

Republic Economic

NEWSLETTER

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A Tale of Muted Seasonal Stimulus

OVERVIEW

Available information suggests that economic activity continued to be subdued during the fourth quarter of 2025. In the non-energy sector, construction activity fell off considerably and was accompanied by a seemingly weaker-than-usual seasonal stimulus (Christmas, Divali and pre-Carnival events) in the retail sector, judging by the numerous complaints about slower sales among business owners. In the energy sector, prices for oil and gas moved in diverging directions, while the search for an investor to restart the PETROTRIN refinery continued. Domestic price pressures were contained during the period, with headline inflation advancing by only 0.4

percent over third quarter 2025 levels. Unfortunately, there was no indication during the period that the domestic stock market could gain any momentum anytime soon, given yet another quarterly fall of the Composite Price Index to 946.46 points.

ENERGY

During the fourth quarter of 2025, global oil prices decreased, with the average West Texas Intermediate (WTI) spot price falling to US\$59.64 per barrel (pb) from US\$65.78 pb in the previous quarter (Figure 1). At that level, the average price was 15.7 percent below the figure recorded in fourth quarter 2024. Contrarily, gas prices registered a 23.8 percent quarter-on-quarter (q-o-q) rise in the October-December 2025 period and were 53.7 percent above the average in the same period in 2024. The substantial rise in gas prices was partly due to colder than expected weather, which stoked demand for heating and resulted in increased electricity usage. In November 2025, weakening oil prices prompted OPEC+ to take the decision to pause incremental production increases during the first three months of 2026. Starting in 2022, the group made voluntary production cuts to support prices but began returning those resources to the market incrementally in April 2025. Nevertheless, the events related to Israel's and the US' war with Iran, which started at the end of February 2026, caused energy prices to increase substantially in early March, with oil prices surging past US\$100 pb. In response to the disruption of global supplies and the resultant high prices, the 32 members of the International Energy Agency

TRINIDAD AND TOBAGO

KEY ECONOMIC INDICATORS

INDICATOR	2024	2024.4	2025.4 p/e
Real GDP (% change)	2.5	2.7	NA
Retail Prices (% change)	0.5	0.4	0.4
Unemployment Rate (%)	5.0	5.5	NA
Fiscal Surplus/Deficit (\$M)	-9,624.0	563.6	-520.8
Bank Deposits (% change)	3.5	0.8	0.02
Private Sector Bank Credit (% change)	8.8	3.4	0.1
Net Foreign Position (US\$M)	9,269.6	9,269.6	8,894.4
Exchange Rate (TT\$/US\$)	6.72/6.78	6.72/6.78	6.71/6.78
Stock Market Comp. Price Index	1,118.5	1073.2	946.46
Oil Price (WTI) (US\$ per barrel)	76.55	70.74	59.64
Gas Price (Henry Hub) (US\$ per MMBtu)	2.19	2.44	3.75

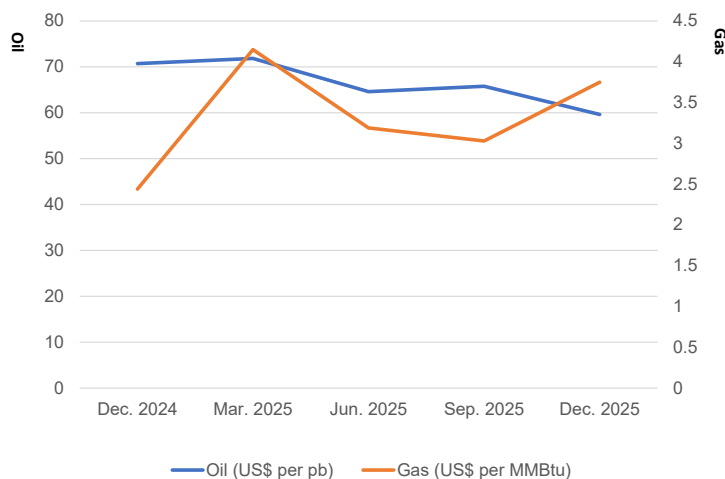
Source: - Central Bank of Trinidad and Tobago, TTSE, CSO, Energy Information Administration
 p - Provisional data
 e - Republic Bank Limited estimate

(IEA) agreed to release 400 million barrels of emergency reserves to the market, the largest ever executed. However, against the backdrop of daily global oil consumption of 100 million barrels per day, the release of these reserves could not realistically be expected to provide any enduring relief. With Iran’s ongoing attacks against several Middle East producers, and its vow to continue to obstruct shipments in the vital Strait of Hormuz, energy prices would likely remain elevated for as long as the country has the wherewithal to fight. While higher energy prices would provide a boost to Trinidad and Tobago’s fiscal resources, they are also expected to result in increased shipping costs and may therefore stoke domestic inflationary pressures.

Regarding production, the one bright spot was provided by the 3.1 percent year-on-year (y-o-y) rise in oil production during the first two months of the quarter. The average output was also comparable to levels seen in the third quarter of 2025. The performance of the rest of the sector was largely negative when compared to the averages of the previous quarter and the first two months of fourth quarter 2024. Gas production fell by 8.7 percent y-o-y to average 2,436.3 million standard cubic feet per day (MMSCF/D) in the October-November 2025 period. In the downstream sector, the impact of reduced gas output and recent plant shutdowns were apparent, with production contracting across the board. During the period output of ammonia, LNG, methanol and urea was down 3.4 percent, 5.9 percent, 9.5 percent and 59.9 percent, respectively.

Exploration activity increased in October-November 2025, with rig days rising to 265 from 146 a year earlier and depth drilled up 127.7 percent. In December, Touchstone Exploration Inc. announced the start of development drilling in the Central Block acreage. This marked the first development drilling in the block, since 2006. Touchstone acquired the acreage from Shell in May 2025.

