



Economic Prospects in the Caribbean	Pg 1
Regional News Summary	Pg 2
Farewell Veronica	Pg 5

## ECONOMIC PROSPECTS IN THE CARIBBEAN

The global economy continues to experience slower than expected growth with downside risks set to dominate in the near future. The most significant of these risks relates to the possibility of the United States not being able to negotiate a compromise on raising its debt ceiling which would trigger automatic spending cuts, the so called "fiscal cliff", which will push this very important economy into recession and scuttle any hope for a quick resumption of robust global growth. If this risk materializes, it is projected that approximately 3.4 million Americans would lose their jobs, taxes would increase significantly and business and consumer confidence would fall to historic lows. This would of course have a debilitating impact on the Caribbean, especially tourism dependent economies as remittances and tourism revenue can possibly double-dip to 2009 levels. Another threat to Caribbean economies is the lagging effects of Hurricane Sandy in the United States. The areas affected are host to a relatively large section of the Caribbean diaspora and as such it is expected that remittances and tourism flows would decline as this community rebuilds. Global economic uncertainty has also risen significantly driven by recent economic events and the IMF now predicts that there is a 17% chance that global economic growth will fall below two per cent.

As the Caribbean economies look toward 2013, the pace of projected economic growth falls short of what was previously expected. The IMF, in its latest World Economic Outlook in October 2012, marked down its 2013 economic growth forecast for the Caribbean from 2.9% to 2.4%, reflecting expectations of weaker global growth. The highly open nature of the region's economies means that they remain highly susceptible to trends in global commodity prices, international capital flows and the fortunes of a few markets in developed countries. In spite of this, forecasts still suggest that average growth in the Caribbean in 2013 will be higher than 2012 (See Table 1).

Very importantly, the average rates mentioned above mask significant differences in economic performance across countries. Growth in 2013 is expected to be much higher in the commodity-based economies of Guyana (5.5%) and Suriname (4.5%), with Trinidad and Tobago (2.2%) recording slower growth due to ongoing challenges to business and consumer confidence. In contrast, tourism-based economies such as Barbados, the ECCU

Table 1: CARIBBEAN GROWTH PROSPECTS

Country	Actual		Projections			
	2010	2011	2012	2013	2014	2015
Antigua and Barbuda	-8.53	-5.48	1.02	1.50	3.20	3.43
The Bahamas	0.18	1.63	2.50	2.70	2.33	2.50
Barbados	0.24	0.56	0.70	1.00	1.50	2.00
Belize	2.74	1.96	2.29	2.50	2.50	2.50
Dominica	1.21	0.99	0.45	1.25	1.47	1.67
Grenada	-1.27	0.38	0.53	0.48	1.50	2.01
Guyana	4.37	5.44	3.66	5.50	6.04	5.74
Haiti	-5.42	5.59	4.50	6.50	6.30	6.00
Jamaica	-1.51	1.27	0.89	1.05	1.18	1.28
St. Kitts and Nevis	-2.69	-2.00	0.01	1.84	3.21	3.84
St. Lucia	0.40	1.28	0.72	1.25	1.70	2.05
St. Vincent and the Grenadines	-1.84	0.04	1.23	1.50		
Suriname	4.10	4.15	4.00	4.48	4.49	5.01
Trinidad and Tobago	-0.02	-1.48	0.74	2.21	2.83	2.93
Regional Average	-0.57	1.02	1.66	2.41	2.91	3.17

Source: IMF, Global Economic Prospects, October 2012.

countries and Jamaica are likely to see growth of about 1% in 2013, with The Bahamas and Belize expected to record a slightly higher growth of 2.7% and 2.5% respectively (See Table 1). For the most part, the slow recovery in these countries is due to ongoing problems in developed market economies, the main source market for the regional tourism industry. This situation is unlikely to change in the near future since the problems in Europe in particular will take many years to resolve.

The problem of weak growth is compounded by internal vulnerabilities such as weak fiscal positions, high debt and weak competitiveness in the region<sup>1</sup>. The latest data suggest that only Trinidad and Tobago and Haiti registered improvements in their fiscal accounts while most countries except Suriname registered increases in debt in 2012. Additionally, unemployment in Jamaica (14.2%), Belize (14.4%), Bahamas (14.7%) and Barbados (11.8%) remain high due to job losses in tourism, manufacturing and agriculture. The trends in commodity prices, high import dependency of the region's economies combined with tepid growth in the tradable sectors caused by slow global growth mean that the external accounts are likely to remain weak. In fact, only Suriname recorded surpluses while most counties experienced a weakening in their external current account position

<sup>1</sup> World Economic Outlook: October 2012, IMF.

