OECS—Recent Developments in 2016

**OECS Pushing Forward on Development of a Single Domestic Space**
Trade officials and border control agencies from the Organization of Eastern Caribbean States (OECS) have discussed practical approaches to support the free circulation of people and goods within the OECS. According to the OECS, once in place, the Single Domestic Space would require persons travelling within the Economic Union Area (EUA) be treated as if they have already been cleared for entry and satisfied all required border control formalities for entry into the area. Additionally, visitors arriving from outside the space should satisfy all border control checks only at the first point of entry into the EUA, and then be able to move freely within the area. No timeframe was agreed for the Single Domestic Space to be implemented, however.

**OECS Countries Pursue Renewables, Especially Geothermal Energy**
The high cost of energy production in the OECS, and the commitment to reduce carbon emissions, have forced many countries to look to renewables, with geothermal energy taking the spotlight at a recent three-day regional forum in St. Kitts & Nevis. According to a recent IMF report, apart from Antigua & Barbuda, ECCU countries possess enough geothermal potential to achieve self-sufficiency in electricity power generation. At present, geothermal development in Dominica, Nevis and Montserrat is the most advanced, while St. Vincent & the Grenadines have made some progress. St. Kitts has opted to pursue solar power with the launch of several initiatives.

**Caribbean Most Affected by Loss of Correspondent Banking**
According to the World Bank, “small jurisdictions with significant offshore banking activities are particularly affected by the decline of correspondent banking relationships (CBRs)”, and furthermore, the Caribbean seems to be the most affected region worldwide. While the report noted that the majority of respondent banks have been able to find alternative banking relationships, in some cases the time and cost of finding new relationships are significant, and not always on comparable terms and conditions as with the previous correspondent bank. For the Caribbean, the loss of CBRs is mainly a result of international banks’ de-risking, linked to the perception that the Caribbean is a risky place to do business from a reputational, AML/CFT regulation compliance view, amplified by high costs and limited economies of scale.
ECCU Real GDP Growth
% change, y/y
Source: Eastern Caribbean Central Bank Online Statistics, RBC Financial (Caribbean) Limited

ECCU Import Cover Ratio
Number of Months
Source: Eastern Caribbean Central Bank Online Statistics, RBC Financial (Caribbean) Limited

ECCU Annual Average Inflation Rate
% change, y/y
Source: Eastern Caribbean Central Bank Online Statistics, RBC Financial (Caribbean) Limited

ECCU Overall Fiscal Balance After Grants
XCD Millions
Source: Eastern Caribbean Central Bank Online Statistics, RBC Financial (Caribbean) Limited

ECCU Net FDI Inflows 2015
USD Millions
Source: UNCTAD, RBC Financial (Caribbean) Limited

Citizenship by Investment Programmes (CBI) in the ECCU

The number of high net worth individuals in the Caribbean is reported to be increasing, based partly on the availability of programs that incentivize real estate investment, offering residency permits and citizenship in the Caribbean. St. Kitts & Nevis launched the first CBI nearly 30 years ago, and offered immediate citizenship to immigrant investors. With the success of the St. Kitts & Nevis program that has transformed the island’s economy in recent years, Antigua & Barbuda, Dominica, and Grenada subsequently launched their own CBI programmes. The schemes, with some variations, revolve around the granting of citizenship and a passport for an investment of around USD400K plus fees, in property, government bonds, or by way of a donation. According to the Henley & Partners Visa Restrictions Index, the Antigua & Barbuda and St Kitts & Nevis passports provide visa-free travel to 132 countries and territories including all 26 European countries in the Schengen zone. Dominica and Grenada passports provide visa-free travel to 111 countries and territories including all 26 European countries in the Schengen zone.

Subscribers to ECCU CBI Programmes are Highly Diverse

According to Fortune Magazine, there is a high level of diversity among CBI participants. Applicants include wealthy Chinese entrepreneurs seeking to flee from largely unspoken concerns about their Government’s anti-corruption drive, or seeking to provide an international education for their children. Wealthy Russians also commonly cite the desire to avoid the growing suppression of dissent, the expropriation of businesses, and high organised crime. A growing number of Arab citizens, unsettled by instability and US embargoes/sanctions, and a significant number of US entrepreneurs seeking to escape the US’s ever widening tax net, have also been applying.