Figure 1: Oil & Gas Prices



Source: EIA

NON-ENERGY

Judging by the precipitous fall in local cement sales, construction sector activity plunged during the last quarter of 2025. During the period, cement sales registered a 12 percent q-o-q decline and an even larger contraction y-o-y (14.4 percent). For all of 2025, local cement sales decreased by 16.2 percent. Data from the retail sales index also confirmed the weak performance of the sector, with the sale of construction and hardware material falling by an average of 11.3 percent during the first three quarters of the year. Construction activity usually cools in the months following a general election, as the new government takes time to assess the country’s resources and prioritise its projects. The circumstances were a bit more encouraging in some other parts of the non-energy sector. For instance, the increased sale of new motor vehicles suggests positive activity in at least a portion of the trade and repair sector during the quarter. In the fourth quarter of 2025, the sale of new motor vehicles rose by 9.6 percent compared to the previous quarter and was 4.8 percent higher y-o-y. This increase occurred notwithstanding a significant fall in the sales of commercial vehicles. Private vehicles sales expanded by 15.5 percent q-o-q and 18.3 percent y-o-y.

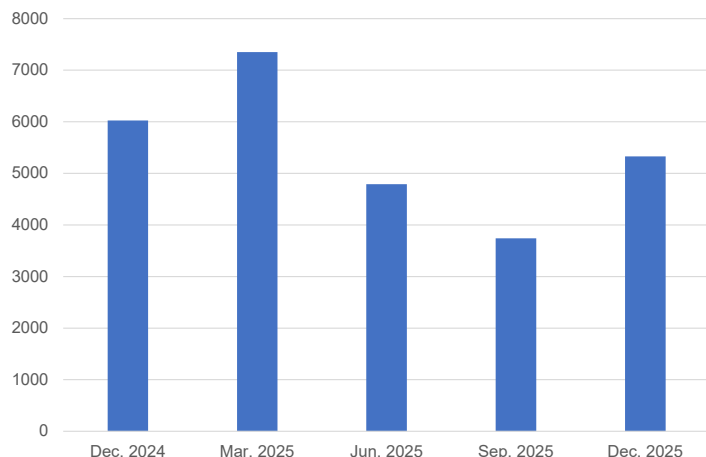
MONETARY POLICY

Domestic price pressures remained subdued in the fourth quarter of 2025, with headline inflation averaging 0.4 percent during the period, similar to the level a year earlier but down from the 1.3 percent recorded between July and September 2025. In the October-December 2025 period, food prices advanced at a slower rate (0.7 percent) compared to 2.6 percent in the previous quarter, while core inflation fell to 0.4 percent from 0.9 percent. Given low inflation and tepid growth in the non-energy sector, the Monetary Policy Committee (MPC) of the Central Bank (CBTT) left its policy rate, the Repo, unchanged at 3.5 percent in its December 2025 monetary policy announcement. This decision was supported by easing monetary conditions in major economies, with the Federal Reserve (Fed) reducing its policy rate by 25 basis points to the 3.5 – 3.75 percent range in December. This resulted in the negative TT-US interest differential on three-month treasuries falling to 74 basis points from 149 basis points in September 2025. This is expected to ease the external pressures facing the MPC, as the appeal of US short-term securities to domestic investors would likely reduce further. The commercial banks’ average basic prime lending rate remained at 7.6 percent in the fourth quarter.

Although there was some evidence of slowing in the fourth quarter when compared to earlier in 2025, the demand for credit expanded solidly over the same period in 2024. During the period, consumer loans increased by 6.1 percent y-o-y and were 2.2 percent higher q-o-q. While business loans fell by 0.5 percent from the previous quarter, they were 7.3

percent above the figure registered in the fourth quarter of 2024. Real estate mortgage loans rose by 2 percent q-o-q and 6.3 percent y-o-y. The expansion of credit occurred in an environment of continued instability in system liquidity. After falling to \$3,740.1 million in September 2025, commercial banks' excess reserves rose to \$5,330.8 million three months later (Figure 2).

Figure 2: Commercial Bank Excess Reserves (TT\$Mn)



Source: CBTT

FISCAL

Government incurred a fiscal deficit of \$520.8 million during the fourth quarter of 2025, which represented a marked deterioration from the \$563.6 million surplus recorded in the same period in 2024. This occurred despite a 0.7 percent decline in expenditure from \$12,993 million in the October-December 2024 period. Given lower energy prices, total revenue decreased by 8.6 percent to \$12,385 million, with energy revenue down 29.6 percent, registering an outturn of \$3,005.2 million. This significantly outweighed the 0.6

percent increase in non-energy revenue that occurred during the quarter.

RESERVES

Between October and December 2025, the net sale of foreign currency totalled US\$403.2 million, 16.4 percent below the levels of the previous quarter but 3 percent above the US\$391.4 million registered in the fourth quarter of 2024. The country's foreign currency reserves as measured by the net official reserves, ended 2025 at US\$5,369 million or 6.3 months of imports cover (MIC), up from US\$4,696 million (5.5 MIC) in September 2025. Net official reserves reached US\$5,603.2 million (8 MIC) at the end of 2024. The TT-US exchange rate remained at TT\$6.78 per US\$1 during the period.

OUTLOOK

Overall, the performance of the domestic economy is expected to be tepid in the first six months of 2026. While the ongoing war in the Middle East is expected to support higher global energy prices for at least as long as it rages on, it could prove to be a double-edged sword for the domestic economy. The immediate boost to government's fiscal revenue, may likely be followed by increased price levels, related to higher shipping costs. Activity in the non-energy sector is expected to be positive in the first half of 2026 but could be limited by further declines in construction, given higher cement prices. Growth in the manufacturing industry, could be impacted by the National Gas Company's (NGC) 70 percent increase in gas prices to its light industrial customers, which was announced in January 2026. The financial sector could be confronted by a more competitive environment if the slowdown in credit demand that was witnessed in the fourth quarter, continues in the first half of 2026.