## ECONOMIC PROSPECTS IN THE CARIBBEAN CONT'D

in the first two quarters of 2012. The IMF predicts that 2013 will see no significant improvement in the current account balance across the region as the balance of payments deficit is expected to improve relative to 2012 but remain high at -5.8% of GDP. Many countries in the region are therefore highly dependent on external financing and as agents in the international financial market become more risk averse this could pose serious risk to critical financial flows and economic prospects in general.

Caribbean countries cannot change the global economic environment in which they operate but they must now look towards addressing internal shortcomings as a means of dealing with the short-term negative repercussions from a difficult global economic environment. Ultimately, sustainable economic recovery can only be generated through internal growth strategies, hence the renewed focus on issues related to competitiveness in the Caribbean. The reality however, is that our region's economies lag behind the rest of world in many of the key areas of competitiveness. According to the 2012-2013 Global Competitive Index, the region generally ranks low in the aggregate index when compared to the 144 countries ranked in the 2013 Index with Trinidad and Tobago (84), Jamaica (97), Guyana (109) and Suriname (114) all registering a deterioration relative to their 2011-2012 ranking. Barbados was one of the few countries in the region whose ranking remained solid at 44. The report highlighted that inefficient government bureaucracy, access to financing and poor work ethics in the labor market were amongst the region's most problematic area for doing business.

Caribbean economies must focus on enhancing their competitiveness by addressing these intangibles as they often prove to be decisive at the margins to future sustainable economic growth relative to technical cost considerations. Indeed, at the first Regional Competitiveness Forum hosted by the Caribbean Centre

for Competitiveness in November 2012, private sector participants identified many of the areas mentioned above – inefficient government bureaucracy and access to financing especially for SMEs - as major challenges faced by businesses on a daily basis in their attempts to compete in the global marketplace. The World Bank Doing Business Report 2012 also lends credence to these complaints as the region did poorly in terms of enforcing contracts, dealing with insolvencies, registering property and in terms of trade across borders. Additionally, during a survey of businesses by the CARICOM Secretariat in 2009, businessmen also complained that bureaucratic processes were unnecessarily complicated, resulting in a convoluted and lengthy process for business activities which requires approvals or assistance from the state. They also complained about a lack of transparency and inconsistency in the application of standards and rules.

Caribbean economies must therefore prioritize efforts to strengthen their fiscal accounts, reduce economic vulnerabilities and address weak competitiveness if they are to see the resumption of robust growth in the near future. In this regard, the region must demonstrate more urgency in efforts aimed at simplifying the approval process for investments, improving the transparency with which rules and standards are applied, improving the financing options for SMEs and dealing with the very important and difficult issue of improving the work ethic in the Caribbean.

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## REGIONAL NEWS SUMMARY

### CL FINANCIAL

- Finance Minister Larry Howai is hopeful that the Government can come to some kind of arrangement with the shareholders of CL Financial before the deadline on a three-year agreement between the Government and the CL Financial shareholders expires on 12 December 2012. (TG 6 Nov)
- Director of Public Prosecutions Roger Gaspard announced yesterday that the Police Service had started a "full criminal investigation" into the conduct of individuals and corporate entities involved in the collapse of Clico and related companies. (TG 9 Nov)
- While insurance firm CLICO was caught up in a liquidity crisis in 2008, a top official at CL Financial (CLF) allegedly de-

frauded the insurance giant of prime assets for personal benefit. The individual was aided by another executive from a Barbados-registered company, this according to a forensic audit. (TE 11 Nov)

- Chairman of the Clico Policyholders Group Peter Permell says former CL Financial chairman Lawrence Duprey should not be allowed to return to the company. (TG 12 Nov)
- Fewer than 1,000 people have so far accepted the offer to exchange their Government bonds for units in the recently established CLICO Investment Fund (TE 15 Nov)
- British Queen's Counsel Peter Knox says the Government contravened the Insurance Act by failing to put Clico's assets into its statutory fund, which was in deficit, after the insurance company's collapse in 2009. (TG 22 Nov)

