



## CARIBBEAN TOURISM AMID “UNUSUALLY UNCERTAIN” GROWTH PROSPECTS AND SLOWDOWN IN THE AICs?

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The growth recovery in the advanced industrialized countries (AIC's) seemed to be under threat with the prospects for growth in the latter half of 2010 lowered. This does not auger well for demand for Caribbean tourism products from these markets.

Estimates from the UN World Tourism Organization (UNWTO) suggest that recovery in tourist arrivals for the Caribbean region for the first half of 2010 is estimated as being the slowest among all regions of the world. The Caribbean market was particularly challenged in 2009, with a number of tourism related foreign direct investment projects grinding to a halt. Falling arrivals also prompted heavy discounting, which seems to have continued into 2010 in an effort to ensure recovery. During the first four months of 2010 the Caribbean recorded a 4.5 percent increase in total visitor arrivals; this followed a decline of 3.6 percent in total visitor arrivals for 2009. Average occupancy increased about seven percentage points to reach about 68% during the first quarter of 2010. There was 6.5 percent resurgence in total visitors from the United States. The positive developments in the United States market were not replicated in other markets, as the European market declined by 4.3 percent as a result of the Icelandic volcanic ash, industrial disputes in some markets and the minimal growth in the EURO zone. Activity in the Canadian market slowed to growth of just about one percent during the first four months of 2010, in contrast to rapid growth for many Caribbean destinations recorded from that market in 2009.

The recovery has not been even across the countries of the Caribbean. Jamaica announced a GDP decline for the second quarter of 2010 of 0.9 percent, with value added in the Hotels and Restaurants sector down by 1.6 per cent, largely attributed to a 5.4 per cent falloff in total arrivals and a 13.4 per cent decline in cruise visitor arrivals. This quarter saw the rise of the “Dudus” troubles that could have been a contributing factor. Total visitor arrivals for Barbados increased by 3.0 percent for the first half of the year resulting in a 2.7 percent growth in value added for the hotels and restaurants sub sector. Growth in stayover arrivals for Barbados emanated mainly from the US and Canadian markets as the arrivals from the UK market remained fragile and visitors from the rest of CARICOM declined. In contrast arrivals for Trinidad and Tobago declined by about 11.4 percent for the period January to February 2010.

For the first half of 2010, the member countries of the Eastern

Caribbean Currency Union recorded mixed performances with St. Lucia recording an increase in visitor arrivals of 14.3 percent for the period January to July 2010, while Dominica registered an increase of 7.6 percent for the same period. Anguilla also posted strong growth of 9.3 percent for the period January to April 2010 relative to the same period in 2009. Total arrivals for Antigua and Barbuda grew marginally by one fifth of a percentage point during the first quarter of 2010. Grenada, Saint Vincent and The Grenadines registered declines in visitor arrivals of 7.9 percent and 2.3 percent respectively for the first five months of 2010. Montserrat witnessed a drop of 8.4 percent during the period January to March 2010 when compared to the outturn in 2009.

Economic prospects for the AICs do not auger well for growth in the Caribbean tourist industry on which it depends. Canada and Germany show strong growth but Canada experienced increased trade deficit which caused the C\$ to weaken in mid-2010. In the UK Chancellor George Osborne increased the general sales taxes VAT from 17.5 percent to 20 percent, cut welfare spending and is looking for 25 to 40 percent cutback in some Civil Service department expenditure as he moved "decisively" to tackle Britain's record debts. In the United States the economy slowed sharply in the second quarter to a 1.6 per cent pace. US Federal Reserve Board Chairman Bernanke described the economic outlook as "inherently uncertain" and said the economy "remains vulnerable to unexpected developments." Other factors such as the implementation of the UK departure tax measure in November 2010, and Germany's recent introduction of a new air tax may also adversely impact arrivals in an already underperforming European inbound tourist market for the Caribbean.

Recovery of the tourist arrivals in 2010 to reach peak levels of 14.8 million arrivals obtained in 2008 will likely be a slower and more prolonged process than anticipated. While arrivals have increased by 4.5 percent for the first four months of 2010, arrivals have yet to reach 2008 levels. Arrivals may continue to increase but visitor expenditure may remain dampened due to continued price discounting and the prudence exercised by the tourists who visit. Some regional destination have undoubtedly benefited from the emergence of Jet Blue as a low cost carrier, however, airlift capacity remains an issue as airlines continue to be challenged to maintain adequate levels of profitability on certain routes.

