

Part of Liberty Latin America



Caribbean Inflation Analysis - Overview

August 2022



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The present document is a general inflation analysis for selected Caribbean markets and assumes the existence of information where it is available. This work does not intend to be, nor it is a macroeconomic diagnostic.

Efforts have been made to ensure that the information contained in this document is accurate. Parts of this document rely on official data, research sources and internal and external analysis believed to be reliable.

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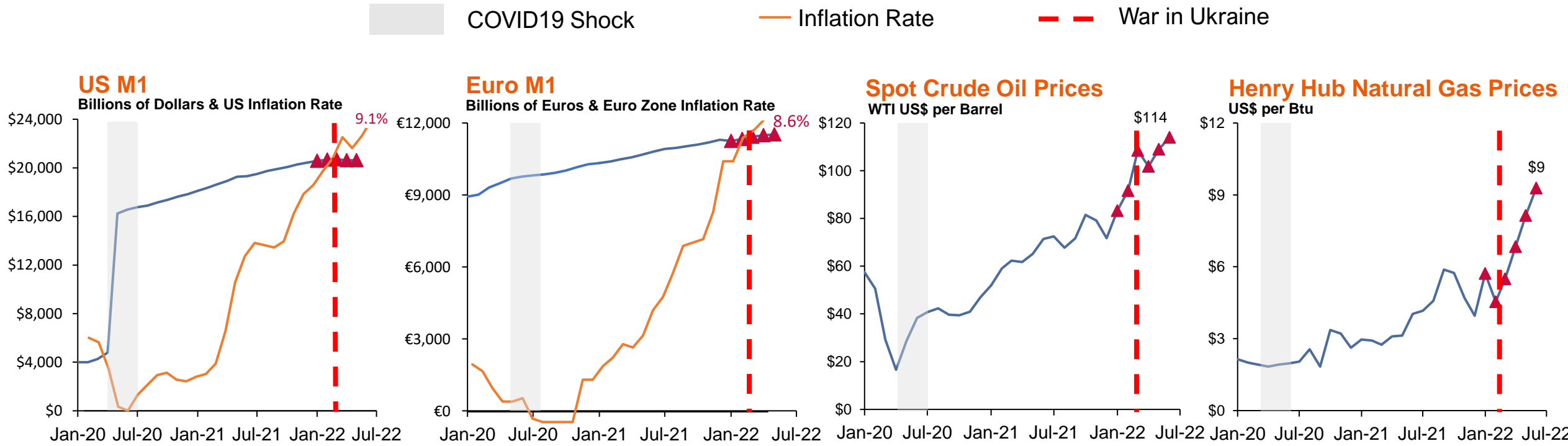
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CURRENT MACROECONOMIC CONTEXT

Rising inflation is attributed to supply-chain disruptions, conflict in Ukraine and lagged effects from large quantitative easing and stimulus packages from major economies.



1 Inflation level is rising, and rate of change is also increasing. June data has surpassed expectations of inflation for US, reaching 9.1% while June data for Euro Zone surpassed the 7.5% expectation by recording 8.6%.

2 Large quantitative easing, a measure of expansionary monetary policy has increased inflationary pressures as added liquidity is poured into international markets and real prices adjust to increased printed money (M1)

As a result, major economic production inputs such as oil and gas also registering a high inflationary pressure with an upwards trend

Source: Federal Reserve Bank, , European Central Bank

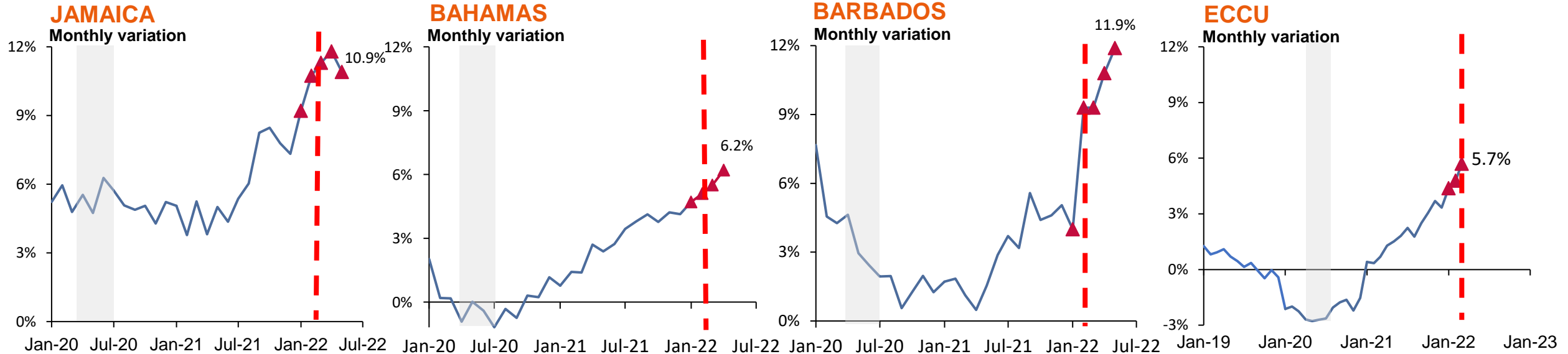
INFLATION IN CARIBBEAN MARKETS

Inflation has been increasing across all Caribbean markets



COVID19 Shock

War in Ukraine



Barbados and Jamaica's inflation among the highest in selected markets and have been accelerating.