## REGIONAL NEWS SUMMARY CONT'D

- A conspiracy to defraud and conceal millions of dollars is among the criminal charges expected to be slapped against former CL Financial officials as investigations into the wheeling and dealing at the collapsed conglomerate get under way (TG 25 Nov)

### STANFORD

- Prominent Florida-based Greenberg Traurig and Virginia-Based Hunton & Williams have been slapped with US\$7.2 billion lawsuit and charged that they committed legal malpractice while aiding and abetting disgraced financier Allen Stanford execute his fraudulent investment scheme. (Carib369 22 Nov)

### CARIBBEAN

- Noranda Jamaica Bauxite Partners saw its third-quarter profit plunge on near historically low aluminium prices. (JO 29 Oct)
- The head of the St James Police has revealed that the police have uncovered a new trend where lottery scammers have turned to staging parties as a means of getting their illicit funds into the formal banking system. (JG 31 Oct)
- Red Stripe more than doubled first-quarter net profits to \$340 million, with the improvement in the bottom line partly attributed to its new export model in the US. (JO 31 Oct)
- With the United States poised to become a leading LNG exporter over the next few years, Energy Minister, Kevin Ramnarine, has stated Trinidad and Tobago was moving to increase its gas exports to Caribbean and Latin American countries. (Newsd 31 Oct)
- Guyana's President Donald Ramotar has signalled that his administration is fully behind ANSA McAL's proposed multi-million dollar ethanol project. (TG 31 Oct)
- St Lucia is the top-ranked CARICOM country for ease of doing business, according to the 2013 World Bank Doing Business rankings. It ranks 53rd worldwide on the list. (Carib360 31 Oct)
- A Commonwealth Secretariat report, The Impact of EU Bilateral Trade Agreements with Third Countries on the Caribbean Rum Sector, points out that even though CARIFORUM countries have signed an Economic Partnership Agreement with the EU and currently enjoy tariff preferences in four rum categories, a range of Free Trade Agreements between the EU and third countries threatens to erode these preferences. (Caribseek 1 Nov)
- The region needs to wake up fast to a new way of operating in order to overcome its challenges, says St. Lucia Prime Minister and current Chairman of CARICOM, Dr. Kenny Anthony (BAdv 1 Nov)
- The Governments of Guyana and China have signed the framework agreement which will provide US \$130M through a concessional loan to finance the expansion project of the Cheddi Jagan International Airport (CJIA), Timehri (GCO 1 Nov)
- Some 15,794 people, formerly short-term investment products policyholders of CLICO and British American Insurance, are expected to benefit from participation in Government's CLICO Investment Fund. (TE 2 Nov)
- Scotiabank is offering export-minded companies the opportunity to access its \$100 million Small and Micro Enterprises Export Development Fund in order to develop their export capacity. (TE 2 Nov)
- Turkey wants to use its strong ties with Suriname to expand economic relations with CARICOM nations (CNnow 3 Nov)
- Bank of Jamaica Governor Brian Wynter announced a cut in the inflation target for fiscal year 2012-13, from the previous revised target of 10 to 12% to between 7.5 to 9.5%. Jamaica's inflation rate for the quarter ending in September was 2.1%. (JO 4 Nov)
- More than 11,000 Jamaicans got employment as at July of this year, according to the latest figures released by the Statistical Institute of Jamaica (JG 5 Nov)
- The IMF says economic activity suggests that slow recovery may be underway in St. Vincent and the Grenadines which reported a less than 1% increase in economic growth last year. (Carib360 6 Nov)
- According to ECLAC and ILO, labour markets in Latin America and the Caribbean were fairly resilient to the slowdown in the regional economy in the first half of 2012, which bodes well for a positive outcome in this year's employment and unemployment indicators. (GuyTim 6 Nov)
- The Caribbean rum industry could have a case at the World Trade Organisation against the United States. According to Chairman of the Barbados Rum Committee, Dr. Frank Ward, the subsidies for rum industries in the US territories of Puerto Rico and the US Virgin Islands are severely impacting Barbados' own industry's ability to thrive and survive. (BAdv 6 Nov)
- The Trinidad and Tobago economy experienced a decline that was "sharper than anticipated" during the second quarter of 2012, with the energy sector experiencing a "substantial contraction" of 7.3% and with the non-energy sector contracting by 0.7%, according to Central Bank (TG 6 Nov)
- Trinidad Cement Ltd declared an unaudited after-tax loss of \$178.4 million for the nine-month period between January and September, which is an increase of \$36.7 million over the loss for the same period in 2011 (TG 7 Nov)
- The UN food relief agency and the Haitian government are seeking to raise \$74 million over the next 12 months to help the country's agricultural sector recover from the impact of Hurricane Sandy (CNnow 7 Nov)
- Britain's Air Passenger Duty is affecting family vacation travel from Britain to Barbados. Nonetheless, the island is fighting back with a rewards programme as part of a marketing strategy aimed at maintaining tourists' loyalty to the Land of the Flying Fish (BN 8 Nov)
- The unemployment rate in Trinidad and Tobago rose to 5.4% in the first quarter of 2012, up from 4.2% when compared to the last three months (fourth quarter) of 2011. (TE 8 Nov)

