

THE CARIBBEAN EXPERIENCE IN THE GLOBAL CRISIS



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Today's presentation will focus on:

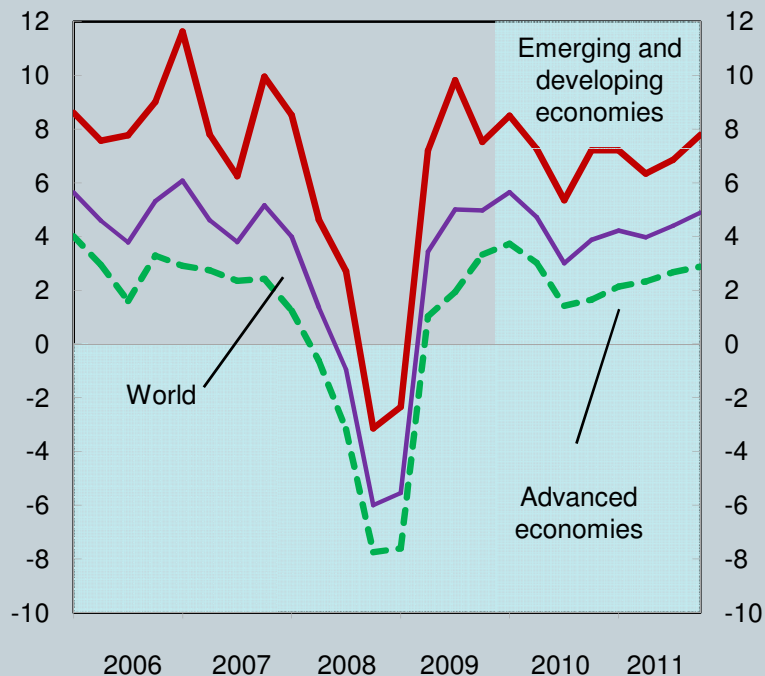


- Context: Crisis and short-term prospects
- Regional impact
- Cross-country variations
- Challenges for the future

After a dramatic world wide slowdown, a multi-speed global recovery is underway...

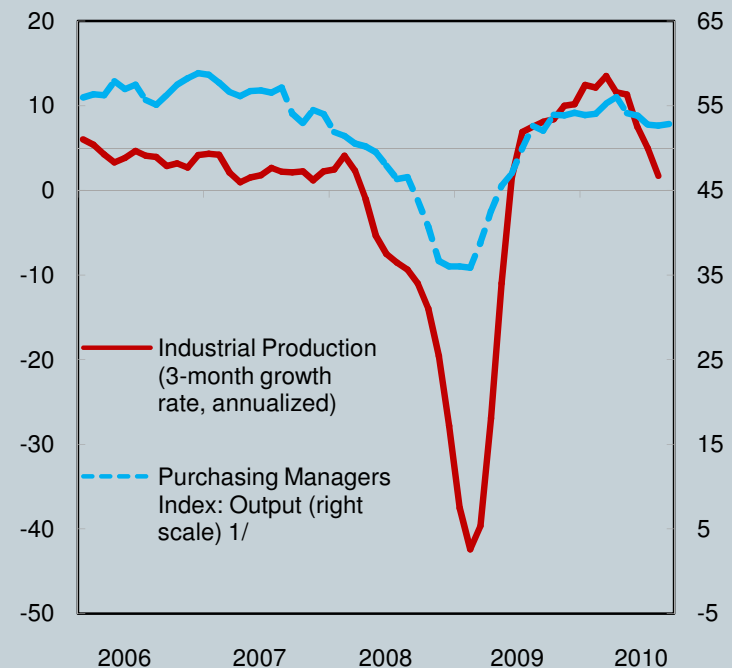
...led by emerging markets...

Real GDP Growth
(Percent change, SAAR)



...as growth in AMs loses strength

Advanced Countries: Industrial Production and Purchasing Managers Index: Output



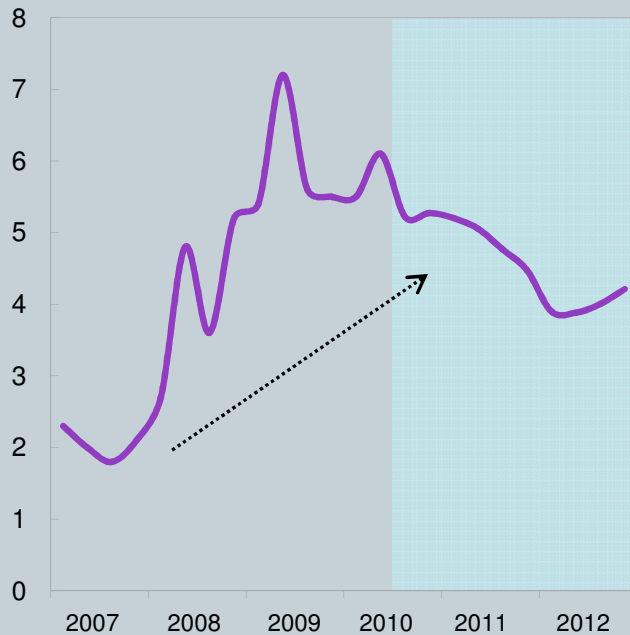
Source: JP Morgan.
1/ Values greater than 50 indicate expansion

A weak US recovery as households continue to repair balance sheets...



Higher savings rates hold back consumption...

