president. Nevertheless, social unrest may, at times, unfold ahead of the vote. The debate about the quality of Panamanian political institutions has intensified ahead of the elections on allegations that excessive concentration of power may undermine public sector governance as the country deepens its integration in the world economy.

- **Financial Sector ►** The financial sector remains systemically sound and aptly prepared to weather external shocks which may unfold as a result of the gradual unwinding of US monetary stimulus and/or disorderly currency adjustments impairing the value of the US dollar. Colombian financial institutions have attained a dominant position in the domestic banking sector, a development which may require increased coordination and transparency between the regulatory frameworks in both countries. Finally, local credit dynamics will incorporate an inevitable increase in long-term interest rates from 2014 onwards. Credit to the private sector is moderating somewhat, increasing by 13.6% y/y in July. Asset quality remains solid with the local non-performing loans ratio around 2.5% and the foreign ratio around 0.35% as of July.

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EL SALVADOR

Capital Market Dynamics

- **Foreign Exchange ►** The authorities remain committed to maintaining the existing exchange rate arrangement with the US dollar (USD) as the official currency. As the US Federal Reserve withdraws monetary stimulus in 2014, the USD will likely strengthen, adversely affecting El Salvador's export competitiveness, particularly when compared with other countries in Central America. After the spike observed in December 2012, foreign reserves have been declining steadily throughout 2013 to a value of US$2.7 billion as of November 2013, covering around 2.7 months of imports. We do not forecast any changes to the exchange rate policy in the near future; however, monetary policy in the US will have an impact on the El Salvador's currency arrangement in the coming years.

- **Sovereign Debt & Credit Ratings ►** The country's creditworthiness has deteriorated. Fiscal policy developments continue to be at the centre of attention in El Salvador sovereign credit ratings. Gross government debt has increased from close to 40% of GDP in 2008 to 55% in the 2012-13 period, with the fiscal deficit shifting from 2.7% to 4.0% in the last five years. During the previous Stand-By Arrangement (SBA) with the International Monetary Fund (IMF), which expired on March 2013, the country was unable to decrease the budget shortfall to below 3.0% of GDP (one of the conditions for a renewal). In July, Fitch Ratings downgraded the country's sovereign credit rating by one notch to "BB-" leaving the "negative" outlook in place, in response to low economic growth, higher budget gaps and low tax collection. Standard & Poor's rates the country in the "BB-" category with a "negative" outlook, while Moody's maintains a "Ba2" rating with a "stable" outlook.

Economic Outlook

- **Growth ►** El Salvador's economic growth profile remains weak and will continue to rank as one of the lowest in Latin America. After expanding by 1.9% in 2012, real GDP will likely expand by 1½% in 2013, followed by a mild pick-up to 1¾% on average in the 2014-15 period. Local demand remains subdued as a result of low job creation and remittances (from workers in the US) increasing only modestly. The US growth improvement in the coming years, and firmer external demand, will support the Salvadorian economy. Ahead of the 2014 elections, government spending will remain high, particularly in relation to unfinished infrastructure projects. Exports will advance at a more moderate pace than imports (in view of the low local manufacturing base) making net exports a drag on output growth. Investment will likely increase over the forecast horizon as the new law on public-private partnerships will open the possibility for further foreign investment; however, security issues, weak institutions and the change in government will likely temper investor sentiment.

- **Inflation & Monetary Context ►** Inflation remains highly dependent on international food and oil prices (El Salvador is a net oil and fuel importer). Inflation has remained muted, averaging 0.8% y/y from January to November, significantly lower than last year's average of 1.8%. With a dollarized economy, and a modest domestic recovery, we anticipate that inflation will remain below the 2⅓% y/y mark in 2014, and to then accelerate to close to 3½% y/y in 2015. The inflation outlook will remain subject to any adjustments to electricity tariffs or the country's high exposure to natural disasters that could affect the grain harvest, putting upward pressure to prices.

- **Fiscal & Current Account Balance ►** Fiscal and current account imbalances will remain of high concern in the foreseeable future. After reaching 3.4% of GDP in 2012, the budget shortfall will likely widen to 4% in 2013 as a result of higher spending due to the electoral process early next year. A subdued economic performance, elevated energy import bill, and high current expenditures and subsidies will restrain fiscal consolidation efforts in the coming years, representing one of the main macroeconomic challenges for the next administration. Despite tax reforms undertaken in previous years, which have boosted revenues, government efforts have not been enough to reduce the budget gap. The current account deficit will moderate slightly to around 4½% of GDP through the 2014-15 period, after reaching above the 5% mark in 2012-13. Exports will likely accelerate by the end of the forecast horizon responding to free trade agreements, particularly with the Dominican Republic and Central American countries. However, import growth will remain elevated, creating a merchandise trade shortfall of around 20% of GDP.

Institutional Framework & Political Environment

- **Governance ►** Presidential elections are scheduled for February 2014. Salvador Sánchez from the ruling party Frente Farabundo Martí para la Liberación Nacional (FMLN) and Norman Quijano from Alianza Republicana Nacionalista (ARENA) are the two front-runners. Based on the most recent polls, the chance of a second round of votes is high. Additionally, the legislature will likely remain divided in the coming year with negotiations among parties playing a key role. Insecurity issues, mediocre growth performance and fiscal consolidation will remain the central priorities for the next administration.

- **Financial Sector ►** Local financial institutions maintain an adequate level of capital and liquidity. The capital adequacy ratio of around 17% is significantly higher than the 12% set by local authorities, and nine percentage points above Basel I standards. The non-performing loan ratio remains at a manageable level (3% of total loans). In the IMF's latest country assessment, the fund highlights that the country is well set to transition to Basel III standards.