ECCU CBI Programmes Face Some Opposition and Challenges

If the UK pursues an exit from the EU in keeping with the referendum results, depending on how these negotiations progress, there may be implications for travel and visa requirements for Caricom passport holders, including CBI based passports, to the Schengen zone in particular. In general, opponents to CBI programmes believe that nationality is not something that can be sold; the granting of rights and freedoms to persons without any historic or cultural affinity with the Country is deemed by some to be unacceptable. The US, Canada and the UK all have economic citizenship programmes which can be a fast track to citizenship but isn’t guaranteed, and in all cases require residency, unlike Dominica and St. Kitts & Nevis. The US and Canada have long questioned the adequacy of ECCU CBI due diligence and background checks of applicants, such that Canada imposed visa restrictions on St. Kitts & Nevis passport holders in November 2014. Since then, the St. Kitts & Nevis CBI programme has been reformed, which the IMF recently commended.
Zika Virus May Have Adverse Impact on Caribbean Tourism Industry

With travel alerts from the Centre for Disease Control and Prevention (CDC), the Caribbean Hotel and Tourism Association (CHTA) and the Caribbean Tourism Organization (CTO) have rolled out proactive measures to reduce the risk of Zika virus transmission to visitors. The virus is a major and immediate threat to the Caribbean tourism industry, which relies on nearly 13 million Americans who visit annually according to the CTO. Governments and hotels’ joint efforts seek to combat mosquito-borne viruses by eradicating breeding grounds, installing screens on windows and placing bed nets in outdoor sleeping areas, monitoring and surveillance, eradication and protection, care and case management, and public education campaigns.

Anguilla—Narrower Fiscal and Balance of Payments Surpluses

CTO and Global News Matters (GNM) data show stopover arrivals up 3.2% in 2015, and a further 9.4% y/y to March 2016, as all major source markets apart from Canada saw growth. The ECCB estimates growth at 2.2% in 2015, down from 6.7% in 2014, as the tourism sector; real estate; renting and business activities; and transport, storage and communications all expanded. Construction is the only sector estimated to have contracted. Deflation of 1.8% was recorded in 2015 based mainly on softer commodity import prices. The fiscal surplus narrowed from XCD21.3 million or 2.5% of GDP in 2014, to XCD3.9 million or 0.5% of GDP in 2015. Total public sector debt outstanding shrank by 4.1% y/y to XCD212.7 million at the end of 2015, to reach 24.7% of GDP. The surplus on the Balance of Payments fell to XCD2.3 million or 0.3% of GDP in 2015, down from XCD16.9 million or 2% of GDP in 2014. Net international reserves expanded by 1.8% in 2015 to XCD130 million, while import cover remained relatively unchanged at 2.6 months. Growth is expected to moderate during 2016 due to a combination of stronger tourism activity and subdued construction activity, according to the ECCB.

Antigua & Barbuda—Fiscal Balance and USD Reserves Strengthen

CTO and GNM data show stopover arrivals grew 0.5% in 2015, and by 9.2% y/y to May 2016, based on growth from all major source markets apart from Canada. Cruise passenger arrivals fell 2% y/y over the same period according to CTO data. The ECCB estimates 2015 growth at 3.3%, down from 4.2% in 2014, driven mainly by 2.5% expansion in hotels and restaurants, 4.9% growth in construction; 4.7% growth in transport, storage and communications; 9.4% growth in wholesale and retail trade; and 1.7% expansion in real estate, renting and business activities. Inflation fell to 0.9% in 2015. The fiscal balance swung into surplus of XCD3.5 million or 0.1% of GDP in 2015, largely on CBI inflows. Total public sector debt outstanding fell by 4.8% to reach XCD3.22 billion or 92.1% of GDP in 2015. The Balance of Payments surplus slipped 39% to XCD155.6 million or 4.4% of GDP. Net International Reserves grew by 20% to XCD960 million in 2015, pushing import cover to six months.
Dominica- Recovery Underway After Tropical Storm Erika

GNM data show stopover arrivals fell 8.6% in 2015. The ECCB reported that following two consecutive years of growth averaging 2.6%, the impact of tropical storm Erika sparked economic contraction of 3.7% in 2015, having damaged infrastructure and major sectors such as agriculture, livestock, forestry, construction, hotels and restaurants, and manufacturing. Inflation came in at 0.6% in 2015. The overall fiscal deficit narrowed slightly to XCD16.3 million or 1.2% of GDP in 2015, down from XCD18.7 million or 1.3% of GDP in 2014. Total public sector debt grew by 3% to XCD11.1 billion or 80% of GDP in 2015. The Balance of Payments surplus widened from XCD48.3 million or 3.4% of GDP in 2014, to XCD57.5 or 4.1% of GDP in 2015. Consequently, Net International Reserves expanded by 25.5% in 2015 to reach XCD338.7 million, or 5.1 months of imports. According to the IMF, growth is expected to resume in 2016, reaching 1.3% as the reconstruction effort and investment accelerates, based on anticipated donor grants. The IMF then expects growth to recover slowly, stabilizing around 1.7%.