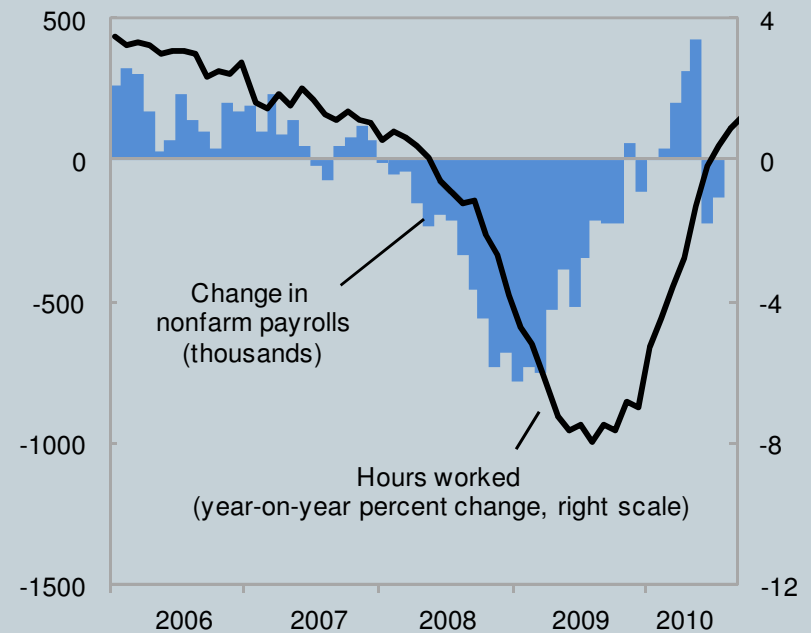
United States: Household Saving Rate¹
(Percent of disposable income)



¹ Historical variations reflect annual revision of NIPA accounts by the Bureau of Economic Analysis.

...amid weak employment prospects.

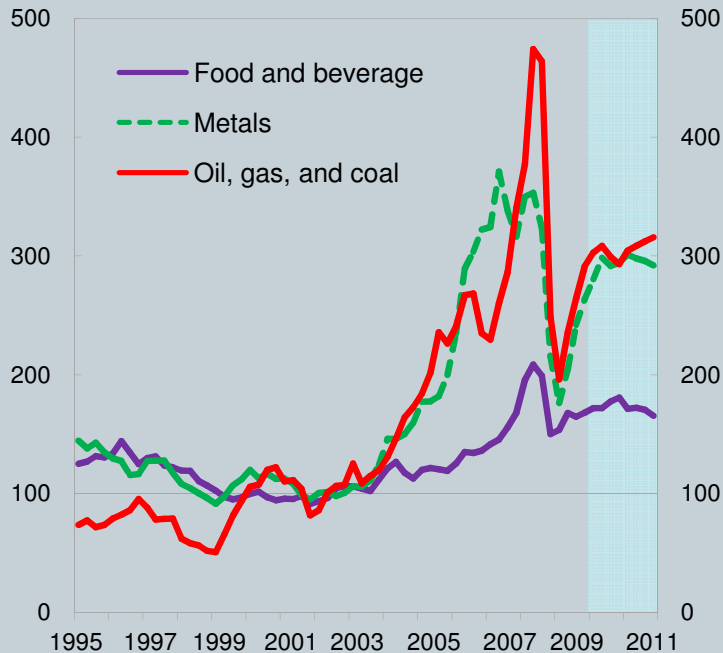
United States: Nonfarm Payrolls and Hours Worked



Strong growth in EMs, accompanied by a rebound in commodity prices

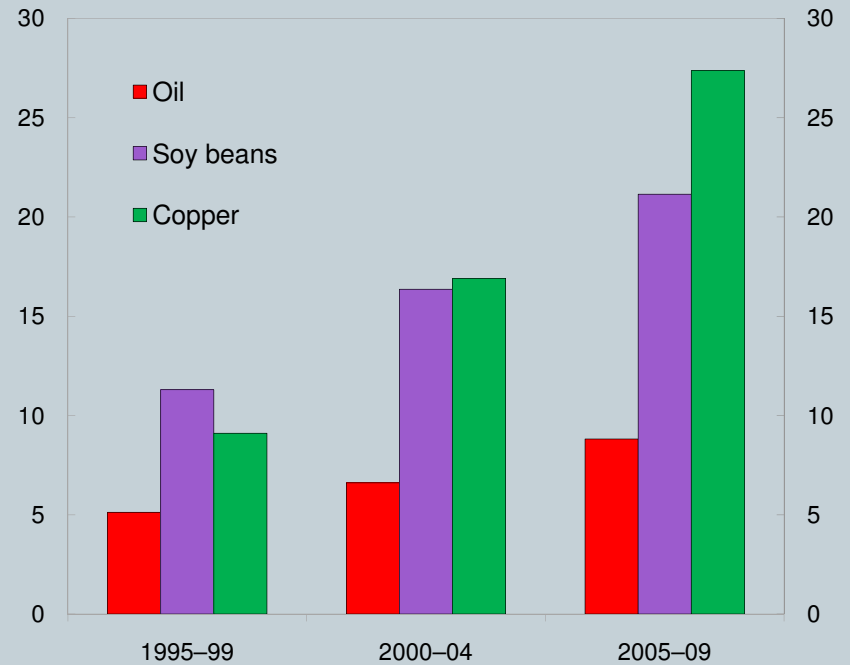


Commodity Prices
(U.S. dollar index, 2002 =100)



Sources are included in the last chart of the canvas:
Bloomberg, L.P.; and IMF staff calculations.

China's Share of Global Demand
(Percent, simple averages)



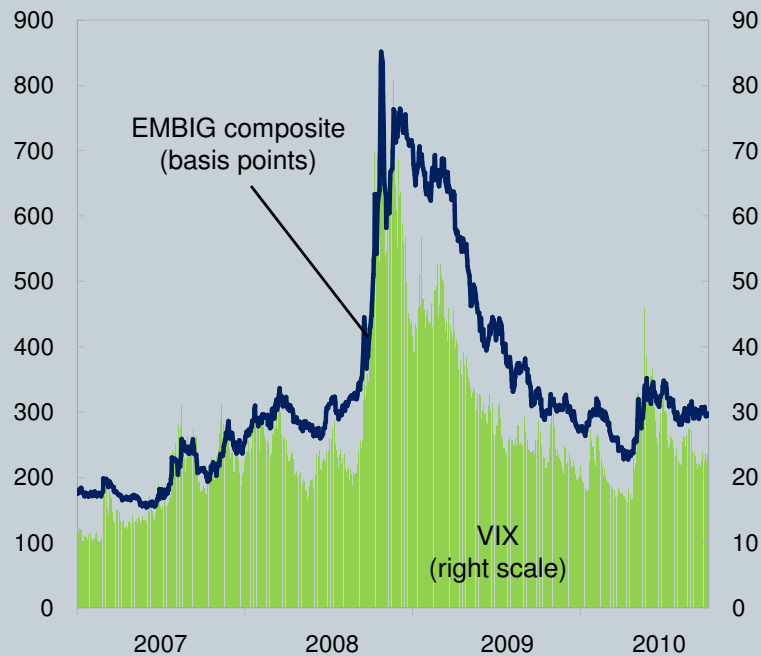
Source: IMF staff calculations.