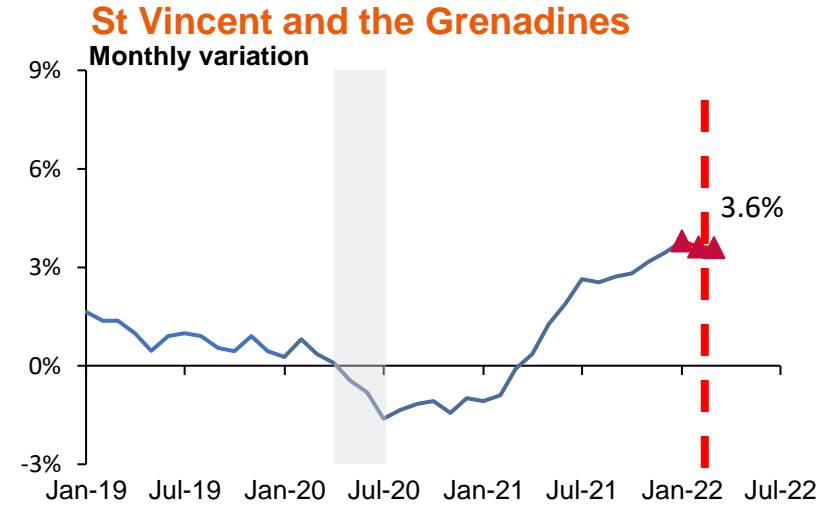
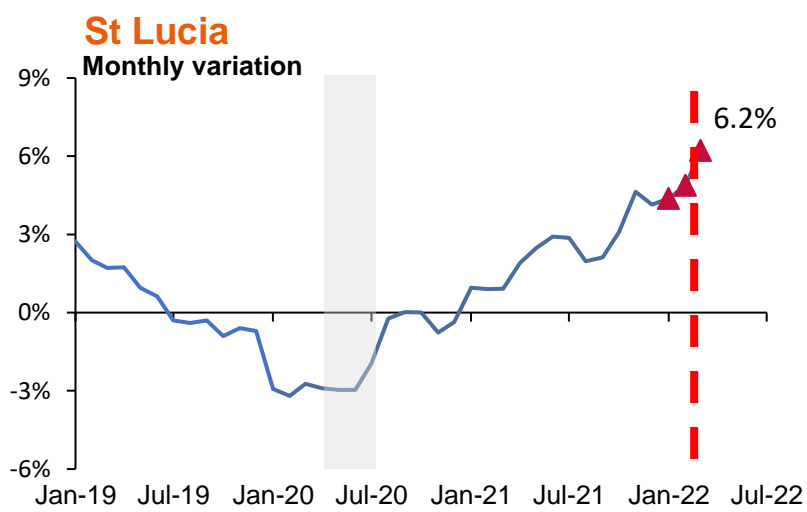
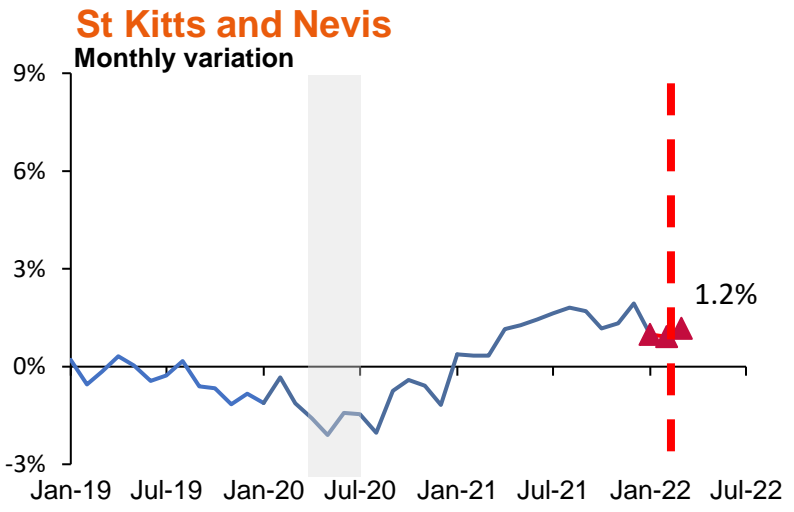
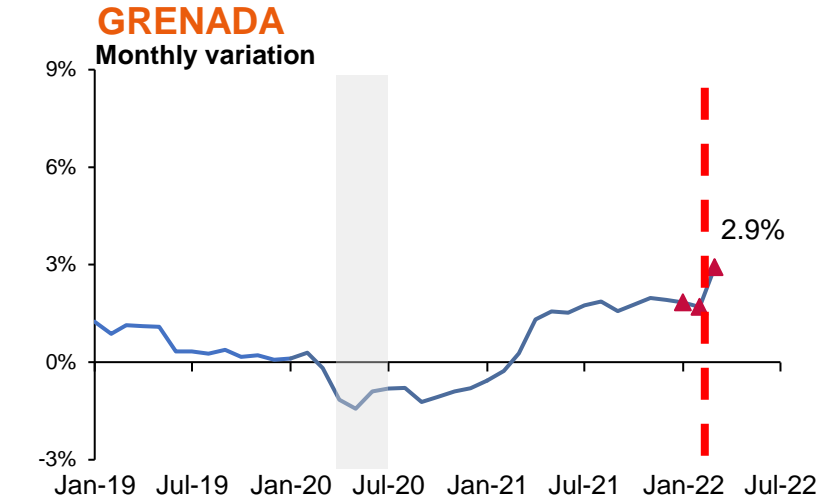
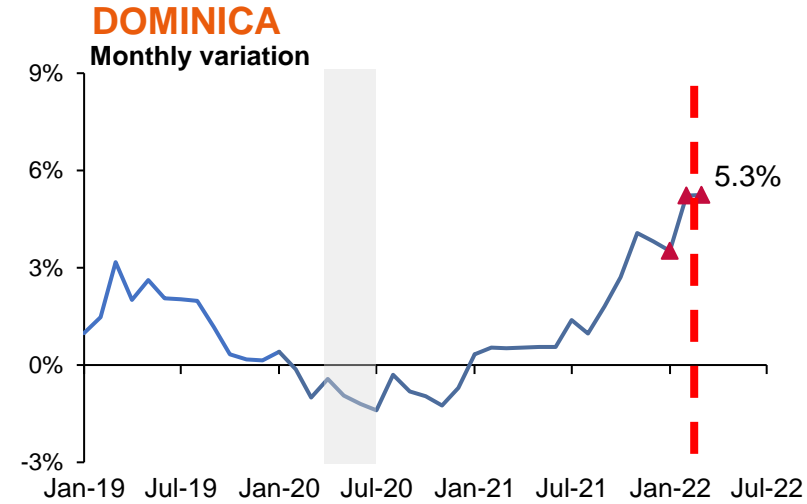
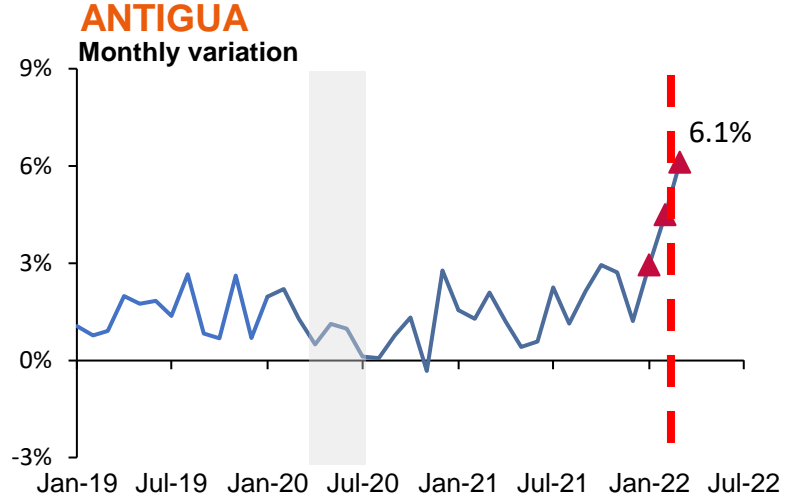
The **Eastern Caribbean Currency Union (ECCU)** is a development of the Organization of Eastern Caribbean States. This organization is composed of Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

