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IS THERE LIGHT AROUND THE TUNNEL?

It is no secret that expectations of how soon Caribbean economies would recover largely depend on the outlook of the global economy where jobless growth seems to be the order of the day. The Caribbean enters 2010 confronted by a mixed and confusing international climate in which the global players are crawling out of recession at contrasting paces, while some emerging markets were growing all along. Some of those that have shown signs of recovery with respect to the second or third quarter data are USA (0.7%), Canada (0.1%), France (0.3%), Russia (0.6%) and Germany (0.7%). But significant players still remain in recession, UK (-0.2%), Spain (-0.3%) and much of the remaining Euro-zone. In contrast, Mexico and Brazil have recovered with annualised growth of 2.9% and 1.9% respectively and China (7.9%) and India (6.1%) are exhibiting runaway growth.

Buoyancy of the Global Economy: Growth in Output

OUT OF RECESSION		IN RECESSION		EMERGING MARKET GROWTH	
	%		%		%
Austria	0.9	Norway	0.9	China**	7.9
USA, Germany*	0.7	Iceland	0	India**	6.1
Italy	0.6	UK	-0.2	Brazil**	2.9
Poland*	0.5	Greece, Spain	-0.3	Mexico**	1.9
France*	0.3	Romania	0.7		
Sweden*	0.2	Latvia	-1.6*		
Canada, Czech Republic*	0.1	Hungary*	-1.8		
		Estonia	-2.8		
		Denmark, Finland*	-2.6		

Source: Data compiled from [Christine Oliver, guardian.co.uk](#), Thursday 24 December 2009. All Data are for Q3 of 2009, except for the countries where indicated by asterisk. Data with one asterisk were mainly for the second quarter while those with two asterisks were annualized data.

At the same time, the purchasing power of consumers has not been properly restored as unemployment is rising or remains high in many of the large advanced developed economies. While it may be too early to tell how fundamental the recovery exhibited by the developed countries is, recovery in these countries may not be substantial enough to reduce unemployment. As such, jobless growth typifies most of the global economies that are showing early signs of coming out of the recession.

INCREASE IN UNEMPLOYMENT		CONSTANT OR REDUCTION IN UNEMPLOYMENT	
	%		%
US	9.9 (Oct)	Germany	7.7 (Oct)
EU	9.7 (Sep)	Japan 5.3	5.3 (Sep)
UK	7.9 (Aug)	China 4.3	4.3 (Sep)
France	9.8 (Sep)	Brazil 8.1	8.1 (Aug)
Mexico	6.4 (Aug)		

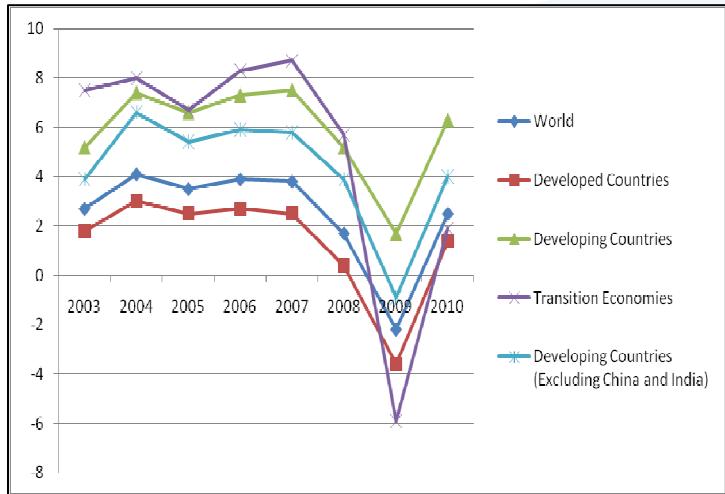
Source: Data were compiled from Global unemployment up despite economic recovery, LiveMint.Com, Wall street Journal, November 6 2009.

