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PACE OF RECOVERY OF CARICOM ECONOMIES

Growth of CARICOM economies is still low and unsteady in most cases. Generally, growth has been challenged by drag factors in the advanced economies, particularly stubborn high unemployment rates and weakened business confidence. As a result, CARICOM economies are struggling to sustain the growth levels they recorded in the first quarter of 2011.

Table 1: Global Growth (%)

	2010	2011			
		Q1	Q2	Q3*	Q4*
US	3.0	2.2	1.5	1.2	1.1
Advanced Industrialised economies	3.1	2.2	1.5	1.3	1.4
World Economy	5.1	4.3	3.7	3.6	3.6

Source: World Economic Outlook, September 2011, IMF.
* is projected growth.

Recovery of CARICOM economies is uncertain as persistently high unemployment levels in the advanced economies have contributed to a weakening of consumer expenditure. This has also led to uncertainty concerning whether economies are likely to relapse into recession.

In its report, *Caribbean Economic Performance Report*, recently undertaken in June 2011 by the *Caribbean Centre for*

Table 2: Unemployment in Advanced Economies(%)

	2009	2010	2011
USA	9.3	9.6	9.1
UK	7.5	7.9	7.8
Advanced Industrialised Countries	8.0	8.3	7.9

Source: World Economic Outlook, September 2011, IMF. * is projected growth.

Money and Finance, it was intimated that there was a strengthening of growth between quarters as growth for the region averaged 1.7 per cent for the first half of the year, compared to 0.2 per cent for the previous year. Tourism, a main driver of many of the regional economies, has shown early signs of revival. The World Tourism Organi-

sation reported that tourism to the Caribbean rose from 3.7 per cent over the first quarter of the previous year to 4.7 per cent by the second quarter of 2011.

The regional economies are challenged to achieve their pre-recession growth levels(Table 3). Nevertheless, some economies began to show early signs of recovery by the first quarter of the year. This was led by growth in Belize assisted by improved performances in the agriculture sector. Jamaica (1.4%) and Trinidad and Tobago (1.5%) also exhibited positive growth. However, recovery signs were not uniform as preliminary data show that Barbados (-0.4%) and the Eastern Caribbean Currency Union (ECCU) (-0.2%) showed negative growth for that quarter. However, growth for the second quarter rebounded for Barbados (1.1%) and the ECCU (0.4%), but slipped into negative for Belize (1.0%). Guyana had a strong showing in the second quarter, as its growth was 5.9 per cent. Accordingly, the regional territories were challenged in achieving consistently positive growth and the recovery is not uniform.

An IMF 2011 report noted that growth in the ECCU countries has been on a declining trend since the 1990s following an erosion of trade preferences. Also, growth was negatively impacted by shocks arising from external economic shocks and natural disasters. The report noted that growth declined from an average of six per cent in the 1980s to an average of two per cent since 2000. This was prompted by structural shifts in production and dismantling of trade preferences with Europe, particularly with respect to sugar and bananas. In addition, it was noted that adverse economic cycles in the advanced industrialised countries led to a reduction in tourism, remittances and FDI flows. Preliminary data for the ECCU suggest that growth may rebound in the

PACE OF RECOVERY OF CARICOM ECONOMIES CONT'D

Table 3: Non OECS CARICOM GDP Growth (%)

COUNTRY	IMF Data	CCMF Data		IMF end of 2011 projections
	2010	2011		
		Q1	Q2	
Bahamas	1.0			2.0
Barbados	0.3	(0.44)	1.14	1.8
Belize	2.7	6.7	(1.0)	2.5
Guyana	4.4		5.9	5.3
Haiti	(5.4)			6.1
Jamaica	(1.2)	1.4		1.5
Suriname	4.4			5.0
Trinidad & Tobago	(0.6)	1.5		1.1

Notes: IMF Data extracted from Regional Economic Outlook October 2011: Western Hemisphere. CCMF Data extracted from report on Economic Performance and Convergence, June 2011.

second quarter. At the same time the IMF forecasts a strengthening of growth by the end of the year.

