



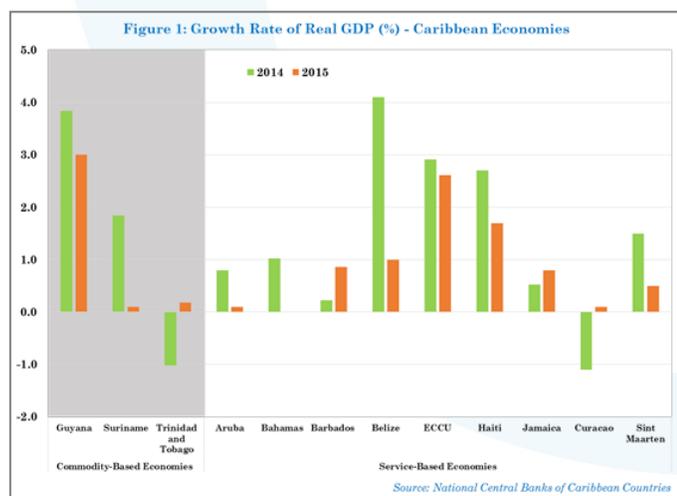
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THE CARIBBEAN ECONOMY – ITS CURRENT STATE AND POSSIBLE FUTURE

The post-crisis recovery of the global economy has been weak and subject to many reversals. In keeping with this dynamic, the IMF's January 2016 update of the World Economic Outlook (WEO) now projects global growth at 3.4 per cent for 2016, a slightly lower forecast than the one issued in October 2015. In this environment, Caribbean countries are struggling to find a balance between reducing government spending and minimizing the impact of fiscal consolidation on economic activity and hard-won social gains.

Economic Growth

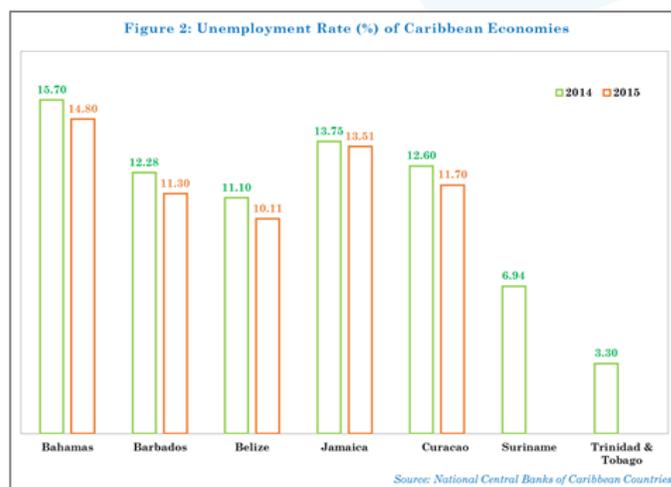
Average economic growth in Caribbean continues to be muted and fell off in 2015 relative to 2014, driven by falling commodity prices and tightening financial conditions (Figure 1). Amongst the commodity-based producers, Trinidad and Tobago and Suriname continued to post low growth because of the sharp drop in commodity prices. The performance of Guyana also fell off because of this factor but still managed to record growth of 3.0 percent in 2015. Most service based economies also



posted lower growth in 2015 relative to 2014 except Barbados and Jamaica which recorded modest improvements as their tourism sector rebounded.

Employment and Prices

Employment opportunities in the region continue to be restrained by the slow-paced recovery of Caribbean economies (Figure 2). Labour market activity in service-based economies seem to have improved a little as the unemployment rate generally fell in those countries in 2015 relative to 2014. On the other hand, informal indications are that unemployment was likely to have risen in commodity-based economies in 2015.



Inflationary pressures in the Caribbean eased in 2015, falling from an average inflation rate of 2.5 per cent in 2014 to 2.1 per cent in 2015 (Figure 3). The main reason for the lower regional inflation rate was lower commodity prices, especially for oil and food. Barbados, Belize and the ECCU reported negative rates of inflation in 2015. Higher inflation rates were reported for 2015 in The Bahamas

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because of the introduction of VAT; Haiti because of severe drought and a devaluation of its currency; and Suriname due to floods and a devaluation of its currency

contrast, Suriname’s debt burden grew significantly in 2015 due to new concessional loans with multilateral organizations.