Overall, the developing countries have not sunk as low as the developed countries after the global crises, even when China and India are excluded from the list of developing countries. However, Latin America and the Caribbean economies collectively declined by 1.7 per cent, still less than the developed world which was estimated to have shrunk by 3.6 per cent.

It is therefore interesting to enquire as to whether the Caribbean economies are beginning to show some signs of recovery. The UNECLAC report is very optimistic, as it contends that the recession has not been as long and protracted for the Caribbean and Latin American region when compared to the developed countries. According to the report, the region suffered a slump but growth picked up in the second half of the year, even though employment lagged behind. On the down side, the report noted that the major exporting sectors slumped, trade flows declined, commodity prices continue to be depressed, income from remittances and tourism fell and foreign direct investment drastically fell. In addition, expectations declined as private consumption and investment declined. The report also noted that much of the countries in Latin America and the Caribbean embarked on fiscal

IS THERE LIGHT AROUND THE TUNNEL? cont'd

stimulus packages, thereby raising the respective primary fiscal deficits. On the upside there was some reprieve from central bank interventions in the foreign exchange market, the lowering of interest rates to stimulate liquidity.



Source: Graph constructed from data contained in UN-

ECLAC report 2009.

The report noted that by the second half of the year, exports led by manufacturing picked up as global trade began to expand. Fiscal packages boosted domestic demand and financial markets, and there were improvements in the labour markets. According to the report, there were signs that the private sector has restructured its assets to normalise lending. As a result, activities in the second half have created grounds for optimism as growth is projected to be 4.1% for 2010 and the report forecast that it may even be higher for South American countries owing to their larger markets and export diversification. All of this however hinges on whether developed economies would be able to sustain growth independent of the fiscal packages.

The English-speaking Caribbean would have a lot to bounce back from, however. The December 2009 report of the CCMF showed that up to June 2009 economic output contracted in three fifths of the member countries, the performance of the major export sectors declined in the first quarter and foreign exchange reserves declined in half of the member territories as tourist arrivals declined in over four fifths of them and commodity prices have not yet rebounded in unison.

REGIONAL NEWS SUMMARY

CL FINANCIAL

- State-owned First Citizens is moving to reduce the salaries of scores of CMMB employees as some 75 % of CMMB staffers, under CL Financial's management, earned salaries higher than what First Citizens pays. (TG Dec 1)
- The Cayman Islands branch of Colonial Life Insurance Company (Trinidad) Limited officially closed on 8 December (JG 2 Dec)
- Findings of the forensic audit of CL Financial by Robert Lindquist could lead to civil and criminal charges being filed against the beleaguered insurance and real estate conglomerate if evidence of malfeasance is uncovered. (TE 11 Dec)
- Trinidad and Tobago will be partnering in the capitalisation of a planned new insurance company to replace British American Insurance Company (BAICO) in the OECS states where the company, part of the failed CL Financial Group, is under serious threat of liquidation. (TE 26 Nov)

THE STANFORD GROUP

- Allen Stanford is suing Lloyd's of London for defence costs. (Cnn 25 Nov) But a federal judge found him and his attorneys in contempt of a court order over their attempts to collect insurance policy proceeds to pay defence costs. (Cnn 17 Dec)
- The receiver in Allen Stanford's civil fraud case is suing about 200 investors for as much as \$545 million they collected from certificates of deposit alleged to be at the centre of a \$7 billion Ponzi scheme. (Cnn 9 Dec)
- US federal authorities are said to be investigating millions of dollars contributed by Allen Stanford and his staff to US lawmakers in the past decade. (Cnn 28 Dec)