Largely Positive Performance Despite Rising Risks

Overview

The economic performance across the Caribbean remained mixed in 2025, reflecting varying tourism trends, diverging fiscal outcomes, and the impact of external shocks. Several economies, including Anguilla, Barbados, Dominica, and Sint Maarten, recorded solid growth supported by tourism, construction, and investment, while others, such as St. Kitts and Nevis, experienced slower expansions amid structural constraints. The regional tourism sector benefitted from expanded airlift, cruise growth, and new hotel developments. Guyana remained the region's strongest performing economy as oil production expanded rapidly, reinforcing its position as one of the fastest-growing economies globally. In contrast, economic conditions in Cuba deteriorated significantly, as added pressure from the United States resulted in severe fuel shortages, further foreign exchange constraints, and widespread power outages.

Geopolitical developments also shaped the regional environment. Tensions between the United States and Venezuela escalated during 2025, culminating in the removal of President Nicolás Maduro in early 2026 and a partial easing of sanctions thereafter. While this has contributed to some near-term stabilisation, underlying tensions remain, particularly involving Venezuela and Guyana. At the same time, increased international scrutiny of Citizenship by Investment programmes and broader global uncertainty have added to pressures on external financing and investor confidence across the region. In addition, recent US immigration measures, including visa bond requirements for several Caribbean countries (e.g. Grenada, Dominica and Cuba), further highlights the ongoing external pressures faced by the region.

Anguilla

Anguilla experienced 3.2 percent real GDP growth in 2025, supported by tourism and construction activity, alongside exceptional non-tax revenue from .ai domain sales. Inflation remained in negative territory for the second consecutive year

at -0.9 percent, reflecting lower energy, food and transport prices, as well as the removal of the Goods and Services Tax on all goods. The nation's fiscal performance strengthened significantly, with the government recording an overall surplus of EC\$171 million (12.1 percent of GDP), driven largely by the sharp increase in .ai revenues. Receipts from .ai domain sales exceeded expectations, reaching EC\$232.2 million (16.5 percent of GDP) in 2025. This contributed to a decline in public debt to EC\$292.8 million (20.8 percent of GDP). The external position also remained very strong, with the current account surplus widening to 28.5 percent of GDP.

Tourism activity remained a key pillar of growth, with total visitor arrivals increasing by 13.7 percent year-on-year (y-o-y) to 244,503 visitors, the highest level recorded in more than three decades. The expansion was broad-based, with stopover arrivals rising by 3 percent, while excursionist and cruise arrivals increased by 21 percent and 71.6 percent, respectively. Growth in stay-over arrivals was driven primarily by the United States, which accounted for 70.1 percent of visitors and recorded a 3.6 percent increase. Modest gains were recorded in arrivals from the Caribbean and the rest of the world segment, while the number of visitors from the United Kingdom declined slightly. The encouraging tourism performance reflects improved airlift, targeted marketing efforts, and events such as the Music Tourism Convention in November 2025. Looking ahead, the sector is expected to benefit from major events, including the Anguilla Summer Festival scheduled for July 24 to August 9, 2026. Further support is expected from high-end tourism investment, including Port Nimara, the island's first superyacht marina, which remains on track for its planned 2027 opening, alongside the Beach Enclave Resort and the Equinox Resort, scheduled to open in 2028 and 2029, respectively. In other developments, .ai domain registrations surpassed one million in early 2026. The government has indicated that it is exploring the establishment of a sovereign wealth fund, largely backed by .ai proceeds, to strengthen long-term fiscal resilience and provide a buffer against future shocks.

Barbados

Barbados recorded another year of economic growth in 2025, supported by tourism, construction, business services, and agriculture. According to the Central Bank of Barbados, real GDP expanded by 2.7 percent, driven primarily by strong construction activity (9.8 percent) in the non-traded sector, while the traded sector grew by 3.1 percent on the back of improved tourism and agricultural output. Tourism remained the main engine of growth, with long-stay arrivals rising by 3.3 percent y-o-y to a record 727,310 visitors in 2025. Arrival growth was led by the United States, from where the number of tourists rose by 8.1 percent, alongside gains from Canada, Europe, and CARICOM markets, while total visitors from the United Kingdom declined. Cruise tourism also expanded modestly, with in-transit arrivals increasing by 0.7 percent to more than 546,000 passengers, as higher passenger loads offset fewer calls. Improved airlift, including additional services by Caribbean Airlines, WINAIR, and InterCaribbean Airways, supported higher arrivals. The stronger tourism performance lifted hotel occupancy to 65.3 percent and increased revenue per available room by 14.8 percent. These developments also supported the external position, with international reserves reaching \$3 billion at the end of 2025, equivalent to approximately 6.9 months of import cover. Inflation eased significantly, with the 12-month moving average rate declining to 0.7 percent in November 2025. Meanwhile, the fiscal position strengthened, as government recorded a primary surplus of \$541.7 million (3.3 percent of GDP), while the public debt-to-GDP ratio fell to 94.6 percent.

Looking ahead, the outlook for 2026 remains favourable, with growth projected between 2.5 percent and 3 percent, supported by continued momentum in tourism, construction, and business services. In the political sphere, the Barbados Labour Party secured its third consecutive clean sweep at the February 2026 general election, winning all 30 seats.

