CARIBBEAN CENTRE FOR MONEY & FINANCE

CARIBBEAN ECONOMIC PERFORMANCE REPORT JUNE 2012

CARIBBEAN CENTRE FOR MONEY AND FINANCE

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1.0 EXECUTIVE SUMMARY

Global economic recovery is modest, hesitant and uncertain. Global economic growth was only 3.9 per cent in 2011 compared to 5.3 per cent in 2010. Growth in the advanced economies was a weak 1.6 per cent while emerging and developing economies grew by 6.2 per cent. While global growth is expected to be 3.5 per cent in 2012, serious downside risks are associated with the continuing severity of fiscal and sovereign debt problems, renewed resistance to economic stabilization policies and financial market fragility in Europe and the US, reductions in China's foreign trade surplus and deceleration of its economic growth, and the sustainability of the current buoyancy in international commodity prices.

Labour markets became less depressed in the advanced economies in 2011, more so in the US and Germany, where unemployment rates were 8.9 per cent and 5.1 per cent respectively, than in the Euro Area where unemployment rates stuck at 10.1 per cent and in the UK where the unemployment rate rose slightly to 8 per cent. Consumer expenditure remained weak as households attempted to rebalance wealth portfolios and adjust to tighter credit market conditions. Nonetheless, inflation increased in advanced economies as well as in emerging economies.

The performance of Caribbean economies has been conditioned by global economic developments. Rising petroleum prices have provided fiscal relief and some growth stimulus to oil-exporting Suriname and Trinidad and Tobago in contrast to fiscal pressures and growth-depressing effects in the oil importing countries. Strong international demand for gold, and to a lesser extent bauxite and alumina, has provided significant economic growth impetus to Guyana and Suriname. The international tourism industry recovered from a 4 per cent decrease in international arrivals and a 5.7 per cent decrease in tourism receipts in 2009; however the effect on CARICOM countries was muted.

Economic growth in the CARICOM region was mixed. The region - wide average growth rate in 2011 was 2.2 per cent up from 0.9 per cent in 2009. Growth was well above the average in Aruba, Guyana, Haiti and Suriname, but close to zero in Barbados, negative in Antigua and Barbuda, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, the Netherland Antilles and Trinidad and Tobago. The problem of slow economic growth was compounded by rising prices.

Labour markets remained weak in CARICOM. The information available for several countries points to high levels of unemployment, job losses emanating from industry contraction and public sector layoffs.

Fiscal performance in 2011 was mixed. Current account surpluses were achieved in the Bahamas, Belize, Guyana, Haiti, Suriname and Trinidad and Tobago. Current account deficits were reduced in Barbados and Jamaica but increased in the ECCU. The overall fiscal balance was improved in the Bahamas, Belize, Haiti, Jamaica and Suriname but widened in Barbados, the ECCU and Guyana.

Credit conditions improved during 2011 in most countries. Domestic credit to the private sector expanded and loan rates of interest fell as did deposit rates of interest. On the problematic side, banks continued to have unsatisfactory levels of loan delinquency and high levels of liquidity in some countries.

CARICOM countries had mixed performances with respect to their external accounts. A rise in tourism earnings improved the balance of payments for service - exporting countries as did increases in mineral exports in Guyana and Suriname. Trinidad and Tobago's export performance was weakened by supply contraction in the petroleum industry and low world prices for natural gas. In most countries, import expenditures rose under the influence of rising world prices for petroleum and food.

The International Monetary Fund projects very slow economic growth in the Caribbean in 2012. The average projected growth rate is 2.5 per cent with only Belize (2.7%), Guyana (3.9%), Haiti (7.8%) and Suriname (4.9%) being above the average.

2.0 GLOBAL ECONOMIC DEVELOPMENTS

The global economy weakened in the second quarter of 2011 as the inventory cycle turned down, resulting in a fall in global industrial production. This largely reflected the impact of the Japanese earthquake and tsunami and to a lesser extent the increase in oil prices as a result of unrest in the Middle East. In the third quarter of 2011, however, global growth started to gradually improve based on improvements in the United States but fell off again in the fourth quarter as fears related to European sovereigns damaged confidence and led to instability in financial markets. The factors that restrain global growth include the legacy of the international financial crisis, sovereign debt and fiscal problems in Europe related in part to EMU design flaws, an acrimonious debate on fiscal consolidation in the US and the related impact on financial markets, the effect of natural disasters and spikes in oil prices related to political difficulties in the Middle East.

Global growth prospects have recently improved slightly, however , driven by factors such as stronger industrial production in Asia, the boost from reconstruction efforts in Japan and Thailand, continuing accommodative monetary policy in developed market economies, restraint in fiscal consolidation programmes and improvements in financial markets conditions from the situation as of December 2011, due to the success of policy initiatives in Europe to restore confidence such as the adoption of a fiscal compact and liquidity support from the European Central Bank. Global growth is therefore likely to continue improving, albeit at a muted pace, based on a slow recovery in advanced economies and solid growth in emerging economies. Based on a number of quantitative indicators the IMF had estimated in September 2011 that the risk of global growth falling below twoper cent was approximately 10 per cent; the latest estimate of this risk for 2012 is oneper cent. Nevertheless, the recovery remains fragile with the possibility of reversals with risks to global growth prospects continuing to be weighted on the downside including the possible escalation of the Euro Area crisis, continued high unemployment levels in advanced economies but particularly in Europe and geopolitical problems in the Middle East which could lead to a spike in oil prices.

Consumer and business confidence in developed market economies have improved but remain below the historical averages. The factor contributing to this situation include the tenuous recovery and continuing high unemployment in developed market economies, the fiscal and debt challenges in Europe, uncertainty with respect to governments' ability to continue expansionary policies and, very importantly, the apparent lack of political consensus to take difficult corrective action on the fiscal and debt fronts. This situation is complicated by the fact that private demand is still not at a level where public spending can be retrenched.

The cumulative effect of these challenges led to unexpectedly weak growth in the second and fourth quarters of 2011. These headwinds affected growth in advanced economies, especially the US and the Euro Area, resulting in their growth in 2011 averaging 1.7 per cent and 1.4 per cent respectively. Japan also recorded negative growth (-0.7) in 2011 due to the earthquake and tsunami which also significantly pulled down average growth for developed economies in 2011. The global economy continued to be sustained by strong growth in emerging and developing economies which averaged 6.2 per cent in 2011. In this environment global growth is expected to improve but remain relatively muted in 2012 and 2013, averaging 3.5 per cent and 4.1 per cent respectively based on improvements in the US and Japan, and lower but still robust growth in emerging and developing economies (see Table 1).

Table 1: GLOBAL ECONOMIC GROWTH

	World	Advanced Economies	USA	Euro Area	Japan	Emerging and Developing Economies	LA	Brazil	China	India
2010	5.3	3.1	3.0	1.9	4.4	7.5	6.2	7.5	10.4	10.6
2011	3.9	1.6	1.7	1.4	-0.7	6.2	4.5	2.7	9.2	7.2
2012	3.5	1.4	2.1	-0.3	2.0	5.7	3.7	3.0	8.2	6.9
2013	4.1	2.0	2.4	0.9	1.7	6.0	4.1	4.1	8.8	7.3

Source: World Economic Outlook: April 2012, IMF.

The challenges to global growth in 2012 and beyond include the still stagnant real estate markets in developed market economies and booming asset markets in many emerging and developing countries, which have the potential for sharp corrections driven by interest rate changes, capital flow reversals and related currency shocks. The policy tension between the promotion of growth and the need for medium term fiscal consolidation is also still very strong and there seems to be little political consensus on this issue in affected countries. The need for fiscal consolidation is more pressing in advanced economies where unprecedented government intervention has ratcheted up public debt considerably (see Table 2).

Table 2: GROSS DEBT TO GDP RATIO IN ADVANCED AND EMERGING ECONOMIES

	Advanced Economies	USA	Japan	Euro Area	Canada	UK	Emerging Economies	LAC	China	India
2010	100.7	98.5	215.3	85.7	85.1	77.2	39.4	50.1	33.5	69.4
2011	104.8	102.9	229.8	88.1	85.0	83.0	36.0	50.1	25.8	68.1
2012	107.9	106.6	235.8	90.0	84.7	88.4	33.6	49.4	22.0	67.6
2013	109.5	110.2	241.1	91.0	82.0	91.4	32.0	48.5	19.4	66.8

Source: World Economic Outlook Dataset April 2011, IMF.

Very importantly, unemployment appears to have peaked in most advanced economies but is expected to remain relatively high in 2012 and 2013. High unemployment is one of the main factors contributing to weak consumer expenditure in most advanced economies,and this was a significant drag on global growth. Consumer expenditure in developed markets is expected to remain weak in 2012 but improve in 2013 driven by improvements in the US, Japan and the UK (see Tables 3 and 4).

Table 3: UNEMPLOYMENT RATES IN ADVANCED ECONOMIES

Year	Advanced Economies	USA	Japan	Euro Area	Canada	UK	Germany	NICs
2010	8.3	9.6	5.1	10.1	7.9	7.9	7.1	4.1
2011	7.9	8.9	4.5	10.1	7.5	8.0	5.9	3.6
2012	7.9	8.2	4.5	10.9	7.4	8.3	5.6	3.5
2013	7.8	7.9	4.4	10.8	7.3	8.2	5.5	3.5

Source: World Economic Outlook Dataset, April 2012, IMF.

Table 4: CONSUMER EXPENDITURE GROWTH IN ADVANCED ECONOMIES

Year	Advanced Economies	USA	Japan	Euro Area	Canada	UK	Germany	NICs
2010	2.0	2.0	2.6	0.9	3.3	1.2	0.6	4.7
2011	1.3	2.2	0.0	0.2	2.2	-1.2	1.5	3.4
2012	1.2	2.2	1.1	-0.6	2.1	0.5	0.5	2.7
2013	1.9	2.6	1.6	0.4	2.1	1.6	0.8	3.7

Source: World Economic Outlook Dataset, April 2012, IMF.

Inflationary pressures have been on the rise generally as the global economy and commodity markets rebounded. The recent problems in developed market economies have, however, eased inflationary pressures in those jurisdictions. Inflation was higher in 2011 relative to 2010 in most countries because of commodity price trends. Inflationary trends are expected to moderate in 2012 and 2013 as commodity prices soften. This leveling off of prices in 2012 and 2013 is expected to be more significant in developed economies because of sluggish demand driven by the high unemployment, low confidence and fiscal and debt problems (see Table 5).

Table 5: GLOBAL INFLATION RATES

	Advanced Economies	USA	Japan	Euro Area	Canada	UK	Emerging Economies	LAC	China	India
2010	1.5	1.6	-0.7	1.6	1.8	3.3	6.1	6.0	3.3	12.0
2011	2.7	3.1	-0.3	2.7	2.9	4.5	7.1	6.6	5.4	8.6
2012	1.9	2.1	0.0	2.0	2.2	2.4	6.2	6.4	3.3	8.2
2013	1.7	1.9	0.0	1.6	2.0	2.0	5.6	5.9	3.0	7.3

Source: World Economic Outlook Dataset, April 2012, IMF.

In advanced economies, although progress has been made in terms of improved capital adequacy ratios and in recognizing losses, significant sovereign and banking sector vulnerabilities remain. Emergency measures to control expenditure and ease imbalances, as well as financing from multilateral financial institution, have helped but vulnerabilities persist. The eventual tightening of monetary policy in developed markets economies could therefore result in increased funding risks for vulnerable sovereigns and banks. This is particularly so in Europe where there are serious concerns about the quality of many institutions' assets given banks' exposure to troubled sovereigns and property markets in Greece, Ireland, Portugal, Spain, the UK and the

USA. More importantly, significant work still needs to be done in terms of restructuring or resolving weaker financial institutions and the turbulence in some European markets recently attest to this fact. Confidence in the financial system has therefore not been fully restored in many countries and lingering vulnerabilities could once again be a flashpoint for crisis given the unfinished reform agenda.

The low interest rates among developed market economies have also encouraged capital flows to emerging and developing countries. These flows have in some cases been attracted by unsustainable trends such as currency appreciation and search for yield which could motivate investment in high risk projects. In fact capital flows to developing countries have largely recovered from the levels during the crisis and are likely to increase in the near future given the disparities in growth between developed market economies and emerging and developing countries (see Table 6). This could contribute to unsustainable increases in asset prices and exchange rates which all set the stage for sudden reversals in capital flows and the attendant crisis in capital and currency markets in some emerging and developing economies.

Table 6: NET CAPITAL FLOWS TO EMERGING AND DEVELOPING COUNTRIES (US$B)

Year	2006	2007	2008	2009	2010	2011	2012	2013
Net Portfolio Inflows	–39.5	105.9	–72.9	86.0	232.9	101.1	79.3	99.3
Net FDI Inflows	303.6	440.2	479.6	313.9	332.0	418.3	403.8	421.2
Other Private Inflows	35.3	154.1	-147.1	-114.7	-37.9	-1.6	-88.4	-60.5
Net Private Inflows	299.4	700.1	259.5	285.2	527.0	521.0	394.7	460.0

Source: World Economic Outlook Dataset, April 2012, IMF.

The increasing integration of financial markets globally and the prevalence of cross border exposures also imply that there is need for a coordinated response to the challenges. The G-20 agreement on a set of principles, including cooperation among national regulatory and supervisory agencies to deal with cross border regulatory and supervisory issues, is likely to be a critical element of financial reforms to deal with current problems and to deal with future crises. This need to widen the regulatory net includes bringing institutions and markets such as hedge funds and OTC derivative markets that were not previously covered were covered imperfectly by any regulatory regime into some regulatory domain. Other pressing issues that need urgent attention is the need to reduce pro-cyclicality in prudential standards and reassessing the role credit rating agencies play in sanctioning products and behaviour in the financial sector.

International trade has also recovered as the global economy improved. Merchandise export volumes which had decreased dramatically in 2009 rebounded strongly to regain pre-crisis levels in 2010. Trade however fell off to 5.8 per cent in 2011 given the headwinds affecting global growth such as the impact of natural disasters in Japan and economic problems in Europe. The growth in trade is, however, projected to grow by 4.0 % and 5.6% in 2012 and 2013 respectively as global growth transitions from the high growth recovery stage evident in 2010 to a lower but more sustainable level in 2012 and 2013 (see Table 7).

Table 7: WORLD TRADE AND PRICES (% Change)

Year	2009	2010	2011	2012	2013
World Trade Volume	–10.5	12.9	5.8	4.0	5.6
World Trade in US dollars Price Deflators	–10.6	5.5	10.9	–0.2	–0.2
Volume of Exports in advanced economies	–11.5	12.2	5.3	2.3	4.7
Volume of Exports in Emerging and developing economies	–7.7	14.7	6.7	6.6	7.2

Source: World Economic Outlook: April 2012, IMF.

Commodity prices for most major commodities except natural gas increased in 2011. In spite of declines in May and June of 2011 due to economic problems in Europe, average commodity prices were in most cases higher in 2011 relative to 2010, given the large increases recorded in the first four months of 2011 and oil price spikes caused by political problems in the Middle East (See Tables 8 and 9).

In terms of the prospects for commodity prices moving forward there are some commodity specific factors as well as global economic factors which will influence the trajectory of prices. In terms of global economic trends, commodity prices are likely to decline moderately driven by a modest pick-up in growth in developed market economies which will more than likely be overshadowed by slowing demand from emerging and developing countries as they tighten their policy stance and as global growth transitions to a lower but more sustainable level. In terms of commodity -specific factors, better harvests are expected to dampen prices of many foods and agricultural raw materials. Natural gas prices are expected to improve in the next two years but to continue to be low by historical standards driven by new supplies coming to market and the development of shale gas in North America. Base metals are also expected to moderate on improving supply conditions. Prices for most commodities in 2012 and 2013 are also expected to moderate slightly relative to 2011 (See Tables 8 and 9).

