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TWO SPEED GROWTH IN CARICOM FOR 2010

The CCMF's recently completed report on economic performance for 2010 showed that CARICOM member countries exhibited two-speed growth cycles. This followed a pattern similar to the global economy where the advanced industrialized countries such as the US and UK, and the emerging markets such as Brazil, India and China, have exhibited two-speed growth, with

Percentage Growth for Caribbean Economies				
Country	2009	2010	2011*	2012*
Aruba	(11.0)	(2.8)	-	-
The Bahamas	(4.3)	0.5	1.3	2.3
Barbados	(0.2)	(4.7)	2.0	2.5
Belize	0.0	2.9	2.0	2.5
ECCU	(5.6)	(2.7)	2.3	2.6
Guyana	2.3	3.6	4.7	5.9
Haiti	2.9	(5.1)	8.6	8.8
Jamaica	(2.7)	(1.2)	1.6	2.4
Netherland Antilles	(0.5)	0.4	-	-
Suriname	3.1	3.8	5.0	5.0
Trinidad and Tobago	(3.5)	(0.1)	2.2	2.4

* IMF Forecast

the former group of countries still in the process of recovery, with the latter boasting all along of robust growth.

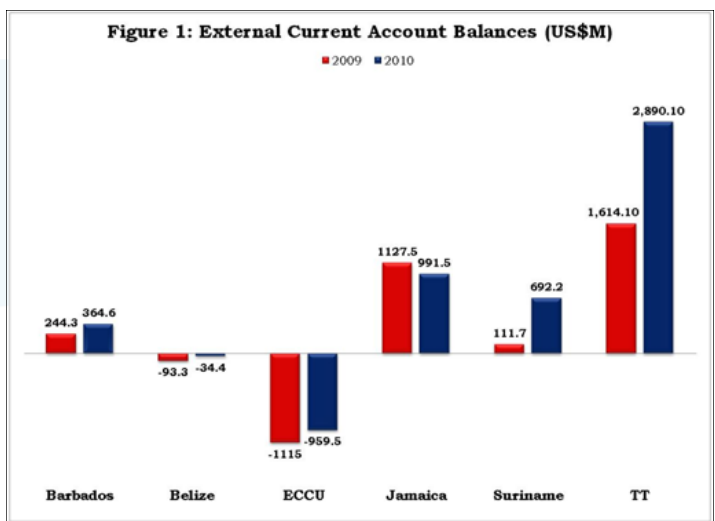
The region showed contrasting growth cycles between South American members of CARICOM and the rest. Regional growth was led by the South American countries within CARICOM, as these economies, Belize, Guyana and Suriname, were able to

maintain positive growth at 2.9, 3.6 and 3.8 per cent respectively in 2010. They showed greater robustness as they managed to grow between 0.7 to 3.1 per cent in the previous year, in spite of the economic recession in the US.

Growth in most of the other CARICOM countries followed the same pattern as the US which recorded a recovery of 2.8 per cent in 2010, after rebounding from a recession with a downturn of -2.6 per cent in the previous year. Average growth in the non-South American member countries of CARICOM declined to negative 2 per cent, but this was an improvement from the decline of 3 per cent in the previous year. The Bahamas led the recovery for the non-South American CARICOM member and associate member countries with growth of 0.5 per cent. Barbados and Haiti were outliers since their growth went opposite to the US, in that growth was worst in 2010 compared to the previous year.

The improved performances in most of the region were led by a recovery in the external economy of the region. The external

sector of the economy began showing signs of recovery in 2010 in tandem with the global recovery. Improved external performances were either in terms of higher surpluses or containment of deficits compared to the previous year. The most improved current account surpluses were recorded by Suriname - 17.1% compared to 3.4% in the previous year. This was fol-



lowed by Trinidad and Tobago where it was 14.1% compared to 8.2% in the previous year.

The improvements in performances, though not yet steady, were assisted by gradual improvements in the performances of the leading export sectors. The recovery was generally boosted by higher growth in tourism and exports of manufactured goods and Minerals and Fuels recorded improvements over the previous year. Tourism grew strongest in the first quarter of 2010 relative to the previous year. Manufacturing showed strongest growth in the last quarter of 2010. Export of Minerals and Fuels picked up in the first quarter of 2010 for The Bahamas, Jamaica and Trinidad and Tobago. Jamaica recorded the strongest growth in this sector as it recorded an increase of 186.9 per cent. This was followed by Trinidad and Tobago where the sector exhibited growth of 71.2 per cent for the first quarter over the corresponding quarter of the previous year. In spite of suppressed economic growth, the value of Imports remained buoyant in most quarters, owing particularly to strong increases in energy and food prices.

