

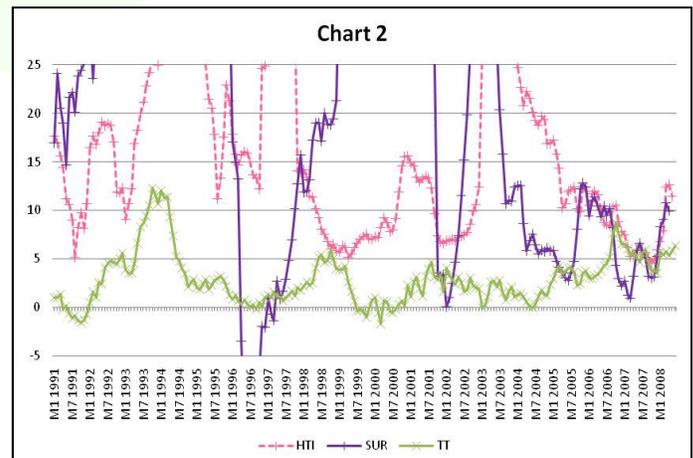
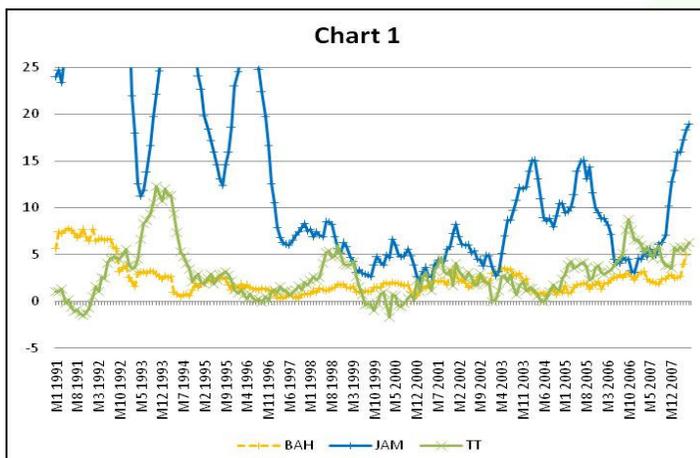
REGIONAL FISCAL AND MONETARY MEASURES MOTIVATED BY CONCERNS ABOUT RISING INFLATION

In common with countries around the world, accelerating rates of inflation are a preoccupation of policy makers in the Caribbean. This concern is reflected in central bank policies and budgetary actions taken by several Caricom member countries in the months of July and August. Caribbean inflation rates have exceeded US inflation rates since December 2007. The countries that were most successful in containing inflation were the Netherlands Antilles, The Bahamas, Dominica, Grenada and Guyana. In these countries inflation rates were no higher than 5 percentage points above the US inflation rate. Less successful were Trinidad and Tobago, St. Vincent and the Grenadines and Aruba, where inflation rates were between 5 and 10 percentage points above US inflation. Countries facing a serious inflationary spiral included Suriname, Haiti and Jamaica, where inflation rates were over 10 percentage points faster than for the US. (See accompanying charts, based on data submitted to the IMF and published in *International Financial Statistics*.)