In the oil industry price spikes are a distinct possibility given the price inelastic supply and geopolitical risks faced by this industry. In this environment, a relatively small spike in demand or adverse supply shock can lead to significant increases in prices which remain one of the most important risks to global growth. Oil prices are nevertheless expected to moderate in 2012 and 2013 as the global economy transitions to a more sustainable growth stage (see Tables 8 and 9).

Table 8: SELECTED COMMODITY PRICES

Commodity	Actual				Forecast	
	Jan-Dec 2010	Jan-Dec 2011	Jan-April 2012	Latest April 2012	Jan-Dec 2012	Jan-Dec 2013
Crude Oil – average $/bbl	79.04	104.01	112.80	113.67	98.2	97.1
Natural Gas US - $/mmbtu	4.39	4.00	2.33	1.95	4.3	4.5
Aluminium - $/mt	2173	2,401	2,146	2,050	2,300	2,400
Rice Thai 5% - $/mt	488.9	543.0	543.8	547.8	500.0	490.0
Sugar (World) - cent/kg	46.93	57.32	52.10	50.16	48.0	45.0
Bananas (US) - $/mt	868	968	1,047	1,030	950	930

Source: Commodity Price Pink Sheet, May 2012 and Commodity Price forecast January 2012, World Bank

Table 9: COMMODITY PRICE INDICES (2005=100)

Commodity	Actual				Forecast	
	Jan-Dec 2010	Jan-Dec 2011	Jan-April 2012	Latest April 2012	Jan-Dec 2012	Jan-Dec 2013
Energy	144.7	188.1	200.7	200.9	179.3	176.7
Non Energy	173.9	209.9	193.3	194.7	190.4	184.0
Agriculture	170.4	209.0	193.3	195.4	185.8	175.3
Beverages	182.1	208.2	169.5	162.9	182.9	165.5
Food	169.6	210.1	205.2	210.2	187.8	176.7
Metals	169.2	193.2	177.2	174.1	164.2	165.7

Source: Commodity Price Pink Sheet, May 2012 and Commodity Price forecast January 2012, World Bank

The international tourism industry suffered badly in 2009 with international tourist arrivals falling by 4.0% and tourism receipts falling by 5.7%. This occurred as the global economy fell into recession with advanced economies, a major source market for tourists, being more severely affected. The tourism industry has historically been one of the most resilient sectors and recent data have again given credence to this view as tourist arrivals rebounded increasing by 6.5% in 2010 when compared to 2009 to reach 940 million. The tourism industry also increased by a more modest 4.4% in 2011 when compared to the previous year to reach 980 million in a year characterised by serious global economic challenges, major political convulsions in North Africa and the Middle East and natural disasters in Japan. The growth in tourism is expected to continue this year but at a more modest pace with international tourist arrivals reaching the one billion mark later in 2012. Very importantly, tourism growth in advanced economies (4.7%) was higher than the growth in emerging markets (4.1%).

In terms of the regional distribution of tourist arrivals Europe registered robust growth of 5.8 per cent in spite of the economic problems, driven by improvements in North Europe as that region rebounded from the impact of the Icelandic volcano and its negative impact on air travel. The Southern Mediterranean also benefited from visitors shifting from North Africa and the Middle East. Asia and the Pacific registered more modest growth when compared to 2010 partly as the result of reduced outbound tourism from Japan. The Americas registered growth of 4.2 per cent in 2011 driven in large part by a 10.1 per cent growth in arrivals in South America while the Caribbean growth rate improved to 3.6 per cent compared to 2.6 per cent in 2010. In contrast, both Africa and the Middle East experienced declines in tourist arrivals because of political tensions.

Tourism receipts were also on the increase in 2011 with tourism receipts increasing in the USA (12%), Spain (9%), the UK (7%) and China (25%). Very interestingly, the leading countries in terms of expenditure by source markets were emerging markets led by China (38%), Brazil (32%), India (32%) and Russia (21%), with traditional source market such as the USA (5%) and Germany (4%) registering more modest expenditure growth. This implies that countries looking to increase their market share should look to tap into these emerging markets.

The outlook for the tourism industry is for growth to continue but at a more muted pace in line with expected trends in the global economy. Growth in tourist arrivals is expected to be approximately three to four per cent in 2012 barring no major negative event. Emerging market destinations are likely to continue leading growth in the international tourism industry as tourism arrivals rebound in Africa and the Middle East. In particular, the Asia and the Pacific region is expected to take advantage of the demand from high growth neighbouring countries.

Tapping into the high demand from these large fast growing emerging markets is likely to be a key strategy to boost inbound tourism in all destinations, given their increasing importance in the global economy. In fact, China has reinforced its importance in the international tourism industry. China is now ranked third in terms of arrivals and fourth in terms of tourism receipts. Very importantly also, China is now ranked third in terms of the expenditure on tourism and its high growth in this regard in the last 10 years implies that it has huge potential as a source market for tourists.

Major events have also demonstrated their ability to boost tourism even in difficult economic conditions based on the experience of South Africa (World Cup), India (Commonwealth Games) and Canada (Winter Olympics). In this context, the London Summer Olympics in July/August 2012 is likely to boost tourism arrivals to the historic one billion mark earlier than expected.

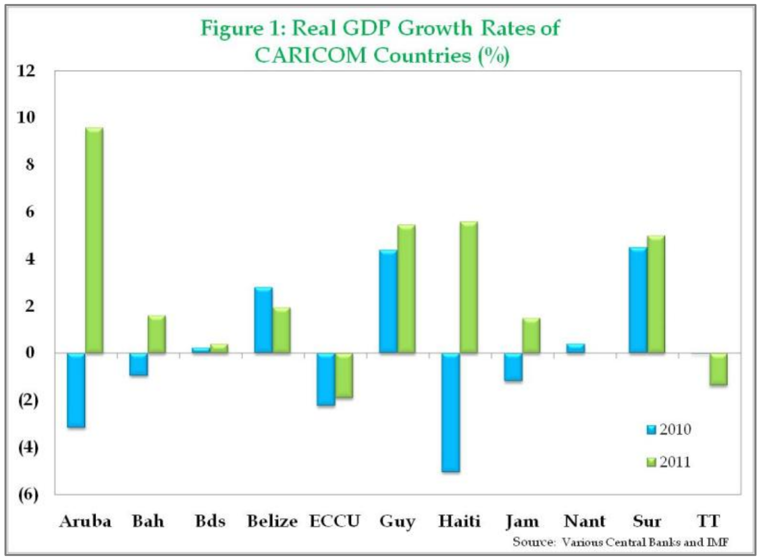
Table 10: International Tourist Arrivals

Country/Region	Total (Millions)		% Change over previous year	
	2010	2011	2009/10	2010/11
Europe	**475.8**	**502.3**	**2.9**	**5.8**
Northern Europe	58.1	61.4	0.5	5.5
Western Europe	153.7	158.1	3.6	2.8
Cent./East. Europe	95	101	3.7	7.9
South./Med. Europe	169	181.8	2.8	7.6
Asia and the Pacific	**204.1**	**217.1**	**12.9**	**6.1**
North-East Asia	111.6	115.9	13.8	3.8
South-East Asia	69.9	77.1	12.5	10.4
Oceania	11.6	11.7	6.1	0.8
South Asia	11.1	12.4	14	8
Americas	**149.7**	**156**	**6.4**	**4.2**
North America	98.1	101	6.5	2.9
Caribbean	20.1	20.7	2.6	3.6
Central America	7.9	8.3	3.9	4.8
South America	23.5	26	10	10.1
Africa	**49.6**	**50**	**8.4**	**0.2**
North Africa	18.7	16.9	6.5	-9.9
Sub-Saharan Africa	30.9	33.1	9.6	6.2
Middle East	**60.7**	**54.8**	**14.9**	**-8.4**
Advanced Economies	**498**	**522**	**5.1**	**4.7**
Emerging Economies	**442**	**458**	**8.2**	**4.1**
World	**940**	**980**	**6.5**	**4.4**

Source: World Tourism Organisation, World Tourism Barometer Volume 10, No.2, March 2012.

3.0 REGIONAL ECONOMIC PERFORMANCE

3.1 ECONOMIC GROWTH



In a climate of undiminished international economic uncertainty economic activity in the CARICOM region has not stabilized. The average regional growth rate for the CARICOM region for 2011 was 2.2 per cent, up from 0.9 per cent reported for 2010. The growth rates in real GDP for the region (Figure1) ranged from -1.4 per cent (Jamaica and Trinidad and Tobago) to 9.6 per cent (Aruba). Belize, Guyana and Suriname are the only economies that have consistently reported positive levels of economic growth since 2006 as they benefitted from favourable commodity prices.

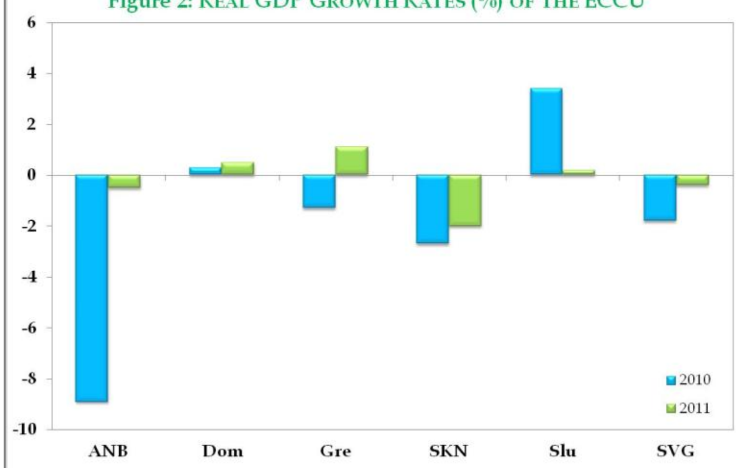
Aruba's economy improved significantly in 2011 with a growth rate of 9.6 per cent, after reporting low growth rates since 2005. This notable improvement in economic activities is linked primarily to the re-opening of the oil refinery and improved performance in cruise tourism resulting mainly from higher occupancy rates.

The Bahamian economy also improved in 2011 with a positive growth rate in real GDP of 1.6 per cent extending the modest growth achieved in 2010. The tourism sector is reported to have benefitted greatly from growth in the high value-added air segment and the hosting of two internationally promoted sporting events; but this sector's performance still lagged behind its pre - recession levels. The construction sector flourished in 2011 because of significant investment from foreign investors.

Barbados' economy remained subdued in 2011, with the economy expanding by a mere 0.4 per cent compared to its growth of 0.2 per cent in 2010. The tourism sector reported growth of 0.3 per cent in 2011 in spite of significant improvements of seven per cent increase in long-stay arrivals of tourists; this increase was dampened by the 5.6 per cent decline in average length of stay between 2010 and 2011. The non-trade sector in Barbados grew by 1.2 per cent and the number of licenses of International Business and Financial Services companies increased by an estimated 3.8 per cent in 2011 which was offset by contractions in the manufacturing and agricultural sectors.

Economic activity for Belize in 2011 remained relatively stable with a growth rate of two per cent compared to the 2.8 per cent recorded in 2010. Belize experienced a modest increase in its stay - over tourist arrivals which seeped over into the Hotels and Restaurants, Transportation and Communication and Distributive Trade. However activities in Construction, Agriculture and Oil Production faltered significantly in 2011.

Figure 2: Real GDP Growth Rates (%) of The ECCU

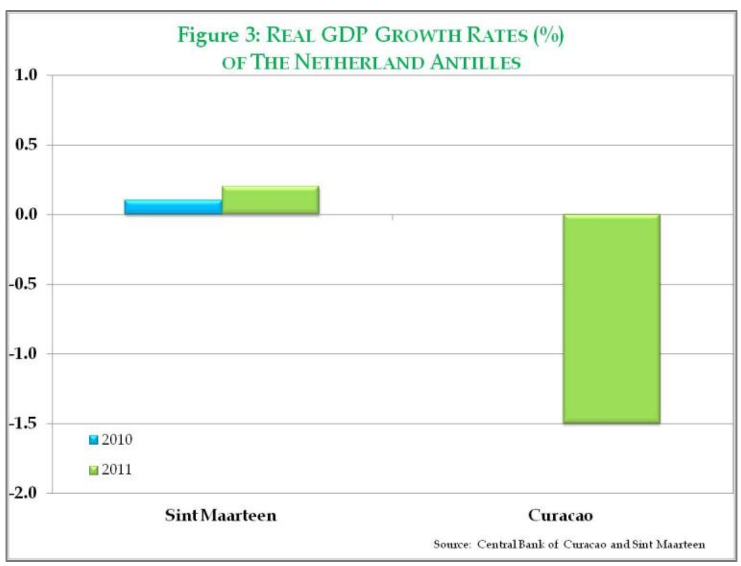


Source: IMF Regional Economic Outlook: Western Hemisphere (April 2012)
Note: Anguilla and Montserrat are not IMF members, hence their exclusion from this dataset.

The ECCU region (Figure 2) has reported negative growth for the third consecutive year (-1.9 %) in 2011; but there is an improvementof 0.3 per cent age points in its economic activities when compared to its growth rate of in 2010.Economic activity is reported to have contracted in 2011 for all member countries except Montserrat, Grenada and Dominica. A lower level of output was reported in most of the productive sectors for 2011 – Construction, Transportation Storage and Communications, Financial Intermediation, Manufacturing and Agriculture. This was offset by improved performances in the Hotels and Restaurants, Real Estate, Renting and Business activities.

The year 2011 marked the sixth consecutive year of positive economic growth for Guyana, having registered a growth rate of 5.4 per cent. The Guyanese economy continues to benefit from higher commodity prices and international demand for bauxite and gold. Improvements in the economic activities of Haiti were also reported, a growth rate in real GDP of 5.5 per cent was reported for 2011. The recovery of Haiti's economy in 2011 was led by increased output from sectors such as Construction, Manufacturing and Services and to a lesser extent Agriculture.

Jamaica's economy rebounded in 2011 to record a growth rate of 1.5 per cent after three consecutive years of contraction. The upswing in economic activities was led by favourable international economic conditions and improved local demand, this was fueled by a moderate increase in remittance inflows and an increase in real income. All industries in Jamaica recorded growth in 2011 except for the Financing and Insurance Services and Transport, Storage and Communication sectors.



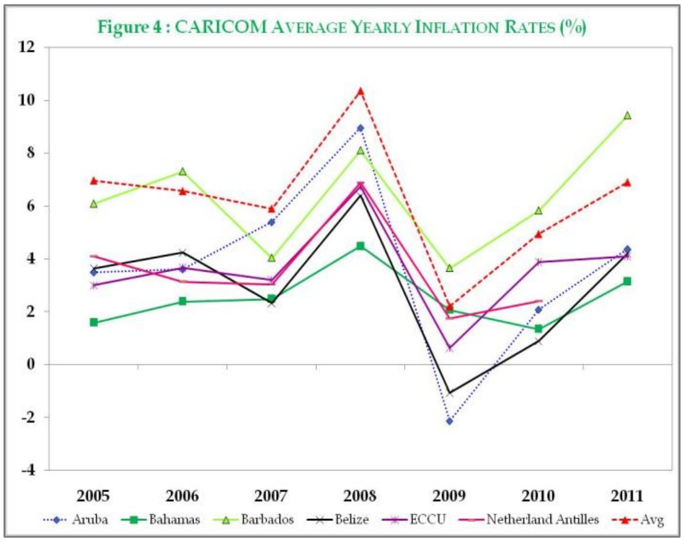
The Netherland Antilles (Figure 3) preliminary indicators of growth suggest that they experienced negative growth in 2011. SintMaarteen reported negative growth in 2011 (-1.5%) after experiencing no growth in 2010. Declines in tourist arrivals to SintMaarteen coupled with mixed performances in the Utility and Transport, Storage and Communication sectors and with indicators of investment activities on the downturn all account for the negative growth rate. However, Curacao reported a positive growth rate for 2011, but it was extremely low at 0.2 per cent; compared to its 2010 growth rate of 0.1 per cent. This weak economic growth in Curacao was sustained by an increase in external demand which resulted from the reopening of the oil refinery, more activities in the free zone, and improvements in output in certain sectors namely, Manufacturing, Wholesale and Retail Trade, and Transportation, Storage and Communication.