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TRINIDAD and TOBAGO

Capital Market Dynamics

- **Foreign Exchange ►** The current exchange rate regime will remain in place for the foreseeable future, providing confidence among investors, particularly the ones in the energy sector. Although the central bank maintains an official floating exchange rate policy, authorities regularly intervene in the market to moderate volatility, confining the currency in a narrow trading band in a de-facto fixed-currency scheme. The Trinidad and Tobago dollar (TTD) has averaged 6.38 TTD per US dollar (USD) so far this year. In response to some episodes of constrained liquidity in the last few years, the central bank has adjusted the foreign currency supply mechanism, providing some relief to currency pressures. The stock of foreign reserves (currently valued at US$9.3 billion) resumed its upward trend in January; however, it still remains slightly below last year's level.
- **Sovereign Debt & Credit Ratings ►** The country's sovereign debt profile remains stable with long-term sovereign credit ratings among the highest of the Caribbean countries. Standard and Poor's maintains an "A" rating while Moody's holds a "Baa1" assessment, both with a "stable" outlook. The Heritage and Stabilization Fund, which currently maintains assets valued at around 19% of GDP, remains a solid shield for the economy and a significant source of income for the government in case of a marked energy price decrease (funds can be withdrawn if energy prices drop by 10% of the budgeted level). The International Monetary Fund (IMF) forecasts that the government's gross debt will remain at a manageable level—35% of GDP on average for the coming two years—after increasing from 33% of GDP in 2011 to close to 38% in 2012 (reflecting mainly an insurance company failure).

Economic Outlook

- **Growth ►** The economy of Trinidad and Tobago seems to be picking up—albeit slowly—as a result of government stimulus, loose monetary conditions and a rebound in the non-energy sector. Non-energy output, accounting for close to 60% of total GDP, has been expanding at faster rates compared with energy production, which has been decelerating due to maintenance and updates of the sector's infrastructure. Additionally, energy prices have been moderating significantly compared with previous years, providing a lower export and revenue base for the country. Furthermore, reduced demand for imported energy in the US will continue to pose challenges for the country, as exporters will seek new markets for their petroleum products. Domestic demand will remain subdued with credit growth recovering at a very modest pace while government spending will accelerate as a result of fiscal stimulus. We expect the nation's real GDP to expand by around 1½% in 2013 and by 2⅓% in 2014-15.
- **Inflation & Monetary Context ►** Headline inflation will remain volatile and relatively elevated in the foreseeable future as it is highly dependent on food prices, with Trinidad and Tobago being a net food importer. Headline inflation decelerated from 5.1% y/y in August to 3.0% in September, significantly lower than the 7.7% rate registered a year ago; however, the core component will likely stay close to the 3.0% y/y level. In an attempt to support a pro-growth strategy through an accommodative monetary policy stance, the central bank has maintained the administered repo rate at 2.75% since September 2012. Based on the central bank's latest statement, authorities remain vigilant regarding excess liquidity in the financial system.
- **Fiscal & Current Account Balance ►** The country's budgetary position has been deteriorating recently with the fiscal deficit moving from 0.1% of GDP in the 2010-11 fiscal year (October to September) to an estimated level of 1.4% in FY2013-14. We anticipate this trend to remain in place as energy revenues will moderate (once production restarts energy prices are expected to be lower than in previous years) and government spending will remain elevated as stimulus programs are intended to support the economic recovery. Officials estimate that the budget will return to balance by 2017. The country's external position remains solid, although waning, with a current account surplus estimated to average around 8% of GDP over the forecast horizon (compared with 16% of GDP over the past five years); exports, particularly natural gas, will increase modestly while import growth will accelerate as economic activity recovers.

Institutional Framework & Political Environment

- **Governance ►** Economic recovery, security improvement and drug trafficking control will remain key focus areas for the current administration. Although Prime Minister Kamla Persad-Bissessar's party, the People's Partnership (which includes the United National Congress party and some minor parties) maintains a significant majority in Parliament, tensions among political forces within the coalition have emerged, testing the partnership's union and weakening the government's political capital. General elections are scheduled for May 2015. On the international agenda, negotiations with Venezuela on cross-border energy disputes will remain a key priority. Relations with countries in South America will strengthen as Trinidad and Tobago seeks new markets for its exports.
- **Financial Sector ►** According to the IMF's 2013 Article IV Consultation, the financial sector in Trinidad and Tobago remains sound. Although commercial banks are well capitalized and liquid with provisions increasing significantly, other financial institutions remain outside the supervision structure. Total credit to the private sector continues to grow at a low pace of around 3.0% y/y in July, with consumer lending expanding faster by close to 6½% y/y in the same month.

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JAMAICA

Capital Market Dynamics

- **Foreign Exchange ►** The Jamaican dollar (JMD) remains vulnerable, despite signs of an incipient economic recovery and strong execution of the economic stabilization and growth programme. A hefty public sector debt overhang (142% of GDP), a wide current account deficit (12% of GDP), high inflation (10.1% y/y in November) and tough measures to execute structural economic reforms will keep the JMD on the defensive in the near term. Following active central bank intervention to support the JMD versus the US dollar (USD), net international reserves declined by 68% in the past 28 months to the current level of US$835 million. The JMD, trading at 106 per USD, has depreciated by 15.6% over the past 12 months. Further weakness is in prospect, as the USD regains strength, heightening emerging-market volatility.
- **Sovereign Debt & Credit Ratings ►** Jamaican sovereign creditworthiness has suffered sharply on the back of weakened public sector finances and more restrictive external market conditions. However, investor sentiment may improve following progress in implementing reforms under the US$955-million 48-month Extended Fund Facility (EFF) signed with the International Monetary Fund (IMF). The US$9 billion debt-reduction initiative early in the year represented a distressed-credit event triggering multiple downgrade rating actions to the "C" rated territory. Nevertheless, in September, Standard and Poor's upgraded Jamaica's rating by one notch to "B-" from "CCC+" citing visible progress in economic stabilization and gradual recovery dynamics. Although global financial market conditions have improved, renewed volatility linked to shifts in US monetary policy direction has led to higher costs of external finance; indeed, Jamaica's US$-denominated sovereign debt yield spread is currently trading at 660 bps over equivalent US Treasury bonds.