Global risk aversion is projected to remain low and financing conditions very favorable.

...risk aversion was contained despite turbulence in Europe...

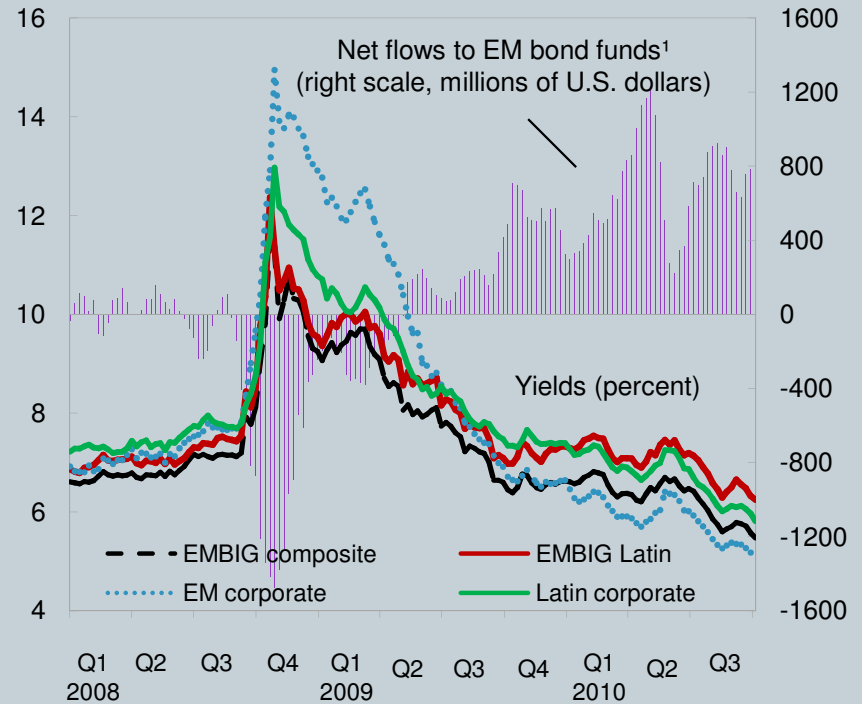
...and flows to EMs have picked from some softness earlier in the year

Global Risk Aversion and EM Spreads



Sources: Bloomberg; and IMF staff calculations.

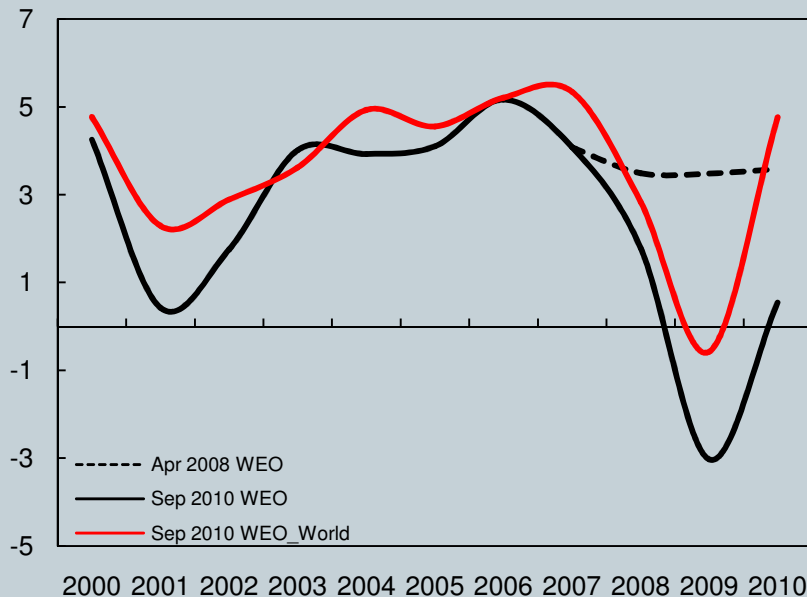
Emerging Market Yields and Bond Flows



Caribbean economies have been hit hard by the global crisis...

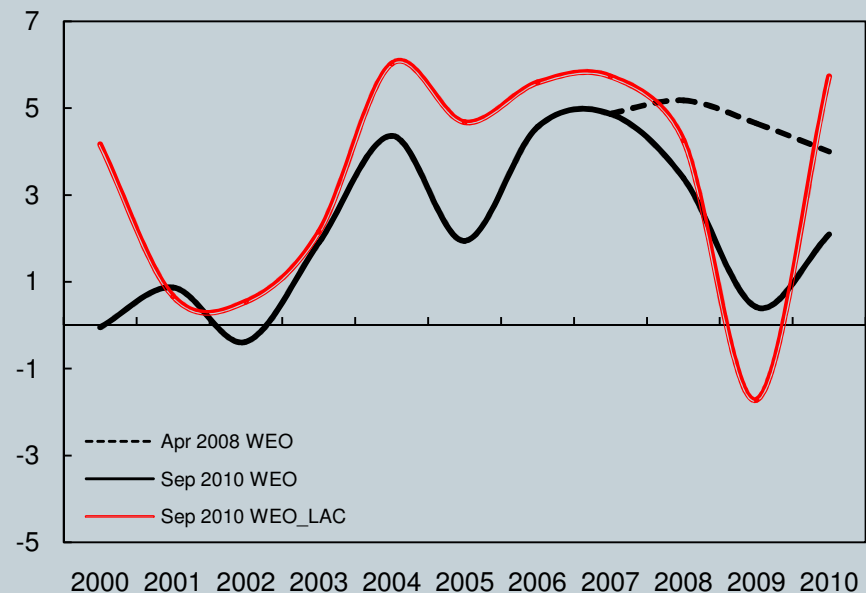
...in particular the tourism-dependent countries...