British Virgin Islands

Economic conditions in the British Virgin Islands (BVI) remained broadly supported by tourism and financial services in 2025, although growth moderated following the strong post-pandemic rebound. According to the Ministry of Finance, real GDP growth slowed to 0.4 percent in 2025 from 3.3 percent in 2024. Tourism remained a major driver of economic activity, with total visitor arrivals rising by 10 percent y-o-y to 1.2 million in 2025. Growth was driven by a 13.9 percent increase in cruise arrivals, while stay-over arrivals declined marginally by 0.9 percent to 302,828 visitors. The sector benefited from improved air connectivity, renewed cruise partnerships, and events such as BVI Restaurant Week. Additional support came from policy changes to charter vessel licensing fees, which redirected activity into the territory, with several vessels relocating from the US Virgin Islands to the BVI, generating an estimated \$13.9 million in additional economic activity. Looking ahead, tourism activity is expected to benefit from expanded

regional airlift and infrastructure development, while new routes by American Airlines and InterCaribbean Airways are expected to improve connectivity. Despite continued external pressures from changing international regulatory standards, the financial services sector remained resilient in 2025. Company incorporations rose 18.6 percent quarter-on-quarter in the third quarter of 2025 to 8,348, the highest level since 2021, while the total number of active companies reached 361,747. Inflation eased to 1.84 percent in December 2025, while fiscal conditions improved modestly, with outstanding public debt declining by 4.9 percent y-o-y to \$145.9 million in September 2025. In other developments, in December 2025, S&P Global affirmed the country's 'BBB/A2' sovereign credit rating with a stable outlook.

Cayman Islands

Economic activity in the Cayman Islands remained stable in 2025, supported by continued expansion in financial services and other service-related sectors. Real GDP grew by an estimated 2.7 percent in the first half of the year, driven by gains in financing and insurance services (3 percent), as well as wholesale and retail trade, real estate, and government services. Financial sector indicators remained broadly positive. New company registrations increased by 6.3 percent y-o-y to 6,440, while the number of registered funds rose by 2.6 percent, driven mainly by growth in private funds. The tourism sector's performance was mixed, however. Stay-over arrivals increased by 2.9 percent y-o-y to 450,441 visitors in 2025, supported by stronger demand from the United States and Canada. In contrast, cruise arrivals declined by 1.4 percent to 1.06 million passengers, contributing to a marginal 0.1 percent decline in total visitor arrivals. Inflation remained relatively contained, with consumer prices averaging 1.3 percent in 2025. Fiscal conditions also strengthened, with the central government recording a surplus of \$164.9 million, while public debt declined to \$381 million, from \$430.1 million a year earlier. Looking ahead, economic activity is expected to remain stable in the first half of 2026, supported by continued strength in financial services and a gradual improvement in the tourism sector.

Cuba

Cuba's economic conditions deteriorated significantly in 2025, reflecting severe fuel shortages, foreign exchange constraints, high inflation, and persistent shortages of basic goods. The situation worsened sharply in early 2026 following the removal of Venezuelan President Nicolás Maduro and the subsequent disruption of oil supplies from Venezuela, one of Cuba's main energy providers. Additional pressure came when the United States placed restrictions on other countries supplying oil to Cuba threatening to impose tariffs on such nations. The resulting energy crisis has had a deep and widespread impact on the economy. Fuel shortages have led to reduced transportation, disruptions in industrial activity, and scaled-back public sector operations. In March

2026, the national power grid collapsed, marking one of several major blackouts in recent months and highlighting the fragility of the country's aging energy infrastructure. These developments have further weakened economic activity and exacerbated already elevated inflationary pressures. Tourism activity has also declined sharply, with visitor arrivals falling by approximately 20 percent y-o-y in 2025, reflecting reduced airlift, operational challenges, and a deterioration in the visitor experience linked to ongoing power outages. Looking ahead, the outlook remains highly uncertain and tilted to the downside. Continued energy constraints, weak external conditions, and limited access to foreign exchange are expected to weigh on activity, with any meaningful recovery dependent on an improvement in fuel supply.

Dominica

Real GDP growth accelerated to 3.1 percent in 2025 from 2.1 percent in 2024, driven mainly by sustained construction activity linked to major public and private sector projects, including the international airport, four major hotel developments, the geothermal power plant, and road infrastructure works. Tourism activity continued to recover, with total visitor arrivals increasing by 4.5 percent y-o-y in 2025. Growth was supported by a 5 percent increase in cruise arrivals and a 3.2 percent rise in stay-over visitors. The momentum carried into early 2026, with strong arrivals ahead of Carnival and continued cruise activity. During the first week of January, more than 20,000 cruise passengers arrived, followed by several additional high-volume cruises in February. Major events, including the World Creole Music Festival, also contributed to tourism demand. In another positive development, inflation eased to 3.1 percent from 3.9 percent in 2024. However, fiscal conditions weakened, as the primary balance shifted from a surplus of 7.7 percent of GDP in 2024 to a deficit of 0.7 percent in 2025, reflecting elevated capital spending and a 12 percent decline in Citizenship by Investment revenues. Public debt also remained high, increasing to an estimated 99.3 percent of GDP. The geothermal power plant is expected to commence commercial operations in 2026, while the international airport project remains on track for a phased completion by late 2027. These developments, alongside new hotel projects and continued investment in agriculture, are expected to support growth over the medium term.

Grenada

Grenada's economy expanded by 4.4 percent in 2025, supported mainly by strong construction activity and ongoing public and private sector investment. The construction sector grew by 15 percent, driven by major hotel developments such as the Grenada National Resort and the Intercontinental Hotel, alongside public investment related to Hurricane Beryl reconstruction. In the tourism sector, total visitor arrivals increased by 8.2 percent y-o-y to 567,679 visitors, driven by an 18 percent increase in cruise arrivals, which offset declines in stay-over arrivals (4.4 percent) and yacht visitors (33 percent).

Most major source markets recorded contractions, including the United States, the largest source market accounting for 54.3 percent of stay-over arrivals. However, more recent developments suggest an improved outlook for the sector. Additional winter airlift, including Air Canada's third weekly nonstop flight, alongside targeted marketing initiatives such as the "Spicetivities" event, are expected to support recovery. The sector is also expected to benefit from the digitalisation of the border processing systems. Inflation rose to 1.7 percent from 0.8 percent in 2024. However, the fiscal balance weakened, reflecting lower Citizenship by Investment inflows and elevated reconstruction spending. Preliminary estimates indicate an overall fiscal deficit of 4.7 percent of GDP, while public debt declined modestly to 72.7 percent of GDP. The outlook for the first half of 2026 is positive, given recovering tourism activity and the robust construction sector.