The CCMF report posited that recovery of the region is largely dependent on how soon there is full recovery in the US, and the pace with which such recovery may take place. The latest IMF forecast for the US is that the US economy is expected to have moderate growth of 1.9 per cent for 2012. This is at least better than in 2008 when growth dwindled to 0.7 per cent. As such the IMF forecasts some recovery in most regional economies in 2011. Nevertheless the recovery

is expected to be modest as growth is expected to be contained below two per cent in the majority of cases. However, the region faces fiscal challenges precipitated by high debt levels. In addition, given the global context it may be more difficult for the region to attract inflows of foreign capital.

Table 4: OECS Growth (%)

COUNTRY	IMF Data	CCMF Data		2011 IMF PROJECTION
	2010	2011		
ECCU	(3.6)	(0.2)	0.4	
Antigua and Barbuda	(4.1)			2.0
Dominica	0.3			0.9
Grenada	(1.4)			0.0
St. Kitts & Nevis	(1.5)			1.5
St. Lucia	4.4			2.0
St. Vincent & the Grenadines	(1.8)			(0.4)

Notes: IMF Data extracted from Regional Economic Outlook October 2011: Western Hemisphere. CCMF Data extracted from Report on Economic Performance and Convergence, June 2011. ECCU growth for 2010 is calculated as a simple average for quarterly growth for 2010.

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REGIONAL NEWS SUMMARY NOVEMBER 2011

CL FINANCIAL

- A claim for TT\$365 million has been served on CL Financial Limited in relation to a guarantee reportedly made by the local company to Clico (Bahamas) Limited (Newsd 31 Oct)
- Billions of dollars in non-performing loans were on the books of CLICO Investment Bank which led to the eventual insolvency of the company, Maria Daniel, a partner at Ernst and Young, stated (TE 9 Nov)
- A year before the Clico Investment Bank collapsed, auditors Pricewaterhouse Coopers had warned the bank's management about its risky practices (TG 10 Nov)
- The Government is proposing to issue a \$1.5 billion, 20-year bond to fund the payment of \$75,000 to all the holders of the short-term investment products issued by

Clico and British American (IG 12 Nov)

- Hours before flying out of the country and leaving his subordinates to deal with the meltdown of CL Financial, former executive chairman Lawrence Duprey told former corporate secretary Gita Sakal to try to meet with "the fellas on the 4th floor" at company headquarters because there were problems (Newsd 17 Nov)
- The credit union sector has received 50% in cash of what it had in collapsed financial institution CLICO from the Ministry of Finance and has been promised the remainder in cash next year (TE 24 Nov)

THE STANFORD GROUP

- The Official Stanford Investors Committee asked the U.S. Justice Department to repatriate \$330 million frozen in Stanford's foreign bank accounts as

REGIONAL NEWS SUMMARY - NOVEMBER 2011

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suspected criminal proceedings, even though the funds are legally controlled by Stanford's Antiguan receiver (Bloomberg 23 Nov)

- The official coalition of US-based investors victimized by the Antigua-based 'Ponzi scheme' of Allen Stanford are deeply concerned that the protracted legal battle for Stanford's assets will leave the genuine victims with nothing (Carib360 24 Nov)