Average tourism-dependent Caribbean countries' real GDP growth (in percent)



...and to a lesser extent the resource-rich countries.

Average resource-rich Caribbean countries' real GDP growth (in percent)



With the impact varying widely across the region



We use the difference between 2009 growth as projected before the crisis in the April 2008 WEO, and the actual growth as the measure of the output impact of the crisis.

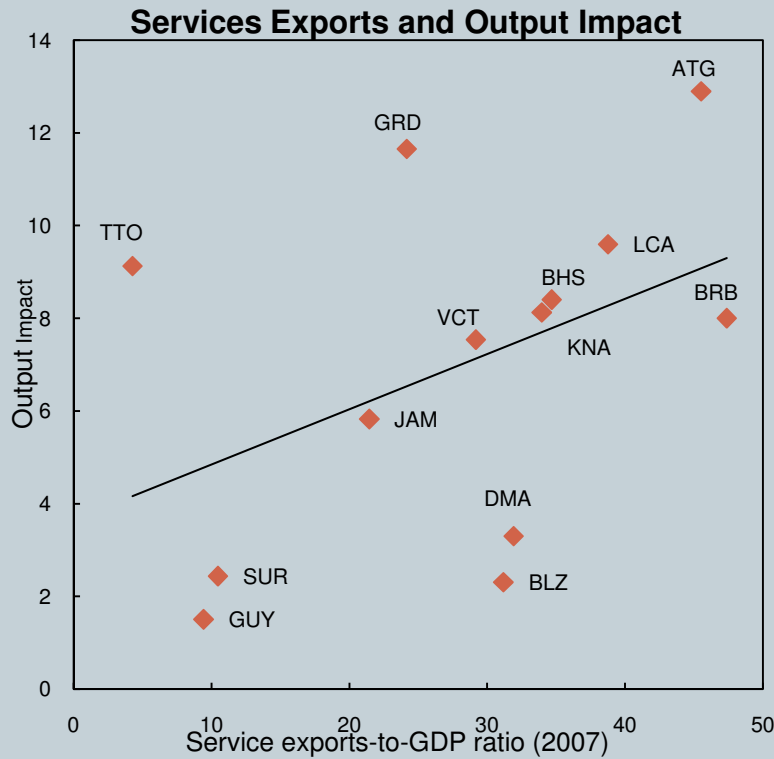
Table 3.1 Forecast and actual 2009 GDP growth

	Forecasts	Actual	Difference
Antigua and Barbuda	4.0	-8.9	12.9
Grenada	4.0	-7.7	11.7
Barbados	2.5	-5.5	8.0
St. Kitts and Nevis	2.7	-5.5	8.1
St. Lucia	4.4	-5.2	9.6
Bahamas	3.8	-4.6	8.4
Trinidad and Tobago	5.6	-3.5	9.1
Jamaica	2.8	-3.0	5.8
St. Vincent and the Grenadines	4.9	-2.7	7.5
Dominica	3.0	-0.3	3.3
Belize	2.3	0.0	2.3
Guyana	4.5	3.0	1.5
Suriname	5.5	3.1	2.4

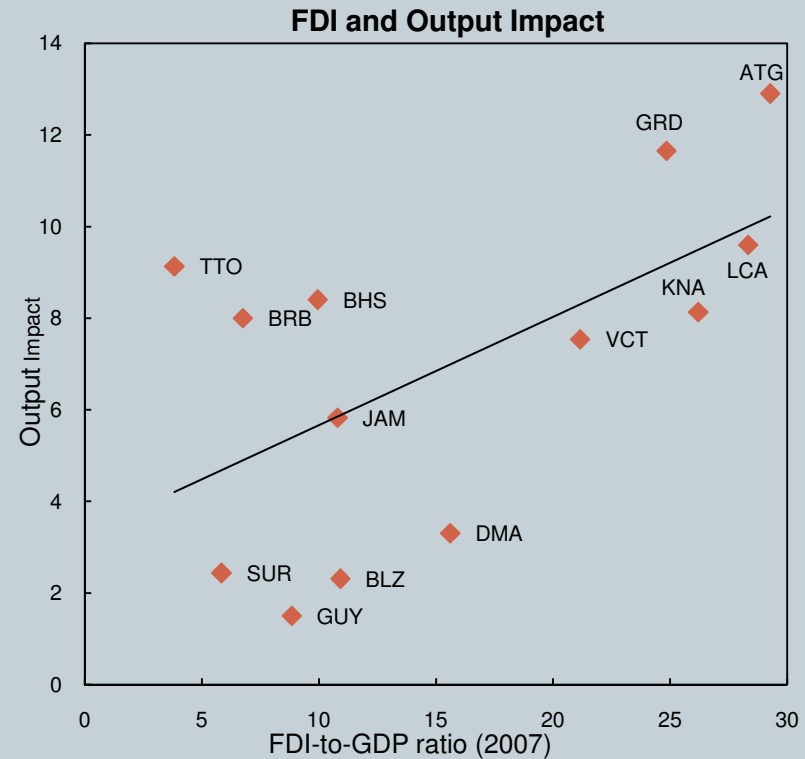
Depending on structural characteristics, notably services exports and foreign direct investment...



The size of the services exports ...