External capital inflows peaked in the first quarter of 2010 in most territories. However, the depressed economic conditions of 2009 and gradual restoration of external current accounts put pressure on the official foreign exchange reserves as countries

TWO SPEED GROWTH IN CARICOM FOR 2010 cont'd

began using up some of their available foreign exchange reserves.

On the downside, inflation in the region doubled in 2010 to 4.8% compared to 2.4% in the previous year. The major contributor to the increase in inflation was an increase in commodity prices, particularly in terms of rising food and fuel prices. Nevertheless, the rise in commodity prices favoured commodity producers and exporters in the region. Moreover, the recovery of the regional economies is yet to be manifested in a genuine decrease in unemployment, as the labour market remained stubborn. Unemployment increased marginally in Barbados and Jamaica to reach 10.8 and 12 per cent respectively. Similarly, unemployment increased in Trinidad and Tobago from 5.8 per cent in the second quarter of 2010 marginally up from 5.1 per cent in the corresponding period of the previous year. At the same time unemployment fell by 1.1 percentage points in Aruba to reach 9 per cent.

The strained fiscal balances resulting from the fiscal stimulus packages of 2009 are now over as overall fiscal balances improved in all territories. Improvements in Belize, Guyana and Trinidad and Tobago came from increased intake in revenues, while in the Bahamas, Barbados and the ECCU they came from a reduction in capital expenditure and expenditure containment with respect to the procurement of goods and services. At the same time, fiscal current account balances improved in most regional economies largely on account of subdued expenditure. Trinidad and Tobago showed the strongest current account fiscal performance as its surplus doubled relative to the previous year. Belize jumped from a deficit to surplus as a result of strong revenue growth owing to strengthened tax performance.

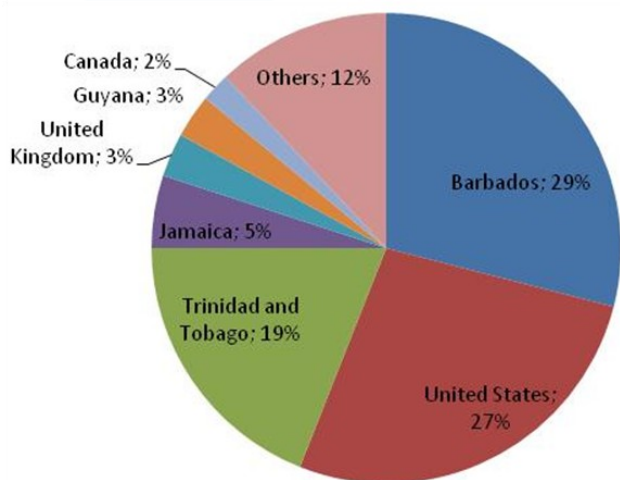
Trends in the various credit markets in the region have still not completely solidified. Domestic credit by the financial institu-

tions waned in 2010 for some territories when compared to the previous year. It marginally declined in both the Bahamas (0.35%) and Barbados (0.18%), and more substantially in Belize (2.4%) and in Trinidad and Tobago (3.5%). Credit to the private sector also slowed down in the ECCU (2.3%) and Haiti (0.9%). The declines in these regional economies can be attributed to minimal output growth in the domestic economy resulting in uncertainty and loss of business confidence, thus resulting in high levels of liquidity. In sharp contrast, the credit markets reported significant growth in Suriname (13.1%) and Guyana (18.9%). However, the higher growth in credit in these economies resulted from increased public sector financial instruments.

Mixed trends were reported in interest rate movements in the region. Consistent with the decline in credit, weighted average lending rates declined in Trinidad and Tobago (153 basis points), Barbados (27 basis points), and Haiti (21 basis points). It remained unchanged in ECCU and Belize. However, weighted average lending rates picked up in the Bahamas (49 basis points) in spite of the increase in lending in that country,

The report intimated that the IMF outlook for the region for the next two years is cautiously optimistic. If the external economy picks up with respect to the major export areas in the region, then according to the IMF, average growth is expected to average 3 and 3.4 per cent in 2011 and 2012 respectively. Each country is expected to attain positive growth, strengthening progressively in accordance with the global economy. For the region, recovery hinges on improved intra and extra regional trade in goods and services. The divergence in growth in the South American member countries of CARICOM and the rest of the region should therefore narrow, once the positive growth forecast by the World Bank for the region for 2011-12 materialises.