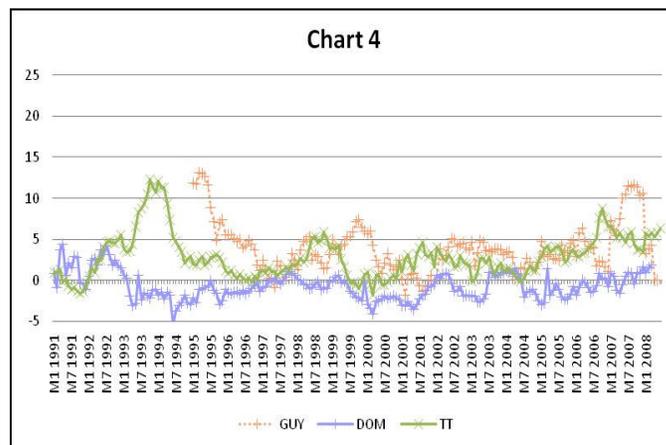
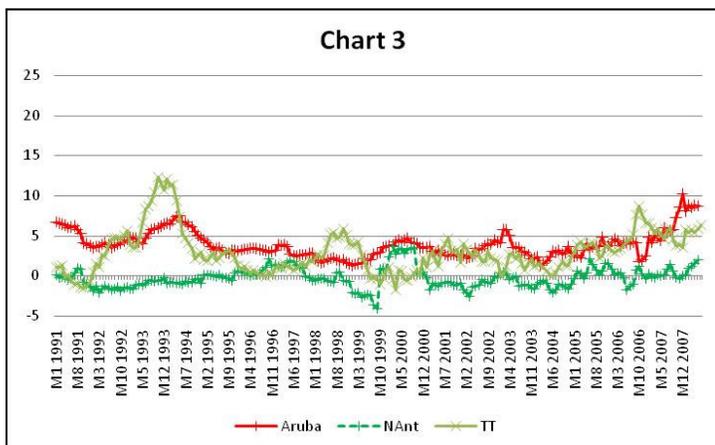
The communiqué of the meeting of the Monetary

Council of the ECCB on July 18 noted the expected impact of the global economic slowdown, and made recommendations on countering the adverse effects of rising inflation. Because of the slowing global economy and rising food and commodity prices, the outlook for the rest of 2008 was for slower economic growth in the ECCU. The ECCB will maintain its administered interest rates at their current levels, savings deposits at 3.0 per cent minimum and the Central Bank's discount rate at 6.5 per cent. The Council agreed to recommend to member governments to shield the vulnerable groups from elevated food and energy prices while protecting the recent fiscal gains. They also recommended implementation of regional energy and agricultural policies with the objective of making the region more resilient to adverse international price shocks, among other measures.

Budget presentations by Prime Ministers David Thompson on July 7, and Prime Minister Roosevelt Skerrit on July 10 were centred around measures to ensure that rising import prices were not fully re-



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flected in prices to the final consumer. The Barbados budget also contained increases in some social benefits. Tax increases in Barbados are projected to finance the additional government expenditure, and to provide an additional BDS\$ 22 million (about 0.4 percent of GDP) to contribute to the reduction of the overall fiscal deficit.

In Trinidad and Tobago the central bank raised its repo rate by 0.5 percent on July 25, prompting commercial banks to raise their own lending rates shortly thereafter. The central bank also secured legislative

authority for an additional issue of treasury securities. These securities will be issued at the discretion of the central bank, and are intended to absorb liquid balances at commercial banks, if the central bank judges that these balances may be used for expanding credit to a degree that adds to inflation in the country.

ABOUT THE CARIBBEAN CENTRE FOR MONEY AND FINANCE

The Caribbean Centre for Money and Finance is a policy research institution established by central banks of Caribbean Community (Caricom) countries and the University of the West Indies, to undertake studies and provide information for monetary and financial policy issues for the region. Its main activities are the organization of an annual conference on monetary studies and policy seminars for senior executives of private financial institutions; the publication of studies related to the financial sector and performance; the publication of the *Journal of Business Finance and Economics in Emerging Economies*, together with the Departments of Economics and Management Studies and the Sir Arthur Lewis Institute of Social and Economic Research (St. Augustine, University of the West Indies); and the production of confidential reports on economic convergence among Caricom countries and other topics of interest



The Journal of Business Finance and Economics in Emerging Economies

for the Committee of Caricom Central Bank Governors. The CCMF's mandate has recently expanded officially to include financial sector policy (and the centre's name was changed from Caribbean Centre for Monetary Studies), and private financial institutions now contribute to its budget. New products and services will be provided to reflect the expanded mandate and meet the needs of new subscribers.

ABOUT THE CCMF con'td

The CCMF has a long record of publication, including most recently the compendium *Finance and Real Development in the Caribbean* (2006), and important reference works which document changes in financial structures and central bank policies in the Caribbean over several decades: *The Financial Evolution of the Caribbean Community (1970-1996)* and *Central Banks of The Caribbean Community - A Profile, 1996*. The *Journal of Business, Finance and Economics in Emerging Economies (JBF3E)* is now available to subscribers in electronic form. Abstracts of articles from *JBF3E* appear on this website.