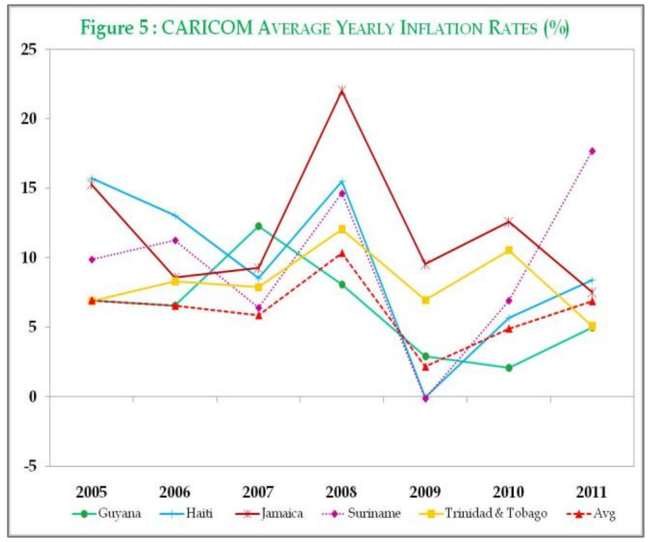
For the past ten years Suriname has consistently reported positive levels of economic growth, in 2011 (5%) they experienced an increase of 0.5 per cent age points when compared to 2010 (4.1%). The main driver of Suriname's economy is the benefits it has gained from favourable commodity prices and its activity in the mineral and energy sectors.

Trinidad and Tobago recorded its third successive year of contraction in economic activities for 2011, having reported a -1.4 per cent decline in real GDP. The decline in economic activities of 2011 stemmed from disruptions in oil and gas production at BPTT on account of ongoing safety upgrades and maintenance at the company's production facilities; reduced activity in the construction sectors as government delayed the start of major planned construction projects and a significant decline in the Distribution Sector of 8.5 per cent which was a result of the imposed curfew and State of Emergency.

3.2 INFLATION

Prices in the Caribbean in 2011 were heavily influenced by the high cost of international commodity prices, in particular oil and food. The average inflation rate for the CARICOM region increased from 4.9 per cent (2010) to 6.9 per centin 2011. The territories experienced inflation rates in 2011 that ranged from four per cent (The Bahamas) to 17.7 per cent (Suriname), (Figures 4 and 5). All countries with the exception of Trinidad and Tobago registered increases in inflation rates in 2011.





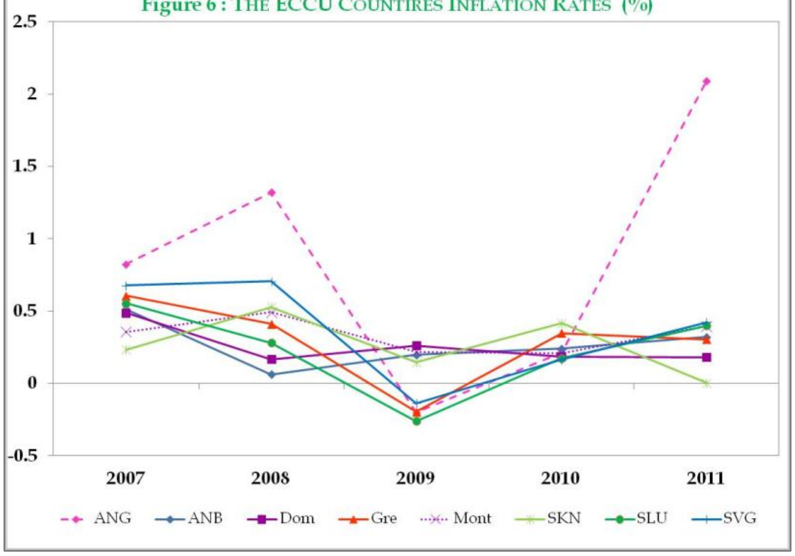
Aruba's price level continued to increase in 2011, with an annual average inflation rate of 4.37 per cent which was more than twice the rate reported in 2010 (2.08%). This significant increase in the price level was due to increases in the price of new cars (Transportation), cable subscriptions and personal computers (Recreation and Culture) and prepaid telephone cards (Communication). Preliminary data for 2012 suggests that this upward trend in prices has continued, as Aruba has reported an inflation rate of 5.04 per cent at the end of March 2012 with inflationary pressures arising from increased commodity prices.

International crude oil market prices continue to influence the evolution of domestic prices in The Bahamas. An increase of 1.81 percentage points was recorded in the inflation rate for 2011 (3.15%), when compared to the inflation rate for 2010 (1.34 %). Notable increases in prices for Furnishing, Household Equipment and Maintenance, Restaurants and Hotels, Food and Non-Alcoholic Beverages and Communications throughout the year 2011 also contributed to the increase in price levels in The Bahamas. These same inflationary forces continue into 2012, with the inflation rate for the 12 months to March 2012 being reported at 3.21 per cent.

Barbados price levels continue to be adversely affected by high oil and commodity prices (corn and rice), as its inflation rate for 2011 was precariously close to being recorded as double digit inflation. Some of the main categories increasing over the year included Fuel and Light (23.5%), Food (8.2%) and Housing (4.4%). This inflationary environment has persisted into 2012, as inflation stood at 9.7 per cent at the end of March 2012.

Inflation in Belize[1] for 2011 was reportedly 4.2 per cent, which is a considerable increase when compared to 0.88 per cent reported for 2010. This increase in price levels was driven by price increases experienced in categories of Transportation and Communication; Food, Beverage and Tobacco and Rent, Water, Fuel and Power. The price declines reported in 2011 for Household Goods and Maintenance and Clothing and Footwear helped dampen the inflationary pressures which stemmed mainly from increased international oil and commodity prices. Another deflationary measure was the replacement in April 2011 of the 12 per cent GST on fuel imports with a fixed rate of import duty.

Figure 6 : THE ECCU COUNTIRES INFLATION RATES (%)



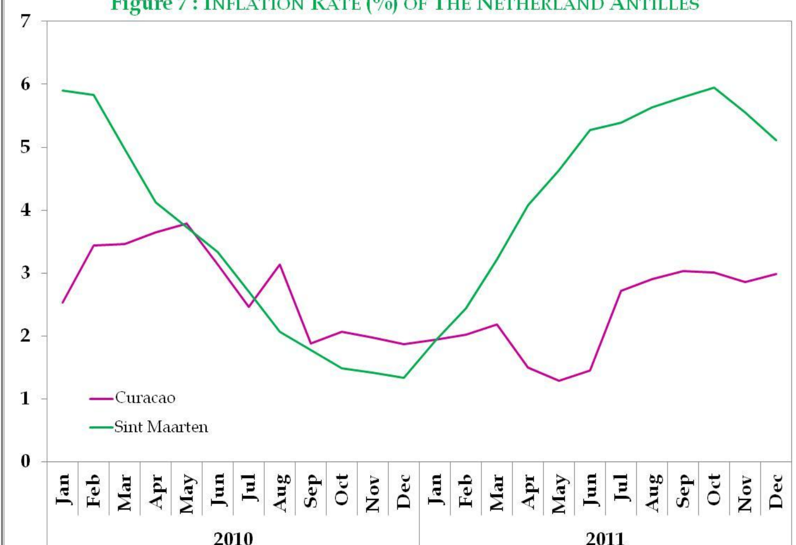
The ECCU (Figure 6) reported a minimal increase of 0.22 per cent age points in its inflation rate for the year 2011 (4.2%). The inflation rate of the member countries ranged from 0 per cent (St. Kitts and Nevis) to 2.1 per cent (Anguilla). All the member

[1]Prices statistics: The CPI is calculated for February, May, August, and November, and released to the public with a lag of about three months. With the assistance of the Fund, the basket of goods and services has been updated. The SIB is compiling a monthly CPI for food and fuels that will be tentatively released in the fourth quarter 2011 with data from December 2010.

countries, except St. Kitts and Nevis and Dominica, reported higher inflation rates in 2011. Prices were higher in 2011 because of increased prices in Fuel and Light, Food, Transportation and Communication and Medical Care and Expenses.

Haiti price level rose from 5.7 per cent (2010) to 8.4 per cent (2011) primarily on account of unfavorable harvest in the agriculture sector resulting in high food prices. Prices in Guyana for the year 2011 were 2.98 per cent age points higher than in 2010; the cause of the increase in the price levels was the same as in most other Caribbean territories: rising food and international oil prices. Jamaica's inflation rate remained high at 7.5 per cent for 2011, but when compared to 2010's rate the inflation rate decreased by 5.1 per cent age points. Inflationary pressures stemmed from pass-through effects of rising international oil and grain prices which were tamed by the relatively stable exchange rate during the year.

Figure 7 : INFLATION RATE (%) OF THE NETHERLAND ANTILLES

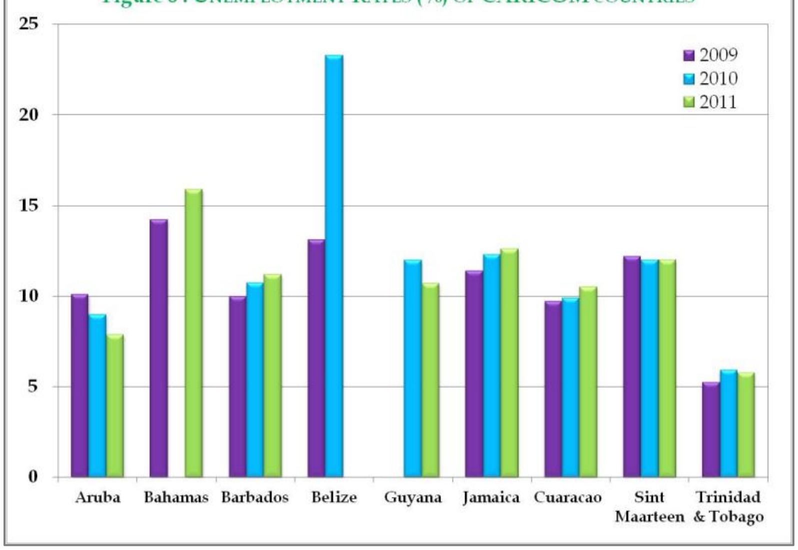


The Netherland Antilles (Figure 7) price levels increased in 2011, on account of increases in oil and food prices. Inflation in Curacao was 2.9 per cent and the inflation rate in Sint. Maarten was 5.6 per centin September 2011, compared to the same month in 2010 there was a 4 basis point increase in prices for Curacao and a 34 basis points increase for Sint Maarten. In SintMaarteen there was an additional factor that influenced the rise in prices, namely the increase in the turnover tax from three per cent to five per cent in February 2011.

Increases in fuel taxes, devaluation of currency and higher world food prices have propelled Suriname's price level to an inflation rate of 17.7 per cent for the year 2011, a 10.8 per cent age point increase from 2010. Trinidad and Tobago's inflation rate for 2011 (5.1%) was almost half the rate reported in 2010 (10.55%), having fallen by 5.45 per cent age points. Throughout the year there were fluctuations, in particular in the last quarter of 2011, when there were increases in prices in the wholesale prices of food and vegetables and building materials. Favourable domestic weather conditions and increased harvest internationally were instrumental in the decreased rate of inflation for Trinidad and Tobago for 2011.

3.3 Labour Markets

Figure 8 : Unemployment Rates (%) of CARICOM countries



Most of the CARICOM economies'labour markets are plagued with high levels of unemployment, in most cases the unemployment rate has been above five per cent for the past 10 years. Figure 8 shows that unemployment rates of the CARICOM region ranged from 5.8 per cent (Trinidad and Tobago) to 15.9 per cent (The Bahamas) in 2011. Only two countries reported improvements in their unemployment rates for 2011 – Aruba and Guyana.

The labour market in Aruba improved as a result of the increase in economic activity in the tourism industry in 2011. The unemployment rate for Aruba fell by 1.1 per cent age points in 2011, registering an unemployment rate of 7.9 per cent.

The Bahamas labour market conditions are reported to have worsened in the latter part of 2011 with a reported unemployment rate of 15.9 per cent at the end of 2011. At least three reason can be identified for this significant increase in unemployment; (1) a shift in the number of persons previously categorized as self - employed or engaged in the informal sectors to unemployed; (2) a decline in the informal sector workers of 19 per cent and (3) seasonal factors such as the entrance of recent high school and university graduates into the labour force.

Labour market conditions in Barbados have been deteriorating since 2008. The average unemployment rate for 2011 was estimated at 12 per cent. Jobs were mainly lost in the manufacturing and small business sector. Unemployment claims have increased steadily as well as the average period of job searches for persons seeking employment.

Initial data for Belize indicate that unemployment remained high in 2011, while in Guyana the unemployment rate declined from 12 per cent (2010) to 10.7 per cent (2011) reflective of the increased activity in the Mining and Quarrying sector. The labour market in Jamaica experienced an unemployment rate of 12.6 per cent in 2011, which represents a mere 0.3 per cent age point increase relative to 2010. This increase reflected a contraction of 0.1 per cent in employment from jobs in Agriculture, Hunting, Forestry and Fishing, Construction and Installation and Transport, Storage and Communication. Jamaica's labour force also grew by 0.2 per cent and new jobs were generated in Real Estate, Renting and Business Activities, Hotels and Restaurants and Wholesale and Retail Trade.

The Netherland Antilles continued to experience high levels of unemployment in 2011. For SintMaarteen, the rate of unemployment was 12 per cent and in Curacao it was 10.5 per cent. The labour market in Trinidad and Tobago is currently a bit unstable; the most recent data on unemployment is for June 2011, where the unemployment rate stood at 5.8 per cent. For the year ended December 2011, approximately 1,238 retrenchment notices were filed with the Ministry of Labour and Small and Micro Enterprise Development. The majority of theses notices were filed with the Food Processing (30.3%), Distribution (21%) and Finance, Insurance and Real Estate and Business (12.8%)

sectors. Wage negotiations between trade unions and government were feisty, while some negotiations have been settled; others have been carried over into 2012.

3.4 Fiscal Accounts

3.4.1 Current Fiscal Account

Available data for 2011 on the operations of Central Government suggest mixed performances among the countries covered by this report. Among reporting countries Trinidad and Tobago, Haiti, Guyana, Suriname and Belize and The Bahamas all registered surpluses on the current fiscal accounts. The Eastern Caribbean currency Union, Jamaica and Barbados recorded current fiscal deficits.

The current account surplus for Belize, Suriname and Trinidad and Tobago improved in 2011 when compared to the outturn in 2010. In Belize, the current account surplus advanced 10.0 per cent to reach US$39.1 million as growth in revenue outpaced that of expenditure. Current revenue increased by 5.3 per cent mainly on account of 14.9 per cent growth in taxes on international trade and the petroleum industry. Belize witnessed growth in all other revenue categories except the value added tax which fell by 2.9 per cent when compared to the performance in 2010. On the expenditure side, current outlays grew by 4.8 per cent reflecting increases in all major expenditure lines. For the year ended December 2011, the current account surplus for the economy of Trinidad and Tobago widened by 2.4 per cent to US$1152.9 million. Current revenue increased by 9.8 per cent mainly reflecting 19.8 per cent boost in the uptake for income taxes. This can be attributed to the tax amnesty collections from energy companies as well as favorable developments in prices for petroleum and natural gas. Receipts from value added tax and non tax revenue declined by 10.8 per cent and 42.1 per cent respectively due to delayed recovery of the non - energy sectors. Trinidad and Tobago recorded a more than commensurate increase in current expenditure of 11.1 per cent during 2011. Transfers and subsidies, the largest expenditure line registered an increase of 17.2 per cent, while wages and salaries rose by 8.9 per cent when compared to the performance in 2010. The increase in transfers and subsidies can be attributed to increases in Senior Citizens grants, and payments to CLICO and Hindu Credit Union policyholders. Debt interest payments declined by 13.7 per cent, perhaps due to reduced borrowing on the domestic market in 2011. In Suriname, the current account moved from a surplus of US$37.7 million in 2010 to a surplus of US$206.7 million. This outturn was due to strong growth in total current revenue in the magnitude of 46.2 per cent. Significant increases were recorded for all major revenue lines including non-tax revenue (59.6%), taxes on international trade (34.1 %) and value added tax (33.0 %). Current expenditure for Suriname grew at a more modest pace of 23.2 per cent, reflecting growth in debt service payments (35.2%) and transfers and subsidies (29.2 %).