Source: International Monetary Fund, ECCU, Bank of Jamaica, Central Bank of Barbados (Estimates Jan-March 22)

INFLATION IN CARIBBEAN MARKETS

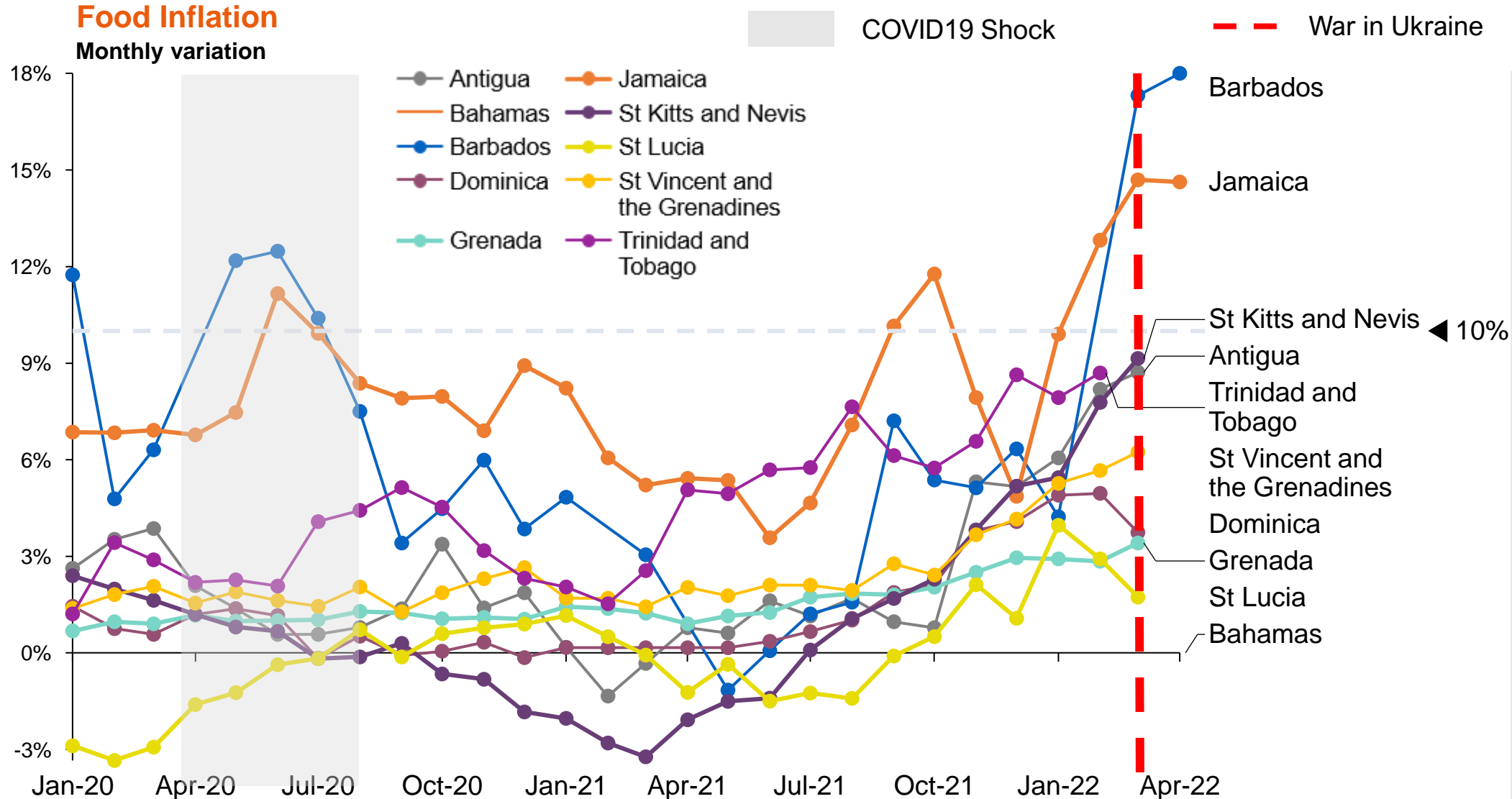
Most ECCU had historically low levels of inflation and in some cases deflation but now they are experiencing accelerated levels of inflation