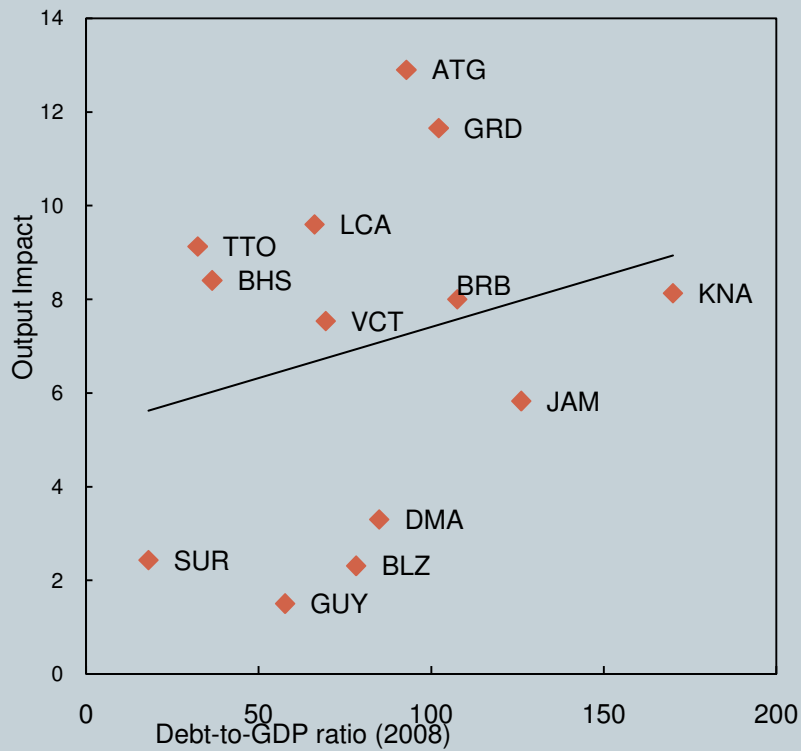
..and FDI, reflecting the close linkages with AMs



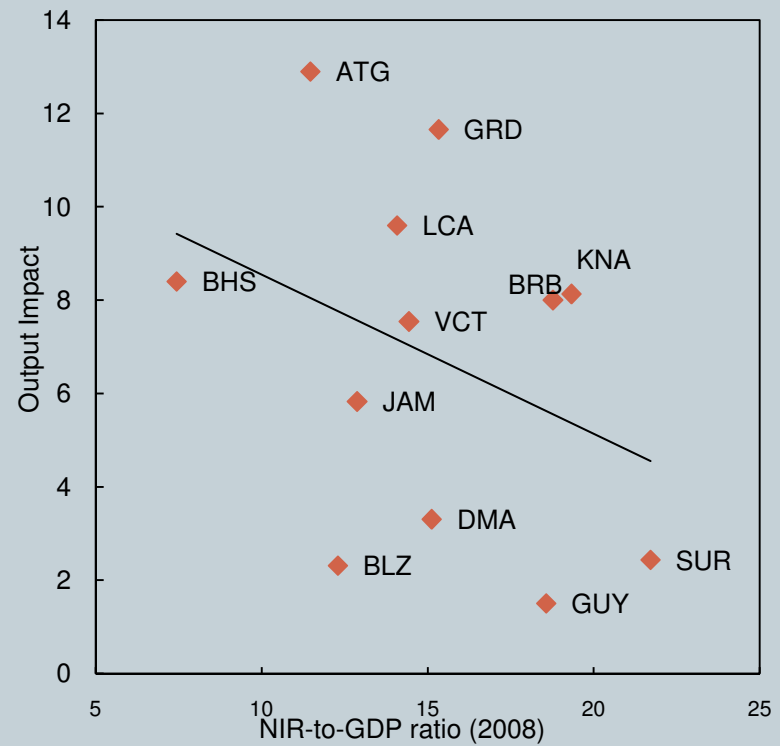
Economic fundamentals...



Debt Level and Output Impact



NIR and Output Impact

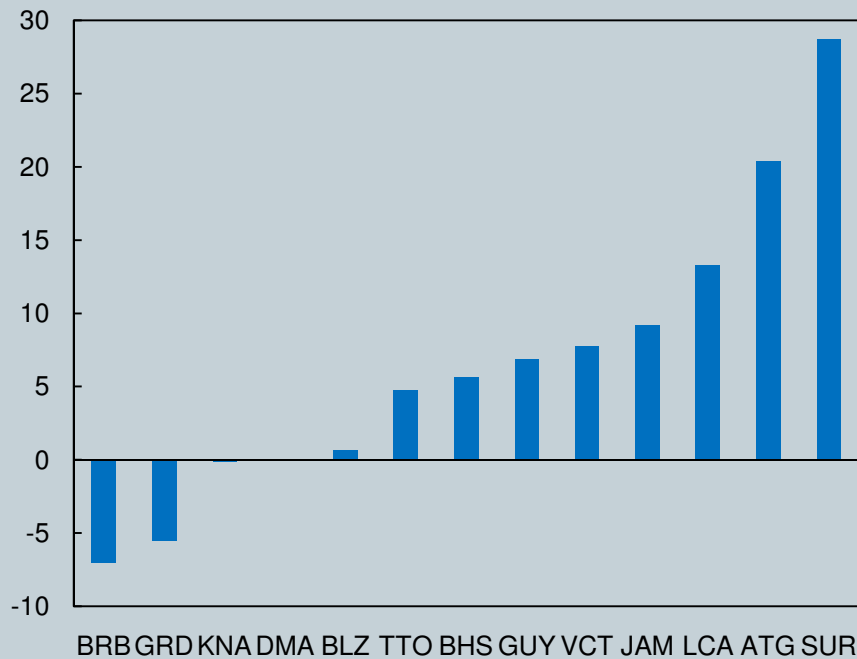


And the room for policy maneuver...