CARIBBEAN

- Jamaica and Trinidad and Tobago signed a memorandum of understanding for the establishment of a trade-facilitation office in Trinidad. (JG 31 Oct)
- Barbados, Antigua & Barbuda and Trinidad & Tobago have been named among 9 tax jurisdictions that have not made sufficient headway on sharing tax information with foreign authorities, according to officials at an international tax forum in Paris (BN 1 Nov)
- With billions to be invested in Jamaica's tourism industry over the next few years and more than 20,000 jobs to be created, Prime Minister Andrew Holness says the outlook for the sector remains positive (CNnow 1 Nov)
- Standard & Poor's has downgraded The Bahamas' sovereign credit rating for the second time in two years (CNnow 2 Nov)
- Haiti-based GB Group announced Monday that it acquired Chevron Corporation's assets (which includes the Texaco gas brand) in Jamaica, Dominica Republic and St Maarten for an undisclosed sum (JG 2 Nov)
- Scotia Group Jamaica has launched a new subsidiary that will tap into the big local market for microfinancing (JO 2 Nov)
- Standard & Poor's has revised its outlook for Jamaica to negative from stable, though without changing any of the country's current ratings. They said that the new outlook reflects its view that the fiscal room to manoeuvre is narrowing as the government tries to implement an austerity plan in a slow growth environment (JO 2 Nov)
- October 2011 might just be one of the most important months in T&T history as according to an updated Development Assistance Committee report T&T is now a developed country (TG 3 Nov)
- AM Best has affirmed the financial strength rating of A- and issuer credit rating of "a-" of Trinidad & Tobago Insurance Limited (TATIL). The outlook for both ratings is stable (Carib360 3 Nov)
- Barbadians seem to have stopped racking up high credit card debt, but they continue to struggle with mortgage payments, according to president of the Barbados Bankers' Association (BN 4 Nov)
- President Bharrat Jagdeo granted approval for an 8 percent across-the-board increase to be paid to Government employees with effect from 1st January 2011 (SN 4 Nov)
- T&T has borrowed TT\$1.02 billion from the IDB to "fast track" measures announced in the 2011/2012 national budget, acting Prime Minister Winston Dookeran has said (TE 4 Nov)
- bpTT is to make a capital investment of approximately \$5 billion in Trinidad and Tobago next year, Minister of Energy and Energy Industries, Kevin Ramnarine, disclosed (Newsd 6 Nov)
- Barbados has signed bilateral instruments to facilitate trade and exchange of tax information with 7 countries (CNnow 6 Nov)
- Godfrey Bain, chairman of Flavorite Foods Ltd, is attributing part of the company's decrease in 2011 profits to the implementation of the state of emergency (TG 6 Nov)
- A powerful group of private sector businesses in Britain has called for the government to scrap planned increases to the controversial Air Passenger Duty (Carib360 7 Nov)
- After 30 years of limited dialogue, Suriname and the World Bank Group are currently working on a gradual re-engagement strategy and exploring how the organization's global knowledge and expertise can best support the government (CNnow 8 Nov)
- Sugar produced from Jamaica's 2010-2011 sugar cane crop was 139,594 tonnes, an increase over the 122,104 tonnes produced in the 2009-2010 crop (JG 8 Nov)
- Finance Minister Winston Dookeran has admitted business activity was suppressed during curfew restrictions introduced with the State of Emergency in T&T. But he maintained the country was safer because of the actions taken by Government (TE 9 Nov)
- The Bank of Jamaica has released a discussion paper on institutional arrangements for safeguarding financial stability, which outlines proposed amendments to the BOJ Act to vest the bank with overall responsibility for financial stability, through a Financial Stability Committee (JO 10 Nov)
- The government of Guyana has inked a multibillion-dollar deal with Sandspring Resources Incorporated, a Canadian company, for the establishment and operationalisation of a new large scale mine located between the Cuyuni and Mazaruni Rivers (GuyTim 10 Nov)
- Algico has changed hands for the second time in 12 months. Pan American Life Insurance Group has bought the Algico business unit from US company MetLife (TE 10 Nov)
- Significant provisioning for bad debt, some troubled commercial and retail client loans, a dampened appetite for credit and a weak economy combined to deliver one of the Barbados National Bank's lowest performances in years (BN 14 Nov)