Economic Outlook

- **Growth ►** The economy is immersed in a tentative recovery phase after six consecutive quarters of negative growth; real GDP increased by 0.6% y/y during the third quarter, and a similar rate is estimated for the last quarter of 2013. The decline in net remittances in the first semester of 2013 reflected softer economic activity in the US with a negative effect on domestic consumption; nevertheless, improved macroeconomic conditions in the US bode well for the Jamaican growth outlook in 2014-15. We expect real GDP to expand by 0.5% in the current fiscal year and by 1.0% in 2014-15. The introduction of tax hikes may constrain consumption and output gains, but improved the macroeconomic framework to allow sustainable growth in the remainder of the decade. A major tax reform, recently passed by the Senate, is contemplated in the stabilization and growth plan in order to broaden the tax base, raise the threshold of personal income tax and execute major administrative reforms in order to lower the public sector wage bill.
- **Inflation & Monetary Context ►** Consumer price inflation has been trending higher over the past 12 months, exceeding the 10% y/y mark in the last three months of the year. The central bank expects a gradual stabilization of inflation to single-digit levels over the coming two years, with the headline rate likely to close the 2013/14 fiscal year at between 8.5% and 10.5%. Although price stability will remain compromised in the near term, subdued economic activity and wage restraint may mitigate price pressures stemming from exchange rate weakness. A slight moderation in energy prices may aid the inflation control strategy. The Bank of Jamaica maintains a bias towards monetary policy accommodation and continues to offer its regular 30 -day certificate of deposit at the 5.75% annual rate.
- **Fiscal & Current Account Balance ►** The large public sector debt burden is a key structural impediment to secure a sustainable growth path; however, the IMF stressed that overall implementation of the EFF commitments has been strong despite economic weakness. The consolidated public sector deficit, which reached 4.1% of GDP in the 2012-13 fiscal year, is projected to decline to 0.5% of GDP by the end of the 2015. The IMF programme envisages that the public sector debt ratio will decline from 146% of GDP in 2012 to 100% by 2020; a major component of the fiscal consolidation strategy is to achieve a primary surplus equivalent to 7.5% of GDP by the end of this fiscal year. The current account deficit, which closed at 12.4% of GDP in the 2012/13 fiscal year, remains a major factor exerting further downward pressure on the local currency. The external gap will likely remain at around 10% of GDP over the next two years.

Institutional Framework & Political Environment

- **Governance ►** The administration of Prime Minister Portia Simpson-Miller (from the People's National Party) faces a challenging economic environment due to the need for major fiscal restraint. The government maintains broad popular and parliamentary support (42 out of 63 seats at the Lower House) to further introduce structural reforms to comply with the IMF agreement. Tax, wage, and public sector administrative reforms are all factors that require compromise agreements with major unions in the context of high unemployment. Bilateral relations with Venezuela remain strategically relevant as Petro Caribe has become Jamaica's main energy supplier.
- **Financial Sector ►** The local banking sector is adequately prepared to weather a difficult macroeconomic context. Commercial bank lending expanded by 16% y/y in June 2013. Consumer credit, accounting for 64% of total bank lending, increased by 19% during the same period, aided by a supportive interest rate environment (average bank loan rate at 16.6%). Systemic asset quality improved markedly, with the non-performing loan ratio declining to 5.8% in June 2013 from 6.8% last December. The central bank will inject liquidity, if need be.

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THE BAHAMAS

Capital Market Dynamics

- **Foreign Exchange ►** Monetary authorities remain committed to supporting the 1:1 currency peg between the Bahamian and US dollars. Foreign reserves continue to decrease—albeit at a slower pace compared with last year—responding to lower foreign exchange receipts, particularly from the tourism sector. As of October, reserves stood at US$685 million, decreasing on average by 11% y/y throughout the year. External reserves are equivalent to 2.6 months of total imports and slightly above four months of non-oil imports.

- **Sovereign Debt & Credit Ratings ►** The sovereign creditworthiness of the Bahamas has deteriorated. Government finances and sovereign credit conditions will remain challenging in the coming years. Public sector debt increased from 43% of GDP in the 2008-12 period to an expected level of above 55% in 2013, representing the biggest increase in government indebtedness among the Caribbean. The International Monetary Fund foresees a debt-to-GDP ratio of 61% by 2016. Standard & Poor's (S&P) recently affirmed the country's rating at "BBB", leaving a "negative" outlook. The agency highlighted that the increasing fiscal deficit remains a concern, which would be alleviated if the government was able to implement a fiscal reform to increase revenue. Moody's maintains the country's sovereign rating at "Baa1" with a "negative" outlook.