## REGIONAL NEWS SUMMARY CONT'D

- Republic Bank Limited has recorded profit attributable to equity holders of \$1.2 billion, for the financial year ended September 30. This represents a 3.3% improvement on the corresponding 2011 period. (TE 9 Nov)
- The implementation of credit bureaus in Barbados would go a long way towards easing the stress that potential entrepreneurs face when they are trying to secure loans to start their own business. (BAdv 9 Nov)
- Remittance companies in Jamaica have made more than 270,000 reports of suspicious transactions to the Financial Investigations Division since the start of the year; the cost for security as a response to scamming activities is significant. (JG 9 Nov)
- Politicians in the UK, France, Germany, the US and elsewhere have begun to use language that indicates they intend addressing the low levels of tax paid by multinational corporations through their use of ever more complex schemes that aggressively avoid tax. (Caribseek 9 Nov)
- Contrary to what most people believe, oil supply capacity is growing worldwide at such an unprecedented level that it might outpace consumption. This could lead to overproduction and a steep dip in oil prices (Caribseek 9 Nov)
- The IADB has announced the approval of a \$3.5 million grant for a pilot programme to foster the development of agribusiness, tourism and industrial services value chains, supporting the creation and growth of micro, small and medium-size businesses in Haiti. (CNnow 9 Nov)
- An agreement has been reached at the World Trade Organization ending an international trade dispute over bananas dating back two decades. (Carib360 10 Nov)
- Conclusion has been brought to the European Union - Latin American bitter banana trade war. The EU has pledged to lower tariffs on bananas imported from the Latin American producers, from Bds\$448 (176 euros) a metric tonne to Bds\$290 a metric tonne over the course of eight years. (BAdv 12 Nov)
- An injection of US\$100 million into the local economy and the hiring of up to 425 workers are among the benefits expected from Sandals Resort International's involvement in Grenada. (CNnow 12 Nov)
- International credit rating agency Moody's has described the Tobago House of Assembly's financial performance as "relatively strong" (Newsd 13 Nov)
- Four years after the signing of the CARIFORM-EU Economic Partnership Agreement (EPA), the pace of its implementation has been slow, with business far from taking advantage of the favourable trade provisions meant to benefit countries of the Caribbean, Africa and the Pacific. (TE 13 Nov)
- Business confidence in Jamaica recorded a significant gain in the third quarter of 2012, with most of the uptick concentrated in firms' optimism of the future prospects for Jamaica's economy and an improved outlook in their financial position. Consumer confidence also rebounded during the period, registering the highest level since 2008 (JG 14 Nov)
- Over the past two years, Dominica's economy grew at a tepid rate of about 1%, supported by a notable fiscal stimulus, and output recovered to its pre-crisis peak. (Carib360 15 Nov)
- A panel of expert judges at the UK's 81st National Honey Show has awarded a Grenadian apiary with the prestigious Silver Star honour for its honey and also awarded that apiary a commendation for the quality of its honey bee wax candles. (CNnow 15 Nov)
- CARICOM Chairman Dr Kenny Anthony has expressed disappointment that the UK has "opted to retain its discriminatory approach" in dealing with the controversial air passenger duty (JG 15 Nov)
- The Bank of Jamaica is projecting that the economy will close out the year in decline. It expects GDP to fall by between 0.7% and 1.7%. The negative outlook stems from preliminary estimates of the damage caused by Hurricane Sandy in Jamaica and the US. (JO 15 Nov)
- Bank of Jamaica Governor Brian Wynter is reporting that the country's gross international reserves currently stand at just under US\$2 billion, representing approximately 14.1 weeks of imports. (JO 15 Nov)
- Devaluation of the Barbados dollar is out of the question, says the Minister in the Office of the Prime Minister Senator Darcy Boyce. (BN 15 Nov)
- The Barbados economy is expected to grow in the areas of science and technology over the coming years, predicts Sir Hilary Beckles, principal of The University of the West Indies at Cave Hill (BN 15 Nov)
- Jamaica continues to benefit from the gains of cutting its interest payments arising from the Jamaica Debt Exchange, said Dr Gene Leon, senior resident representative of the IMF. (JG 15 Nov)
- The IMF has concluded that the pace of activity in Dominica has been slowing so far this year with weakening external and domestic demand, and growth of only about 0.5% of GDP is forecast for 2012. (TG 19 Nov)
- The IADB has signed a memorandum of understanding with Oxfam to formalize commitment to collaborate on key development projects and initiatives to overcome poverty and inequality in Latin America and the Caribbean. (TG 19 Nov)
- Canadian airline, WestJet has launched a daily, non-stop service between Toronto and Port of Spain. (TG 19 Nov)
- BP Trinidad and Tobago has made an estimated 1 trillion cubic feet natural gas discovery off Trinidad's south east coast, the company said (TE 20 Nov)
- As part of the United Kingdom's government strategy to increase its presence in key growth markets, the British High Commission, Georgetown, opened the United Kingdom Trade and Investment (UKTI) office in Guyana. The office will cover Guyana and Suriname and will provide support to UK companies that wish to do business in the two countries. (GuyTim 21 Nov)
- Construction of the Marriott-branded hotel has begun with Chinese workers and heavy equipment working at the Kingston (Guyana) site one year after the sod turning and following years of controversy about the project and its lack of transparency. (SN 21 Nov)