## APPOINTMENTS

### GOVERNOR - CENTRAL BANK OF SURINAME



Appointed by the incoming President Bouterse, Mr Gillmore Hoefdraad assumed duties on August 16th, 2010 as the Central Bank Governor of Suriname. Mr. Hoefdraad was a senior economist at the IMF Statistics Department. He has ten years of experience in macroeconomic statistics. Prior to joining the IMF in 1999, Mr.

Hoefdraad was the coordinator of the Caribbean Program at the Center of Monetary Studies of Latin America and the Caribbean (CEMLA) in Mexico. At the IMF, he has worked in the areas of balance of payments and external debt statistics, and the IMF's data dissemination standards, providing technical assistance and training to a number of South American, European, Central Asian, and Middle Eastern countries.

### DIRECTOR GENERAL - THE PLANNING INSTITUTE OF JAMAICA (PIOJ)



Dr. Gladstone Hutchinson is the newly appointed Director General of the Planning Institute of Jamaica; prior to his appointment he was an economist and former Dean of Studies at the Lafayette College in Pennsylvania in the USA, and founding director of the College's Economic Empowerment and Global Learning Project. Hutchinson, a Jamaican, holds an M.A. and Ph.D. in economics from Clark University and completed Harvard University's Higher Education Management program. He did his undergraduate work at the State University of New York's College at Oneonta, earning a B.A. with majors in

economics and business. He brings a wealth of experience, having been involved with research and teaching in public sector economics, development economic and international economics. He is also knowledgeable in the Jamaican economy having been a lecturer at the University of the West Indies, Jamaica from 1994-1998 and was a resident economic advisor in Ministry of Finance and Planning in Jamaica (1996-1998). He is responsible for, amongst other things the development of the Vision 2030 Jamaica - National Development Plan and the Medium Term Socio-Economic Policy Framework (MTF) 2009-2012.

## TRIBUTES

### ANDRE TELTING (25TH OCTOBER 1935 – 6TH AUGUST 2010)



Mr. Teltling was the Central Bank Governor of Suriname; he was educated both in Suriname and the Netherlands where he studied Economics and Statistics. He served Suriname in many capacities – advisor to Prime Ministers, director of the Surinamese Postal Savings Bank (SPSB) and as Governor of the Central Bank of Suri-

name (1993-1996, 2000 – 2010). As governor he succeeded in stabilizing Suriname's economy and significantly reduced inflation to single digits and has been able to achieve some degree of price stability. He will be remembered as a staunch guardian of central bank autonomy and a trusted member of the economic leadership of Suriname.

### PROF. DENNIS PANTIN (20TH JULY 1948 – 13TH JULY 2010)



Professor Pantin was Coordinator of the Sustainable Economic Development Unit (SEDU), based within the Department of Economics, and he was serving a second term as its Head. A founding member of the T&T Economics Association (TTEA), the Association of Caribbean Economists (ACE) and the Constitution Reform Forum (CRF) of Trinidad and Tobago, Professor Pantin was also Chairman of the Regulated Industries Commission (RIC) of Trinidad and Tobago and of the Organization of Caribbean

Utility Regulators (OCCUR). He was also consultant to a range of regional and international organizations, including the Environment Management Authority of Trinidad and Tobago, the Private Sector organizations of Jamaica, Ministry of Land and the Environment (Jamaica), CARICOM Secretariat, OAS, UNDP, UNCTAD, DFID, USAID, CANARI. Professor Pantin will always be remembered for his economic and political philosophies and particularly for his passion for country and the Caribbean.