Economic Outlook

- **Growth ►** The Bahamas economic outlook will likely improve in the 2014-15 period, following a mild pick-up in 2013. Investment in large scale projects—and therefore the construction sector—has offset the negative performance of the tourism industry; which has not rebounded completely since the 2008-09 crisis. Stop-over arrivals (0.7 million decreased by 7.3% y/y in the first half of the year, while cruise passenger visits (2.8 million) increased by 4.2% in the January-July period. The US remains as the major source of tourist arrivals, accounting for 76% of total passengers. Nonetheless, as the main investment project, Baha Mar, concludes and the resort becomes fully operational (expected in late 2014) tourism will likely pick up, fuelling economic activity. Additionally, we anticipate that the US growth rate will accelerate from an expected 1.7% in 2013 to 2.8% in the coming two years, supporting the recovery in the Bahamas. However, we foresee that high unemployment will only moderate in the forecast horizon preventing a strong recovery in local household consumption. Real GDP will expand by a mild 1.8% in 2013, accelerating to 2.4% on average in the following two years.

- **Inflation & Monetary Context ►** Headline inflation will remain well-contained, but highly dependent on international commodity prices, particularly with respect to shifts in energy prices. The 12-month average inflation has decelerated throughout the year, decreasing to 0.5% y/y in October 2013 from 2.3% a year earlier. With a mild economic recovery and a persistently high unemployment, we anticipate that inflationary pressures will remain muted, with the headline figure below the 2.0% y/y mark, reflecting developments in international food and oil prices. If a fiscal reform is approved and taxes are raised, inflation could increase temporarily. The monetary policy rate has remained unchanged at 4.5% since June 2011, and despite the low effectiveness of monetary policy due to the fixed currency regime, the central bank is able to use other instruments (such as reserve requirements) to influence liquidity.

- **Fiscal & Current Account Balance ►** The fiscal deficit will remain high over the foreseeable future. The budget shortfall widened to close to 6% of GDP in the 2012-13 fiscal year (July-June), significantly higher than the previous five-year average of 3.5% of GDP. The tax reform proposal, particularly the possible introduction of a value-added tax, coupled with stronger economic growth in the coming years may improve the government's finances. However, we do not foresee that the administration will significantly reduce its spending, keeping the fiscal shortfall above 5% of GDP in 2013-15. On the external side, we project that the current account deficit will remain substantial, close to 15% of GDP through 2013-15. The trade shortfall widened in the first half of the year as a result of lower merchandise exports coupled with higher non-oil imports, which offset the positive effect of a lower oil import bill. With the tourism sector improving in the coming years, the current account deficit will moderate somewhat from the 2012 peak of 17% of GDP.

Institutional Framework & Political Environment

- **Governance ►** The government's ability to implement fiscal consolidation amid high unemployment rates and weak economic activity will remain the main challenges for Prime Minister Perry Christie of the Progressive Liberal Party (PLP). The PLP enjoys an ample majority in the lower house of parliament, which will provide support for Mr. Christie's agenda. Foreign relations, particularly with the US and China, increasing insecurity, and the continuance of a business friendly environment will remain the key priorities for the current government.

- **Financial Sector ►** Private sector lending continues to be subdued as a result of low job creation and weak domestic demand. Consumer credit decreased by 5.5% y/y in September, while commercial lending both in local currency or foreign currency increased by 5.8% y/y and 7%, respectively. Asset quality has deteriorated. The non-performing loans ratio remains at a high level, close to 14% of total loans as of September.

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BARBADOS

Capital Market Dynamics

- **Foreign Exchange ►** Authorities will remain committed to maintaining the Barbadian dollar's (BBD) peg to the US dollar at a rate of 2:1 despite recent pressures on the currency. The central bank stated that BBD weakness has reflected lower foreign inflows coming from private investment and poor performance in the tourism sector. Accordingly, foreign reserves have decreased by 30% from January to September, covering only 3.2 months of imports as of September, significantly lower than the 4.6 months of coverage averaged over the last five years.

- **Sovereign Debt & Credit Ratings ►** Credit ratings for Barbados have deteriorated. Government finances and sovereign credit conditions remain challenging for Barbados. Public sector debt increased from around 50% of GDP in 2008 to an estimated 90% in 2013. Barbados's debt-to-GDP ratio is the second highest among the major Caribbean countries, exceeded only by the Jamaican ratio. Sovereign Standard & Poor's (S&P) recently downgraded the country's long-term sovereign rating from "BB+" to "BB-" (in mid-2012 the country lost its investment grade status), leaving the "negative" outlook in place. S&P stated that elevated fiscal deficits and high exposure to external shocks coupled with low economic growth are the country's main weaknesses. Moody's downgraded the nation's sovereign rating from "Baa3" to "Ba1" in December 2012, maintaining a "negative" outlook.

Economic Outlook

- **Growth ►** The Barbadian economic outlook remains challenging. The country's output has not fully recovered from the 2008-09 crisis and has fallen back into recession in 2013, contracting by 0.7% y/y in the first nine months of the year. Local demand remains subdued, with high levels of unemployment (around 11%) weighing on household consumption. Meanwhile, foreign investment continues to decrease. The tourism sector, which directly accounts for close to 12% of GDP, remains weak despite the rebound in other tourism-intensive countries in the Caribbean region. Stop-over arrivals decreased by 6.7% y/y in the January-August period; however, cruise passengers expanded by 10.6% y/y in the same period. Despite fiscal constraints, government spending has been directed at tourism-related infrastructure improvements with the aim of boosting economic activity. We anticipate that the Barbadian economy will contract by ½% in 2013, followed by an average expansion of 0.3% in the 2014-15 period. The US economic upturn coupled with higher consumer spending in the UK will support the country's performance, particularly in the tourism sector.

- **Inflation & Monetary Context ►** The inflation outlook in Barbados remains dependent on international energy and food prices, given the country's limited access to natural resources and corresponding dependence on imports. As a result of the moderation in fuel and food prices since mid-2012, the 12-month average inflation rate has remained relatively stable. Inflation reached its lowest level in July (2.1% y/y) and has averaged 4.3% in the last 12 months. With reduced inflationary pressures and weak economic performance, we anticipate that the central bank will likely maintain its current loose monetary policy stance for the foreseeable future. We estimate that consumer price inflation will remain steady, averaging around 3.5% y/y in the coming years.