REGIONAL NEWS SUMMARY CONT'D

- A top regional insurance official is advocating the establishment of a Caribbean reinsurance company, saying CARICOM nations can save millions of dollars in the process (CNnow 14 Nov)
- Trinidad and Tobago's exports of LNG to the US have fallen "sharply" because of rising US shale gas production. The share of T&T's LNG exports accounted for by the US has plunged to 25%, from 75% three years ago (TG 14 Nov)
- The spacious Carlton Superstore in Black Rock, Barbados has been formally opened and with it brings 210 jobs - 80 more than the previous facility which will close shortly (BAdv 15 Nov)
- A large majority of banks in Latin America and the Caribbean consider SMEs as a strategic part of their business and plan to increase their credit portfolio for this sector (CNnow 15 Nov)
- The chairman of the Caribbean Airlines Ltd said the airline has made a profit of \$200 million in 2011 (TG 15 Nov)
- Jamaica's tourism earnings have continued to rise with the country grossing almost US\$1.5 billion during the first 8 months of 2011 (JG 15 Nov)
- The IDB has released the first regional survey about environmental, social and corporate governance sustainability of banks in Latin America and the Caribbean (CNnow 16 Nov)
- Barbados has signed a US\$70 million loan agreement with the IDB to boost the island's renewable energy initiatives (BN 17 Nov)
- A former Caribbean diplomat is urging regional countries to adopt a common position in their response to allegations by French President Nicolas Sarkozy that at least 3 CARICOM countries were operating as tax havens (JG 17 Nov)
- The Jamaica economy is estimated to have grown between zero and one per cent in the last quarter, down from the almost 2% average in the first two quarters (JO 17 Nov)
- Steel producer ArcelorMittal said it was temporarily sending home 30 workers at its Direct Reduced Iron facility at Point Lisas because of reduced product demand (TE 17 Nov)
- Caribbean, Canadian and Mexican travellers will now have to pay a US\$5.50 tax if they enter the United States by air or sea. A new US-Colombia free trade deal includes a clause that removes an exemption from the tariff (JO 18 Nov)
- The World Economic Forum has ranked Barbados' infrastructure - its roads, bridges, airport, harbour and other facilities - ahead of the United States (BN 21 Nov)
- 876,436 people from 203 countries came to Trinidad and Tobago between July 2010 and June 2011 (TE 21 Nov)
- Standard & Poor's Ratings Services has lowered its outlook on Barbados from stable to negative, reflecting increasing credit risks driven by a weakening external financial and economic environment (CNnow 22 Nov)
- Standard & Poor's Ratings Services has assigned its 'A-' long-term and 'A-2' short-term foreign and local currency sovereign credit ratings to Curacao. The outlook is stable (CNnow 22 Nov)
- Trinidad and Tobago will be strengthening economic and technical ties with Panama, with plans for this country to supply propane, butane, diesel, gasoline and bitumen, as well as industry knowledge to Panama as that country's demand for energy grows (TE 22 Nov)
- Fitch rating of Standard & Poors shows that Aruba has improved her A-rating with a projection for an A-rating stable projection for the near future (Caribseek 23 Nov)
- Head of the Caribbean Association of Sex Workers Miriam Edwards says sex workers throughout the region are willing to pay taxes if respective Governments would start recognising what they do as a job (Caribseek 23 Nov)
- The CARICOM Development Fund (CDF) received a boost of US\$1 million from the People's Republic of China raising its capital fund to a total of US\$89 million (BAdv 23 Nov)
- Jamaica ranks among the riskiest jurisdictions for banks to make money, according to new analysis by Standard & Poor's (JG 23 Nov)
- CEO at GraceKennedy Don Wehby, saying state bureaucracy is stifling economic growth, has called on the Government to implement a slew of measures in an effort to alleviate red tape (JO 23 Nov)
- The IDB has approved a US\$50 million grant to support the education reform Haiti launched in 2010, seeking to expand access to free, quality education for all Haitian children (JG 24 Nov)
- Mining and quarrying saw the most growth of all sectors in the Jamaican economy during the July to September quarter of 2011, with an increase of 7.5% (JO 24 Nov)
- The closer integration of French Caribbean departments with non-French speaking countries and territories in the region is the focus of a conference in Guadeloupe this week (CNnow 28 Nov)
- With Christmas less than a month away, construction workers are facing the breadline because the Programme for Upgrading Roads Efficiency Unit is at a standstill (TG 28 Nov)
- The latest data indicate that inflation continued on an upward trend in October 2011 with headline inflation rising to 3.7% in October from 2.5% cent in September (TG 28 Nov)
- The IMF says the present terms of the stand-by agreement with the Jamaican Government is not up for renegotiation (JO 28 Nov)