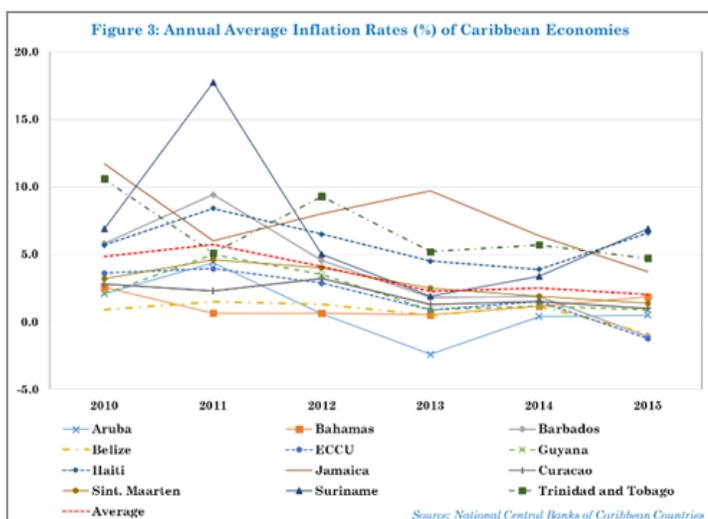


Table 1: Debt Ratios of Caribbean Economies

	Domestic Debt/GDP Ratio (%)			External Debt / GDP Ratio (%)		
	2014	2015	% change 2014/2015	2014	2015	% change 2014/2015
Aruba	n.a.	n.a.	n.a.	39.7	42.8	7.8
Bahamas	47.1	n.a.	n.a.	18.4	n.a.	n.a.
Barbados	66.7	72.8	9.3	34.8	32.5	-6.6
Belize	11.1	14.4	30.1	65.5	68.3	4.3
ECCU	37.2	35.3	-5.2	44.4	40.8	-8.3
Guyana	12.3	12.5	1.5	39.4	36.1	-8.4
Haiti	12.6	12.8	1.0	21.3	24.0	12.7
Jamaica	67.8	52.5	-22.5	62.3	73.9	18.6
Curacao	3.9	4.5	14.9	34.7	39.8	14.9
St. Maarten	10.4	10.0	-3.4	26.4	26.2	-0.8
Suriname	11.0	19.8	80.4	15.8	19.6	23.9
Trinidad & Tobago	18.60	17.70	-4.8	7.70	7.50	-2.6

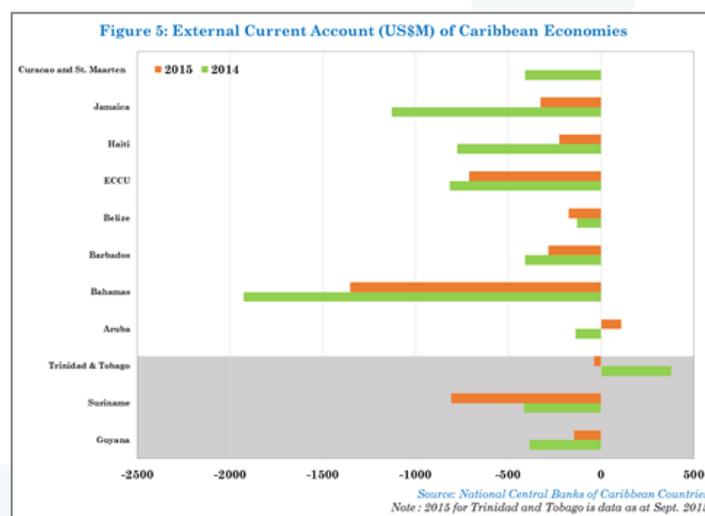
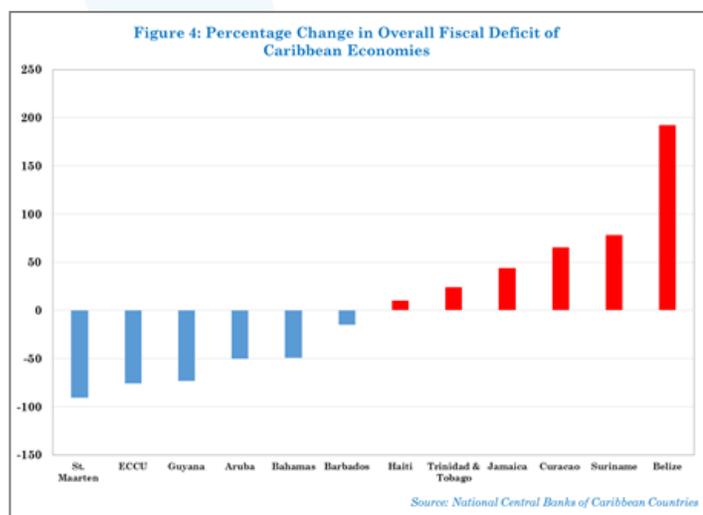
Source: National Central Banks of Caribbean Economies