- **Fiscal & Current Account Balance ►** Barbados's mounting fiscal deficits remain a cause for concern. The budgetary shortfall reached 8% of GDP in the 2012-13 fiscal year (April-March), almost double the level registered during the previous fiscal year (4.4%). The government remains committed to fiscal consolidation and budget tightening, which aims to improve external accounts. However, the authorities are also fighting to revive economic activity and therefore have recently released the new budget, which included the reduction of the VAT for tourist services and other measures to support investment mainly in the tourism/infrastructure sectors. We anticipate that the fiscal gap will decrease only slightly in the coming years to around 6½% of GDP. The current account deficit has widened from 4.8% of GDP in 2012 to close to 9.3% in the January-September period as a result of the country's reliance on imports, low tourism revenues and weak export performance. We expect that the current account shortfall will return to close to 5.0% of GDP in the 2014-15 period as the tourism sector picks up and investment inflows recover.

Institutional Framework & Political Environment

- **Governance ►** The political environment in Barbados will remain stable; however, deteriorating economic conditions and fiscal constraints have challenged the current administration. In the February election, Prime Minister Freundel Stuart of the Democratic Labour Party (DLP) was elected for his first full term (five years) in office. However, he now faces a stronger opposition as the DLP lost four seats in the lower house, maintaining a narrow majority. Nonetheless, we expect Mr. Stuart to continue to implement his economic agenda. Drug trafficking, money laundering, fiscal consolidation and economic linkages with other potential trading partners will remain key issues for the government.

- **Financial Sector ►** The banking system in Barbados remains liquid and well-capitalized in line with official requirements. However, with a languid economic recovery and low consumer spending, credit growth has remained subdued and the non-performing loans (NPL) ratio increased to 13.9% in June (once percentage point above the 2012 level). Authorities highlighted that mortgage and real state portfolios have been the main reason for a higher NPL.

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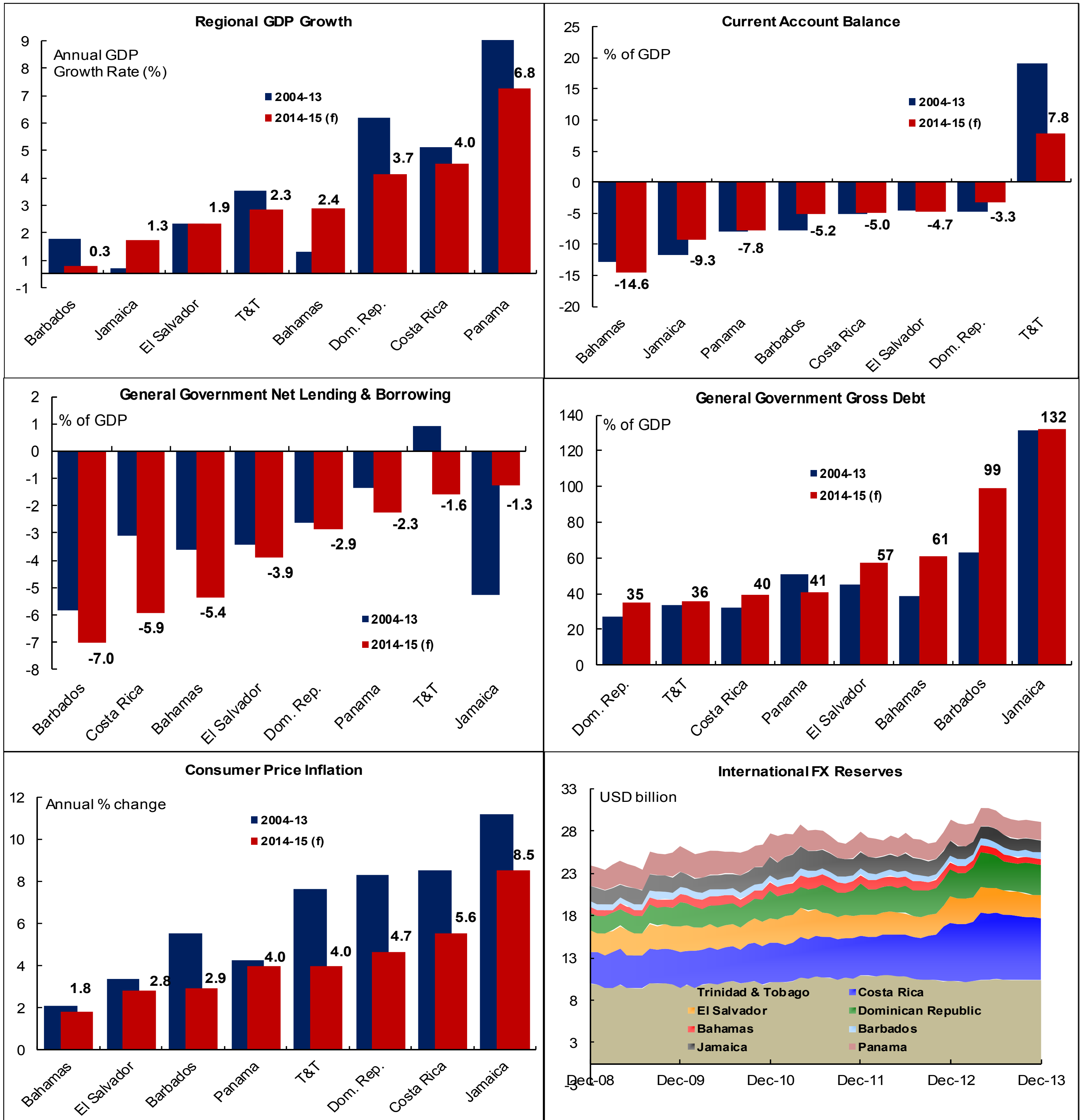
Central America & The Caribbean
Macroeconomic Metrics – December 2013



Sources: International Monetary Fund, Bloomberg and Scotiabank Economics.