COVID19 Shock — War in Ukraine



Source: International Monetary Fund, ECCU Bank

INFLATION COMPONENTS – COMPARATIVE ANALYSIS



Food prices have experienced an upswing in the Caribbean motivated by rising prices of transportation and airfares. Most countries are experiencing substantial growth from historical levels

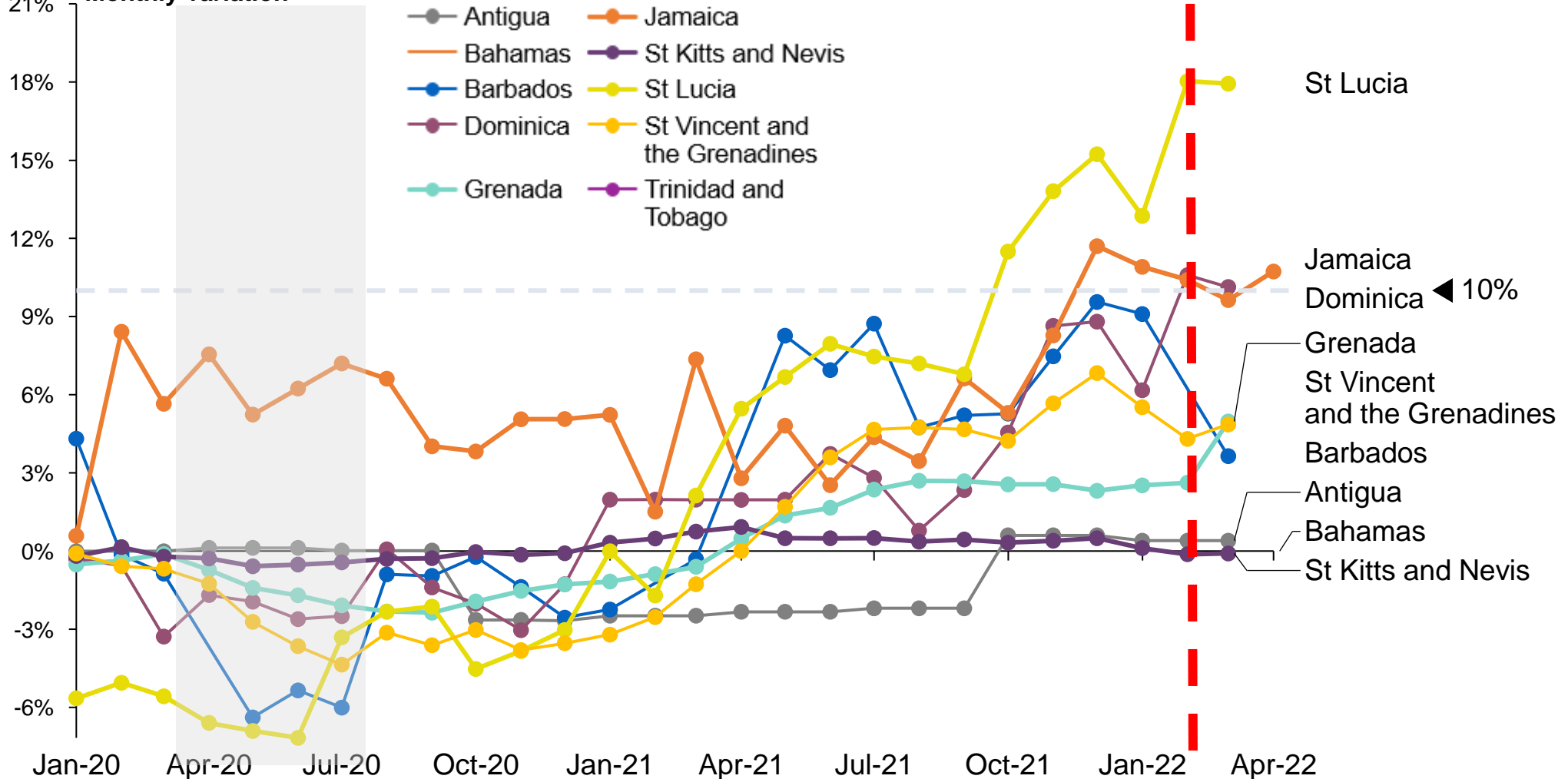
Barbados and Jamaica are leading the highest price level increase with St Kitts and Antigua accelerating.

Bahamas components of inflation are not available
 Source: IMF, ECCU Bank, Bahamas Statistical Service, Central Bank of Jamaica

INFLATION COMPONENTS – COMPARATIVE ANALYSIS

Fuel, Gas and Utilities Inflation

Monthly variation



St Lucia, Jamaica and Dominica are leading the price increase in Fuel and Gas categories.