Guyana

Guyana continues to lead growth in the Caribbean region and remains one of the world's fastest-growing economies. Following an estimated 19.3 percent expansion in 2025, with non-oil growth of 14.3 percent, the authorities expect economic activity to increase by 16.2 percent in 2026. The energy sector continues to be the primary driver of economic growth, with the oil and gas sector growing by 21 percent in 2025. Oil production capacity increased to approximately 900,000 barrels per day following the commissioning of the One Guyana Floating Production Storage and Offloading (FPSO) in 2025. Further expansion is expected with the Uaru and Whiptail developments projected to come onstream in 2026 and 2027, respectively, each anticipated to add 250,000 barrels per day. The recently approved US\$6.8 billion Hammerhead project is also expected to add a further 150,000 barrels per day by 2029, boosting production capacity to more than 1.5 million barrels per day by 2030. In parallel, progress continues on the Wales Gas-to-Energy project, which is expected to deliver up to 300 megawatts of electricity by mid-2027. In addition, the authorities are also advancing plans for a second gas-to-energy project in Berbice, alongside further offshore gas developments being assessed by ExxonMobil.

Outside of the energy sector, activity remains robust, supported by strong expansion in construction and tourism. Major projects, including an accelerated housing programme, targeting the construction of 40,000 homes over five years as well as infrastructure projects such as the Palmyra deep-water harbour, the Parika port redevelopment, and upgrades to hinterland airstrips are expected to support growth over the medium term. The tourism sector has also been gaining momentum, with visitor arrivals rising by 24 percent y-o-y in 2025 and reaching a record 34,923 arrivals in January 2026, up 17.2 percent y-o-y. Improved air connectivity supported this expansion, with the introduction of new routes from InterCaribbean Airways and Air Transat, alongside increased accommodation capacity from new developments such as

the AC Marriott Hotel in Ogle. Further to this, several other international hotel projects are currently under construction.

In other developments, tensions with Venezuela persist, particularly around maritime borders and offshore exploration activity. In public finance, the GY\$1.558 trillion fiscal package for 2026, represents the country's largest ever and is 12.7 percent above the previous budget, prioritising infrastructure, housing, energy, and social development, with financing supported largely by oil revenues and transfers from the Natural Resource Fund.

St. Kitts and Nevis

According to the IMF's 2025 Article IV staff report, real GDP growth slowed to an estimated 1.5 percent in 2025, reflecting weaker-than-expected construction activity and lower Citizenship by Investment (CBI) inflows, despite a recovery in tourism. Growth is projected to accelerate to 2.2 percent in 2026, supported by construction activity, agriculture, renewable energy projects and the continued recovery of the tourism sector. Despite the broader slowdown, tourism activity remained robust. Total visitor arrivals increased by 13.9 percent y-o-y to 671,117 visitors between January and September 2025, supported by broad-based gains across all visitor segments. Stay-over arrivals rose 5.6 percent y-o-y to 102,168 visitors, while cruise and yacht arrivals recorded even stronger growth of 14.6 percent and 18.7 percent, respectively. The United States remained the largest source market, accounting for 61.9 percent of stay-over arrivals, followed by the Caribbean and the United Kingdom. The momentum continued in early 2026, with more than 185,000 cruise passengers arriving in January alone and several high-volume cruise ship days. Major events also supported visitor spending, with Sugar Mas 54 generating a record \$29.5 million in economic impact, a 35.9 percent increase over the previous year. Authorities are also seeking to deepen diversification within the sector through the introduction of cruise homeporting operations and major infrastructure upgrades to the Port Zante cruise terminal, which are expected to lengthen visitor stays and facilitate larger vessels with higher passenger volumes. Inflation remained subdued at an estimated 1.5 percent at the end of 2025 and is expected to increase slightly to 1.8 percent in 2026.

The country's fiscal accounts deteriorated in 2025, with IMF estimates indicating that the overall fiscal deficit widened to 11.7 percent of GDP. Public debt rose to 58.4 percent of GDP and is projected to increase further to 63.6 percent in 2026. The deterioration largely reflects the sharp decline in CBI revenues, which have fallen well below the windfall levels recorded between 2021 and 2023. The government presented an EC\$1.075 billion budget for 2026, while Nevis separately tabled a \$284.4 million budget. Several capital projects are expected to support economic activity, including construction of the Joseph N. France General Hospital

and renewable energy initiatives under the DRIVE and SOLARISE programmes.

St. Lucia

According to the ECCB, real GDP contracted by 0.5 percent in 2025 following growth of 4.7 percent in 2024, as weaker tourism activity offset gains in construction (6.9 percent) and manufacturing (7 percent). Total visitor arrivals declined 5.5 percent y-o-y to 1.14 million visitors. Stay-over arrivals fell by 2.1 percent to 426,676 visitors, while cruise and yacht arrivals declined by 7.7 percent and 3.7 percent, respectively. The decline in stay-over arrivals was driven mainly by weaker arrivals from the United Kingdom (19.7 percent) and Canada (9.4 percent), partly reflecting the cessation of Virgin Atlantic airline services, although arrivals from the United States, which accounted for 60.5 percent of stay-over arrivals, increased by 4.4 percent. More recent data suggest a recovery heading into 2026, with stay-over arrivals increasing by 4 percent y-o-y in January to a record 37,691 visitors, while cruise arrivals increased by 10.8 percent. Additional support is expected from ongoing infrastructure projects, including the Hewanorra International Airport redevelopment, the Soufriere Waterfront redevelopment, upgrades at Port Castries, and events such as Soufriere Jazz 2026. Looking ahead, growth is projected to recover modestly to 1.4 percent in 2026, supported by major infrastructure projects and tourism activity. Inflation remained subdued at 0.6 percent in 2025, while fiscal conditions improved modestly, with the overall deficit narrowing to 2 percent of GDP and the primary surplus increasing to 1.2 percent of GDP. Public debt, however, rose to 78 percent of GDP.