Fiscal Balance and Debt

The fiscal performance of the Caribbean economies in 2015 was mixed (Figure 4). Service-based economies generally reported lower fiscal deficits in 2015 due to increases in government revenue from higher taxes combined with a decline in expenditure due to lower fuel costs. Belize experienced the biggest increase in its overall fiscal deficit due to its high public sector wage bill in 2015. High levels of indebtedness continue to plague Caribbean economies, but in 2015, although the level of debt were still high, most of them were able to lower their debt overhang. In

International Trade and Reserves

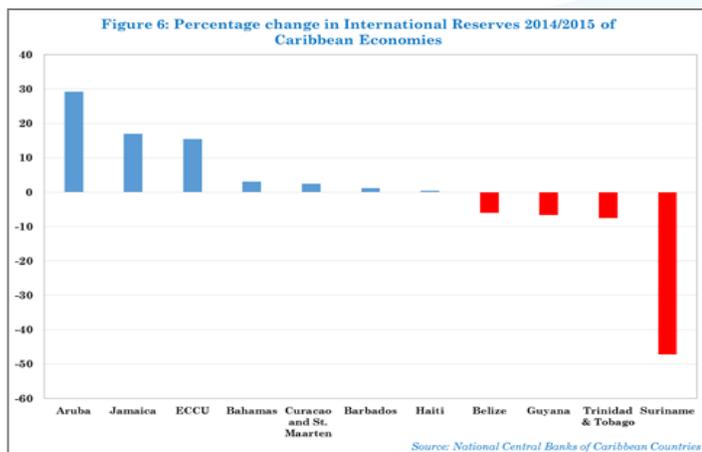
Falling oil prices had a significant asymmetric impact on the trade performance of service-based and commodity-based economies, with the former benefiting while the latter suffered (Figure 5). An increase in tourist arrivals in countries such as Barbados and the ECCU also had a positive impact on their external current accounts. Trinidad and Tobago’s trade performance in 2015 is the most notable of all the commodity exporting economies,



having reported a deficit for the first time since 1998. In terms of international reserves, a similar trend was observed with service-based economies generally im-

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proving their reserve levels while it fell in commodity-based economies, with Suriname having experienced the greatest contraction of 47.1 per cent in their reserves in 2015 relative to 2014 (Figure 6).



Outlook -2016

In this challenging international economic environment, the outlook for the Caribbean economy in 2016 is hinged on commodity price trends, a stronger US economy and related exchange and interest rate dynamics. Commodity-based producers are expected to face increased challenges as commodity prices soften while the service-based economies rebound based on improved tourism outturns and lower fuel costs. In the context of this asymmetric trends in response to commodity price trends, the WEO (January 2016) projected that Caribbean economic growth for 2016 will contract.

Despite this more favorable outlook for the service-based economies there are structural impediments to growth which can get worse. In particular, in the fixed exchange-rate regime countries in the region, exchange rates will strengthen with the US dollar, increasing costs and thereby worsening the competitive position of the region relative to competing destinations in and out of the region, unless there are cost savings elsewhere or the quality of the product improves. The normalizing of the US relationship with Cuba is likely to open up this relatively new market and intensify the level of competition within the Caribbean tourism market which can erode the market share of some traditional destinations in the region.

Significant differences in economic performance between countries would also be driven by pre-existing external, fiscal and financial vulnerabilities which restrain growth in some jurisdictions more than others. These vulnerabilities have constrained business and consumer confidence and hampered private demand and growth in these jurisdictions.