This spike is not only a function of the higher costs of international prices of commodities but also a function of structural conditions of the Caribbean such as geography and distribution channels.

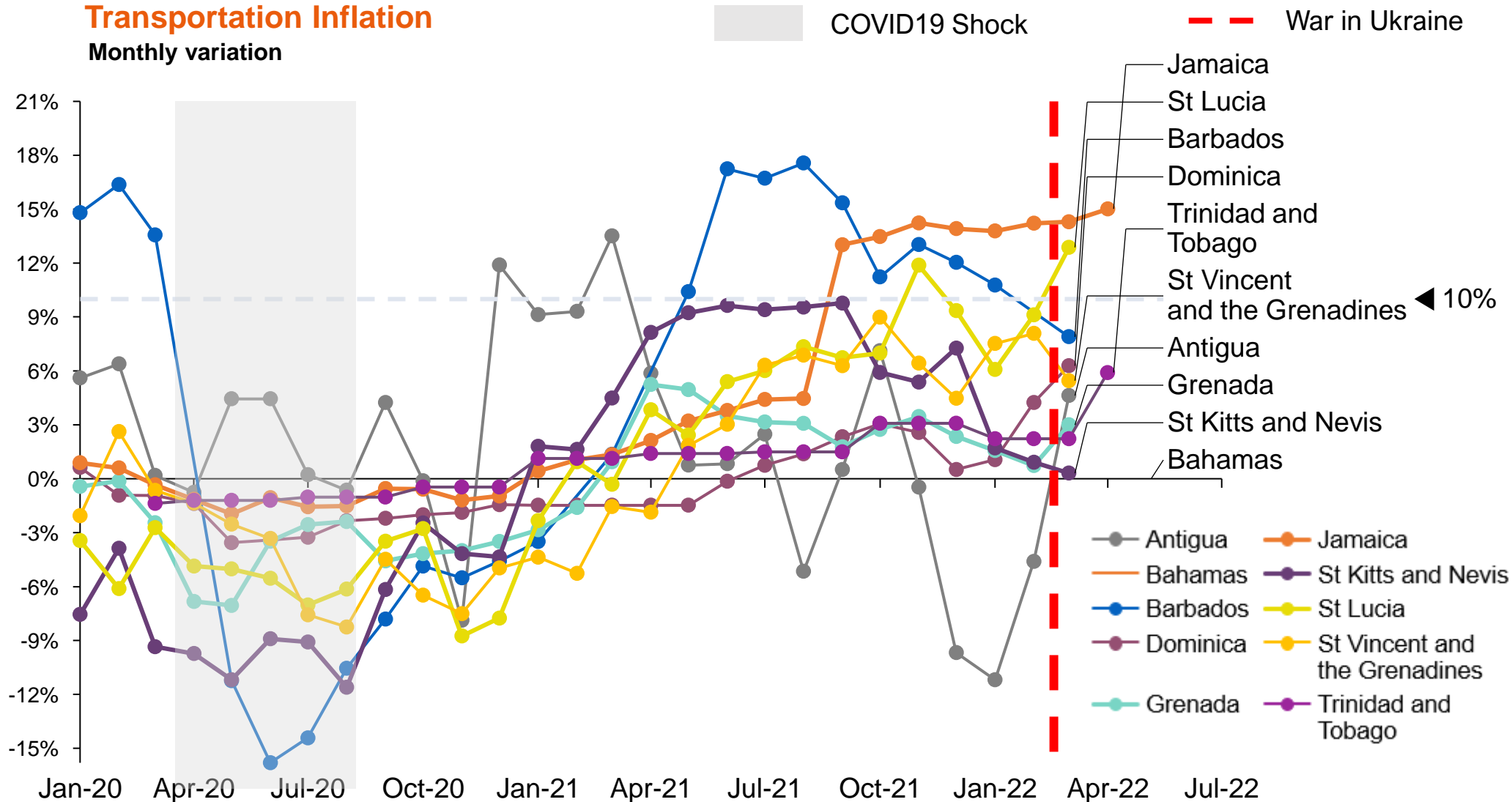
Most countries have experienced growth in price level.