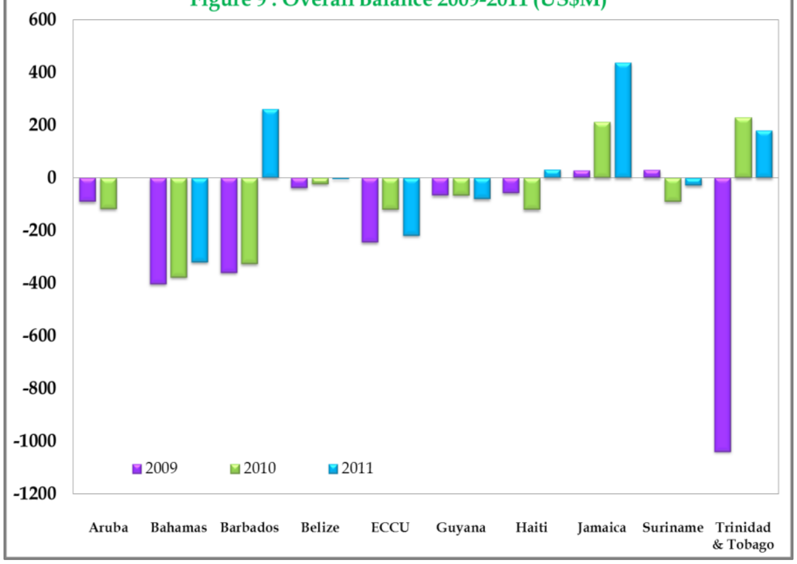
Buoyed by rapid growth in revenue, The Bahamas moved from a deficit of US$182.8 million on the current account in 2010 to a small current surplus of US$3.7 million for calendar year 2011. Current revenue increased by 24.1 per cent featuring strong performance of taxes on international trade (25.4%) and non - tax revenue (13.7%). Current expenditure grew by 9.4 per cent reflecting increases across all expenditure lines. The improved position on the current account is reflected in the primary surplus moving from US$8.5 million in 2010 to US212.2 million in 2010.

The deficit on the combined current account for members of the ECCU widened from US$12.5 million to US$39.5 million due to slower growth in revenue (5.1%) than expenditure (6.5%). Value added tax was the fastest growing line of revenue (33.9%) followed by non - tax revenue (9.4 %). On the expenditure side, outlays on goods and services grew by 15.4 per cent, while transfers and services were increased by 11.9 per cent. During 2011, the ECCU registered a primary surplus of US $126.6 million, deteriorating from US$144.5 million obtained in 2010, but signaling that there is some policy space for progressive reduction of the debt to GDP ratio.

Guyana and Haiti both experienced small reductions in the current account surplus in 2011 when compared to the position at the end of 2010. In Haiti, the current account surplus decreased by 2.4 per cent to US$76.9 million, due to faster growth in expenditure (26.8%) than revenue (23.8%). All categories of expenditure posted significant increases except debt service payments which dropped 39.8 per cent. Income tax, non-tax revenue and taxes on international trade grew by 14.6 per cent, 24.6 per cent and 20.1 per cent respectively. Guyana saw a reduction in the current account fiscal balance by 2.7 per cent to US4140.3 million. Current expenditure grew by 16.5 per cent (US$69.7million) compared to a 12.1 (US$63.9 million) per cent increase in current revenue. In absolute terms, the value added tax and income tax recorded the largest increases, while outlays on goods and services registered the biggest increase on the expenditure side.

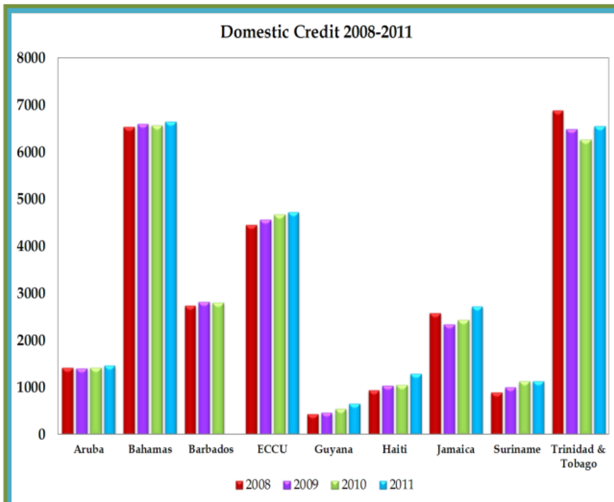
During 2011, Jamaica recorded significant improvement on the current fiscal accounts. The current deficit moved from US$409.5 million to US$281.9 million. This performance can be attributed to the combined effect of a marginal decline in current expenditure combined with a 3.4 per cent increase in current revenue. Lower expenditure can be attributed to savings from the Jamaica Debt Exchange Programme as well as the effect of lower interest rates associated with debt service obligations. Taxes on international trade recorded the highest growth of 7.4 per cent, while non - tax revenue declined by 24.4 per cent. In Barbados, the current fiscal deficit was reduced from US$321.3 million in 2010 to US$307.8 million in December 2011. This was due to the combined effect of increased yield from value added tax and reduced transfers and subsides in 2011.

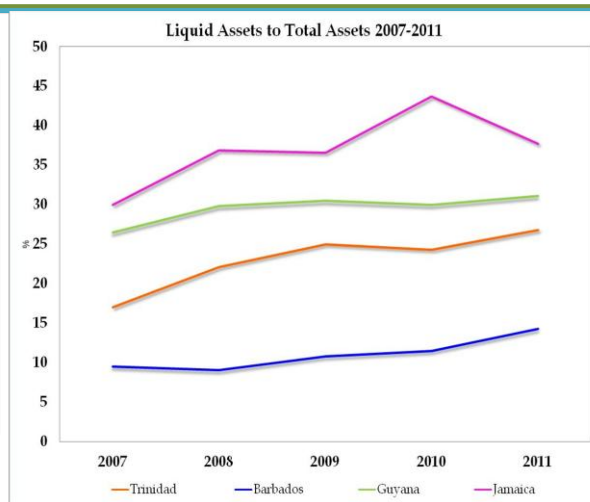
Figure 9 : Overall Balance 2009-2011 (US$M)



3.4.2 Overall Fiscal Balance

The Bahamas, Belize, Haiti, Jamaica and Suriname all recorded improvement on the overall fiscal accounts for 2011, when compared to the outturn in 2010. Among those countries, The Bahamas, Belize, and Suriname registered a narrowing of the overall fiscal deficit. The overall fiscal deficit for the Bahamas narrowed from US$376.7 million in 2010 to US$320.1 million in 2011. This performance can be partly attributed to enhanced revenue performance as well as capital revenue receipts associated with the sale of government property. Belize witnessed a reduction in the overall fiscal deficit from US$23.2 million in 2010 to US$4.2 million in 2011, due mainly to a combination of strong revenue performance as a result of higher oil prices and constrained expenditure on the capital side due to delays in implementation. The overall fiscal deficit for Suriname was reduced to US$28.7 million down from US$89.5 million which obtained in 2010.Haiti moved from an overall deficit position of US$120.8 million in 2010 to an overall surplus position of 211.5 million in 2010 to US$436.96 million in 2011. A combination of higher revenue and grants and reduced current expenditure contributed to this performance. The surplus on the overall fiscal accounts dropped by US$49.4 million to US$180.5 million for the calendar year 2011. This was mainly related to increases in transfers and subsidies and capital expenditure. The overall deficit for the ECCU and Guyana widened in 2011. Increased levels of capital expenditure resulted in widening of overall deficit for the ECCU to US$218.4 million to represent 4.1 per cent of GDP. The overall fiscal deficit for Guyana increased to US$80.2 million mainly on account of higher levels of capital expenditure. Similarly, the overall fiscal deficit for Barbados increased from US$18.8 million to US$262.2 million in December 2011.





Source: Central Bank Websites. Liquidity ratio for Jamaica: Avg. liquid assets to deposit liabilities plus reserve borrowing.

Growth in domestic credit has been slow in most countries since the onset of the global economic downturn. However, banking systems in the region have been characterized by high levels of liquidity, either due to lack of bankable projects or conservative lending stance on the part of the commercial banks.

3.5 BANKING AND FINANCE

Most Caribbean countries witnessed improved credit conditions during 2011, generally reflecting prevailing domestic demand conditions. A few central banks adopted an accommodative monetary policy stance by lowering policy rates to spur economic activity. Consequently, commercial banks responded by lowering lending rates and adjusting deposit rates downwards to maintain their profit margins, resulting in smaller interest rate spreads in most countries. Despite improved credit conditions, liquidity remained high in most of the jurisdictions covered by this report.

3.5.1 Liquidity and Domestic Credit

The pace of domestic credit improved significantly in 2011 when compared to the sluggish growth outturn in 2010. All reporting countries recorded an increase in domestic credit extended to the private sector for 2011 when compared to the performance in 2010. Belize, Guyana, Haiti and Jamaica all posted double digit increases of 17.9 per cent, 19.7 per cent, 22.8 per cent and 11.7 per cent respectively. Smaller increases were recorded for Trinidad and Tobago (4.6%), Aruba (3.0%), The ECCU (1.3%) and The Bahamas (1.1%).

In Belize growth in domestic credit was largely driven by personal credit, mostly for the purposes of acquiring real estate and for other professional services. For the first nine months of the year net credit to central government contracted. In the manufacturing, construction and mining sectors repayments on commercial loans exceeded new disbursements, thus countering domestic growth on the personal side. Despite the modest increase in personal credit, systemic liquidity in Belize was on the rise for most of 2011, with excess liquidity beginning to dip in the September 2011. Domestic credit expansion in Guyana was mostly on account of an increase in loans extended to the private sector in particular, agriculture, distribution, real estate and mining. Available data for the first half of 2011 suggests that credit extended to the personal sector fell, while the public sector remained a net depositor within the banking system. Liquidity within the banking system of Guyana remained high during 2011, with the Bank of Guyana utilizing Treasury Bills on the open market as the main tool to manage systemic liquidity levels. Following growth of 4.1per cent recorded in 2010, domestic credit in Jamaica advanced by 11.7 per cent in 2011. This is consistent with improved domestic demand conditions in 2011, after three consecutive years of GDP contraction. In Barbados domestic credit grew by 10.4 per cent despite the tepid growth outcome of 0.5 per cent. The growth of total credit to the private sector in Suriname, adjusted for the January 2011 exchanges rate devaluation, decelerated from 12.9 per cent in 2010 to 11.9 per cent in 2011.

During 2011 credit activity in Trinidad and Tobago strengthened resulting in an expansion of domestic credit to the private sector of 4.6 per cent relative to a decline of 3.5 per cent in 2010. Most of the growth was recorded on the consumer side for debt consolidation and refinancing, as business credit was on the decline until November 2011. The financial system remained highly liquid, due to significant net fiscal injections within the system and sluggish business credit activity. Consequently, excess reserves peaked at TT$5.7 billion in December 2011. The Central Bank used a combination of open market operations, foreign exchange sales and roll-over of commercial bank deposits to manage liquidity within the system. Domestic credit advanced to the private sector in Aruba for 2011 grew by 3.0 per cent , building on a marginal increase of less than one per cent in 2010. Domestic credit expansion was largely on account of lending for housing and real estate. The ECCU witnessed a marginal increase of 1.3 per cent in domestic credit to the private sector during 2011, following 2.3 per cent growth registered for 2010. This outturn is consistent with contraction of the ECCU economy in 2011. Available data for the first nine months of 2011 suggests that liquidity levels eased and remained high during the review period. Domestic credit to the private sector for the Bahamas rose by 1.1 per cent in 2011 mostly reflecting improvements in consumer and housing related credit. Liquidity within the banking system remained high throughout 2011 with excess reserves being 92.5 per cent higher than the statutory minimum in December 2011.

3.5.2 Interest Rates and Spreads

The weighted average loan rate declined for all countries covered by this report except the ECCU which registered an increase of five basis points and Suriname where it remained unchanged. In the case of Jamaica the weighted average loan rate dropped by 240 basis points to 18.03 per cent. This follows from the Bank of Jamaica's monetary easing stance where the 30 day rate was reduced four times for a combined drop of 125 basis points by September 2011. Similarly, the weighted average loan rate for Aruba fell by 140 basis points to 9.0 per cent in 2011. The Central Bank of Trinidad and Tobago, in an effort to stimulate domestic economic activity, lowered the repo rate on three occasions by a total of 75 basis points to reach 3.0 per cent in July 2011. This resulted in a commensurate reduction of the weighted average lending rate (77 basis points) to 9.16 per cent at the end of 2011. In the context of high levels of excess liquidity and weak business credit demand, the weighted average loan rate for Belize fell by 76 basis points in 2011. In 2011, Haiti also witnessed a decline in the weighted average loan rate of 53 basis points perhaps due to buildup of deposits within the system against the backdrop of official development assistance receipts geared towards reconstruction efforts. The Bahamas and Guyana recorded smaller decreases in the weighted average loan rate of 46 and 27 basis points respectively. In Barbados, the weighted average loan rate fell by 64 basis points to 8.75 per cent as banks sought to stimulate credit growth.

In an effort to maintain their interest margins, commercial banks, many saddled with excess reserves, made downward adjustments to interest rates on the deposit side to partially offset any changes made on the lending side and the high cost of maintaining the stock of deposit liabilities. Consequently the average three - month deposit rate declined in all countries except the ECCU and Suriname where they increased. The Bahamas and Belize registered the largest cuts in the average three - month deposit rate by 114 basis points and 196 basis points respectively. Smaller decreases were noted for Jamaica (59 basis points), Guyana (45 basis points) and Aruba (40 basis points). In Trinidad and Tobago, the average three - month deposit rate dropped to a mere 0.61 per cent after falling by 24 basis points in 2011. Similarly, the 18 basis point reduction in the average three- month deposit rate resulted in an average three- month deposit rate of 0.32 per cent in Haiti for 2011. The average 3 month deposit rate rose by 65 basis points for the ECCU and 80 basis points for Suriname in 2011.

In some countries the drop in the weighted average lending rate more than outweighed the effect of a cut in deposit rates, resulting in narrowing interest rate spreads. This obtained for Aruba (90 basis point decline), Haiti (34 basis points), Jamaica (181 basis points) and Trinidad and Tobago (53 basis points). In the ECCU, the five basis point increase in the weighted average loan rate could not outweigh the increase in the average three- month deposit rate by 63 basis points resulting in narrower average interest rate spreads. Similarly Suriname registered zero change in the weighted average loan rate during 2011 and an increase in deposit rates leading to deteriorating average spread by about 90 basis points. In other countries the declines in the weighted average lending rate was not enough to offset larger cuts in the deposit rates resulting in wider interest rate spreads. This occurred in The Bahamas (68 basis point increase), Belize (120 basis points) and Guyana (18 basis points). In Barbados, average interest weight spreads advanced by 64 basis points due to an increase in average lending rate of the same magnitude.