St. Vincent and the Grenadines

St. Vincent and the Grenadines maintained solid growth momentum in 2025, with real GDP expanding by 3.4 percent, impelled primarily by the robust expansion in tourism activity. The sector is estimated to have expanded by 10.3 percent. Total visitor arrivals increased by 6.1 percent y-o-y to 276,373 visitors in the first nine months of 2025. Growth was driven by a 14 percent increase in stay-over arrivals and a 7 percent rise in cruise arrivals. The United States remained the largest source market, accounting for 48.4 percent of arrivals. The number of visitors from the US grew by 36.4 percent, while arrivals from the UK increased by 6.7 percent. On the other hand, arrivals from Canada and the Caribbean declined slightly. The outlook for the sector remains favourable, supported by continued route expansion through Argyle International Airport, new services from Delta Airlines, and a strong pipeline of hotel investments, including the expansion of Sandals and the proposed Beaches Resort. The yachting industry is also seeing a revival with the return of SVG Sailing Week in 2026. In contrast, construction activity declined following the completion of major projects, including the Sandals Resort and Holiday Inn developments. Despite the overall positive performance, public finance remained constrained, with

the overall deficit rising to 12.2 percent of GDP in 2025 and public debt increasing further to 101.9 percent of GDP, largely reflecting ongoing reconstruction and recovery spending following Hurricane Beryl.

In other developments, the new administration presented a \$1,898.1 million Budget for 2026, representing a 2 percent y-o-y increase. The budget projects a current deficit of about \$105.3 million, with a 17 percent decrease in capital spending. The government is also exploring the introduction of a Citizenship by Investment programme to strengthen revenue mobilisation and support economic transformation. Additionally, the country has been approved as a Series C shareholder in the Development Bank of Latin America and the Caribbean (CAF), which is expected to enhance access to development financing.

Sint Maarten

According to the Centrale Bank of Curaçao and Sint Maarten, real GDP grew by an estimated 3.1 percent in 2025, facilitated by strong tourism activity and public investment. The tourism sector benefitted from stronger-than-expected performances in both cruise and stay-over arrivals. This outturn was supported by the completion of the airport reconstruction and improved connectivity. Stay-over arrivals increased by 3.1 percent in the first seven months of 2025, while cruise passenger arrivals rose by 12.4 percent between January and August. Cruise activity remained strong heading into 2026, with multiple inaugural and dual vessel calls at Port Philipsburg. The sector is expected to receive further support from expanded airlift and regional connectivity, including new and additional routes by InterCaribbean Airways and Winair. Additional momentum is also expected from major events such as Carnival 2026, the planned development of the Setai Sint Maarten resort, and the introduction of the island's first electric sightseeing train. The economy also received some stimulus from increased government spending on infrastructure, including road upgrades and the construction of a new prison facility. Inflation moderated to 1.8 percent, down from 3.6 percent in 2024, while fiscal conditions improved, with the government recording a current budget surplus of 1.1 percent of GDP and public debt declining to 41.2 percent of GDP. Looking ahead, growth is expected to moderate as the post-reconstruction rebound eases, with real GDP projected at 2.4 percent in 2026.

Suriname

Real GDP growth moderated to 1.5 percent in 2025, according to IMF estimates. This was the result of weaker mining output, particularly gold, alongside fiscal and monetary loosening, which contributed to higher inflation and currency depreciation. Inflation returned to double digits, reaching approximately 13 percent, while the fiscal performance deteriorated, with a primary deficit estimated at around 1 percent of GDP. Gross public debt also increased to approximately 106 percent of GDP. Meanwhile, the external position weakened significantly,

with the current account deficit estimated to have exceeded 30 percent of GDP, reflecting large oil-related imports associated with offshore energy development. Looking ahead, the outlook remains favourable but subject to important risks. The IMF projects that growth will stabilise at around 4 percent in 2026-2027, supported by oil-related investment and relatively stable gold production. Over the medium term, the commencement of offshore oil production in 2028 is expected to drive a sharp acceleration in growth to around 30 percent.

Region


Following the passage of Hurricane Melissa in late October 2025, Jamaica's economy contracted sharply, underscoring the Caribbean's continued vulnerability to climate-related shocks. Total damage and losses were revised upward to approximately J\$1.95 trillion (56.7 percent of GDP), making it the costliest storm in the country's history. The impact resulted in a 7.5 percent y-o-y contraction in real GDP in the fourth quarter of 2025, with declines recorded across all major industries. The goods-producing sector contracted by 9.3 percent, driven by sharp reductions in mining and quarrying (37.3 percent) and agriculture (12.6 percent), while the services sector declined by 6.9 percent, reflecting weakness in transport and storage (13.6 percent) and accommodation and food services (12 percent). The shock has also intensified fiscal pressures, with the FY 2025/26 deficit projected at around 3.5 percent of GDP.

Despite the downturn, there are emerging signs of recovery, particularly within the tourism sector. Major cruise ports have reopened, with over 70,000 visitor arrivals recorded in the first week of the winter season. Airlift has also improved, particularly from Canada, while hotel capacity is gradually returning with the reopening of key resorts. These developments are expected to support a gradual rebound in activity.

In contrast, Belize's economy remained relatively stable, supported by broad-based growth across key sectors, although momentum has begun to moderate from earlier post-pandemic highs. Real GDP expanded by 6.1 percent y-o-y in the third quarter of 2025, driven by growth across the primary (21.5 percent), secondary (7.8 percent), and tertiary (3.7 percent) sectors. Tourism activity continued to support the expansion, with stayover arrivals rising by 2.4 percent y-o-y and cruise passenger arrivals increasing by 6.3 percent. In early 2026, the sector is expected to benefit from expanded winter airlift from major North American carriers, including JetBlue, Spirit Airlines, WestJet, and Air Canada.