Grenada- Strong IMF Assisted Home-Grown Programme Results

Following 4.7% stopover arrival growth in 2015, GNM and CTO data show 8.6% y/y growth to April 2016, based on more visitors from the US and ‘other’ markets. Over the same period, cruise passenger arrivals jumped 31% y/y, according to CTO. The current three-year IMF assisted home-grown adjustment programme which began in 2014, is at a critical stage according to the ECCB. Growth is provisionally estimated at 3.9% in 2015, down from 4.9% in 2014. In 2015 the construction sector expanded by 12%; agriculture, livestock and forestry by 22.4%; hotels and restaurants by 5%; wholesale and retail trade by 7%; transport, storage and communications by 3.7%; manufacturing by 3%. Deflation was recorded for a third consecutive year, reaching 1.2% in 2015. Unemployment is estimated to have increased to 30.4% in 2015, up from 28.9% in 2014, as the labour force widened on a higher labour force participation rate, particularly for women. The overall fiscal deficit narrowed from XCD115.2 million or 4.7% of GDP in 2014, to XCD32.1 million or 1.2% of GDP in 2015. Debt restructuring agreements in 2015 with Paris Club and other creditors saw total public sector debt decline 3.9% or XCD91.5 million to XCD2.265 billion or 86% of GDP. The Balance of Payments surplus widened from XCD61.7 million or 2.5% of GDP in 2014, to XCD81.7 million or 3.1% of GDP in 2015. This drove a 1% increase in Net International Reserves to XCD509 million, or five months of imports in 2015. The IMF reported that growth is expected to moderate to 3% in 2016 and 2.7% in 2017.

Montserrat—Growth Turns Negative in 2015 but Recovery Likely

GNM and CTO data show stopover arrivals grew 1.6% in 2015, and 26.8% y/y to March 2016, as all major source markets besides Canada saw growth. The ECCB estimates contraction of 1.4% in 2015, following growth estimated at
1.3% in 2014. The tourism sector expanded by an estimated 5% in 2015, down from 19% in 2014; mining and quarrying grew by 51%; financial intermediation by 4.4%; wholesale and retail trade by 3%; and transport, storage and communications by 6.5%, but all other sectors deteriorated. Deflation was recorded for a fourth consecutive year, though slower, at 0.1% in 2015. The overall fiscal balance swung into a surplus of XCD34.5 million or 20.6% of GDP in 2015, compared to a deficit of XCD9.8 million or 5.8% of GDP in 2014. Total public sector debt outstanding widened by 45.8% to XCD9.1 million in 2015, based on a Caribbean Development Bank (CDB) loan to purchase a new diesel generator and build a power plant. The Balance of Payments surplus is estimated to have expanded by 38.8% to XCD17.2 million or 10.3% of GDP, up from XCD12.4 million or 7.4% of GDP in 2014. This drove a 21% increase in Net International Reserves to XCD292 million, or 11.33 months of imports.

St. Kitts & Nevis—Strong Growth on CBI and Tourism Performance

GNM and CTO data show stopover arrival growth at 4.4% in 2015. According to the ECCB, growth accelerated to 6.6% in 2015, up from 6.1% in 2014, driven by expansion in construction by 15.2%; hotels and restaurants by 4.6%; and transport, storage and communications by 9.3%. This was tempered by weaker performance in manufacturing (down 3.5%) and agriculture (down 8.2%). Deflation was recorded for a second consecutive year, at 2.6% in 2015. The overall fiscal surplus narrowed from XCD241 million or 10.3% of GDP in 2014, to XCD111 million or 4.5% of GDP in 2015. As such, total public sector debt outstanding fell 13.5% to XCD1.534 billion or 61.6% of GDP in 2015. The Balance of Payments swung into deficit of XCD102.5 million or 4.1% of GDP in 2015, following three consecutive years of contraction, driven by construction at 12%; mining and quarrying at 12%; real estate at 3.5%; transport and storage at 5.6%; agriculture at 8.1%; manufacturing at 1.8%; and hotels and restaurants at 0.4%. Deflation of 2.6% was recorded in 2015. The overall fiscal deficit narrowed from XCD137.6 million or 3.6% of GDP in 2014 to XCD93.6 million or 2.4% of GDP in 2015. This pushed total public sector debt