In this context, the main objective for the region should be to increase economic growth while steadily reducing macroeconomic and financial vulnerabilities. An important area for action is, therefore, to strengthen the fiscal accounts which is key to rebalancing the external accounts. Service-based economies should use lower commodity prices to accelerate the fiscal consolidation process with a view to improving debt sustainability. Moreover, although commodity producers may have lower debt burdens, lower commodity prices require a disciplined policy framework to shore up revenues and prevent similar sustainability issues from developing. The fiscal consolidation that this implies in some cases only requires increasing the efficiency of government expenditure programmes to weed out wastages without compromising the level of services provided to citizens and businesses. Higher levels of non-performing loans in service-based economies are also a major drag on growth which implies the need for stronger macro-prudential frameworks. These are, however, necessary but not sufficient conditions for the resumption of strong sustainable growth. It also requires an improvement in competitiveness which implies a range of actions in connected areas including the improvement of the business environment, increasing labour productivity and improving the quality of public infrastructure. The region also needs to strengthen the legal and regulatory frameworks for financial risk assessment and mitigation to deal with any financial vulnerabilities which can threaten the resumption of sustainable growth in the Caribbean.

By
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 Caribbean Centre for Money and Finance

REGIONAL ECONOMIC NEWS

Aruba

- How Aruba funds the island's infrastructure - With the opening of a new state-of-the-art container and freight port, the upgrading of its roads and investments in Reina Beatrix airport, the Government of Aruba invests heavily in strengthening its infrastructure to position itself as a gateway between Europe and the Americas. (PM of Aruba Website , 19 Jan)

The Bahamas

- It is over, says former Bahamas megaresort board member - The defunct Baha Mar multibillion dollar resort development in The Bahamas remains in limbo and, while the Christie administration continues to take a positive public stance on the prospects for the resort, former Baha Mar board member Dionisio D'Aguilar told Guardian Business on Thursday that the development is over and there is "not a Christ thing Perry Christie and his Cabinet can do about that" until the Export-Import Bank of China - which has put the resort in receivership - decides to sell it. (CNnow, 16 Jan)
- Bahamas PM says Baha Mar resolution close- Prime Minister Perry Christie said on Thursday his government is very close to reaching a resolution on the stalled Baha Mar megaresort project in The Bahamas. (CNnow, 23 Jan)

Barbados

- New e-government plan being developed by Barbados- The ministry of the civil service in Barbados is in the process of developing a new e-government master plan, acting permanent secretary, Allyson Forte, disclosed on Tuesday, as he addressed a brief ceremony before signing a wide area network (WAN) contract between government and Digicel (Barbados) Limited. (CNnow, 7 Jan)

Belize

- CDB launches education sector reform programme in Belize - The Caribbean Development Bank (CDB) on Wednesday launched in Belize a programme that will build 35 new schools, benefitting 5,300 students at the pre-primary, primary and secondary education levels. (CNnow, 29 Jan)

ECCU

- Nevis to establish energy unit in renewable energy development quest -Premier of Nevis, Vance Amory, has announced that the Nevis Island Administration (NIA) plans to establish an Energy Unit in 2016, as part of its move to commission multiple renewable energy initiatives on the island. (CNnow, 15 Jan)
- OECS moves ahead with harmonising collection and reporting of tourism data - On December 23, the Organisation of Eastern Caribbean States (OECS) Commission signed a grant agreement with the World Bank to execute a project to develop a harmonized framework for collecting and reporting tourism market intelligence data in the OECS. This framework will allow participating countries to collect, organize, report and use the statistical data necessary for tourism market intelligence and ultimately enhance the quality of decision-making in vital tourism sector in the OECS. (CNnow, 16 Jan)