**CCMF extends condolences to the family and friends of both men.**

## REGIONAL NEWS SUMMARY

### CL FINANCIAL

- Lascelles deMercado reported J\$535 million of operating profit, compared to J\$1.34 billion in the 2009 period; net profit thinned to J\$363 million from J\$1.39 billion. Lascelles is effectively under the control of the Trinidad state, following the 2009 rescue of CL Financial. (JG 4 Aug)
- Angostura Holdings declared a loss of \$1.28 billion for 2008 and is unable to produce its audited results for 2009. Angostura was suspended from trading on the local stock exchange in July

2009 because of its failure to publish its 2008 results. (TG 4 Aug)

- Angostura Holdings said its operating profit for the 6 months ended June 30 grew to \$80 million, compared to \$30.6 million for the same period in 2009. It also disposed of one of its US-based subsidiaries which was not profitable. (TE 4 Aug)
- The Trinidad and Tobago Transparency Institute is calling on the relevant authorities to investigate the losses disclosed in Angostura's 2008 financial statements, and why it was neces-

## REGIONAL NEWS SUMMARY cont'd

sary for the State to bail out the CL Financial Group. (TE 11 Aug)

- Holding company National Enterprises Ltd has not been able to recover a \$5 million investment it made in CLICO Investment Bank. The \$5 million was in the form of an investment credit note and not a deposit and this note did not automatically qualify for deposit insurance. (TE 13 Aug)

### THE STANFORD GROUP

- The US District Court overseeing the liquidation of the various entities previously controlled by Allen Stanford has entered an order approving a March 2010 request on behalf of investors for the establishment of an official Investors Committee to represent the interests of the 28,000 defrauded Stanford victims around the world. (CaribbeanNewsNow 13 Aug)

### CARIBBEAN

- Businessmen believe that mechanisms need to be put in place by the Government and the Central Bank to deal with the excess liquidity in the T&T economy (Newsday 29 Jul)
- The Jamaican economy created J\$121 billion of value in the January to March period, but the economy contracted in real terms by 1% relative to the March 2009 quarter, and by 0.5% since December. (JG 30 Jul)
- Jamaica's number three commercial bank, RBTT, has joined other big lenders in a cut of loan rates, effective August 1. The bank cut 225 basis points or 2.25 percentage points off its base rate, from 20.5 per cent to 18.25 per cent. (JG 30 Jul)
- Forty-one employees at Chaguanas-based manufacturer Caribbean Roof Tile Company Ltd have been laid off because of the meltdown in the US housing market. It is a free-zone company that was designed to export 90% of its output of roofing tiles to the US, with the remaining 10% being utilised in T&T and the Caribbean. (TE 31 Jul)
- The Jamaican Government will not be granting any new waivers or incentives until the completion of a study to determine which should be abolished or retained. The waivers and incentives that are currently granted amount to 14% of GDP, and if they were to be reduced by 50%, the budget deficit would be eliminated in one stroke (JG 3 Aug)
- The Bank of Jamaica reduced the interest rate payable on its 30-day Certificates of Deposit by 50 basis points to 8.5%. The revision in the policy rate reflects the favourable outlook for inflation. (JG 4 Aug)
- LASCO plans to reorganise and list three separate affiliated companies on the Jamaica Stock Exchange Junior Market, to raise in excess of J\$400 million from the listing, says Lasco executive chairman Lascelles Chin. (JO 4 Aug)
- The Guyana Sugar Corporation recorded an operating profit of \$85 million in 2009 compared to the \$4.5 billion operating loss it recorded the previous year, while cutting its loss before tax to \$1.9 billion against the \$6.2 billion loss recorded in 2008. The Corporation, however, still owes the Guyana Revenue Authority over \$2 billion in taxes. (SN 6 Aug)
- A former St Lucian prime minister says there are specific reasons why Caribbean integration has not kept pace with changes in the international economy. Dr Vaughan Lewis said the end of trade preferences and the opening up of the world economy had derailed expectations of greater integration. (JO 6 Aug).
- SurePay Online, the only dedicated online bill payment service in Barbados, has been launched. Consumers can now pay all bills and issue online cheques from anywhere at any time through this secure web service, using their selected bank account from any bank. ILLUMINAT, a leading ICT company and creator of SurePay, has partnered with Magna to launch the online service. (BN 10 Aug)
- T&T Central Bank governor Ewart Williams says financial crime appears to be on the rise. (TG 10 Aug)
- IMF representative Gene Leon says Jamaica is rebounding from the global recession; economic growth has moved from -3% to -1%. He attributed this growth to positive developments in several key sectors, including tourism, the bauxite industry, and exports, (JO 11 Aug)
- Lack of Government payments and a "dramatic" slowdown in new development work has forced Genivar Trinidad and Tobago to let go of 37 employees "across the board – project managers, engineering and architecture," (TE 11 Aug)
- Workers at Central Trinidad Steel Ltd said about 150 of them received letters sending them home, but the union representing them said the layoff was temporary (TE 12 Aug)
- One of the biggest challenges facing Haiti's recovery effort is finding work for thousands of Haitians who lost their jobs. Hard hit were craftsmen, street vendors and day labourers, plus small-time business owners – shopkeepers, garage owners – with modest work forces. The quake deepened a jobs crisis in Haiti, where unemployment was already estimated at 70% or higher. Haiti's economy is expected to shrink by 8% this year. (Cn 14 Aug)
- T&T Transparency Institute wants the relevant authorities to probe Angostura's billion dollar losses reported for 2008. (TG 14 Aug)
- Jamaica's finance minister has stepped up his verbal flogging of commercial banks over their failure to significantly lower lending rates. He charged that the spread between government rates and the lending rates of commercial banks was just too wide. (JG 14 Aug)
- With the bee-keeping industry valued in excess of J\$1.3 billion and currently experiencing growth of 40 per cent, Jamaica's Ministry of Agriculture says there is room to diversify the relatively untouched by-products and value-added markets. (JG 16 Aug)
- The Cayman Islands Monetary Authority and the four main federal banking regulators in the US have formalised procedures for exchanging supervisory information on US and Cayman Islands banks and banking institutions that have operations in each others' jurisdictions. (Cn Aug 18)
- The Caribbean Catastrophe Risk Insurance Facility has released the preliminary results of a study on the Economics of Climate Adaptation in the Caribbean. (Cn 20 Aug)
- The Jamaican minister of finance says that the fallout from the collapse of unregulated financial schemes provides compelling evidence of the need to educate the investing popula-