## REGIONAL NEWS SUMMARY CONT'D

- Chevron has divested its fuels marketing and aviation businesses in Jamaica, Dominican Republic and St Maarten to Gulfstream Petroleum, a wholly owned affiliate of the GB Group with operations concentrated in Haiti (Carib360 22 Nov)
- Local businesses need to become more efficient, effective and competitive on the world's markets to keep up with the global economy, according to Andrew Sabga, president of the Trinidad and Tobago Chamber of Industry and Commerce. (Newsd 22 Nov)
- A new World Bank report says remittance flows to the Caribbean and other developing countries are expected to exceed earlier estimates and total US\$406 billion this year, an increase of 6.5% over the previous year. (TG 23 Nov)
- Dominic Hadeed, president of the T&T Manufacturer's Association has warned that a chronic shortage of talent threatens to hurt emerging businesses. (TG 23 Nov)
- The Government intends to seek another six-month extension from CL Financial (CLF) shareholders when the agreement expires on December 12. (TE 25 Nov)
- Guyana will likely by year-end achieve a record-breaking 20 per cent increase in tourist arrivals over last year's figure, as up to October there was already an increase of 17.7 % over the corresponding period, according to Director, Guyana Tourism Authority (CNnow 23 Nov)
- The Planning Institute of Jamaica has reported that the country earned some US\$1.33 billion in foreign exchange from expenditure by visitors to Jamaica, between January and July this year. (CNnow 24 Nov)
- Ports in the Caribbean are reportedly rushing to meet potential challenges posed by the expansion of the Panama Canal. (JG 26 Nov)
- Barbados is the highest rated country for business in the Caribbean, according to world-renowned business publication Forbes. (BAdv 27 Nov)
- Mexican President Felipe Calderón has inaugurated the Subteniente López II "Chactemal" Bridge, which will boost trade between Mexico and Belize. (CNnow 27 Nov)
- Republic Bank is providing assistance to more social entities in Barbados. Through their social responsibility programme – The Power To Make a Difference – the bank has been supporting numerous organisations in Barbados over the past couple of years. (BAdv 28 Nov)



### FAREWELL VERONICA



The staff of the CCMF recently gathered to honour Mrs. Veronica Mitchell who proceeded on pre-retirement leave last month. Vero, as she is affectionately called, spent after over fourteen years with the Centre. During that time she has proven to be not only hard working, but dedicated and reliable. Beyond the duties she performed at the Centre, she would be remembered most for her indomitable spirit, wise council, friendliness and not the least for the lovely cakes and ponche de crème she made at Christmas time. We wish her all the best in this new phase of her life.



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