Outlook

Economic activity across the Caribbean is expected to remain positive but moderate in the first half of 2026, supported by continued tourism demand, infrastructure investment, and energy sector developments. Energy exporting countries such as Guyana could benefit from higher energy prices amid



ongoing geopolitical tensions in the Middle East. However, these same developments present downside risks for the wider region. Higher oil prices are likely to increase fuel and transport costs, placing upward pressure on inflation and raising operating costs for airlines and tourism-related services. This could dampen travel demand from key source markets. In addition, ongoing geopolitical tensions, including those involving Venezuela and Guyana, alongside increased scrutiny of Citizenship by Investment programmes and elevated global uncertainty, may weigh on investor sentiment and the fiscal performance in some economies. Together with climate-related risks, these factors are expected to shape a more cautious regional outlook.

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Price of Carbon, Cost of Trade





The European Union's (EU) Carbon Border Adjustment Mechanism (CBAM) is the world's first carbon border tariff and a central pillar of the European Green Deal, the EU's strategy to achieve climate neutrality by 2050. This adjustment mechanism places a carbon price on certain imported goods to ensure foreign producers face carbon costs comparable to those borne by EU manufacturers. By doing so, CBAM reshapes global trade in carbon intensive industrial goods and serves as the enforcement arm of the EU's industrial emissions policy. It is designed to safeguard the integrity of the European Green Deal by preventing carbon leakage and ensuring the EU's climate ambition is not undermined by competitive imbalances in international trade.

"Carbon leakage" occurs when efforts to reduce emissions within the EU inadvertently lead to higher emissions outside its borders. This happens when production or purchasing shifts to countries with weaker carbon regulations, undermining the

EU's environmental goals. In this context, CBAM serves a two fold purpose. First, it acts as a border adjustment by applying a price to the emissions embedded in specific imports, removing the financial incentive for "offshoring emissions." Secondly, it ensures that the carbon costs paid by EU manufacturers under the Emissions Trading System (ETS) are mirrored by foreign producers and exporters.

CBAM targets "hard to abate" industries, which are sectors that are energy-intensive, difficult to decarbonise, and have high trade exposure making them particularly vulnerable to carbon leakage. In assessing these sectors, the mechanism considers both direct emissions, which are released from the industrial processes used to make a product, and indirect emissions, which result from the electricity, heat, or steam consumed during production. Specific products and raw materials subjected to CBAM regulations are outlined in Table 1 below.

Table 1: Summary of CBAM Sectoral Coverage

Sectors	Sectoral Description	Initial Targeted Products
 <p>Heavy Metals</p>	<p>Involves high-volume global trade and uses carbon-intensive processes such as blast furnace and smelting operations. While CBAM currently targets direct emissions, companies are still required to report indirect emissions. Future expansion may include downstream goods including components like car parts.</p>	<p>Iron & Steel – pig iron, crude steel, pipes, tubes and structures.</p> <p>Aluminium – Covers unwrought aluminium, aluminium powders, and finished products like plates, sheets, and foil.</p>
 <p>Construction & Infrastructure</p>	<p>Cement production is one of the most carbon-heavy industrial processes, due to the calcination process. Both direct and indirect emissions are relevant for reporting.</p>	<p>Clinker, Portland cement, and aluminous cement.</p>
 <p>Energy & Chemicals</p>	<p>These are key to a decarbonised economy, but their current production methods vary widely in carbon intensity. Companies must report direct and indirect emissions.</p>	<p>Electricity and Hydrogen</p>
 <p>Agriculture</p>	<p>Fertiliser production relies heavily on natural gas, as fuel and feedstock, generating high carbon dioxide and nitrous oxide emissions. Both direct and indirect emissions must be reported.</p> <p>CBAM also indirectly impacts the wider agriculture supply chain, promoting green ammonia technologies.</p>	<p>Nitrogen-based fertilisers – ammonia, nitric acid, urea and nitrates.</p>
<p>Future Scope Expansion - The European Commission is mandated to review CBAM regularly. By 2030, CBAM may expand to include organic chemicals and polymers such as plastic resins and basic chemical building blocks, and refined petroleum products such as gasoline and diesel.</p>		

Source: Author's compilation based on data from the European Commission and carbonmarketwatch.org

Recent Economic Performance

CBAM officially became EU law in May 2023 with an initial transitional phase lasting two and a half years, ending in December 2025. During this period, CBAM focused on reporting obligations for EU and global importers, requiring companies to begin tracking and reporting the carbon emissions embedded in their imports, initially without any financial obligations. As illustrated in the CBAM Implementation Timeline (see Figure 1), the definitive phase began on January 1, 2026, after which importers must prepare for financial obligations that will take effect in 2027. Once an importer's annual volume of CBAM covered goods exceeds fifty tonnes, they will be required to purchase CBAM certificates corresponding to the embedded emissions of those goods.

Figure 1: CBAM Implementation Timeline



Source: European Commission

Why CBAM matters for the Caribbean and Ghana

The implications of CBAM are particularly important for developing countries. For countries with limited or no carbon pricing mechanisms, or less stringent environmental regulations, the policy could present a significant economic challenge, increasing the cost of exporting goods to the EU. For small island developing states (SIDS) in the Caribbean and emerging economies such as Ghana, which often rely on specific export sectors, CBAM poses a unique set of challenges and potential opportunities.

The effects of CBAM will vary across countries depending on the structure of their export sectors and their reliance on carbon-intensive production. Within the Caribbean, sectors most likely affected are petrochemicals, heavy manufacturing and extractive industries. Trinidad and Tobago is particularly exposed as it is the second-largest exporter of "Tier 1" CBAM commodities to the EU after Mozambique, with significant exports of anhydrous ammonia and fertilisers. Ammonia production is highly energy-intensive and often relies on natural gas as a feedstock, resulting in substantial embedded emissions.