Trinidad and Tobago and Bahamas components of inflation are not available

Source: IMF, ECCU Bank, Bahamas Statistical Service, Central Bank of Jamaica

INFLATION COMPONENTS – COMPARATIVE ANALYSIS

Transportation Inflation Monthly variation



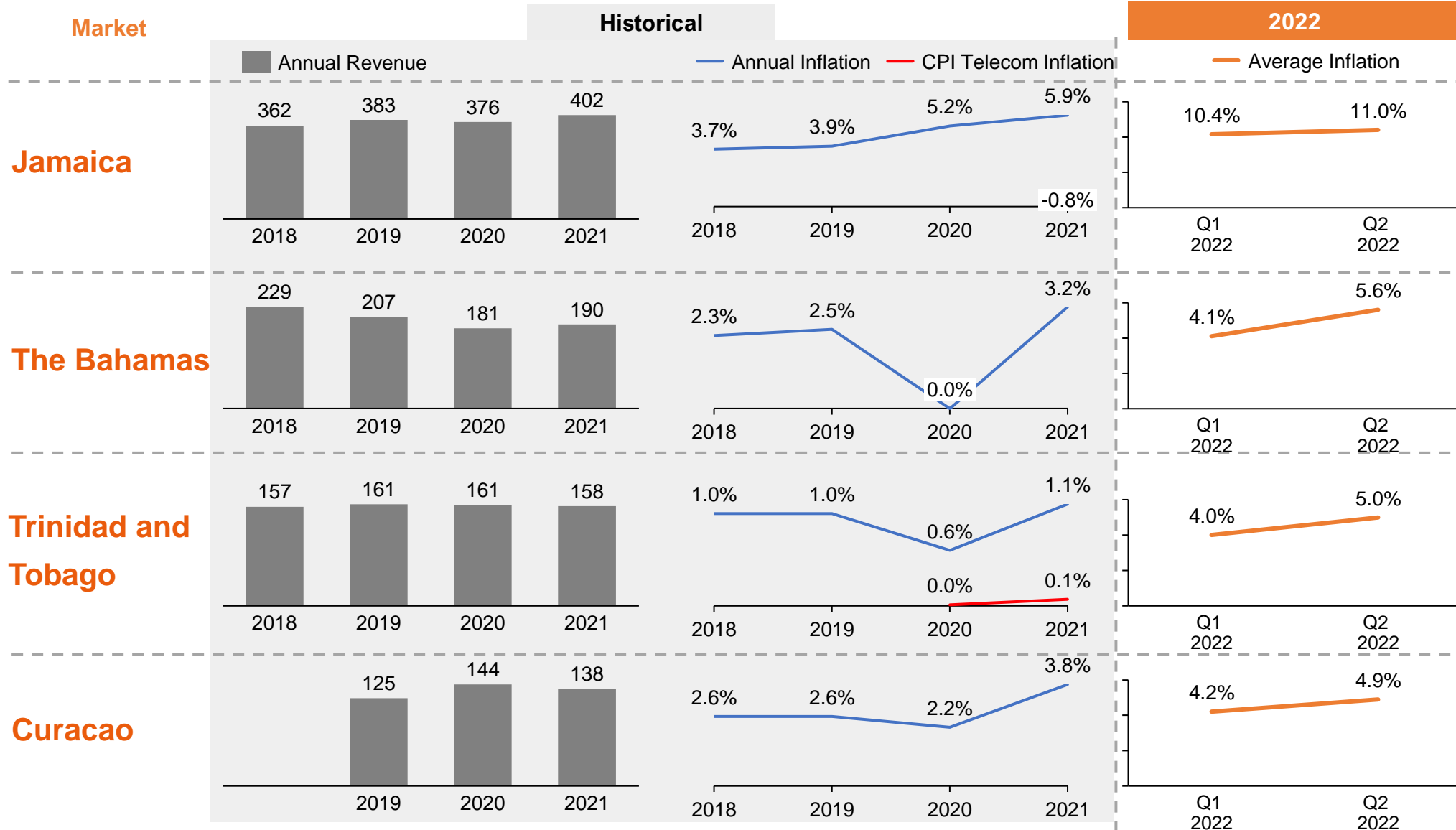
Jamaica, St Lucia, Barbados, and Dominica are leading the increase in transportation inflation.

Inflationary pressures on transportation will likely increase as a result of higher costs of fuel and seasonality cycles that affect the Caribbean.

Bahamas components of inflation are not available
Source: IMF, ECCU Bank, Bahamas Statistical Service, Central Bank of Jamaica

REVENUE TRENDS AND INFLATION – SELECTED MARKETS

Impact of inflation is becoming significantly higher on nominal revenues in local operations



Inflation is accelerating.

In some markets, it has grown on par or faster than revenue.

Where available, Telecom CPI component, which tracks communications and other services has remained flat to zero. This could indicate that Telecoms have not raised prices despite price hikes on other raw materials

Bahamas and Curacao components of inflation are not available. Jamaica changed its price level to reference to Dec 2019
 Source: IMF, ECCU Bank, Central Bank of Trinidad and Tobago, Central Bank of Curacao, 10Q Press Release Liberty

CENTRAL MACROECONOMIC MEASURES TO COMBAT INFLATION

Assess policies to enhance competitiveness and price stability

During inflationary periods, regulatory authorities have enacted and can enact policies that increase competitiveness and productivity such as reduction of costly regulations and negotiate or target temporary subsidies to fuel contracts

Improve access to finance and increase capital mobility

Higher interest rates can impact the cost of finance, making it costlier and more difficult to access. Lower liquidity and higher cost of finance can restrict companies from executing short-term and medium-term strategies to tame inflation

Evaluate fiscal incentives such as tax reliefs and tax cuts

Central authorities can support the fight against inflation by targeting tax incentives to key industries to alleviate inflationary pressures on profits and help pass tax savings to customers

CONCLUSIONS



Latin America and the Caribbean are leading regions with some of the highest expected inflation rates for 2022
Countries are vulnerable to food, transportation and energy-derived inflation due to their fundamental economics

Price level for services provided by Telecoms on average have remained steady despite rising prices for raw materials and fuel
Market dynamics of service providers seem to suggest that Telecoms are competing on price, giving little room for profit growth in an inflationary environment with fluctuating exchange rates

Higher interest rates, a measure to combat inflation, will likely pose a variety of challenges for our operations
Quantitative tightening measures by the Federal Reserve Bank and other local Central Banks can put pressures on cost of capital as investors demand higher rates of return to compensate for inflation. Valuations can be severely impacted

Adverse macroeconomic conditions may lay ahead
High inflation and higher interest rates coupled with lower consumer sentiment are signs of possible deacceleration of economic activity which can adversely impact revenue growth. (As of June 30, the US has effectively entered a recession)

Nevertheless, local governments can also have an impact on inflation
Local governments can also combat high inflation by enacting policies that increase competitiveness such as putting downward pressure on long-term costs and implement tax incentives that can be passed down to customers as savings

Despite ramping inflation reducing the purchasing power of our earnings, Liberty has continued delivering valued-added products and services in the Caribbean at very good prices
Although inflation is impacting negatively the gross margins and real earnings of our operations, our prices have remained steady or considerably lower compared to adjusted inflation while delivering more data and services per user