PATTERN OF HITS ON THE NEWSLETTER SERIES FOR THE LAST THREE MONTHS



Others' include: the rest of CARICOM, Mexico, Canada, South America, Belgium, Pakistan, Portugal, Qatar and Saudi Arabia.

REGIONAL NEWS SUMMARY

CL FINANCIAL

- KW, the German financiers of MHTL and Consolidated Energy are claiming that TT's transfer of shares from CL Financial to Clico is in breach of the loan, security and shareholder agreements by which MHTL was established and operates, The German shareholders are threatening arbitration in the matter. (TG 6 May)
- More than \$7 billion has been injected into CL Financial by the State in an attempt to keep the company afloat and keep creditors and policyholders at bay. (TE 10 May)
- Finance Minister Winston Dookeran says the sale of Clico, once it becomes viable again, is part of Government's exit strategy in its involvement in the beleaguered empire. SAGICOR Financial Corporation has indicated an interest in acquiring CLICO if it becomes available for purchase. (TG 19 May)

STANFORD GROUP

- US prosecutors have unexpectedly dropped seven of the 21 criminal charges it filed against fraud accused Allen Stanford in 2009. (Carib360 6 May)

REGIONAL NEWS SUMMARY cont'd

- Alleged Ponzi Schemer Allen Stanford will go to trial in another four months, a judge has decided. U. S. District Judge David Hittner signed an order for the court case to begin with jury selection on September 12. (Carib360 16 May)
- CARIBBEAN**
- The Bahamas Public Service Union is petitioning the government to lift the freeze it placed on public service promotions and increments, arguing that inflation is overwhelming the resources of public servants. (CNnow 28 Apr)
 - Close to 300 employees at the NCO Financial Services (Barbados SRL) will be on the breadline at the end of May. Reports indicate that the staff in the transporter Capital One fraud department, at NCO's office at the Harbour Industrial Park, were informed last month that the department was being relocated to Manila in the Philippines. (29 Apr BN)
 - The High Court has granted approval for the appointment of a receiver to wind up several companies controlled by Lawrence Cole toward reimbursing people who invested with his Christian Credit Union. (TE 29 Apr)
 - Corruption and crime are restraining economic growth, President of the Guyana Agricultural & General Workers Union Komal Chand said as he lamented the troubles faced by sections of the labour force and trade unions last year. (SN 2 May)
 - In T&T, headline inflation for March fell to 9.4%, with food inflation falling to 21.3%. (TG 2 May)
 - The amalgamated Tax Administration Jamaica, which centralises the operations of three revenue agencies, became official on May 1. The new department merges the functions of Inland Revenue, Taxpayer Audit & Assessment and Tax Administration Services. (JG 4 May)
 - More than 50 Air Jamaica employees have been let go from the airline. At the end of April, the workers' positions became redundant because of the planned merger with State carrier Caribbean Airlines. (TE 4 May)
 - Global athletics brand Puma said that the renewed contract with Jamaican sprinter Usain Bolt allowed its brand to stay 'on track', amidst posting a 154% rise in annual net earnings year-on-year to €202.2 million. (JO 4 May)
 - For a limited time, NY shoppers will find Haiti's king of fruit – the Francis mango – an exclusive, organic and Fair Trade Certified fruit under the grocer's Whole Trade programme, sending dollars into the struggling Haitian economy. (CNnow 6 May)
 - The Caribbean is beginning to turn the corner after a long and deep recession, according to the IMF's 2011 Regional Economic Outlook for the western hemisphere. (TE 6 May)
 - The Republic Bank Group has recorded a net profit attributable to shareholders of \$525.3 million for the financial half year ended March 31. This represented a 14 per cent increase over the corresponding period last year. (TE 6 May)
 - The Center for Economic and Policy Research finds that Jamaica's economic and social progress has suffered considerably from the burden of an unsustainable debt, even after the debt restructuring of 2010. (CNnow 6 May)
 - The removal of transfer tax and stamp duty on the trading and issuing of securities (in Jamaica) will bring about a more robust and competitive capital market, securities dealers say. (JG 6 May)
 - Britain has said it will upgrade Barbados' status relating to compliance with information disclosure and other laws governing offshore financial centres. (BN 9 May)
 - The Committee for Financial Supervision CFT began a twelve-day visit to Curaçao, St. Maarten, Bonaire, St. Eustatius and Saba as of Monday, May 9, during which new CFT Secretary Kees van Nieuwamerongen will be introduced. (Caribseek 10 May)
 - Prime Minister Bruce Golding says Jamaica is now officially out of the recession, with the country registering modest but positive growth in the January to March quarter of this year. (CNnow 11 May)
 - Postal services company TTPost has laid off 195 workers, saying the decision was taken so TTPost could become more viable. (TE 11 May)
 - The Barbados Investment and Development Corporation is launching a major promotional campaign in Canada to regain market share for Barbadian foods in specialty stores and major retail chains there. (BA 11 May)
 - The IMF says the Haitian economy is improving one year after a devastating earthquake killed an estimated 300,000 people and left more than million others homeless. (JO 12 May)
 - Aruba is boasting an increase in tourism arrivals in the first four months of 2011. (Caribseek 13 May)
 - Barbados' economy is not yet out of the woods despite recording growth of 0.3% last year and 2.8% for the first three months of this year. Central Bank Governor Dr DeLisle Worrell said it was too early to assure Barbadians that the economy was out of recession. (BN 14 May)
 - 16 years after the takeover, FINSAC has about J\$170 million under its control that has not been claimed by depositors of Century National Bank, but interest has ceased accruing on those savings. (JG 15 May)
 - Guardian Holdings Limited reported a 41% decline in net profits for the first quarter ended March 31, 2011, a \$61 million decline from the \$150.3 million recorded in the corresponding quarter last year. Chairman Arthur Lok Jack said losses were due to effects of the Jamaica Debt Exchange on its investment income and small insurance losses following the catastrophes in Japan, Australia and New Zealand this year. (JO 15 May)
 - The Government of Antigua and Barbuda has advanced its implementation of the computerised Integrated Financial Management System project by rolling out the FreeBalance Financial Accountability application to ministries within the government complex. (Caribseek 16 May)
 - St Kitts and Nevis Prime Minister Dr Denzil Douglas says there are signs of economic recovery in the twin-island federation. (CNnow 17 May)
 - China's investment in regional tourism and other industries is providing a ray of hope for the Caribbean. In 2009, China