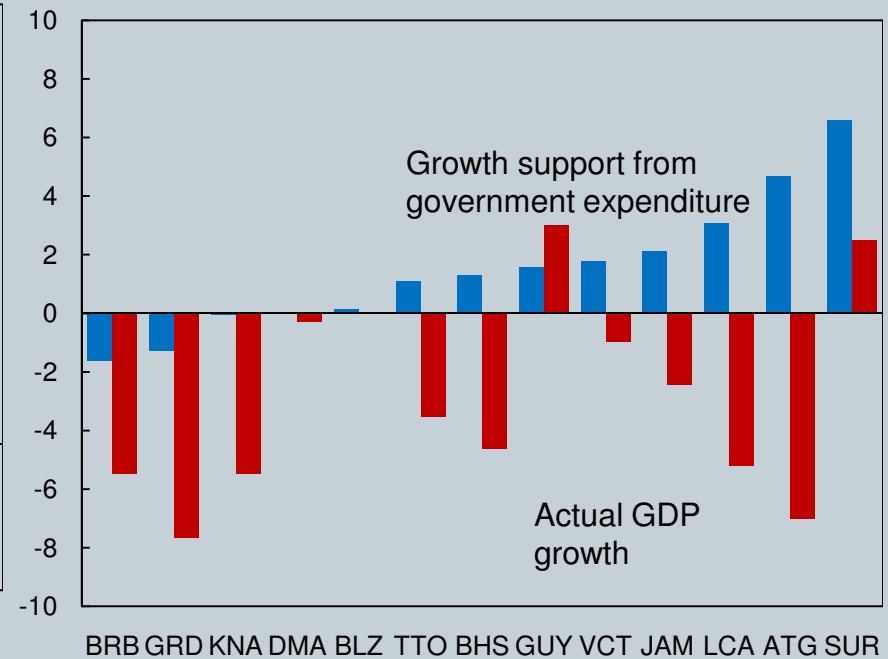
The majority of countries increased real government expenditure in 2009...

...providing support to growth.

Increase in Government Expenditure: 2008-09

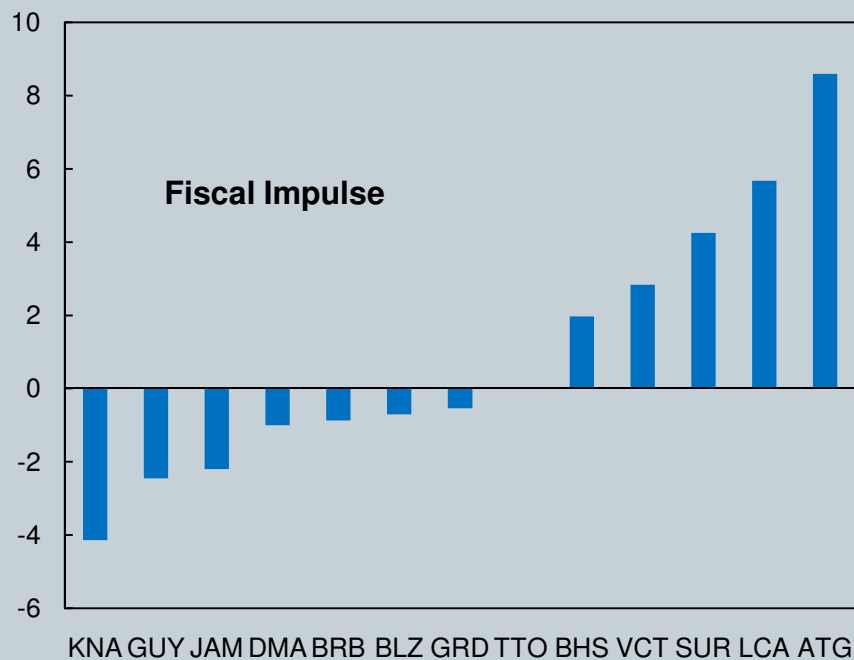


Growth impact of Government Expenditure 2009

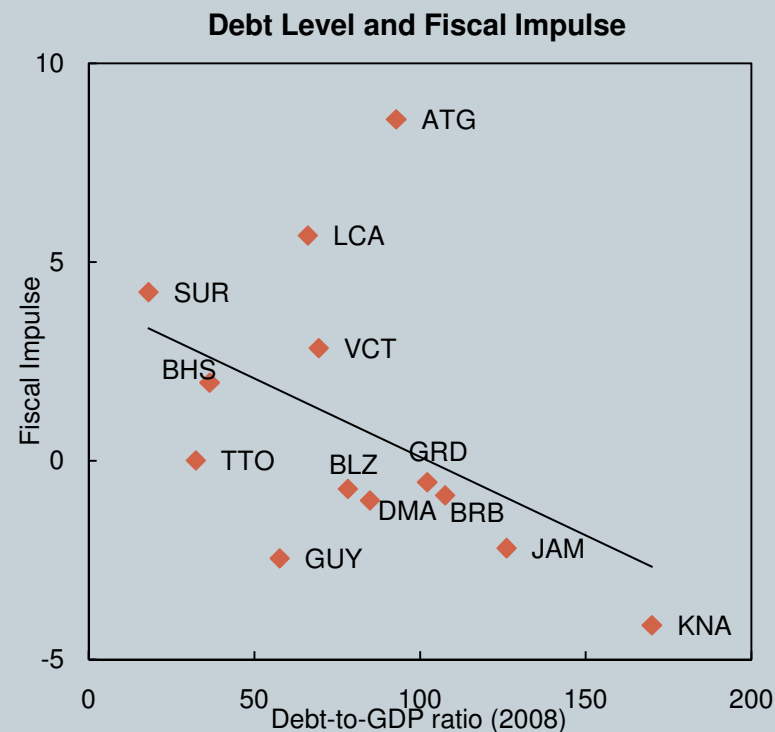


In some cases constrained by high debt levels

... The fiscal stimulus (change in the cyclically-adjusted primary deficit in % of GDP from 2008 to 2009) was limited in most of the countries...



... and countries with lower debt-to-GDP ratios implementing greater fiscal stimulus or smaller consolidation...