43RD ANNUAL MONETARY STUDIES CONFERENCE

The 43rd Annual Monetary Studies Conference was hosted by the Central Bank of Barbados over the period 15th – 18th November 2011. It was well attended and featured 40 presenters. The theme of the conference was “*Financial Architecture and Economic Prospects beyond the Crisis and in the Caribbean*”.



**Participants of the AMSC 2011
Hilton Barbados**

There was a wide variety of presentations on important topical areas. In highlighting the need for the design and architecture of financial stability, there were papers that examined the importance of early warning systems and development of a financial stability index in the case of the ECCU, and the relationship of financial development and market structure in the Caribbean region. The issue of financing economic growth was addressed from a micro perspective by papers that looked at the implications of an increase in household credit on Guyana’s economy and the impact of non-performing loans on the growth of commercial bank loans in Jamaica and Trinidad and Tobago.

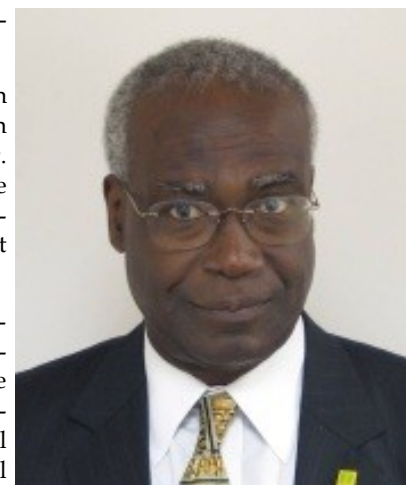
Monetary and fiscal policy issues in the Caribbean region were investigated in papers that explored the role of interest rates and monetary policy in Jamaica. Some other topics discussed were dollarization issues in Suriname, the determinants of interest rates in Belize and the tax structure of oil and non-oil products in Trinidad and Tobago. The impor-

tance of the social aspect of economics was emphasized with papers that observed the volatility of Caribbean tourism demand, the vulnerability of the Caribbean to climate change and the importance of bio-diversity to tourism.

Mr. Winston Cox, CGM a former Governor of the Central Bank of Barbados, delivered the 26th Adlith Brown Memorial Lecture on Wednesday, 16th November 2011. The lecture focused on the theme “The International Financial Architecture and its Application in the Caribbean”. Mr. Cox had the rapt attention of the audience at the Frank Collymore Hall as he demonstrated the breadth of his experience in international financial issues while delivering the lecture with clarity, frankness and some humor. This ensured that the ensuing question and answer segment was very lively.

As is customary, participants of the 43rd AMSC not only engaged in lively and interesting intellectual debates and discussions but were also treated to many enjoyable social events. The welcome cocktail reception of the conference featured one of Barbados’ premier artistes Biggie Irie with the Splash Band. The rich culture of Barbados was then highlighted at the farewell reception that was held at the Plantation Estate. The CCMF would like to formally thank the Central Bank of Barbados for being such gracious hosts in what was one of the most successful Annual Monetary Studies Conferences and we look forward to the 44th edition of the conference next year.

The papers presented at the conference can be downloaded at the [conference papers](#) section of our site.



Mr. Winston Cox

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