St. Lucia—Positive Growth Following Three Years of Contraction

GNM and CTO data show 2% growth in stopover arrivals in 2015, but a 1.5% y/y contraction to April 2016, on lower Canadian and European arrivals. Cruise passenger arrivals fell 17.4% y/y to April 2016. The ECCB estimates growth at 2.4% in 2015, following three consecutive years of contraction, driven by construction at 12%; mining and quarrying at 12%; real estate at 3.5%; transport and storage at 5.6%; agriculture at 8.1%; manufacturing at 1.8%; and hotels and restaurants at 0.4%. Deflation of 2.6% was recorded in 2015. The overall fiscal deficit narrowed from XCD137.6 million or 3.6% of GDP in 2014 to XCD93.6 million or 2.4% of GDP in 2015. This pushed total public sector debt
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**St. Vincent & The Grenadines—Positive Growth Returned in 2015**

GNM and CTO data show stopover arrival growth at 6.6% in 2015, and 8.2% to March 2016, with higher numbers coming from all major source markets. Cruise passenger arrivals were up 6.5% y/y to March 2016. The ECCB estimates that real growth turned positive in 2015, at 0.8%, following a 0.2% contraction in 2014. Expansion in 2015 is estimated in hotels and restaurants at 7.3%; construction at 4%; agriculture at 4.7%; real estate, renting and business activities at 0.7%; transport, storage and communications at 1.6%; and financial intermediation at 2.4%, while all other sectors registered declines. Deflation of 2.1% was recorded in 2015. The overall fiscal deficit narrowed to XCD57.6 million or 2.8% of GDP in 2015, from XCD80.4 million or 4.1% of GDP in 2014, but total public sector debt outstanding declined by 1% to XCD1.555 billion or 76.7% of GDP in 2015. The Balance of Payments surplus narrowed from XCD62 million or 3.2% of GDP to XCD41.4 million or 2% of GDP, which drove Net International reserves higher by 5.6% in 2015 to XCD444.8 million or 4.7 months of imports. The IMF expects growth to intensify as the new airport begins operating and tourism activity accelerates as a result.

**ECCU Economic Indicators**

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<tbody>
<tr>
<td>Anguilla</td>
<td>15</td>
<td>735.54</td>
<td>2.2%</td>
<td>24.7%</td>
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<td>3.9</td>
<td>2.6</td>
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<td>Antigua and Barbuda</td>
<td>92</td>
<td>3,016.78</td>
<td>3.3%</td>
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<td>3.5</td>
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<td>Dominica</td>
<td>73</td>
<td>1,158.78</td>
<td>-3.7%</td>
<td>80.0%</td>
<td>-1.2%</td>
<td>-16.3</td>
<td>5.1</td>
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<td>Grenada</td>
<td>107</td>
<td>2,253.73</td>
<td>3.9%</td>
<td>86.0%</td>
<td>1.2%</td>
<td>32.1</td>
<td>5.0</td>
<td>-1.2%</td>
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<td>Montserrat</td>
<td>5</td>
<td>148.62</td>
<td>-1.4%</td>
<td>6.1%</td>
<td>20.6%</td>
<td>34.5</td>
<td>11.3</td>
<td>-0.1%</td>
</tr>
<tr>
<td>St. Kitts and Nevis</td>
<td>55</td>
<td>2,144.00</td>
<td>6.6%</td>
<td>61.6%</td>
<td>4.5%</td>
<td>111.0</td>
<td>6.3</td>
<td>-2.4%</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>184</td>
<td>3,208.30</td>
<td>2.4%</td>
<td>92.9%</td>
<td>-2.4%</td>
<td>-93.6</td>
<td>4.7</td>
<td>-2.6%</td>
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<td>St. Vincent &amp; the Grenadines</td>
<td>109</td>
<td>1,711.02</td>
<td>0.8%</td>
<td>76.7%</td>
<td>-2.8%</td>
<td>-57.6</td>
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<td>ECCU</td>
<td>637</td>
<td>14,376.40</td>
<td>2.6%</td>
<td>76.0%</td>
<td>-0.1%</td>
<td>-46.7</td>
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Note: Import cover ratio is calculated using the ECCB’s Net International Reserves and Average Monthly Import of Goods and Services data provided by the ECCB.