Diverse external shocks makes the outlook quite heterogeneous within LAC

Weak recovery in AM

- Weak balance sheets
- Bleak employment prospects
- Need for fiscal consolidation



Persistent loose monetary policy

Weak import demand from AMs

Contained financial distress

- EU/IMF support
- Stress test dissemination



Higher risk tolerance

Slow recovery in remittances

Strong growth in EM

- Greater reliance on domestic demand



Robust commodity prices

Subdued tourism flows

South America

Mexico &
Central America

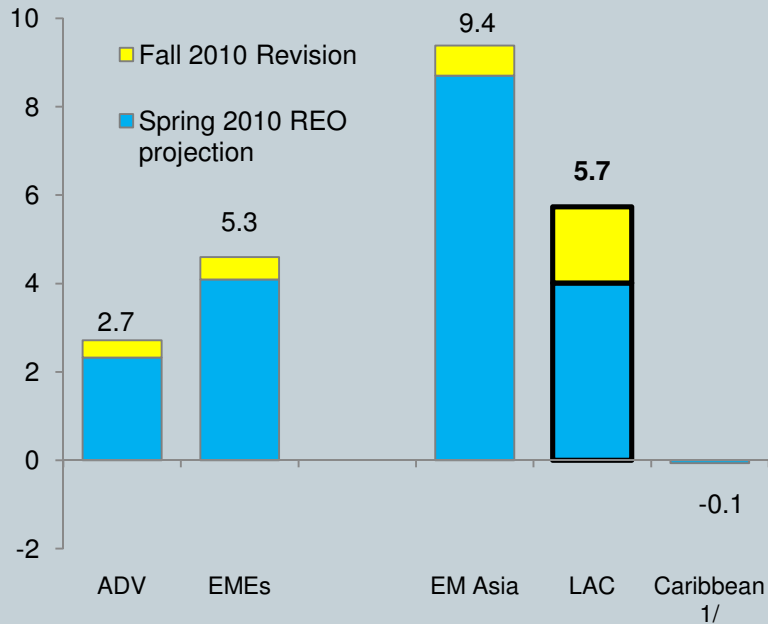
Caribbean



The Caribbean is turning the corner, but recovery is likely to be relatively slow.

Large upward revisions in most countries

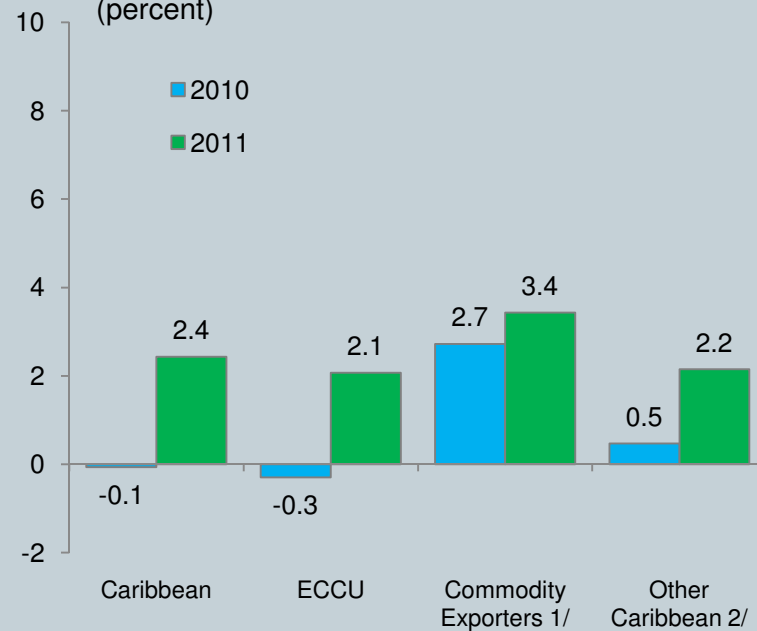
2010 Growth Projection (percent)



1/ Excludes Dominican Republic and Haiti. Includes Belize, Guyana and Suriname.

In much of Caribbean, growth is only expected to pick up next year

Caribbean: Growth Projection, 2010-11 (percent)



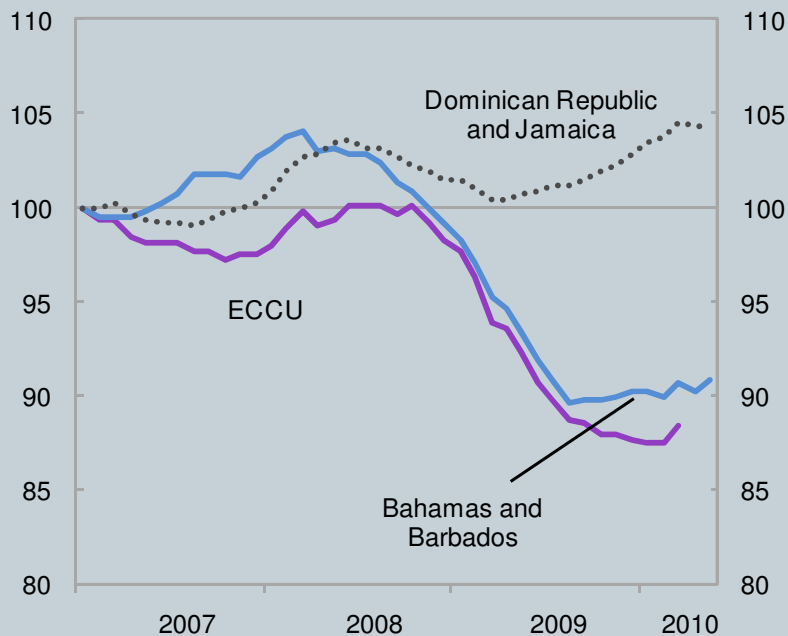
1/ Includes Trinidad and Tobago, Guyana and Suriname.
2/ Includes The Bahamas, Barbados, Jamaica and Belize.

Tourism is beginning to recover...



Tourism is beginning to recover ...