## REGIONAL NEWS SUMMARY cont'd

tion in Jamaica. He also said that financial literacy must take into consideration various financial products that are mushrooming, including some promising lucrative returns. (Cn 20 Aug)

- Proven Investment Limited has sealed the deal for acquisition of Guardian Asset Management (GAM) Jamaica Limited. Guardian Holdings Limited has sold 100% of its shares in GAM Jamaica to Proven. (JG 20 Aug)
- The Nassau Institute is pressing the Bahamas government to accept that investor confidence may be eroded because of recent changes to public policies that have resulted in higher taxes for the business community. (Cn 19 Aug)
- A gold rush is growing threat to Suriname rainforest. Miners are tearing up trees, poisoning creeks with mercury and, in some places, erecting makeshift jungle towns with shops, prostitutes and churches, leaving a wasteland in their wake. The miners, many of them illegal migrants from Brazil, are

scattered throughout the northern Amazon basin, occasionally fleeing crackdowns by police or the military in Venezuela, French Guiana and Guyana. But nothing seems to stop them in Suriname, a country rich in resources with the weakest law enforcement in the region. (Associated Press 29 Aug)

- Noranda Jamaica Bauxite Company, one of the few companies that had maintained production in the face of the massive fall-out in the bauxite sector last year, is poised to significantly increase output. Noranda currently produces and ships 4.6 million tonnes of bauxite per year and plans within the next two years to increase that by 10%. (JO 23 Aug)
- State-owned banking group First Citizens has introduced lower-interest loans for people affected by flooding. (TE 25 Aug)
- Standard and Poor's has again rated the Caribbean Development Bank as a 'Triple A' institution in its just-released full analysis of the Bank's operations (TG 25 Aug)

## ANNOUNCEMENTS ....

### 42<sup>ND</sup> ANNUAL MONETARY STUDIES CONFERENCE

"Financial Stability, Crisis Preparedness and Risk Management in the Caribbean"

To be held in honour of Professor C. Y. Thomas

November 9<sup>th</sup>-12<sup>th</sup> 2010, Port of Spain, Trinidad

Sub-themes :

- Debt Management and Financial Stability
- Procyclical Economic Policy and its Impact on Financial Stability
- Financial Regulation and its Role in Promoting Financial Stability
- The Link between Currency/Exchange Rate Crises and Financial Stability
- Aspects of Monitoring Financial Stability: Issues and Tools for Measurement
- Financial Integration, Contagion and Financial Stability
- Best Practices for Resolution of Financial Sector Difficulties
- Risk Management, Accounting Practices and Corporate Governance and Financial Sector Stability
- Equity Markets and the Action of Market Participation in Promoting Financial Stability
- Economic Management in Times of Crisis

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