3.5.3 Banking Sector Deposits and Loans

On a year on year basis ending December 2011, all reporting countries except Aruba posted increases in total deposits within the banking sector. Total deposits of the banking system of Guyana rose by 10.3 per cent building on growth of 15.6 per cent in 2010 perhaps due to continued economic momentum within the domestic economy. Consistent with an environment of very high levels of excess reserves, Trinidad and Tobago registered a modest increase of 9.6 per cent in total deposits of commercial banks by the end of 2011, relative to a decline of 1.5 per cent recorded for 2010. Belize reported a 5.2 per cent increase in total deposits of the banking system in 2011 following a marginal increase of one third of a per cent in 2010 partly due to sluggish credit growth and higher than average foreign asset growth. The Bahamas and the ECCU posted increases in total banking sector deposits of 2.0 per cent and 3.0 per cent respectively. In Jamaica, total deposits of the banking system increased by 2.8 per cent in 2011 in line with improvements in domestic demand conditions. Similarly, Haiti recorded growth of 2.7 per cent in total deposits of the banking system. Total deposits of the banking system in Barbados increased by 9.4 per cent in 2011 compared to marginal decline obtained in 2010. In Suriname total deposits of the banking sector, adjusted for the effects of the 20 per cent devaluation in January 2011, rose by 12.7 per cent in 2011 from 9.8 per cent in 2010.

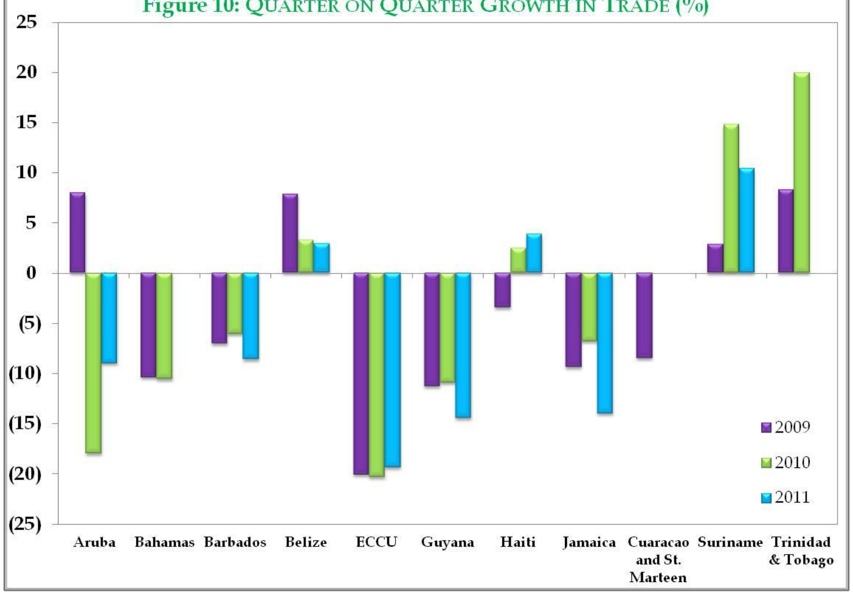
During 2011, United States (US) dollar denominated deposits decreased in Aruba and The Bahamas by 9.7 per cent and 9.3 per cent respectively. The ECCU also recorded a decline in US dollar deposits of 3.6 per cent, while Guyana posted a drop of 49.6 per cent. In Belize, US dollar deposits were augmented by 33.2 per cent likely due to inflows associated with sales at the Corozal Free Zone. US dollar denominated deposits in Trinidad and Tobago, Jamaica and Haiti increased by 3.9 per cent, 3.0 per cent and 6.3 per cent respectively.

Growth in total banking sector loans outstanding for Guyana stood at 21.2 per cent for the year ended December 2011, reflecting strong growth in domestic credit over the period 2009 to 2011. For Barbados, total banking sector loans outstanding grew by 14.3 per cent during 2011 consistent with modest increase in domestic credit. Aruba, Jamaica and Trinidad and Tobago posted increases of 3.2, 3.5 and 3.3 per cent in total loans outstanding to the banking sector. Haiti recorded a decline of 12.1 per cent in total loans outstanding to the banking sector likely due to loan write offs following the passage of the earthquake. A marginal loss in total banking sector loans outstanding of less than one per cent was registered for Belize, while a marginal increase of similar magnitude occurred for the combined ECCU member countries.

3.6 External Trade

3.6.1 External Current Account

Figure 10: QUARTER ON QUARTER GROWTH IN TRADE (%)



Countries recorded mixed fortunes with respect to the external current accounts see Figure 10. From the data available, the external position was strengthened for three territories as the surplus increased for Haiti, though the extent of the surplus declined for

Belize and Suriname. For the countries recording deficits, the external current account deficit was reduced in Aruba, ECCU and Guyana, but increased in The Bahamas, Barbados, ECCU, Guyana and Jamaica. End of year figures were not yet available for Trinidad and Tobago, but data for the first half of 2011 showed that the current account was in surplus and the surplus grew by 6.5 per cent of the corresponding period for the previous year.

Trade in Goods and Services

The majority of regional territories recorded higher growth in exports and imports of goods and services at the end of 2011, when compared to 2010. For Belize, Guyana and Haiti growth in exports outpaced growth in imports. However, the reverse occurred for the other member countries as imports outpaced exports for 2011. Imports of member countries increased in the main as a result of rising food prices and buoyant energy prices. This placed pressures on the external current account, since in some cases the exports did not keep pace with the increase in imports. Generally, exports exhibited improved performances between quarters in 2011 compared to 2010, see Table 11. The improved regional showing was assisted by a recovery in both Aruba and ECCU. The strongest growth in exports was registered for Aruba especially in the second and third quarters of 2011 over 2010. Quarterly export growth in Aruba contracted in the first three quarters of 2010 between 45.9 per cent and 30.6 per cent in those quarters, when compared to the corresponding period of the previous year. However, quarterly growth rebounded in 2011 between 150.3 per cent and 409.2 per cent for the respective quarters in that year.

Table11: Growth of Exports and Imports by CARICOM countries (%)

Countries	Export Growth		Import Growth	
	2010	2011	2010	2011
Aruba	-46.6	262.1	-31.0	206.5
Bahamas	4.4	7.6	1.1	12.9
Barbados	6.5	8.3	8.3	15.0
Belize	25.3	26.1	5.6	17.7
EC Currency Union	-36.8	-12.4	-2.3	-0.2
Guyana	15.2	27.6	19.1	26.1
Haiti	2.5	36.0	32.8	13.8
Jamaica	-1.4	21.5	3.0	27.0
Curacao and St. Marteen	n.a.	n.a.	n.a.	n.a.
Suriname	37.7	15.6	-1.1	31.4
Trinidad & Tobago	21.9	n.a.	-6.8	n.a.

Table 12: Quarter to Quarter Growth in Trade (%)

		2010				2011			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Aruba	Exports	(45.9)	(55.8)	(30.6)	(3.6)	150.3	366.5	409.2	175.3
	Imports	(41.8)	(54.8)	12.4	36.4	275.7	319.5	242.2	91.3
The Bahamas	Exports	3.8	4.3	4.6	2.0	5.1	8.2	8.7	12.4
	Imports	(5.2)	(9.6)	5.5	14.2	12.7	9.8	8.8	11.2
Barbados	Exports	4.2	0.7	38.4	17.8	22.7	7.5	1.5	6.5
	Imports	5.6	9.1	9.4	7.1	16.0	17.2	12.2	18.2
Belize	Exports	25.2	28.7	19.5	27.9	35.7	36.5	15.1	18.4
	Imports	(4.9)	3.7	(4.2)	30.4	30.0	17.6	29.2	0.4
ECCU	Exports	(22.7)	(32.7)	(38.2)	(59.1)	(51.5)	6.0	14.0	19.2
	Imports	(20.0)	8.4	(2.2)	8.2	5.7	(1.7)	4.3	(7.7)
Guyana	Exports	9.9	12.2	11.3	24.2	24.3	22.7	28.6	15.5
	Imports	25.2	29.1	19.2	9.6	16.6	33.7	28.4	24.5
Haiti	Exports	22.0	(23.3)	0.6	8.3	11.2	96.5	32.3	30.2
	Imports	(0.2)	35.1	76.4	24.0	41.3	21.8	0.4	5.2
Jamaica	Exports	5.3	(10.8)	(11.2)	13.8	13.7	44.5	43.6	6.9
	Imports	(3.7)	10.1	(2.5)	8.6	29.9	26.8	33.8	18.8
Netherland Antilles	Exports	(0.8)	(4.3)	(2.5)	n.a	n.a.	n.a.	n.a.	n.a.
	Imports	(73.9)	n.a.	n.a	n.a	6.0	37.6	8.3	28.2
Suriname	Exports	n.a.	n.a.	n.a.	n.a.	3.7	23.8	29.2	18.9
	Imports	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Trinidad and Tobago	Exports	(27.8)	77.4	53.9	54.6	n.a.	n.a.	n.a.	n.a.
	Imports	7.0	(12.6)	(3.6)	(15.1)	n.a.	n.a.	n.a.	n.a.

Tourism

In spite of the contraction and subdued recovery of the global economy, the tourism sector improved in most quarters compared to the previous quarter of the previous year, see Table 13. The best performances were in the first quarter for Barbados and Guyana, but Belize recorded higher revenues in the second quarter from that sector, while Aruba and The Bahamas had their best performances in the third and fourth quarters respectively.

Table 13:
Growth in Tourism Revenue Compared to Corresponding Quarters of Previous Year

	2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Aruba	4.1	6.3	-1.3	0.7	7.2	12.9	1023.4	3.6
The Bahamas	6.7	5.2	11.8	3.4	-4.1	5.6	7.2	12.5
Barbados	4.2	0.7	38.4	17.8	22.7	7.5	1.5	6.5
Belize	1.6	-6.9	-4.3	-3.6	-2.7	7.5	-1.1	5.8
Guyana	0.0	107.4	221.2	165.7	149.9	-41.6	-61.4	104.2
Netherland Antilles	-2.1	11.1	14.5	n.a.	n.a.	n.a.	n.a.	n.a.
Trinidad and Tobago	51.2	27.7	-21.3	200.7	n.a	n.a.	n.a.	n.a.

Minerals and Fuels

Export revenues strengthened in the Minerals and Fuels sector, see Table 14. In some quarters, growth in that sector almost doubled. End of year data were not yet available for Trinidad and Tobago. However, preliminary data showed that at the end of the second quarter of the 2011, energy exports benefitted from higher energy prices (US$102.50 West Texas Intermediate) compared to the same period of the previous year (US$93.95 Western TexasIntermediate). In accordance, that country realised a rise in the value of energy exports by 18 per cent. Data were also not received for Belize, but that country reported a drop in petroleum revenues by 50.4 per cent in January, marked by a fall in exports by 22.4 per cent compared to January of the previous year.

Table 14 :
Growth in Minerals and Fuels Compared to Corresponding Quarter of Previous Year

	2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
The Bahamas	77.7	96.8	-9.0	34.2	33.4	61.9	37.5	11.6
Guyana	10.5	33.4	28.6	25.0	48.6	41.1	59.5	19.4
Jamaica	66.5	25.1	4.4	30.7	(18.3)	41.6	23.2	59.0
Suriname	n.a.	n.a.	n.a.	n.a.	41.2	43.0	40.0	18.8
Trinidad and Tobago	(35.7)	51.1	27.9	20.1	n.a.	n.a.	n.a.	n.a.

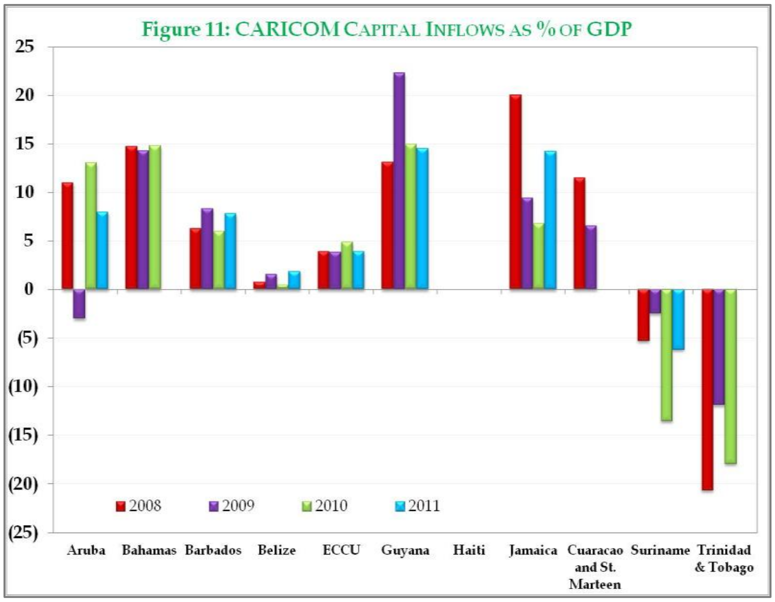
Manufacturing

The manufacturing sector registered mixed performances across the regional territories with respect to revenue growth, sees Table 15. Haiti exhibited the strongest performance for that sector as revenues consistently grew across sectors 2011. For The Bahamas and Guyana, export revenues strengthened in the first two quarters of 2011, but it was reversed in the latter quarters. In contrast export revenues rebounded for Jamaica after that country recorded two consecutive quarters of decline in the sector.

Table 15: Growth of Manufacturing compared to corresponding quarter of previous year

	2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
The Bahamas	16.1	16.1	99.8	32.7	24.3	57.4	-37.6	-1.2
Barbados	6.1	2.2	31.3	25.0	n.a.	n.a.	n.a.	n.a.
Guyana	30.0	27.5	24.1	1.2	5.0	5.3	-12.4	-3.2
Haiti	23.2	-24.5	2.8	8.1	11.6	96.4	28.7	32.1
Jamaica	136.1	-51.6	-22.3	-4.5	-48.9	-51.6	31.2	36.1
Trinidad and Tobago	-10.1	309.1	65.9	21.0	n.a.	n.a.	n.a.	n.a.

3.6.2 External Capital Account



The region differed in activity with respect to capital flows, see Figure 11. Increased capital inflows in 2011 were recorded by Barbados and Belize but Aruba, ECCU and Guyana recorded reduced capital inflows. Suriname continued to record net capital outflow. The highest level of capital inflows were recorded by Guyana, followed by The Bahamas. Data were not received for Trinidad and Tobago, but that country has consistently recorded net capital outflows since 2003.

External Debt to GDP

Table 16: Annual Growth of CARICOM Debt Indicators for 2011 over previous year and Debt Servicing Ratio for 2011 (%)

	Domestic	External	Debt Servicing
Aruba	n.a.	n.a.	n.a.
Bahamas	n.a	n.a.	5.3
Barbados	7.5	(1.7)	8.1
Belize	n.a	4.7	8.6
EC Currency Union	(1.1)	(1.1)	31.1
Guyana	(9.5)	(0.4)	3.5
Haiti	(9.4)	(24.3)	0.3
Jamaica	(3.4)	2.1	n.a.
Cuaracao and St. Marteen	n.a.	n.a.	n.a.
Suriname	1.6	8.2	1.1
Trinidad & Tobago	15.5	8.4	1.2

The countries with the largest external debt were Jamaica (62.2%), ECCU (42.6%) and Barbados (28.6%). External debt increased in half of the territories for which data were available, with the largest growth recorded by Trinidad and Tobago (8.4%). External debt also grew in Belize and Jamaica by 4.7 per cent and 2.1 per cent respectively.

The largest reduction in external debt was in Haiti where it was reduced by just under 3 per cent. External Debt was also reduced in Barbados and ECCU by about 0.5 per cent each and in Suriname (2.8%). However, Belize (0.7%), Jamaica (1.3%), and Trinidad and Tobago (1.7%) incurred increases in debt.