Other Caribbean nations, however, may face more moderate exposure. Guyana, Suriname and Jamaica could be affected through exports such as precious metals, crude oil,

agricultural products and timber. In contrast, economies such as Barbados and Grenada, which rely more heavily on tourism and agriculture, are likely to experience minimal effects because their primary exports are not within CBAM's scope. While many Caribbean nations have limited exposure, the International Monetary Fund (IMF) warns this could change if CBAM expands to include methanol and petroleum products. In such a scenario, the value of "exposed" exports from countries like Trinidad and Tobago could more than double.

A major hurdle for exporters in industrial sectors is the potential rise in export costs to EU markets. This challenge is intensified in the Caribbean due to the region's vulnerability, including limited economic diversification, susceptibility to external shocks, weak carbon pricing systems, and less robust environmental legislation. Furthermore, the compliance burden together with the rigorous data verification requirements may become onerous and impose a strain on small-scale exporters, threatening their overall competitiveness.

Ghana faces a similar challenge balancing industrial growth with the "green" requirements of its major trading partners. While its primary exports of gold, cocoa, and oil are exempt from CBAM, its aluminium and steel sectors are included. In these industries, producing carbon-intensive products drives higher export costs. Ghana may have some advantage because its production is relatively less carbon-intensive than competitors such as Russia or China, but this only partially offsets the added costs.

Conversely, CBAM can incentivise the adoption of green technologies, supply chain transparency and the implementation of domestic and regional carbon pricing schemes. Transitioning to low carbon production processes allows exporters to align with global decarbonisation efforts. This shift will not only reduce carbon footprint but can also help countries access technical assistance and climate finance necessary to build more resilient and sustainable economies, while remaining competitive.

Nevertheless, both the Caribbean and Ghana remain vulnerable to future CBAM expansions, as additional carbon intensive products such as methanol, refined petroleum and energy-intensive cocoa processing, could significantly increase their economic exposure.

Preparing for CBAM

For Caribbean and Ghanaian exporters in energy-intensive sectors, early adaptation is essential to safeguard access to European markets and remain competitive. Successfully navigating this transition requires a multi-pronged approach focused on building technical capacity, emissions reporting, decarbonisation and regulatory alignment with international standards.

Key actions for impacted businesses:

1. Build a Strong Carbon Data Foundation

Companies must establish reliable systems to measure and report emissions, including:

- Scope 1 emissions – direct emissions from operations
- Scope 2 emissions – indirect emissions from purchased electricity

Exporters should implement digital monitoring and use EU-approved auditing methods. Verified emissions data not only ensures compliance but also supports strategic planning and builds investor confidence. Without it, businesses risk costly "default fees."

2. Secure Accredited Verification

To maintain market access, businesses should partner with accredited third-party verifiers and work toward meeting EU "Authorised Declarant" standards. Early compliance will:

- Reduce regulatory risk
- Improve transparency with European buyers
- Enable more accurate forecasting of future cost impacts

3. Support SMEs Through Regional Financing and Technical Assistance

Small and medium-sized enterprises (SMEs) should prioritise regional collaboration and leverage support agencies, such as the Caribbean Export Development Agency and the Ghana Export Promotion Authority. They should partner with local financial institutions to access low-interest financing for energy retrofits, renewable energy installations and cleaner production technologies. Using blended finance and grant funding instruments can also significantly reduce upfront transition costs.

4. Explore a Regional Carbon Adjustment Framework

While Governments naturally lead the development of regional carbon pricing schemes or adjustment mechanisms, the business sector can significantly shape, support and benefit from them. A coordinated regional approach would help businesses avoid policy duplication, share administrative costs, strengthen negotiating power and ensure smoother connectivity across regional markets. The Caribbean business community can support and influence this by:

- Engaging through chambers and industry associations to advocate for harmonised, practical policies.
- Forming private sector advisory groups to provide technical and economic input to CARICOM.
- Collaborating on shared regional standards and data systems to reduce duplication and improve consistency.
- Partnering with development agencies to access funding, training and technical support, especially for SMEs.

5. Prioritise Energy Efficiency and Smart Technology Adoption

Energy efficiency is the fastest and most cost effective way to reduce emissions, boost productivity and lower operating costs. For major exporters, deeper decarbonisation requires integrating renewable energy, including utility scale renewables and rooftop solar, which can stabilise electricity costs and reduce scope 2 emissions.

Businesses should focus on:

- Smart energy management systems
- Process optimisation technologies
- Waste heat recovery
- Upgrading to modern, efficient equipment

6. Decarbonise Heavy Industry and Petrochemicals

For the petrochemical sector and other heavy industries, innovation is essential. Key strategies include:

- Green hydrogen production: Using renewable electricity to produce hydrogen from water instead of relying on natural gas, reducing emissions in ammonia and methanol production.
- Carbon capture and storage (CCS): Capturing carbon dioxide emissions from industrial processes and securely storing them underground.

7. Diversify Export Markets and Supply Chain

While Europe remains an important trading partner, diversification is crucial for risk management. Businesses should consider:

- Expanding trade with Latin America, intra-Africa and East Asia to reduce overdependence on the EU market. The Caribbean could coordinate regional shipping strategies to strengthen connectivity across multiple ports in the region.
- Strategically sourcing raw materials from low-carbon suppliers to reduce the total embedded emissions of their final products. This approach will lower the number of CBAM certificates required and avoid default carbon tax calculations when verified data is unavailable.

Conclusion

CBAM represents a major shift in global trade, pushing Caribbean and Ghanaian exporters to accelerate decarbonisation. By discouraging production in regions with weaker carbon regulations, this adjustment mechanism promotes a fairer, low carbon competitive landscape. The Organisation for Economic Co-operation and Development (OECD) presented analysis in March 2025 which suggests CBAM could reduce global emissions, with early estimates of a 0.54 percent decline. For the Caribbean and Ghana, this underscores the need to modernise industrial processes, improve emissions data, and align domestic policies with international standards. While compliance may pose early challenges, proactive investments in carbon accounting, cleaner technologies, and regional coordination can secure continued market access. In the long term, CBAM offers an opportunity to build stronger, more resilient low carbon economies across both regions.