- Antigua-Barbuda abolishes personal income tax - The people of Antigua and Barbuda will from April receive tax relief when the government plans to abolish personal income tax (PIT). (CNnow, 22 Jan)
- St Kitts-Nevis secures more funds from Venezuela - Prime Minister Dr Timothy Harris, has announced that St Kitts and Nevis has secured a further US\$1 million from the government of Venezuela through its Petr6leos de Venezuela SA (PDVSA) St Kitts-Nevis Limited to fund the Fresh Start programme. (CNnow, 22 Jan)
- St Kitts-Nevis economy grew by 6.6pct in 2015; further growth predicted in 2016 - "For 2016 there is much for which we ought to be thankful. The economy promises to deliver another year of strong growth rate under Team Unity. According to the IMF and ECLAC reports, we shall grow by 4.6 percent," said Prime Minister Dr Timothy Harris at this week's press conference, the first for 2016. (CNnow, 23 Jan)
- Almost 11,000 economic citizenships granted by St Kitts-Nevis - Prime Minister Dr Timothy Harris has made good on his promise to reveal the number of people acquiring St Kitts and Nevis citizenship through the billion-dollar citizenship by investment programme (CIP). (CNnow, 27 Jan)
- Antigua-Barbuda PM warns of correspondent banking crisis - During a plenary debate on Wednesday at the fourth summit of the Community of Latin American and Caribbean States (CELAC) in Ecuador, Antigua and Barbuda Prime Minister Gaston Browne highlighted to his colleague heads of government the clear and present danger associated with the decline in correspondent banking relations among Caribbean countries. (CNnow, 28 Jan)
- St Lucia launches citizenship by investment program - On January 1, 2016, Saint Lucia joined other sovereign states in the competition to attract global citizens to its island. Competing mainly with the Caribbean nations of Antigua and Barbuda, Dominica, Grenada and St Kitts and Nevis, Saint Lucia seems to have nailed the right strategy. (CNnow, 28 Jan)
- Regional agencies combine for action against drought - The Organisation of Eastern Caribbean States (OECS) Commission's USAID-funded Reducing the Risks to Human and Natural Assets Resulting from Climate Change (RRACC) Project in collaboration with the Caribbean Institute for Meteorology and Hydrology (CIMH) and the National Drought Mitigation Centre (NDMC) out of the University of Nebraska Lincoln hosted a four-day national training workshop on the development of national drought management policies and national drought early warning information systems. (CNnow, 30 Jan)

Haiti

- Progress in Haiti six years after earthquake but 'deteriorating' situation for those still in camps - Six years after the devastating earthquake that killed more than 200,000 people and left at least 1.5 million homeless, the United Nations has underlined that humanitarian action has achieved significant results, but that the situation has been deteriorating since June . (CNnow, 16 Jan)

- Haiti elections postponed indefinitely - Haiti was scheduled to hold the second round presidential and second round partial legislative elections on Sunday but on Friday afternoon the country's Provisional Electoral Council (CEP) announced their indefinite postponement, citing security concerns. (CNnow, 25 Jan)
- OAS to send special mission to Haiti to assess situation following suspension of elections - The Organization of American States (OAS) will send a special mission to assess the situation in Haiti in response to a request by Haitian President Michel Martelly, according to an agreement reached on Wednesday by the Permanent Council of the institution. (CNnow, 28 Jan)
- CARICOM calls for urgent resolution of Haiti's political crisis - The Caribbean Community (CARICOM) has called on all the stakeholders in Haiti's electoral process to do their utmost to resolve the current political crisis. (CNnow, 27 Jan)
- UN Security Council calls for an end to further disruption of electoral process in Haiti - Expressing strong concern regarding the indefinite postponement of the final round of elections in Haiti - scheduled for 27 December but postponed, for the second time, to January 24 - the United Nations Security Council on Friday reiterated its condemnation of any attempt to destabilize the electoral process, and urged all parties and political actors to refrain from violence. (CNnow, 30 Jan)

Guyana

- Guyana stands to be first country to receive assistance from CDF in second funding cycle - Guyana is likely to be the first member state to benefit from a new country assistance programme (CAP) under the CARICOM Development Fund's (CDF) 2015-2020 funding cycle, since that country is already eligible to receive further support by virtue of having paid up its full assessed contribution to the organisation. (CNnow, 7 Jan)
- Kuwait urges Guyana to strengthen economic and trade ties - While political ties between Guyana and Kuwait are strong, economic and trade relations are "not as strong as they could be," Kuwait's non-resident ambassador to Guyana, Ayadah Alsaidi, told the president of Guyana, David Granger, on Wednesday, during his accreditation ceremony in Georgetown. (CNnow, 14 Jan)

Jamaica

- Jamaica moves ahead with oil and gas exploration - An offshore two-dimensional seismic survey is to be conducted by Tullow Jamaica Limited over the next 30 days to determine Jamaica's potential for commercial oil and gas. Tullow, a leader in independent gas and oil exploration and production, is undertaking the 3,000 sq km survey as part of the work programme outlined in the production sharing agreement (PSA) the company signed with the Petroleum Corporation of Jamaica (PCJ) in November 2014. (CNnow, 14 Jan)