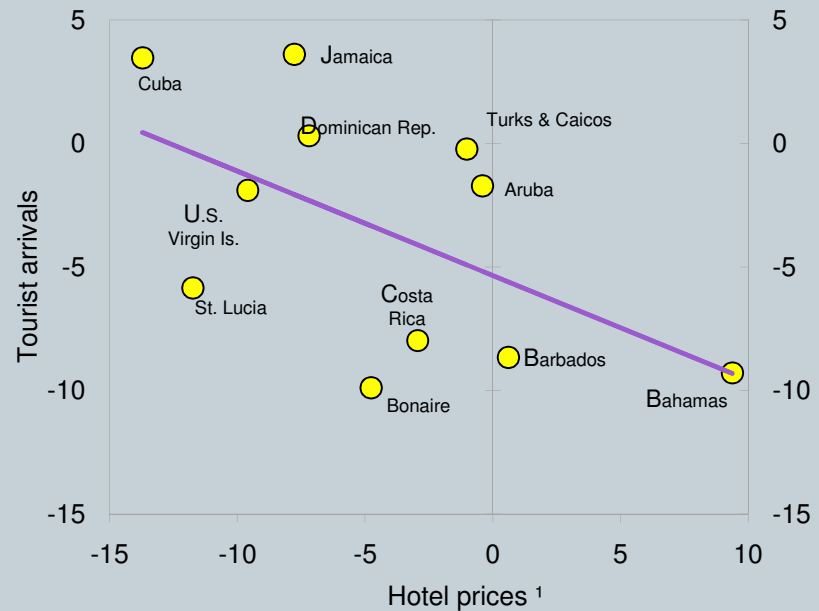
Caribbean: Tourist Arrivals
(Index, 2007 = 100)



Sources: Caribbean Tourism Organization and IMF staff calculations.

...particularly in countries with greater price flexibility.

Tourist Arrivals and Hotel Prices, 2009
(Percent change)

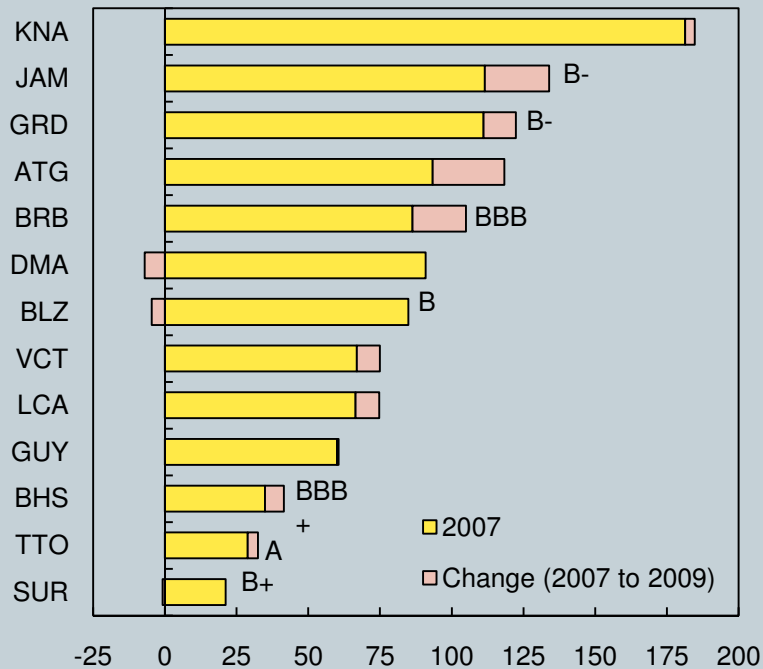


¹ Percent change in the average reported hotel price in U.S. dollars in each destination against the change in the number of arriving tourists.

But vast challenges remain, notably to bring down public debt...

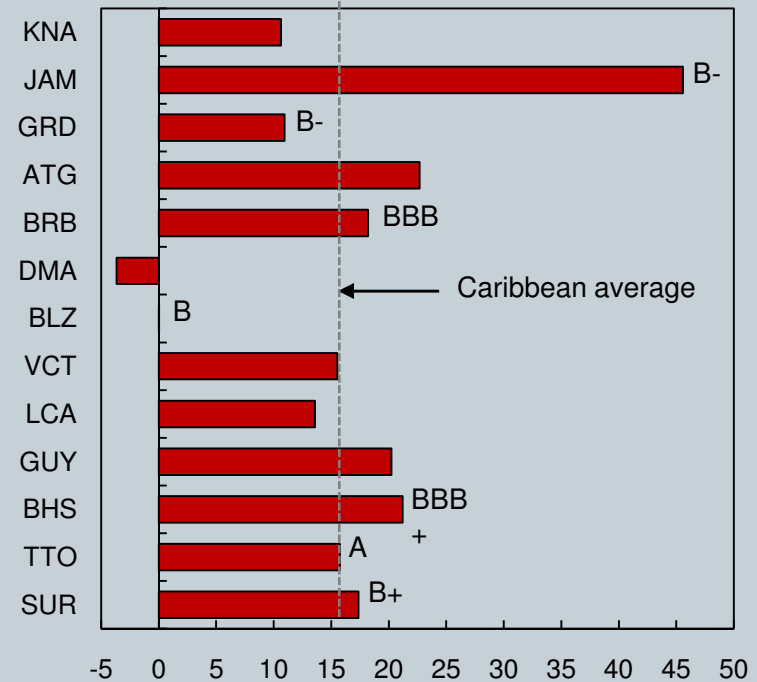
...debt levels are high in most countries...

Caribbean: Public Debt
(percent of GDP)



...and increased further during the crisis.

Caribbean: Public Debt
(percentage change from 2007 to 2009)



... and boost competitiveness and growth



On average growth and volatility in the Caribbean has Been lower than its comparators

GDP Growth and Volatility

(Based on real GDP growth rates (PPP) 1971–2009)

Countries	Average Growth	Average Std. Dev.
Caribbean	2.2	4.7
ECCU	4.3	4.2
Non-ECCU Caribbean	2.1	5.0
Commodity exporters 1/	2.6	5.5
Other Caribbean 2/	1.7	4.7
Tourism-intensive Caribbean 3/	2.7	4.3
EMEs	5.1	6.8
Latin America	3.4	4.5
Non-Caribbean small islands	4.3	5.6

Sources: *World Economic Outlook* ; and IMF staff calculations.

1/ Includes Trinidad and Tobago, Guyana and Suriname.

2/ Includes The Bahamas, Barbados, Jamaica and Belize.

3/ Antigua and Barbuda, Bahamas, Barbados, Grenada, St. Kitts and Nevis, St. Lucia.

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Thank you