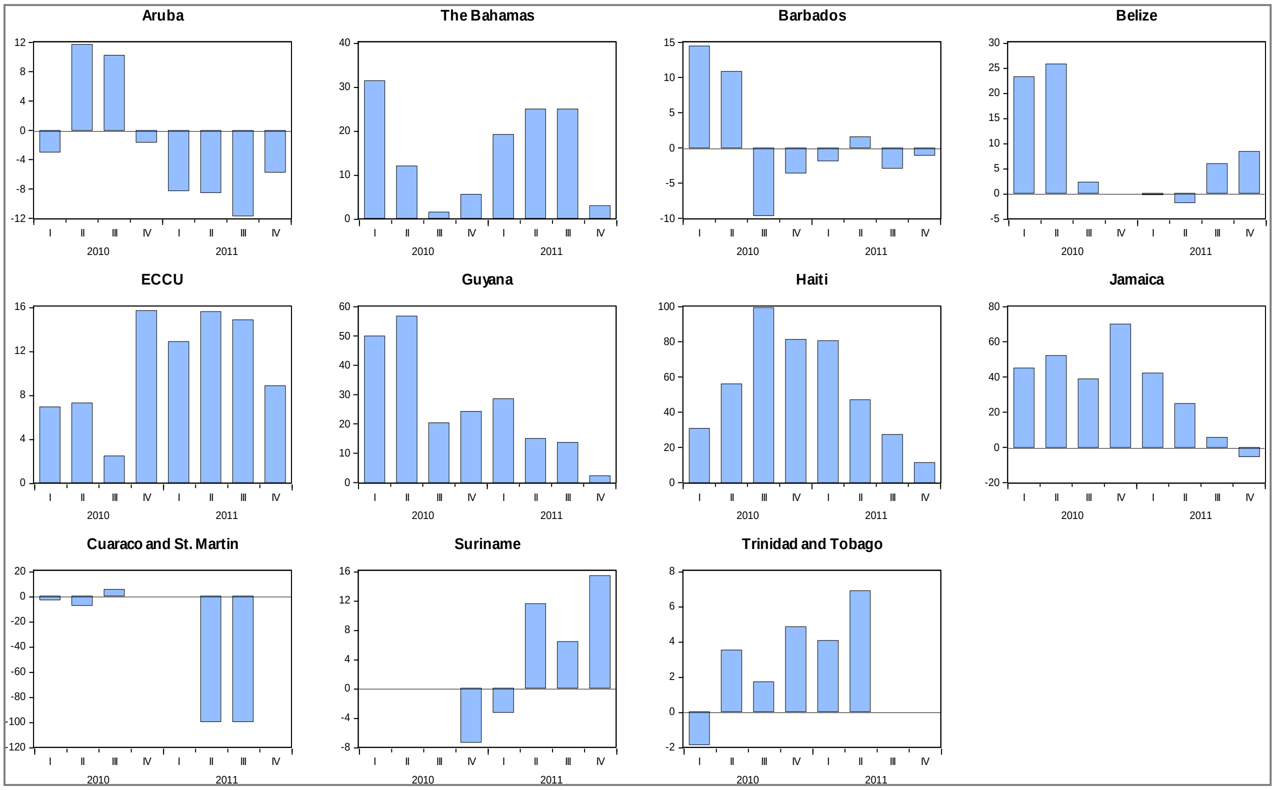
Debt service ratio, taken as external debt to export of goods and services, remained at under 10 per cent in most territories. However, the debt servicing was the highest for the ECCU where the ratio was 31.1 per cent.

Borrowing was less pronounced with respect to domestic debt, with additional borrowing restricted to two of the seven territories. The territories recording additional borrowing were Barbados (7.5%) and Suriname (1.6%). Domestic debt declined in the other territories with Guyana recording the most severe decline at 9.5 per cent and Haiti 9.4 per cent.

3.6.3 Foreign Exchange Reserves

Growth in official foreign exchange reserves improved in most countries for most quarters of 2011, when compared to the previous year, see Figure 13. The enhanced performance occurred in each quarter in The Bahamas, ECCU, Guyana, Suriname and Haiti. However, mixed results occurred for Barbados, Belize and Jamaica. In contrast, foreign exchange reserves consistently declined for Aruba. Data were not obtained for all the quarters in 2011 for Curacao and Sint Martin and Trinidad and Tobago.

Figure 13: GROWTH IN GROSS INTERNATIONAL RESERVES (%)



Foreign exchange reserves were also examined in terms of end of year import cover. Import cover held fairly stable for the member countries for the region. Reserves increased for the ECCU and Trinidad and Tobago, but declined marginally for the other member countries for which data were available, see Table 17.

Table 17 : Foreign Exchange Reserves in terms of Import Cover

	Bahamas	Barbados	Belize	ECCU	Guyana	Jamaica	Suriname	TT
Dec 2010	n.a.	5.25	4.4	3.8	5.2	5.3	4.8	13.1
Dec 2011	3.4		4.3	3.95	4.2	4.4	4.3	13.5

4.0 CARIBBEAN ECONOMIC PROSPECTS

The prospects for growth in the Caribbean hinge largely on developments in the global economy, especially developments in commodity markets and consumer demand in developed market economies, but also to structural vulnerabilities of many countries in the region. Given that global growth is expected to remain muted for the rest of 2012, due in large part to sovereign debt and banking sector weaknesses in many European countries, growth in many Caribbean jurisdictions will tend to be on the low side especially forthose dependent on tourism. Additionally, oil prices have risen and although they are not close to the highs recorded in the pre-crisis period they are still high by historical standards. Oil prices are expected to remain just below US$100 per barrel for long periods and to spike above this level driven by events affecting the supply side. This implies further pressure on the external accounts for many countries in the region which are already vulnerable in this area.

Table18: CARIBBEAN GROWTH PROSPECTS

Country	Actual		Projections	
	2010	2011	2012	2013
Antigua and Barbuda	-8.88	-0.50	1.03	2.51
The Bahamas	0.20	1.6	2.50	2.70
Barbados	0.20	0.50	0.90	1.50
Belize	2.74	2.50	2.75	2.50
Dominica	0.34	0.54	1.50	1.75
Grenada	-1.27	1.06	1.47	2.01
Guyana	4.37	4.21	3.86	6.31
Haiti	-5.42	5.59	7.80	6.93
Jamaica	-1.44	1.53	1.00	1.05
St. Kitts and Nevis	-2.69	-2.00	0.99	1.83
St Lucia	3.43	0.24	1.88	2.44
St Vincent and the Grenadines	-1.84	-0.39	2.04	2.00
Suriname	4.53	4.50	4.92	5.40
Trinidad and Tobago	-0.02	-1.31	1.73	2.37
Regional Average	**-0.36**	**1.32**	**2.46**	**2.95**

Source: IMF, Global Economic Prospects, April 2012.

Drags from fiscal consolidation and unresolved financial problems in some jurisdictions have also constrained business and consumer confidence and hampered private demand and growth. Moreover, in spite of the fact that tourist arrivals have been on the increase since the third quarter of 2009, the growth in tourism receipts has been weak as spending per tourist has receded to 2004 levels. Efforts to diversify the tourism base to target faster growing countries seem also to have had no significant effect thus far.

In this environment the outlook for most countries is that their growth performance would improve in most jurisdictions in 2012 and 2013but the pace of the recovery would be more muted than previously expected. Based on the latest IMF estimates the average growth for the region is expected to improve from 1.32 per cent in 2011 to 2.46 per cent in 2012 with further strengthening to 2.95 per cent in 2013. The commodity based economies of Guyana and Suriname are expected to record growth in excess of 3 per cent in 2012 and 2013 with Trinidad and Tobago continuing to experience slower growth over this period by continuing challenges to business and consumer confidence (see Table 18). Growth in Haiti is also forecast to be robust driven by reconstruction efforts but this forecast has been lowered as implementation challenges and the related slow disbursement from aid agencies plague the reconstruction efforts.

A combination of improvements in the tourism sector in countries such as The Bahamas, Barbados, ECCU countries and Jamaica, as well as increased commodity prices in Belize, Guyana, Suriname and Trinidad and Tobago, are expected to be the main drivers of this recovery. The lack of fiscal space and the need for fiscal consolidation will continue to present downside risks to the growth forecasts in many countries given their pre-existing vulnerabilities in this area. Increased focus on debt restructuring and management must therefore be a priority for policy makers in these jurisdictions. In this regard, the region has to look no further than Jamaica which has already used a transparent and preemptive debt restructuring programme to successfully reduce its debt service burden, with resources allocated to a financial sector stability fund to protect a financial sector highly exposed to sovereign debt.

6.0 APPENDIX

Country Reports

The Bahamas: Review of Economic and Financial Developments (December 2011)

(Central Bank of The Bahamas)

Preliminary evidence suggests that the Bahamian economy maintained a positive growth momentum during the fourth quarter of 2011, supported by further gains in tourism performance, alongside steady expenditures from foreign and public sector-led investment projects. However, in the absence of a broad-based recovery,the unemployment rate remained elevated, while inflation firmed over the review period, reflecting the adverse effects of international price pressures.

Based on preliminary data, the fiscal deficit narrowed over the second quarter of FY2011/12. Revenues were buoyed by proceeds from the sale of Government property and an excise tax-led increase in international trade taxes, while growth in aggregate spending was broad-based across the main categories. Budgetary financing to cover the deficit was mainly in the form of a domestic bond issue.

Monetary developments featured declines in both bank liquidity and external reserves, associated with the traditional seasonal increase in consumer demand in the latter half of the year, as credit to the private sector advanced modestly. Reflecting the challenging employment conditions and subdued business sector environment, banks' credit quality indicators remained elevated, occasioning increased provisions against loan losses.

In the external sector, the estimated widening of the current account deficit was due primarily to the deterioration in the goods deficit, which overshadowed the tourism-supported improvement in the services account surplus. The capital and financial account surplus narrowed during 2011, compared to the bank capitalization-led surge a year earlier.

Barbados:Economic Review (December 2011)

(Central Bank of Barbados)

Summary

The Barbadian economy remained stable in 2011, in a climate of undiminished international economic uncertainty. Foreign exchange spending of $5.5 billion was financed almost entirely from tourist inflows, earnings from the International Business and Financial Services (IBFS) sector, exports and capital inflows. As a result there was a minimal need to draw on the Central Bank's foreign exchange reserves, which fell by only 1 per cent between the end of 2010 and December 2011. The Barbados currency remains well protected, with foreign reserve cover of 18 weeks of imports at December 2011, comfortably above the international norm of 12 weeks.

The fiscal deficit has been reduced from 7.4 per cent to 4.8 per cent of GDP for April to December, in line with the revised targets of Government's Medium Term Fiscal Strategy (MTFS). The MTFS sets out policies designed to achieve a balanced budget by 2016/2017. This fiscal strategy is sustainable, as evidenced by the following: (1) the cost of servicing the external debt will absorb less than 10 per cent of foreign exchange earnings for the remainder of this decade; (2) there is no need to refinance a major borrowing on the international financial markets until 2021; (3) the annual interest cost of the total debt, domestic and foreign, is manageable at 22 per cent of Government tax and other revenues; and (4) maturing domestic debt may be refinanced without difficulty because there remains considerable excess liquidity in the economy. The ratio of debt to GDP for all of Government, net of statutory corporations, is 47.3 per cent .

Financing from the NIS for 2012 is projected at approximately 38 per cent of Government's financing needs. The extent of the NIS purchases of Government debt is prudent, in view of the investment options available to the Fund. Alternative domestic investments available to NIS are all riskier than Government securities and are in limited supply, while investments elsewhere in the Caribbean region may be subject to exchange rate risks, as well as country risk. Investment returns in US dollars, Euros and Sterling are uncertain, and the yields are too low to give NIS the revenue it needs to meet its obligations. What is more, it is not in the interest of national development that NIS should use foreign exchange to invest abroad, in preference to investment in the domestic economy.

The immediate policy priority has been to ride out the international economic storm and keep the economy stable; however there has been a little growth, estimated at 0.5 per cent . Tourist numbers have increased, but length of stay and average spending have fallen, leading to an increase in tourism output that was marginal, at 0.3 per cent . Over the past decade, Barbados was able to maintain its share of expenditure in the Caribbean tourism market by virtue of its competitive edge in the top end of the market. There was no significant expansion in the International Business and Financial Services sector, or in exports, and the public sector was constrained in stimulating the economy by the need for fiscal consolidation. Apart from tourism, the growth sectors were construction (4.4 per cent) and transport and communications (0.6 per cent).

The lingering effects of the international recession have dried up business cash flow and reduced profitability, leading to additional job losses. Consequently, the average unemployment rate for 2011 is estimated at about 12 per cent . The sectors mainly affected were manufacturing and small business. High oil and commodity prices continued to drive up inflation, which reached 8.7 per cent in October.

Economic Prospects

Barbados' tourism remains competitive because the country is known internationally as a high quality destination. In order to maintain a competitive edge in tourism, the industry must attain and maintain international standards at all times. New investment in luxury accommodation and amenities such as the Four Seasons, Lime Grove and Port Ferdinand strengthens Barbados' international competitiveness. Further investment is needed in refurbishment and upgrades of hotels and tourism facilities, including the cultural and historical legacy of the country.

Completing the upgrade of financial regulation and the extension of Barbados' network of Double Taxation Agreements (DTAs) are key actions being used to spur new growth in international business and financial services. The prospects for agriculture and agro-industry depend on the development of an integrated strategy which includes a range of traditional and new products, and focuses on products and linkages, which have high value added in Barbados. IDB-financed programmes for alternative energy use are another important source of potential growth and foreign exchange savings.

The growth prospects for 2012 are tempered by the unsettled international climate, but the medium term growth prospects are encouraging, once the international economy settles down. The growth rate in 2012 may be 1 per cent or less, unless the international economic and financial climate improves. Construction of tourism facilities and Government's housing initiatives are expected to be the main drivers. In the medium term, growth rates of 2 to 3 per cent are possible, provided the strategies mentioned earlier are successfully implemented.

The economy remains stable, and foreign exchange inflows are expected to cover imports and other foreign payments, as in 2011. The foreign reserve cover is expected to remain about 18 weeks of imports. The key to maintaining macroeconomic stability will be strict adherence to the targets of the medium term fiscal strategy.

Tourism Performance

Despite a significant improvement of 7 per cent in long-stay arrivals, tourism output grew by only 0.3 per cent , primarily as a result of the 5.6 per cent decline in average length-of-stay between 2010 and 2011. The US and the UK markets rose by 5.5 per cent and 4.4 per cent , respectively. However, the Canadian market contracted by 0.5 per cent , an improved performance given the 3 per cent decline during the first half of the year. More affordable air travel, with the advent of the low-cost airline Redjet, boosted arrivals from the CARICOM region, with the performance of the Trinidad and Tobago market being particularly noteworthy (a 35 per cent increase).

Following a 4.6 per cent increase in 2010, cruise arrivals declined by approximately 1 per cent for the year. Based on the estimated reduction in cruise ship calls this is expected to continue into 2012.

Other Real Sector Activity

The non-traded sector grew by 1.2 per cent , led by expansions in construction, business and other services, as well as transportation, storage and communications. Output contracted in manufacturing, sugar and non-sugar agriculture. In contrast, the number of licensed IBFS companies increased by approximately 3.8 per cent .

Prices and Unemployment

The uptrend in domestic inflation was in part driven by international fuel prices (up 36 per cent) and food prices, especially for rice and corn which increased by around 8 per cent and 3 per cent , respectively.

Unemployment continued to rise during the year, with the unemployment rate increasing from an average of 10.8 per cent for the first 3 quarters of 2010 to an average of 11.5 per cent for the same period of 2011. Industry estimates from the Barbados Statistical Service indicate that job losses were registered mainly in manufacturing, as well as finance and professional services. Unemployment claims have increased steadily, as has the average period of job searches for persons seeking employment.