Global Sovereign Credit Ratings

Foreign Currency Long Term Ratings – December 2013

INVESTMENT GRADE

Moody's					Standard & Poor's					Fitch				
RATING	AMERICAS	EUROPE	ASIA & OCEANIA	MIDDLE EAST & AFRICA	RATING	AMERICAS	EUROPE	ASIA & OCEANIA	MIDDLE EAST & AFRICA	RATING	AMERICAS	EUROPE	ASIA & OCEANIA	MIDDLE EAST & AFRICA
Aaa	Canada United States	Austria (-) Denmark Finland Germany (-) Luxembourg (-) Netherlands (-) Norway Sweden Switzerland	Australia New Zealand Singapore		AAA	Canada	Denmark Finland Germany Luxembourg Norway Sweden Switzerland United Kingdom (-)	Australia Hong Kong Singapore		AAA	Canada United States *-	Austria Denmark Finland Germany Luxembourg Netherlands (-) Norway Sweden Switzerland	Australia Singapore	
Aa1		France (-) United Kingdom	Hong Kong		AA+	United States	Austria Netherlands			AA+		France United Kingdom	Hong Kong	
Aa2				Kuwait Qatar United Arab Emirates	AA		Belgium (-) France	New Zealand	Kuwait Qatar	AA		Belgium	New Zealand	Kuwait
Aa3	Bermuda (-) Cayman Islands Chile	Belgium (-)	China Japan Macau South Korea Taiwan	Saudi Arabia	AA-	Bermuda (-) Chile	Czech Republic	China Japan (-) Taiwan	Saudi Arabia (+)	AA-	Bermuda (-)		South Korea	Saudi Arabia (+)
A1		Czech Republic		Israel Oman	A+			South Korea	Israel	A+	Chile	Czech Republic Slovakia	China Japan (-) Taiwan	
A2		Poland Slovakia			A	Trinidad and Tobago	Slovakia		Oman	A		Malta		Israel
A3		Malta	Malaysia (+)		A-		Poland Slovenia	Malaysia		A-		Poland	Malaysia (-)	
Baa1	Bahamas (-) Mexico Trinidad and Tobago	Russia	Thailand	South Africa (-)	BBB+	Aruba Mexico Peru	Ireland (+) Malta	Kazakhstan Thailand		BBB+	Mexico Peru	Ireland Italy (-) Slovenia (-)	Kazakhstan Thailand	
Baa2	Brazil Panama Peru (+)	Italy (-)	Kazakhstan (+)	Bahrain (-)	BBB	Bahamas (-) Brazil (-) Colombia Panama	Italy (-) Russia		Bahrain South Africa (-)	BBB	Aruba (-) Brazil Colombia Panama	Iceland Russia Spain		Bahrain South Africa
Baa3	Colombia (+) Costa Rica (-) Uruguay (+)	Iceland Romania (-) Spain Turkey	India Indonesia Philippines (+)		BBB-	Uruguay	Iceland (-) Spain	India (-) Philippines	Morocco (-)	BBB-	Uruguay	Romania Turkey	India Indonesia Philippines	Morocco

SPECULATIVE GRADE

Moody's					Standard & Poor's					Fitch				
RATING	AMERICAS	EUROPE	ASIA & OCEANIA	MIDDLE EAST & AFRICA	RATING	AMERICAS	EUROPE	ASIA & OCEANIA	MIDDLE EAST & AFRICA	RATING	AMERICAS	EUROPE	ASIA & OCEANIA	MIDDLE EAST & AFRICA
Ba1	Barbados (-) Guatemala	Croatia Hungary (-) Ireland Slovenia (-)		Morocco (-)	BB+		Croatia (-) Romania (+) Turkey	Indonesia		BB+	Costa Rica Guatemala (-)	Croatia Hungary		
Ba2					BB	Costa Rica Guatemala	Hungary (-) Portugal *-			BB				
Ba3	El Salvador	Portugal	Bangladesh	Tunisia (-)	BB-	Barbados (-) El Salvador (-)		Bangladesh Mongolia (-) Vietnam	Jordan (-)	BB-	El Salvador (-)		Sri Lanka	Tunisia (-)
B1	Dominican Republic		Mongolia Papua New Guinea Sri Lanka	Jordan Lebanon (-)	B+	Dominican Republic		Papua New Guinea Sri Lanka		B+	Venezuela (-)		Mongolia (-) Vietnam	
B2	St. Vincent and the Grenadines		Cambodia Vietnam		B	Ecuador (+)		Cambodia		B	Dominican Republic Ecuador			Lebanon (-)
B3	Argentina (-) Nicaragua				B-	Belize Jamaica Venezuela (-)	Cyprus Greece	Pakistan	Egypt Lebanon (-)	B-		Cyprus (-) Greece		Egypt (-)
Caa1	Cuba Ecuador Venezuela (-)		Pakistan (-)	Egypt (-)	CCC+	Argentina (-)				CCC+				
Caa2	Belize				CCC					CCC	Jamaica			
Caa3	Jamaica	Cyprus (-) Greece			CCC-					CCC-				
-					CC					CC	Argentina (-)			
-					C					C				
Ca					SD	Grenada				RD				

Note : (+) positive outlook (-) negative outlook N.R. - Not Rated.