CARIBBEAN

- Standard & Poor's lowered its long-term sovereign credit ratings on The Bahamas, but said the outlook is stable, and that real GDP in The Bahamas is projected to contract by 4% in 2009 and 0.5 % in 2010, returning to positive growth of almost 2% in 2011. (BN 26 Dec)
- The Bahamas has successfully concluded Tax Information Exchange Agreement negotiations with 23 countries to date, and expects to exceed by the OECD's March 2010 deadline, the Organisation's required minimum of 12 signed Agreements. (Cnn 31 Dec)
- Fitch Ratings became the third agency to downgrade Jamaica's credit ratings, warning the country will likely have to restructure its "unsustainable" debt load. (Cnn 25 Nov)
- Offshore financial services are still a viable development option for Caribbean states despite unwelcome pressure from developed countries targeting tax havens in the region. (Cnn 11 Dec)
- Economic recovery from the international crisis in Latin America and the Caribbean will be quicker than expected a few months ago, with growth in the region projected at 4.1% next year, according to the latest ECLAC estimates released on Dec 10. (Cnn 14 Dec)
- The World Bank board of directors approved a US\$16-million loan for Jamaica to support reforms to the national education system through capacity building. (JO 25 Nov)
- The Global Competitiveness Report showed Jamaica falling 13 places over two years to 91 out of 133 countries on the

REGIONAL NEWS SUMMARY cont'd

Global Competitiveness Index (GCI), which was developed for the World Economic Forum. (JO 25 Nov)*

- Jamaica is lagging behind other countries in the region because it has no plans to solve its economic and social problems and create an environment in which the country's potential can be realized, says Richard Byles, head of Sagicor in Jamaica.. (JG 30 Nov)
- The IDB has signed off on a new loan of US\$10 million (J\$895 million) to improve Jamaica's roads. (JG 16 Dec)
- Prime Minister Bruce Golding succumbed to pressure and will review a J\$21-billion tax package slated to take effect on January 1, 2010. (JG 21 Dec)
- Microfinance institutions in Jamaica have been providing financial resources to drive employment - a recent study indicated that micro, small and medium enterprises are providing close to 80 per cent of the island's new employment opportunities. (JG 28 Dec)
- Freight costs as a percentage of the total cost of goods shipped from Guyana to the United States are among the highest in Latin America and the Caribbean, according to a recent study conducted by the IDB. (SN 11 Dec)
- The IDB has approved a US\$15 million loan to provide housing solutions to approximately 3,000 Surinamese households, both

along the coast and in the country's interior. The programme will address low-quality housing stock and lack of affordable housing for low income groups. (SN 14 Dec)

- Private sector investment in Guyana continues to be confronted by "significant hurdles" arising out of difficulties associated with the administration of justice according to a recently released review of the work of the IDB in Guyana. (SN 18 Dec)
- The Commonwealth Business Forum held as part of the recent CHOGM closed after participants from more than 50 countries signed over US\$1 billion in possible business deals. (TE 27 Nov)
- ANSA Merchant Bank earned firm support from the capital market when its latest corporate bond issue was oversubscribed several times over by local investors. (TG 5 Dec)
- Headline inflation went down to 1.5%, and food inflation fell sharply to 0.4 % (year-on-year) in November from 3.5% in October. (TG 24 Dec) The overall unemployment rate for T&T climbed to 5.8% in the third quarter of 2009, the CSO has said (TG 30 Dec) However this figure has been disputed by Vincent Cabrera, president, Bankers Insurance and General Workers Union. (TG 31 Dec)

NEWLY APPOINTED CENTRAL BANK GOVERNORS



Dr. DeLisle Worrell is the newly appointed Governor of the Central Bank of Barbados. Dr. Worrell worked at the Bank previously between 1973 and 2000, serving as Manager of the Research Department, then Divisional Director of Research, before assuming the post of Deputy Governor. He held the Deputy Governor position between 1990 and 2000, when he retired.

Prior to returning to the Bank, he served as Technical Assistance Advisor, Monetary and Exchange Affairs Department, International Monetary Fund and Executive Director of the Caribbean Centre for Money and Finance (CCMF).

He has authored books on Caribbean and South Pacific economies and has published articles internationally on money, banking, exchange rates, economic modelling and forecasting.

He has held research fellowships at the Smithsonian Institution, the Institute for International Economics and the Federal Reserve Board in Washington, at Yale University, Princeton University and the University of the West Indies.