Balance of Payments

The overall deficit on the balance of payments was estimated at $15 million, significantly lower than the $53 million registered in 2010. Net capital inflows were in excess of $700 million, which represents a near $200 million increase over the capital account balance for 2010. This improvement was attributed mainly to higher net private capital inflows, in particular for real estate transactions ($252 million) and the sale of Barbados Light and Power (BL&P) shares to Emera Inc. ($188 million). While $240 million in equity was raised by Sagicor, only $23 million was invested locally. Receipts from the energy-based policy loan from the Inter-American Development Bank (IDB) ($140 million) were less than market borrowings of US $200 million in 2010, leading to a decline in public capital inflows.

The current account deficit was 8 per cent of GDP, from 6.1 per cent in 2010, mainly due to the impact of higher international oil and commodity prices. Even though the volume of imported fuel products decreased by 5 per cent , the fuel import bill rose by about $250 million. Imports of machinery increased by $90 million, on account of the construction of a new brewery. In addition, increases were recorded for food and beverages ($50 million), fats and crude materials ($15 million) and iron and steel ($11 million).

Tourism continued to be the main foreign exchange earner, accounting for 38 per cent of earnings. However, tourism expenditure up to the third quarter fell by 8 per cent , compared to a 1 per cent increase for 2010. Foreign inflows from other services, inclusive of international businesses, accounted for 23 per cent of inflows, while chemicals, rum and sugar exports contributed 2.8 per cent , 1.3 per cent , and 0.4 per cent , respectively.

The Public Sector

As a result of the lower than anticipated economic activity, the Government’s MTFS was revised to target a balanced budget by FY2016/17. For the April to December period of 2011, collections of value-added tax (VAT), personal and excise tax receipts grew by 19 per cent , 5 per cent and 14 per cent , respectively – due mainly to the 2010 tax measures. Expenditure remained below last year’s level, as transfers to public institutions and capital expenditure fell by 10 per cent and 17 per cent , respectively. Even though this outturn for the first nine months of the fiscal year is slightly below the MTFS target, in order for Government to achieve its MTFS target of 5.6 per cent for FY2011/12, spending must continue to be contained.

With this fiscal consolidation, there was only marginal growth in the net general government debt, which takes into account NIS holdings and government deposits. This, along with the increase in nominal GDP, resulted in a fall in the general government debt ratio from 51.1 per cent in 2010 to 47.3 per cent .

Similar to the previous year, Government continued to rely primarily on domestic sources to fund its operations. As there was no capital market borrowing this year, net external financing was lower than in 2010, representing 6% of Government’s required financing. Government received a second energy policy based loan from IDB, but project funds remained relatively low. As in 2010, private non-bank entities, particularly insurance companies, supplied a substantial portion of the required financing (49 per cent), while the Central Bank and commercial banks both provided 9 per cent . Direct lending by the NIS to Government was estimated at $167.1 million (28 per cent of required financing), and its credit to statutory bodies stood at $136 million, bringing its total financing of the public sector almost on par with the previous year. While the amount of Government securities held by the NIS Fund has risen steadily, as a per cent age of its total investments, these holdings have declined from over 80 per cent in the late 1990s, to an estimated[2]68 per cent in 2011.

Financial Indicators

Key financial stability indicators for the commercial banking system suggest that banks have remained stable and well capitalized, with capital adequacy ratios reaching historic highs at the end of September 2011. The share of ‘‘specially-mentioned loans’’[3] – loans which are being serviced but have potential issues that may arise – rose by two per cent age points to 11 per cent of total loans. Meanwhile, loans in the substandard category have improved slightly from 9 per cent in 2010 to 8 per cent by September 2011. ‘Doubtful’ and ‘loss’ loans are much smaller in comparison, with the former moving from 1 per cent to 2 per cent of total loans and the latter maintaining its share over the previous year. Consequently, fully-serviced loans in the commercial banking system showed little movement, declining by only two per cent age points of loans outstanding (to 79 per cent).

As a consequence of the rise in ‘substandard’ loans, non-performing loans (NPLs) exceeded 10 per cent in 2010 and 2011. The NPL ratio continued to be negatively impacted by two large loans extended to the hotel sector. Excluding these particular loans the increase in NPLs was much more manageable and did not hamper the commercial banks’ ability to provide new loans.

Interest rates remained largely unchanged throughout 2011. The system has been liquid since end-2008, as loan demand continued to be subdued.

[2]1 Based on the Central Bank’s estimates for 2010 & 2011.

[3] Loans are classified as “pass”, “specially-mention”, “substandard”, “doubtful” and “loss”. Non-performing loans consist of the “substandard”, “doubtful” and “loss” categories.

Guyana: Economy Summary (December 2011)

(Bank of Guyana)

World economic output expanded by 3.8 per cent compared with the 5.2 per cent in the previous year due tothe escalation of the Euro debt crisis during the last quarter of 2011. Economic activities in the AdvancedEconomies contracted to 1.6 per cent from 3.2 per cent on account of adverse trade and finance spilloversfrom the Euro Areas. Emerging Economies recorded a 6.2 per cent expansion in output due to adverse externalenvironment and a slowdown in domestic demand. Developing Economies output was 4.9 per cent . The Latin-America and Caribbean Region's output expanded by 4.5 per cent as the region continued to benefit from easyexternal financing and favourable terms of trade. Unemployment continued to be high globally because of weakereconomic growth. Global consumer price inflation remained subdued after peaking at 2.75 per cent in 2011 onaccount of higher commodity prices. The downside risk to the global economy is the intensifying strains in the Euroarea along with the slowing of growth in emerging and developing countries.

The Guyanese economy grew at 5.4 per cent compared with 4.4 per cent in 2010, reflecting continued favourableexternal environment for its major exports. The growth was attributed to positive performances by the major sectors.The services sector which includes construction, wholesale & retail trade, transportation-storage & information, communicationindustries recorded the highest growth followed by the manufacturing, agriculture and mining &quarrying sectors. The Inflation rate rose by 3.3 per cent relative to 4.5 per cent in 2010, mainly due to rising foodand fuel prices.

The overall balance of payments deteriorated into a deficit of US$15.0 million from a surplus of US$116.5 millionin 2010. This development is explained by a larger current account deficit despite a higher capital account surplus.The current account deficit was due to an enlarged merchandise trade deficit caused by a sharp growth in imports,which was partly offset by a rise in export earnings. The capital account recorded a US$34.0 million increase insurplus due to higher inflows to the non-financial public sector and foreign direct investment. The overall deficitwas financed by a drawdown on the gross foreign reserves by the Bank of Guyana, which amounted to US$798.1million or 4.2 months of import cover.The foreign exchange market was buoyant, with a growth of 17.7 per cent in the overall value of market transactions.All segments of the market recorded higher market transactions, except for the non-bank cambios. The Guyanadollar against the United States dollar continued to exhibit stability, depreciating marginally by 0.12 per cent toG$203.75 at end-December 2011.

The overall financial operations of the public sector recorded a larger deficit due to a widening of both the CentralGovernment and Non-Financial Public Enterprises (NFPEs) deficits. Central government overall position was due toa higher current and capital expenditures as well as lower capital revenue. The overall balance of the NFPEsdeteriorated due to a sharp increase in current expenditure. The overall deficit was financed by domestic borrowing.

The stock of both government's domestic bonded debt and external guaranteed public debt increased, but as aper cent of Gross Domestic Product declined to 20.9 per cent and 46.2 per cent from 22.1 per cent and 46.6 per cent in2011, respectively. The increased stock of domestic debt reflected an expansion in the issuance of governmenttreasury bills to sterilize excess liquidity, which is consistent with the Bank's monetary policy objectives. Thegrowth in the stock of external debt resulted mainly from disbursement received under the PetroCaribe Initiative andInter-American Development Bank (IDB). Both domestic and external debt service rose by 1.7 per cent and 38.3per cent , respectively.

The monetary aggregates of reserve and broad money grew by 7.1 per cent and 16.0 per cent , respectively. Theformer was due mainly to a 3.8 per cent increase in Bank of Guyana's net foreign assets. The latter resulted fromincreases in both the net domestic credit and foreign assets. The commercial banks' interest rates shifted downwardswhile the spread between the various interest rates increased. Non-bank financial institutions continued to activelymobilize financial resources that resulted in increased claims on the private sector and the banking system.The conduct of monetary policy continued to focus on price stability while ensuring adequate level of liquidity inthe system and creating an enabling environment for economic growth. The Bank continued to use treasury bills inthe primary open market operations for the effective management of liquidity. The Bank also used purchases andsales of foreign currency to control liquidity. There was a G$5.0 billion net redemption of treasury bills. The Bankcontinued to facilitate efficient intermediation through the issuance of notes and coins as well as the promotion ofenhanced payment system operation.

The Licensed Depository Financial Institutions (LDFIs) recorded higher levels of capital but marginally lowerprofits when compared with the previous year. The Capital Adequacy Ratio (CAR) was above the prudential 8per cent benchmark, by 13.1 per cent age points from end 2010 level. The loan portfolio grew by 43.1 per cent but thequality deteriorated with a 14.3 per cent rise in the level of non-performing loans. The LDFIs held adequateprovision against adversely classified loans.In 2012, the world economy is expected to grow by 3.3 per cent with the emerging market economies contributingthe bulk of the share of growth. Growth in industrialized countries is expected to be lackluster at 1.2 per cent , whileemerging and developing countries are forecasted to grow by 5.4 per cent . China will continue to lead growthprojected at 8.2 per cent followed by India at 7.0 per cent . Sub Saharan Africa is projected to grow by 5.5 per cent .

The Latin American Region is expecting growth of 3.6 per cent being closely tied to developments in NorthAmerica. Caribbean economies that depend on service-oriented exports, except for Guyana and Suriname, areprojected to grow by 2.2 per cent . The Guyanese economy is projected to grow by 4.1 per cent . This growth isexpected to be driven by all sectors of the economy. Inflation is targeted at 4.6 per cent . This position is anticipatedfrom rising food and fuel prices. Against this background, the Bank will continue to manage the expansion in basemoney and seek to maintain low inflation. Additionally, it will also seek to ensure that credit to the private sector isencouraged to facilitate growth in the economy.

Haiti: Recent Economic Developments and Outlook (May 2012)

(Central Bank of Haiti)

I. Introduction

After a rebound in 2011 following the contraction in 2010, the Haitian economy has continued to improve its performance throughout fiscal year 2012. The evolution of the main economic and financial indicators suggested that the economy is headed in the right direction. The growth prospect is good, inflation is low and declining, the exchange rate is relatively stable, the government financial position is solid, and so forth. Given this favorable macroeconomic environment, the Central Bank will continue with its accommodative monetary policy stance that it had been pursuing since 2010. The most important risks to the outlook are developments in the international commodity markets and the possibility that the government remove subsidies on fuel which have helped keep pump prices unchanged despite rising fuel prices in international markets.

II. Recent economic developments

a) Output

Following a contraction of 5.4 % in 2010 mainly attributable to the impacts of the earthquake, the Haitian economy expanded by 5.6 % in 2011 and has continued to perform well throughout the first quarter of 2012 as evidenced by key indicators of real economic activity. Indeed, the Industrial Production Index increased by 6.6 % on an annual basis, energy production registered a remarkable growth of 38.3 % over the same period of last year, the index of construction activity increased by 4.7 % and the commercial sector expanded by 17.9 % year on year. Provisional estimates suggested that economic activity in the second quarter of fiscal year 2012 was sluggish. This situation may be linked to uncertainties that prevailed after the resignation of the prime minister at the end of February after only four months in office, which could have negative effects on investors' confidence. In addition, the recorded delay in the preparation of the 2012 budget has postponed the implementation of public investment projects, and therefore undermined the recovery of domestic production. Agriculture that was adversely impacted by climatic and weather conditions in 2011 has recorded significant improvement in the first half of fiscal year 2012. The winter agricultural campaign (from December to February) has produced satisfactory harvests in most agricultural regions of the country, excluding the western tip of the Northwest Department and the South. This season harvest accounts for 10 to 20 percent of national agricultural production. As a result, improved food availability is reported in almost every region in the country. This performance of the agricultural sector has been possible due to the interventions of some key stakeholders such as the Ministry of Agriculture, FAO and NGOs financed by USAID which provided technical support, and distributed seeds and fertilizers free of charge to farmers in most agricultural areas.

b) Consumer Prices

After accelerating throughout fiscal year 2011, headline and core inflation have progressively decelerated between October 2011 and March 2012. The annual rate of growth of the overall price index as of the end of September 2011 was 10.4 % compared to 4.7 % in September 2010. After stagnating in October 2011, Headline inflation declined gradually to 8.3 % in December 2011 and 5.7 % in March 2012. Underlying inflation (core inflation) which excludes the items that face volatile price movements in the Consumer Price Index (CPI) followed the same downward trend than the headline inflation. From 9.02 % in September 2011 against 4.96 % in September 2010, core inflation slowed to 7.72% in December 2011 and 5.72 % in March 2012. Food prices that account for more than 50 % in the CPI remained the key factor influencing headline inflation. As a matter of fact, food inflation fell from 12.9 % in September 2011 to 9.6 % in December 2011 and 5.3 % in March 2012. The slowdown of food inflation is mainly explained by the improved performance of the agricultural sector that induced increased food availability in almost every region of the country due to satisfactory harvests. Other factors responsible for the fall of consumer prices in Haiti during the period under review include the reduction of international commodity prices as well as the abatement of inflation in Dominican Republic and the United States (Haiti's main trading partners). As a consequence of the above mentioned factors, the prices of both imported and locally-produced staples have been relatively stable in the local markets. The inflation rate is expected to decline further and will remain below its projected level for end-September 2012.

c) Fiscal policy

The government is committed to achieve fiscal sustainability by continuing efforts to raise revenue and contain non priority recurrent expenditure. At the same time, capital expenditure will increase to rebuild the infrastructure and boost the country's growth prospects. The government will also strive to increase and better target pro-poor spending, so as to provide support to households in need. On this basis, an overall fiscal deficit equivalent to 7.7 percent of GDP is targeted for 2012. To achieve this goal, the government intends to fight tax evasion and contraband, streamline exemptions as well as to strengthen the tax administration with support from international donors in order to achieve fiscal revenues which are more in line with the economy's potential and comparable international cases. Additional taxation is also envisaged and a draft law to increase excise taxes on tobacco and alcohol have been deposited with the draft budget in Parliament. On the expenditure side, several measures are being taken to enhance control and transparency as well as improve the efficiency of public expenditures. During the first six months of fiscal year 2012, the government financial position remained sound and solid. As at march 31, collected revenues totaled 21 869.5 billions of Gourdes which represented 100 % of the projected revenues for that period and an increase of 13 % relative to the same period of last year. On the other hand, public expenditures amounted to 21 079.5 billions of Gourds and represented 71.1% of projected government spending for the same period and an increase of 12 % year on year. As a result, the government financial position moved from a fiscal deficit of 3.7 % of GDP at end of fiscal year 2011 (September 30, 2011), to a surplus of 0.3 % of GDP at end of March 2012. Consequently, government deposits with the Central Bank amounted to 1 072.00 billion of Gourdes.

d) Monetary policy

At the beginning of fiscal year 2012, starting on October 1st 2011, the main issue raised by the Monetary Policy Committee at the Central Bank of Haiti was whether to tighten monetary policy to contain inflationary pressures that had developed during fiscal year 2011. After careful analysis and insight into the future trend of the macroeconomic fundamentals, the monetary authorities ruled out the need to change the accommodative monetary policy stance that the Central Bank had been pursuing since 2010. Therefore, the key policy rates have been remained unchanged at their current low levels in order to stimulate further the bank lending to the private sector, consistent with the commitment of the monetary authorities to boost economic growth and job creation. Thus, interest rates on 7-day, 28-day and 91-day BRH bonds are kept unchanged at 1 %, 2 % and 3 % respectively. In addition, the total amount of BRH bonds issued has continued to decline progressively so as to release more liquidity into the banking system for lending purposes. Regarding reserve requirements, the ratio for both gourde and dollar deposits has remained the same. However, the Central Bank modified twice the composition of the ratio of required reserves on dollar deposits. The portion of the reserve requirement on U. S. dollar liabilities of the banking system to be held in Gourdes was increased from 70 % to 80 % in January 1, 2012 and to 90 % in April 16, 2012. This change in the reserve system has resulted in a net increase of liquidity in Gourdes that commercial banks could use to increase credit in local currency relative to credit in dollars. Moreover, the intent of the decision to modify the reserve requirements on dollar deposits is to promote credit in Gourdes and discourage credit in dollar with the aim of reducing the dollarization of the economy that reached 53 % in March 2012. Meanwhile, bank credit to the economy has continued to rise: after a 25 % jump in 2011, bank loans has expanded by 10 % during the first semester of fiscal year 2012. The bulk of credit is allocated to the commercial sector with little value added. In parallel, the ratio of non-performing loans (NPL ratio) has improved: from 4.84 % in March 2011, it has dropped to 3.64 % in February 2012.