When Moody's places a rating on watch in the short-term *+ denotes possible upgrade, *- denotes possible downgrade & * denotes developing. A credit is removed from the Watchlist when the rating is upgraded, downgraded or confirmed.

Ratings as at December 2013

Central America & The Caribbean
Key Economic Indicators – December 2013

Dominican Republic

Population (millions) as of
2012
10.231

	2012e	2013f	2014f	2015f
Ratios and Rates of Change				
Real GDP (% change)	3.9	2.7	3.5	3.8
Current Account % GDP	-6.7	-3.7	-3.5	-3.1
Foreign Reserves (months of imports)	2.2	2.6	2.5	2.4
Exchange Rate USDDOP (% change)	-3.1	-6.1	-4.1	-2.6
CPI (eop, % change)	3.9	4.5	4.8	4.5
CPI (average, % change)	3.7	5.0	5.0	5.0
Government Balance (% GDP)	-6.7	-3.0	-2.9	-2.8
Government Debt (% of GDP)	33	36	35	34
Actual Numbers				
Nominal GDP (USD bn)	59.0	59.8	63.0	67.0
Exchange Rate USDDOP (eop)	39.9	42.5	44.3	45.50
Exchange Rate USDDOP (average)	39.4	41.8	43.0	44
Central Bank Rate (%)	5.00	6.25	6.25	7.25
Exports (USD bn)	9.1	10.7	11.2	12.1
Imports (USD bn)	17.8	17.0	18.5	19.5
Trade Balance (USD bn)	-8.7	-6.3	-7.3	-7.4
Current Account (USD bn)	-4.0	-2.2	-2.2	-2.1
Foreign Reserves (USD bn)	3.2	3.7	3.8	3.9

Costa Rica

Population (millions) as of
2012
4.636

	2012e	2013f	2014f	2015f
Ratios and Rates of Change				
Real GDP (% change)	5.1	3.0	3.9	4.1
Current Account % GDP	-5.2	-5.1	-5.1	-4.9
Foreign Reserves (months of imports)	4.7	5.2	5.1	5.0
Exchange Rate USDCRC (% change)	0.7	1.6	-1.0	-1.0
CPI (eop, % change)	4.6	4.1	5.3	5.8
CPI (average, % change)	4.5	5.5	5.5	5.5
Government Balance (% GDP)	-4.7	-5.0	-4.8	-4.5
Government Debt (% of GDP)	35.3	36.7	38.3	41.1
Actual Numbers				
Nominal GDP (USD bn)	45.1	49.4	53.8	58.9
Exchange Rate USDCRC (eop)	508	500	505	510
Exchange Rate USDCRC (average)	503	500	500	500
Exports (USD bn)	11.5	11.4	11.9	12.4
Imports (USD bn)	17.6	17.9	19.0	20.3
Trade Balance (USD bn)	-6.1	-6.4	-7.1	-7.9
Current Account (USD bn)	-2.4	-2.5	-2.7	-2.9
Foreign Reserves (USD bn)	6.9	7.7	8.1	8.5

Panama

Population (millions) as of
2012
3.655

	2012e	2013f	2014f	2015f
Ratios and Rates of Change				
Real GDP (% change)	10.8	7.5	7.0	6.5
Current Account % GDP	-9.0	-9.4	-8.6	-7.0
Foreign Reserves (months of imports)	1.0	0.9	1.1	1.0
Exchange Rate USDPAB (% change)	0.0	0.0	0.0	0.0
CPI (eop, % change)	4.6	4.5	4.0	4.0
CPI (average, % change)	5.7	4.8	4.5	4.0
Government Balance (% GDP)	-2.1	-3.1	-2.5	-2.0
Government Debt (% of GDP)	42.3	40.4	40.9	40.8
Actual Numbers				
Nominal GDP (USD bn)	36.3	40.6	45.2	50.0
Exchange Rate USDPAB (eop)	1.00	1.00	1.00	1.00
Exchange Rate USDPAB (average)	1.00	1.00	1.00	1.00
Exports (USD bn)	18.9	19.8	20.8	21.8
Imports (USD bn)	24.6	26.1	27.9	30.2
Trade Balance (USD bn)	-5.8	-6.3	-7.1	-8.3
Current Account (USD bn)	-3.3	-3.8	-3.9	-3.5
Foreign Reserves (USD bn)	2.0	2.0	2.5	2.5

El Salvador

Population (millions) as of
2012
6.297

	2012e	2013f	2014f	2015f
Ratios and Rates of Change				
Real GDP (% change)	1.9	1.5	1.7	2.0
Current Account % GDP	-5.3	-5.1	-4.8	-4.6
Foreign Reserves (months of imports)	3.6	3.0	3.1	3.1
Exchange Rate USDSVC (% change)	0.0	0.0	0.0	0.0
CPI (eop, % change)	0.8	0.9	2.1	3.5
CPI (average, % change)	1.7	0.7	1.5	2.0
Government Balance (% GDP)	-3.4	-4.0	-4.0	-3.8
Government Debt (% of GDP)	55.0	54.8	56.5	58.0
Actual Numbers				
Nominal GDP (USD bn)	23.9	24.4	25.2	26.2
Exchange Rate USDSVC (eop)	8.75	8.75	8.75	8.75
Exchange Rate USDSVC (average)	8.75	8.75	8.75	8.75
Exports (USD bn)	5.3	5.4	5.5	5.8
Imports (USD bn)	10.4	10.8	11.1	11.5
Trade Balance (USD bn)	-5.0	-5.4	-5.6	-5.7
Current Account (USD bn)	-1.3	-1.3	-1.2	-1.2
Foreign Reserves (USD bn)	3.1	2.7	2.9	3.0