Curacao and Sint Maarten

- Curacao delaying Netherlands Antilles assets distribution, says St Maarten minister - The transfer of St Maarten's share of the assets and liabilities of the dismantled Netherlands Antilles has again been delayed because of new questions raised by Curacao about the value of real estate. (CNnow, 16 Jan)
- Curacao's economy grows; St Maarten's contracts - "Economic developments differed between Curacao and St Maarten. While Curacao recorded a modest expansion of 0.3% in real output, St Maarten's economy contracted by 0.3% in real terms in the third quarter of 2015," the president of the Central Bank van Curacao and St Maarten, Dr Emsley Tromp, said in the Bank's third quarter report. (CNnow, 21 Jan)
- Tourism generated \$448.2 million for Curacao in 2015 - The Curacao Tourist Board (CTB) has reported three percent growth in stay-over arrivals in the year 2015, generating some US\$448.2 million in tourism revenue. In total, 468,442 stay-over visitors were welcomed in the course of the year; with nearly 14,000 additional overseas visits in 2015 over the previous year's total of 454,558 arrivals. (CNnow, 23 Jan)

Suriname

- Suriname seeking financial support from IMF - The Suriname government has approached the International Monetary Fund (IMF) to discuss the possibility of financial support for its economic reform program in response to the sharp fall in international commodity prices. (CNnow, 25 Jan)

Trinidad and Tobago

- No plans to devalue, says Trinidad finance minister - Devaluation of the Trinidad and Tobago dollar is not currently being considered, Finance Minister Colm Imbert said on Wednesday, following Prime Minister Dr Keith Rowley's address to the nation on Tuesday night announcing austerity measures. (CNnow, 1 Jan)
- Almost half billion US dollars laundered in Trinidad and Tobago - More than three billion dollars (US\$467 million) were laundered in Trinidad and Tobago over the last four years, according to information reported to the Financial Intelligence Unit (FIU), Susan Francois, director of the unit, disclosed. (CNnow, 8 Jan)
- IDB supports climate change adaptation program in Tobago - The Inter-American Development Bank (IDB) has provided grant financing of \$500,000 to the Cropper Foundation in Trinidad and Tobago to implement a pilot program utilizing underwater sculptures as an innovative approach to climate change adaptation in the Buccoo Reef area. (CNnow, 21 Jan)

ANNOUNCEMENTS : CCMF CONGRATULATES THE NEW CENTRAL BANK GOVERNORS



Mr. John Rolle was appointed Governor of the Central Bank of The Bahamas in January, 2016. During the three years leading up to this, he served as the Financial Secretary in the Ministry of Finance. There he spearheaded the implementation of the Government's fiscal reform initiatives, which included the introduction of valued added tax (VAT), strengthening of tax administration systems and enhancing expenditure control frameworks.



Mr. Jean Baden Dubois was appointed Governor of the Bank of Haiti by a Presidential Order dated 23 November 2015, which was released on December 17, 2015. With over 25 years of experience in Haitian banking, Mr. Jean Baden Dubois is well respected in the financial field in Haiti. He has developed many strategies to improve services to the public and increase employee productivity.



Dr. Alvin Hilaire was appointed the Governor of The Central Bank of Trinidad and Tobago (CBTT) on 23 December 2015.

Dr. Hilaire is a career Central Banker having worked with CBTT for a cumulative period of approximately 20 years, holding positions of Senior Economist, Chief Economist and Director of Research and most recently Deputy Governor since April 2013. Dr. Hilaire has extensive experience in macroeconomic policy development and

implementation and monetary policy matters.



Mr. Timothy N. J. Antoine, a national of Grenada, assumed duties as the third Governor of the Eastern Caribbean Central Bank (ECCB) on 1 February 2016.

He is an economist and development practitioner by training, experience and passion. Before taking up the position of Governor, Mr. Antoine served as Director for Grenada on the ECCB Board of

Directors for the period s: 2002 to October 2005 and January 2008 to January 2016.



Mr Glenn Gersie was appointed Governor of the Central Bank of Suriname on 22 January, 2016.

Mr. Gersie has worked at the Central Bank for over three decades, and has served as the Director of Monetary and Economic Affairs.

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