APPENDIX

INFLATION RATES

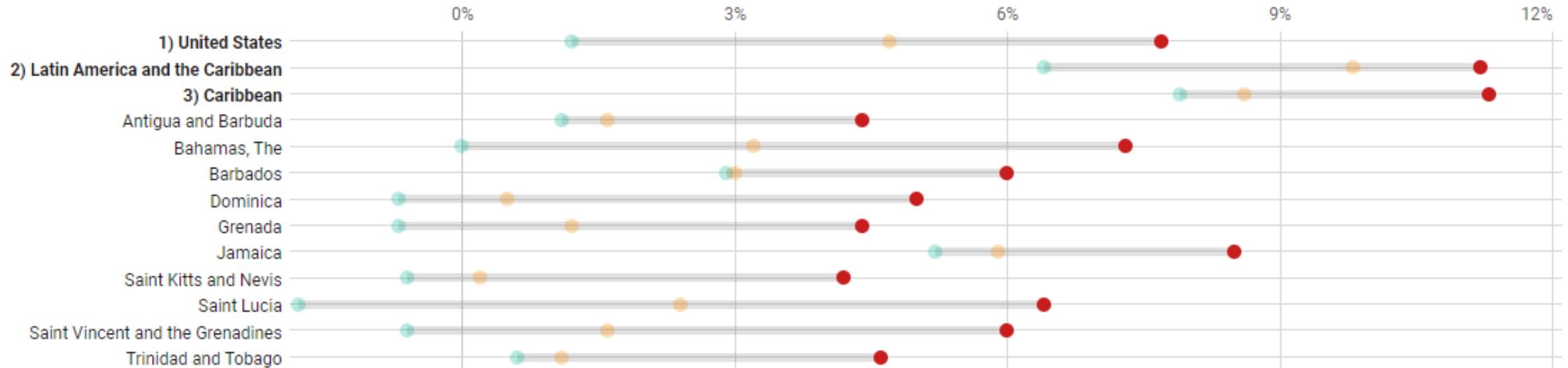
Latin America and the Caribbean are the regions leading the spike in trending higher inflation



Inflation Rate

Average consumer prices (Annual Percent Change)

● 2020 ● 2021 ● 2022 (Projections)



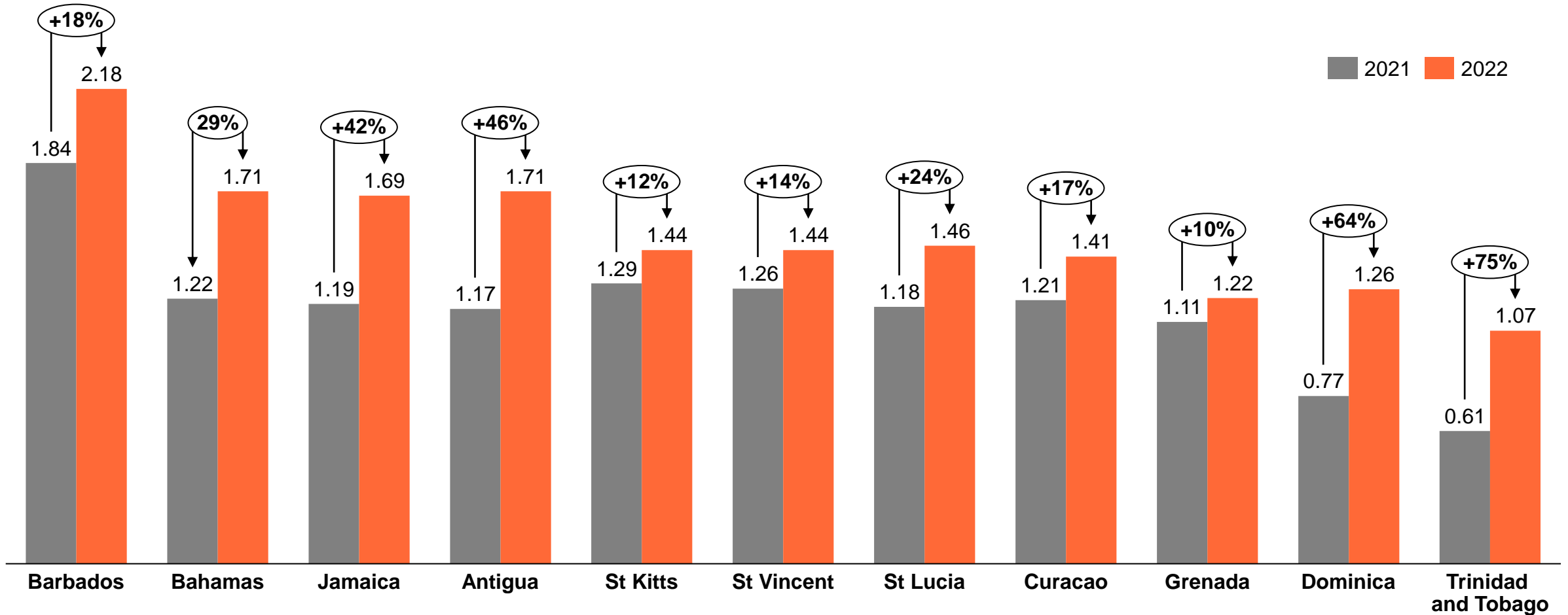
Inflation projections for selected countries based as of April 2022

GASOLINE PRICES

Substantial double digit increase in price of fuels are putting pressure on production costs and consumption



Average Gasoline Prices – June YoY Growth Per Liter, in US\$ (Octane 95)