Sources: National authorities, International Monetary Fund, Bloomberg and Scotiabank Economics.
e: estimate f: forecast

Central America & The Caribbean

Key Economic Indicators – December 2013

Trinidad and Tobago

Population (millions) as of 2012: 1.329

	2012e	2013f	2014f	2015f
Ratios and Rates of Change				
Real GDP (% change)	0.2	1.5	2.3	2.4
Current Account (% of GDP)	11.5	8.5	8.2	7.5
Foreign Reserves (months of imports)	14.2	12.7	13.3	13.5
Exchange Rate USDTTD (% change)	-0.1	0.0	0.0	0.0
CPI (eop, % change)	7.2	4.5	4.0	4.0
CPI (average, % change)	9.3	6.5	4.0	4.0
Government Balance (% of GDP)	-0.3	-1.4	-1.4	-1.8
Government Debt (% of GDP)	38.7	33.4	34.7	36.7
Actual Numbers				
Nominal GDP (USD bn)	23.2	26.9	28.1	29.4
Exchange Rate USDTTD (eop)	6.42	6.42	6.42	6.42
Exchange Rate USDTTD (average)	6.42	6.42	6.42	6.42
Exports (USD bn)	13.7	14.2	14.3	14.2
Imports (USD bn)	8.3	8.8	8.9	8.9
Trade Balance (USD bn)	5.4	5.4	5.4	5.3
Current Account (USD bn)	2.7	2.3	2.3	2.2
Foreign Reserves (USD bn)	9.8	9.3	9.8	10.0

Jamaica

Population (millions) as of 2012: 2.769

	2012	2013f	2014f	2015f
Ratios and Rates of Change				
Real GDP (% change)	-0.6	0.5	1.0	1.5
Current Account (% of GDP)	-13.0	-11.3	-10.6	-8.1
Foreign Reserves (months of imports)	2.4	2.1	2.4	3.0
Exchange Rate USDJMD (% change)	-6.5	-16.0	-4.3	5.4
CPI (eop, % change)	8.0	10.0	9.0	8.0
CPI (average, % change)	6.9	9.0	9.5	8.3
Government Balance (% of GDP)	-5.7	-3.0	-2.0	-0.5
Government Debt (% of GDP)	146	142	135	130
Actual Numbers				
Nominal GDP (USD bn)	14.7	16.0	14.2	14.8
Exchange Rate USDJMD (eop)	92.4	110	115	120
Exchange Rate USDJMD (average)	89.2	90.0	112.0	118
Exports (USD bn)	1.7	1.8	1.9	1.9
Imports (USD bn)	6.6	5.8	5.9	6.0
Trade Balance (USD bn)	-4.9	-4.0	-4.0	-4.1
Current Account (USD bn)	-1.9	-1.8	-1.5	-1.2
Foreign Reserves (USD bn)	1.3	1.0	1.2	1.5

Bahamas

Population (millions) as of 2012: 0.316

	2012e	2013f	2014f	2015f
Ratios and Rates of Change				
Real GDP (% change)	1.8	1.8	2.3	2.5
Current Account (% of GDP)	-17.4	-15.1	-14.9	-14.3
Foreign Reserves (months of imports)	3.0	2.7	2.7	2.7
Exchange Rate USDBSD (% change)	0.0	0.0	0.0	0.0
CPI (eop, % change)	0.7	1.0	1.7	1.9
CPI (average, % change)	2.0	0.8	1.3	1.5
Government Balance (% of GDP)	-5.6	-5.9	-5.8	-4.9
Government Debt (% of GDP)	51	56	60	62
Actual Numbers				
Nominal GDP (USD bn)	8.2	8.4	8.7	9.1
Exchange Rate USDBSD (eop)	1.00	1.00	1.00	1.00
Exchange Rate USDBSD (average)	1.00	1.00	1.00	1.00
Exports (USD bn)	1.0	1.0	1.1	1.1
Imports (USD bn)	3.4	3.4	3.6	3.7
Trade Balance (USD bn)	-2.4	-2.4	-2.5	-2.6
Current Account (USD bn)	-1.4	-1.3	-1.3	-1.3
Foreign Reserves (USD bn)	0.8	0.8	0.8	0.8

Barbados

Population (millions) as of 2012: 0.283

	2012e	2013f	2014f	2015f
Ratios and Rates of Change				
Real GDP (% change)	0.0	-0.5	0.1	0.5
Current Account (% of GDP)	-5.7	-6.5	-5.4	-5.0
Foreign Reserves (months of imports)	9.8	6.4	6.2	6.7
Exchange Rate USDBBD (% change)	0.0	0.0	0.0	0.0
CPI (eop, % change)	2.4	3.0	2.8	3.0
CPI (average, % change)	4.5	4.0	3.3	3.2
Government Balance (% of GDP)	4.4	-8.0	-7.5	-6.5
Government Debt (% of GDP)	86	92	97	101
Actual Numbers				
Nominal GDP (USD bn)	4.2	4.3	4.3	4.4
Exchange Rate USDBBD (eop)	2.0	2.0	2.0	2.0
Exchange Rate USDBBD (average)	2.0	2.0	2.0	2.0
Exports (USD bn)	0.57	0.59	0.62	0.65
Imports (USD bn)	1.78	1.9	2.0	2.1
Trade Balance (USD bn)	-1.2	-1.3	-1.4	-1.4
Current Account (USD bn)	-0.2	-0.3	-0.2	-0.2
Foreign Reserves (USD bn)	1.5	1.0	1.1	1.2

Sources: National authorities, International Monetary Fund, Bloomberg and Scotiabank Economics.
e: estimate f: forecast

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