The CCMF staff comprises DeLisle Worrell, Executive Director, Dave Seerattan and Anthony Birchwood (Research Fellows), Julia Jhinkoo (Research Assistant) and support staff. Dr. Worrell is Professor of Economics at the Sir Arthur Lewis Institute of Social and Economic Studies, former Deputy Governor of the Central Bank of Barbados, and former Senior Economist of the IMF. He has been a fel-



New Executive Director of CCMF:
Dr. DeLisle Worrell

low of the Woodrow Wilson School of Public Affairs of Princeton University and of the Peterson Institute in Washington D.C.

A roster of associate fellows have contributed to the CCMF/CCMS's work over the years. Current associates include Professor Karl Bennett, Professor Emeritus, Department of Economics, University of Waterloo, Canada; Sir Courtney N. Blackman, founding Governor of the Central Bank of Barbados (1972-87), and Barbados Ambassador to the USA and the OAS (1995-2000); Andrew Hughes Hallett, Professor of Economics and Public Policy at George Mason University in the US, and at the University of St Andrews in Scotland; Dr. Gene Leon, Deputy-Division Chief in the Middle East and Central Asia Department at the International Monetary Fund; Professor Temisan Agbeyegbe, Hunter College, City University of New York; and Dr. P. K. Watson, Director of the Sir Arthur Lewis Institute of Social and Economic Studies (St. Augustine), UWI.

Information on the CCMF staff and fellows may be found at www.ccmf-uwi.org.

THE ANNUAL MONETARY STUDIES CONFERENCE

The monetary studies conference is the oldest and best established academic conference of economists in the Caribbean. Since its establishment in 1968 it has generated an impressive catalogue of economic research, much of it published as CCMS monographs, in special issues of *Social and Economic Studies* (the journal of the Sir Arthur Lewis Institute of Social and Economic Studies), the *Journal of Business, Finance and Economics in Emerging Economies* and in other academic publications. Each year the conference attracts two dozen or more presentations dealing with a broadly defined theme.

The 2008 conference is jointly hosted with the Eastern Caribbean Central Bank and takes place at the bank's headquarters in St. Kitts on November 11 - 14, 2008.

See the conference website:

http://www.eccb-centralbank.org/About/ccms08_1.asp

You may download copies of presentations from conferences from 2003 to 2007 at :

www.ccmf-uwi.org.

HIGHLIGHTS OF LAST YEAR'S CONFERENCE

ECONOMIC AND SOCIAL DEVELOPMENT TRENDS AND PROSPECTS IN THE CARIBBEAN, BELIZE, NOV. 2007

This conference featured a number of policy papers, including an analysis of the determinants of excess liquidity of oligopolistic and oligopsonistic banking systems, and their implications for the effectiveness of monetary policy. There was a paper on the dilemma faced by central banks whose intervention may have (possibly unintended) implications for the exchange rate, and a related paper on exchange regimes and monetary policy independence. Another paper explored policies to prevent destabilizing speculation that generates global imbalances.

Several papers dealt with the macroeconomic behaviour of small open economies. They included presentations on the possible effect of remittance flows on the competitiveness of exports, tests of the impact of technology on competitiveness, the effects of economic diversification on output volatility and the liberalization of the capital account and the risk of a reversal of capital inflows.

Other presentations covered a miscellany of topics, including stock market performance, fiscal issues, the sustainability of fiscal and external deficits and issues relating to economic growth.



Delegates at the
XXXIX Annual Caribbean Monetary Studies Conference
Best Western Belize Biltmore Plaza
6–9 November 2007
Belize City

SENIOR LEVEL POLICY SEMINARS

The senior level policy seminars provide information and analysis that private financial institutions find helpful in budgeting and planning, and for the development of their marketing strategies and future operations. The seminars deal with topical issues and feature distinguished regional and international presenters. Notes on the most recent seminar follow.

The Impact of the Sub-prime Mortgage Crisis in the US on Caribbean Financial Markets and Business Activity, May 2008

Presentations covered the origins of the crisis, possible consequences for the Caribbean, the regulatory implications, challenges to the housing and mortgage markets, and appropriate business strategies.



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