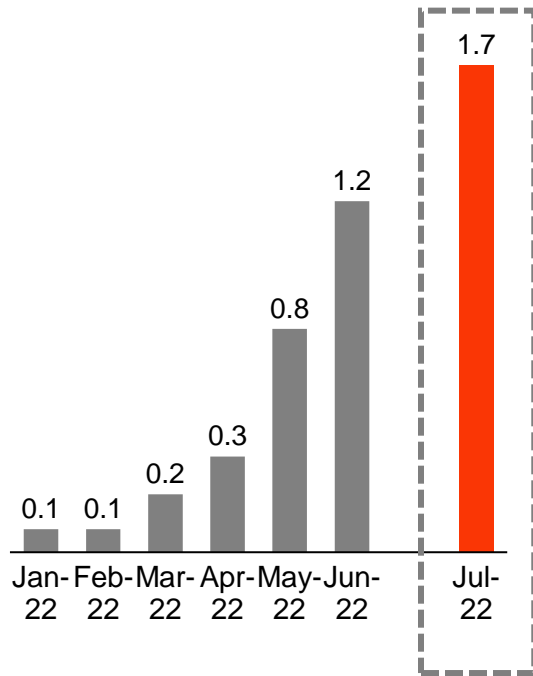
Source: Statista, Knoema

INTEREST RATES

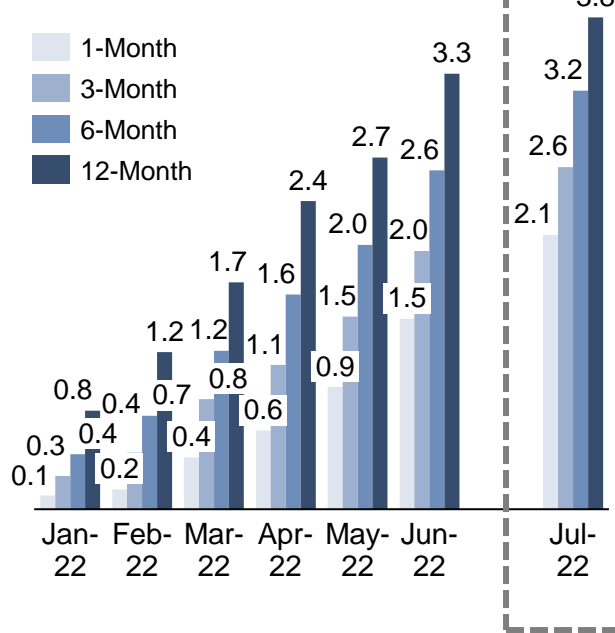
Interest rates around the world are increasing as a measure to combat inflation.



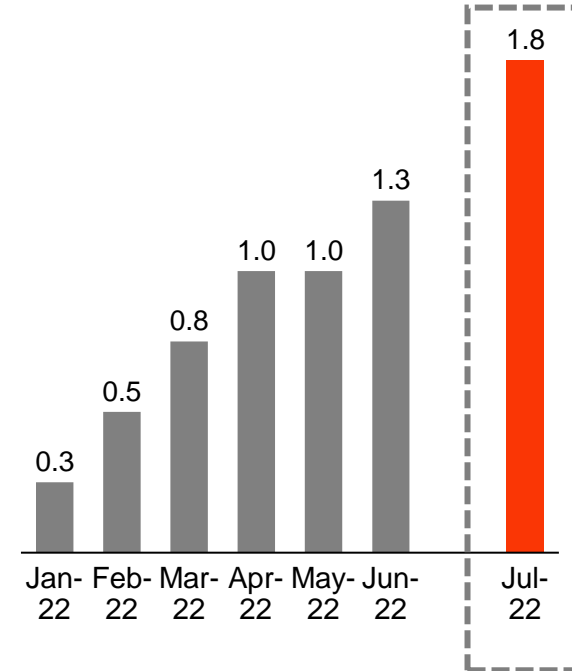
¹Federal Funds Effective Rate %



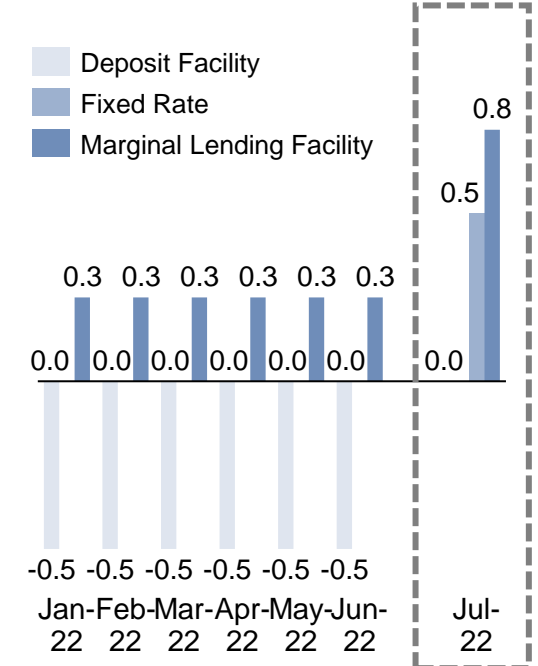
²The London Interbank Offered Rates (LIBOR) %



Bank of England Rate %



³Key ECB interest rates%



Higher interest rates will impact cost of capital as investors demand higher return to compensate higher inflation. Higher costs of capital affect valuations and lead into lower growth due to decreased demand for costlier capital.

¹The federal funds rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight.

²LIBOR is the average interest rate at which a select group of banks that participate in the London interbank money market can borrow unsecured funds from each other.

³The interest rate on the main refinancing operations (MRO), which provide the bulk of liquidity to the banking system. The rate on the deposit facility, which banks may use to make overnight deposits.