REGIONAL NEWS SUMMARY cont'd

- invested US\$7 billion in the region through private corporations, the building of major infrastructure projects, financing ports, hotels, conference centres and roads. (Caribseek 18 May)
- UN Secretary-General Ban Ki-moon has underlined the role of migrants in accelerating development through remitting funds regularly to their countries of origin, noting that their economic contributions to host societies are often overlooked. (CNnow 20 May)
 - Caricom leaders have agreed to put on hold the full implementation of the Caricom Single Market and Economy, saying the region was better off consolidating the gains made under the single market component before taking further action on elements such as the creation of a single currency. (GuyTim 23 May)
 - J\$22 billion, that is the final price tag on the cost to the country's economy of the West Kingston civil unrest last May (JO 23 May)

CALL FOR PAPERS

The Department of Management Studies, Caribbean Centre for Money and Finance and Sir Arthur Lewis Institute of Social and Economic Studies, UWI, wish to announce the staging of:

THE 4TH BIENNIAL INTERNATIONAL CONFERENCE ON BUSINESS, BANKING AND FINANCE

To be held on June 22-24, 2011 at The Trinidad Hilton and Conference Centre, Trinidad

"Restoring Business Confidence and Investments in the Caribbean"

Conference Aims and Objectives:

This international conference will be a forum for exchange of ideas on critical business, banking and financial issues facing the Caribbean region at this time. It will serve to bring together leaders of the local and regional business communities, governmental policy makers and international scholars and researchers. Through their joint participation, the conference aims to:

- Critically explore and share experiences on key emerging issues pertaining to financial stability, financial integration, business confidence and related developments, with lessons for the Caribbean and other emerging economies;
- Identify strategies to be pursued at both the business and governmental levels to rebuild confidence of domestic and overseas business firms in Caribbean markets;
- Enhance understanding and collaboration between academics and leaders of business and government so as to improve the quality of decision-making on developmental issues confronting emerging economies.

Conference Sub Themes:

Diversification and opportunities for growth and development
 CARICOM at cross-roads
 Impact of new regulations on financial markets
 Strategies for stimulating growth
 Foreign exchange risks and capital flows
 Lessons from the financial crisis
 Conglomerate business models
 Corporate sustainability
 Consumer confidence and its impact on business

Corporate risk governance
 Business restructuring
 Crime, corruption and business confidence
 Macro Prudential regulations, systemic risk and financial stability
 Innovations in financial markets
 Ethics in finance
 Micro finance and credit
 Islamic Banking

Registration fee is US\$400 per person, which covers the conference material, meals and social activities. Abstracts should be submitted latest by **March 31, 2011**. For more details please visit <http://sta.uwi.edu/conferences/bbf4/>.

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