He has been consultant to the Interamerican Development Bank, the Foundation for Development Cooperation in Brisbane, Australia, the U.S. Agency for International Development, the World Bank, the UN Economic and Social Council and the Caribbean Community Secretariat.

Dr. Worrell is married to Monica Drayton of Barbados. His enthusiasms, apart from economics, include photography, swimming and Caribbean festival arts.



Mr. Brian Wynter, was appointed Governor of the Bank of Jamaica as of 23 November 2009.

Mr. Wynter graduated from the London School of Economics and Political Science (LSE) in 1981 with a BSc (Economics) honours degree. He received the Graduate Diploma in Law from The City University, London and

is also the holder of a masters degree specialising in international economics from Columbia University School of International and Public Affairs, New York, which he received in 1985

Mr. Wynter worked with Chase Investment Bank and Schroder Wertheim International Company, both in New York. In Jamaica, he first worked with National Investment Bank of Jamaica (NIBJ) as Director of Investment, next with Mutual Security Merchant Bank as Senior General Manager before moving in 1991 to Citibank, NA, where he spent the next four years as Vice President.

Mr. Wynter was Deputy Governor of the Bank of Jamaica, with responsibility for Banking and Market Operations, from September 1995 until his appointment as Technical Advisor to the Minister of Finance in November 1999. In August 2001, Mr. Wynter was appointed the first Executive Director of the then newly-established Financial Services Commission and served in that capacity until December 2007 when he left to join the Caribbean Regional Technical Assistance Centre (CARTAC) in Barbados as Capital Markets/Financial Sector Advisor.

ANNOUNCEMENTS

CARIBBEAN BUSINESS EXECUTIVE SEMINAR

The Future of the Financial Industry after the Crisis

April 30th, 2010, Port of Spain, Trinidad

The CCMF announces the 14th in its series of seminars for top Caribbean executives, on the above theme. The seminar will feature a roster of international and regional financial experts, who will speak on the following:

- Should there be a return to traditional banking?
- Do regulatory reforms adequately address the critical sources of the financial crisis?
- Should there be new guidelines for investment strategies for insurance?
- The gaps in indicators of financial stability for the Caribbean as a whole
- Should some aspects of financial liberalisation be reversed in order to reduce threats to financial stability?
- The role of macroeconomic policies in ensuring financial stability
- Revisiting Basel II
- Regulation of under-regulated and unregulated institutions in the financial sector

In addition to the featured speakers, there will be a panel comprising representative of each type of financial institution, drawn from different countries in the region. Reports and presentations on our past seminars can also be found at this website.

The most recent executive seminar hosted by the CCMF took place in Kingston, Jamaica on September 4, 2009, on the topic "Strategies to cope with global uncertainty - choices for Caribbean business and finance".

A report and presentations from this seminar, and presentations from previous seminars may be found at www.ccmf-uwi.org. Updates and registration information for the 14th Caribbean Business Executive Seminar 2010 will also be posted at this address.

Queries can be addressed to: Caribbean Centre for Money and Finance, The University of the West Indies, St. Augustine Campus, Trinidad and Tobago, Tel: (868) 645 1174; (868) 645 1610, Fax: (868) 645 6017, Email: ccmf@sta.uwi.edu

EMPLOYMENT OPPORTUNITY: CONSULTANT FOR PROJECT ON FINANCIAL RISK ASSESSMENT IN AN INTEGRATING REGION: THE CARIBBEAN

Objectives of Project: To develop and upgrade methodologies for the overall assessment of the financial stability of the Caribbean region, including financial soundness indicators and early warning systems; to contribute to upgrading national financial stability reports; and to publish a regional financial stability report.

Duration: 36 months

Experience and qualifications: The candidate must have at least a graduate degree in Economics or finance and must have at least 10 years senior management experience in financial regulation, especially expertise in early warning systems, financial stress testing and financial risk analysis. The candidate must also be familiar with the financial systems in the Caribbean.

For more information please see our website: www.ccmf-uwi.org.

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