The value of the gourde has remained relatively stable vis-à-vis the U.S. dollar throughout the year 2011, but it has slightly depreciated by 1.73 % during the first half of fiscal year 2012. The Central Bank continues to maintain a flexible exchange rate regime and intervention in the foreign exchange market is limited to smoothen excessive volatility of the value of the gourde with respect to the U. S. dollar. In the first half of fiscal year, the Central bank intervened in the foreign exchange market by undertaking a net purchase of 9.70 millions of U.S. dollars. The amount of official reserves held by the Central Bank stand at 1.2 billion of US dollars end-march 2012, which represents five months of imports.

III. Conclusion and Short Term Outlook

The Haitian economy has continued to improve its performance throughout fiscal year 2012 as indicated by the key economic fundamentals. The revised growth prospect (4.5 %) for 2012 is quite good, inflation will continue its downward trend and is expected to reach 4.5 percent end-June, and the foreign exchange market should continue to display relative stability while the amount of net international reserves at the Central Bank is reasonably high. The government financial position is solid and the banking system is sound. Performance under the program supported by an Extended Credit Facility (ECF) arrangement has been broadly satisfactory. All the quantitative performance criteria for end-March 2012 were met. In addition, it is expected that government spending will accelerate and investors' confidence will improve after the establishment of the new government. Furthermore, Hurricane experts forecasted that the 2012 Atlantic Hurricane season that runs from June 1 to November 30 would have normal activity. The last but not the least, interest rates in the United States will be kept at their current low level at least through late 2014 according to the last decision made by the Federal Open Market Committee (FOMC) of the Federal Reserve on April 25, 2012. In this context, the monetary policy will remain very accommodative to stimulate further lending to the economy in order to support sustainable economic growth and employment with the aim to contribute to poverty reduction. Among the risks to the economic outlook are the possibility that the government discontinues subsidizing fuel prices at the pump since the amount of accumulated losses reached 7.8 billions of Gourdes from March 2010 to March 2012; timely disbursements of funds pledged by various international donors for budget support and other projects not materialized; and finally, developments in international commodity prices. Anyway, the Central Bank will regularly assess and monitor all prospective developments in various factors that can influence price stability in the short and medium terms to appropriately adjust monetary policy

Jamaica - Convergence Indicator Report
An Overview of Macroeconomic Developments in Jamaica
January– December 2011
Research Services Department
Research & Economic Programming Division
Bank of Jamaica
26 April 2012

Summary
The Jamaican economy rebounded in 2011 to record growth of 1.5 per cent, after three consecutive years of contraction, averaging 1.8 per cent. The improvement was buoyed by more favourable international economic conditions and improvement in local demand, albeit still below pre-crisis levels.

The annual average All Jamaica Consumer Price Index increased by 7.5 per cent for 2011, relative to 12.6 per cent in 2010. The deceleration in inflation in 2011 was influenced by the moderating impact on agricultural prices of excess supply as well as the non-repetition of some administered price increases. Additionally, domestic demand conditions remained low albeit reflecting gradual improvement over the year.

For 2011, the current account deficit was US$2 068.9 million, a deterioration of US$1 134.9 million relative to the previous year.

The worsening of the current account deficit largely reflected a higher level of imports. The deficit on the external account was partly financed by net private and official capital inflows. Consequently, there was a decline in the net international reserves of US$205.2 million to US$1 966.1 million.

There was a marginal improvement in the deficit on the fiscal accounts for 2011 relative to 2010. The improvement largely reflected higher revenue inflows of 3.5 per cent and lower domestic interest payment of 21.3 per cent stemming from lower interest rates for the year.

The Bank continued easing its monetary policy stance in 2011, with interest rate on its 30-day Certificate of Deposit (CD) being reduced by 125 basis points (bps) to 6.25 per cent. This followed reduction of 300 basis points (bps) in 2010. There was relative stability in the foreign exchange market during 2011. This was reflected in depreciation of 0.9 per cent in the weighted average selling rate (WASR) of the Jamaica Dollar vis-à-vis the US dollar for 2011. This depreciation was relative to an appreciation of 4.2 per cent in 2010.

Gross Domestic Product
In 2011, the Jamaican economy recorded real GDP growth of 1.5 per cent, after three consecutive years of contraction averaging 1.8 per cent. The improvement in the economy was attributed to favourable international economic conditions. This was supported by weak but improving domestic demand during the year, facilitated by moderate growth in remittance inflows and an increase in real income. The continuation of weak domestic demand occurred in a context of an increase in unemployment and general uncertainty about economic prospects.

With the exception of Financing & Insurance Services and Transport, Storage & Communication, all industries recorded growth. The goods industries were the primary drivers of growth, in particular Mining & Quarrying and Agriculture, Forestry & Fishing.

Mining & Quarrying grew by 20.1 per cent in 2011, with stronger growth recorded in the first half of the year. The improvement for the year followed an annual average decline of 19.1 per cent in the industry in the prior three years, largely associated with depressed demand in the global economy. Growth in global demand for aluminium in 2011 facilitated increased capacity utilization in the industry. In this regard, one of the three alumina plants, which were closed in 2009, was reopened in June 2010. Further, there was an expansion in capacity in the bauxite industry as well as normalization in activity relative to the December 2010 quarter when production was adversely affected by the passage of Tropical Storm Nicole[4]. In this context, total bauxite and alumina production in 2011 grew by 19.3

[4]The alumina plants were closed due to reduced international demand arising from the world recession in 2009.

per cent and 23.2 per cent, respectively. For the year, capacity utilization rate in the bauxite and alumina industries improved to 99.3 per cent and 42.8 per cent, respectively, from 89.9 per cent and 34.6 per cent in 2010.

Agriculture, Forestry & Fishing grew by 10.6 per cent for 2011, relative to the contraction of 0.4 per cent recorded in 2010. The expansion for the year reflected strong growth in domestic agriculture as there was a marginal decline in export agriculture. For the year, domestic crop production grew by 18.3 per cent, relative to 2.2 per cent in 2010. The positive performance of domestic agriculture production reflected the impact of favourable weather conditions, improved productivity and various support programmes and projects.

Export agriculture declined by 2.2 per cent, predominantly reflecting lower production of citrus, pimento and cocoa as there was improvement in sugar and coffee production. The decline in citrus and cocoa production reflected the adverse impact of the greening disease and adverse weather conditions respectively. The expansion in sugar production was attributed to the rehabilitation of fields and factories, which resulted in greater efficiency in output, measured as total cane to total sugar (TCTS ratio). Increased coffee production reflected partial normalization, relative to depressed levels in 2010 attributed to reduced external demand from Europe.

Hotels & Restaurants grew moderately by 2.0 per cent in 2011, following an increase of 3.4 per cent in 2010. Both Hotels and Restaurants recorded growth in the review period. Hotels benefitted from increased marketing activities in USA and Canada for the winter season and increased airlifts as well as above normal snow fall in the major source countries. The expansion in Hotels reflected growth of 1.4 per cent and 1.3 per cent in total stopover arrivals and visitor expenditure, respectively, relative to increases of 4.9 per cent and 3.1 per cent in the prior year. Cruise ship arrivals recorded the first increase since 2006, expanding by 23.1 per cent in 2011, in contrast to an average annual decline of 9.0 per cent between 2007 and 2010. The improvement in 2011 was attributed, in part, to the opening of the Falmouth cruise ship pier, which is capable of accommodating larger cruise liners. The performance of Restaurants was facilitated by an improvement in domestic real income.

Electricity & Water expanded marginally by 1.6 per cent, following a 4.3 per cent contraction in the previous year. The growth in the industry was driven mainly by Water & Sanitation as low growth was recorded in Production & Distribution of Electricity. In this regard, water production expanded by 2.6 per cent compared to the decline of 4.8 per cent in 2010. This performance was primarily attributed to efficiency and an increase in capacity at the National Water Commission. Electricity generation grew modestly by 0.9 per cent, relative to the contraction of 4.2 per cent in 2010. The low growth in electricity generation reflected reduced demand from both residential and industrial customers.

There was a marginal expansion of 0.6 per cent in Construction for 2011, in contrast to a decline of 1.0 per cent in 2010. Growth in the industry largely reflected the impact of increased road improvement and rehabilitation works as well as residential housing construction activities. Data from the National Housing Trust indicated increases of 89.1 per cent and 51.0 per cent in housing starts and completions, respectively, compared to declines of 2.0 per cent and 28.5 per cent in the previous year. In addition, cement sales increased by 34.1 per cent, relative to a decline of 13.1 per cent in 2010.

The relatively improved demand conditions, both domestic and external, facilitated a marginal expansion of 1.4 per cent in Manufacture in 2011, compared to a decline of 2.9 per cent in 2010. Growth in the industry mainly reflected increases in the production of non-alcoholic beverage, food excluding sugar, and sugar & molasses. The expansion in non-alcoholic beverages was due to an increase in the capacity of one large beverage company while the growth in food excluding sugar reflected greater demand for animal feeds and edible fats. The increase in sugar output was due to the greater sucrose content of the sugarcane crop associated with improved weather as well as greater efficiency in the industry attributed to retooling exercise.

Transport, Storage & Communication contracted by 0.3 per cent, a slower pace when compared to the decline of 2.0 per cent for 2010. The slower rate of contraction was influenced by relative improvement in world trade. In particular, there was improvement in water transport which was attributed to greater activities at the Island's sea port, indicated by an increase of 18.1 per cent in total domestic cargo movements. However, there was a decline in

Air Transport, attributed mainly to the sale of the national carrier to a foreign entity. The contraction in Communication stemmed from increased competition among the major service providers, which reduced profits in the sub-industry.

Financing & Insurance Services contracted by 1.2 per cent, following a decline of 4.8 per cent in 2010. The industry continued to be negatively affected by the trend decline in interest rates and the residual effects of the Jamaica Debt Exchange in 2010. In this regard, net interest income continued to decline in 2011, albeit at a slower pace, which was sufficient to offset the growth in other income during the review period.

Labour Market

The unemployment rate for 2011 was 12.6 per cent, representing an increase of 0.3 per cent age point relative to 2010. The increase reflected a contraction of 0.1 per cent in employment and growth of 0.2 per cent in the labour force. Concurrently, the job seeking rate increased by 0.3 per cent age point to 7.9 per cent in 2011 when compared to the rate in 2010. The contraction in employment in 2011 was reflected mainly in Agriculture, Hunting, and Forestry& Fishing. Marginal contractions were also observed for Construction & Installation and Transport, Storage & Communication. However, increased employment was recorded in Real Estate, Renting & Business Activities, Hotels & Restaurants and Wholesale & Retail Trade.

Inflation

For 2011, the annual average and point-to-point inflation rates were 7.5 per cent and 6.0 per cent, respectively. This compared favourably with inflation rates of 12.6 per cent and 11.7 per cent, respectively, in 2010. The lower inflation outturn in the review year reflected moderate pressures from both domestic and external factors.

The deceleration in inflation for 2011 was influenced by the moderating impact on agricultural prices of excess supply in the first quarter as well as the non-repetition of some administered price increases. Additionally, domestic demand conditions remained low, albeit reflecting gradual improvement over the year. Accordingly, inflation during 2011 largely reflected the pass-through of rising international crude oil and grain prices, which affected the domestic price of energy, transportation and processed foods. However, the pass-through of these prices to domestic inflation was moderated by the relatively stable exchange rate during the year.

Public Finance

Central Government operations in 2011 resulted in a fiscal deficit of $74.7 billion or 5.8 per cent of GDP, relative to $80.9 billion or 6.9 per cent of GDP incurred in 2010.

The lower fiscal deficit for 2011 reflected continued cost savings stemming from the Jamaica Debt Exchange Programme, the impact of lower interest rates and improved revenue inflows. Revenue & Grants were 3.5 per cent above that of 2010, buoyed by improved tax revenue inflow. Expenditure was 0.2 per cent below that of the prior year, mainly reflecting a reduction of 21.3 per cent in domestic interest payments the impact of which was partly offset by an increase of 15.0 per cent in programme spending.

External & Domestic Debt

The total debt-to-GDP ratio improved marginally by 2.3 per cent age points to 128.4 per cent of GDP at end-2011 relative to end-2010. The stock of external and domestic debt rose by 2.8 per cent and 10.5 per cent to $742.5 billion (US$8.6 billion) and $883.4 billion, respectively, at end-2011. The increase in the external debt was largely attributed to an expansion in loans from multilateral financial institutions. Growth in the domestic debt reflected additional financing raised via the Benchmark Investment Notes.

External Sector: Balance of Payments

Jamaica's external account deteriorated in 2011, influenced by a gradual recovery in domestic demand and higher international commodity prices, particularly crude oil. The current account deficit for the year is estimated to have widened by US$1 134.9 million to US$2 068.9 million or 14.0 per cent of GDP relative to 2010. With the exception of the current transfers sub-account, the deterioration was reflected in all sub-accounts.

Net investment flows, primarily from net private investment of US$1 408.3 million, were insufficient to finance the deficits on the capital and current accounts. Consequently, the net international reserves declined by US$205.2 million to US$1 966.1 million at end-2011. Gross reserves represented 19.2 weeks of projected goods and services imports.

The merchandise trade deficit widened by US$1 001.6 million, relative to the deficit recorded in 2010. This deterioration was largely reflected in a 28.0 per cent increase in the value of imports (f.o.b.), which was partly offset by growth of 21.5 per cent in export earnings.

Total expenditure on imports (c.i.f.) is estimated to have increased by 28.0 per cent or US$1 296.1 million in 2011, relative to a 3.0 per cent growth in 2010. This expansion stemmed from growth in all categories of imports, with the exception of Freezone imports. In particular, there was an increase of 54.0 per cent in mineral fuels, primarily due to a rise of 19.6 per cent in the average price of crude oil during 2011. Other notably expansions were reflected in machinery & transportation, chemicals and food imports of 19.5 per cent, 31.4 per cent and 16.4 per cent, respectively.

The improvement in exports emanated from a 33.8 per cent increase in general merchandise exports. In particular alumina, sugar and bauxite which grew by 44.2 per cent, 40.5 per cent and 10.2 per cent, respectively. The growth in alumina export earnings was attributed to increases in both the volume and average realized price of the ore. Greater alumina volume stemmed from increased capacity utilization at one plant, while that of bauxite was linked to an expansion in capacity. Sugar export volumes were positively affected by improved weather conditions and favourable pre-financing arrangement with a main buyer.

The deficit on the capital account increased by US$24.8 million to US$2.7 million in 2011, relative to 2010, while the surplus on the financial account expanded by US$1 110.1 million to US$2 066.2 million. The improvement in the financial account was largely related to an increase of US$977.9 million in net private investments as there was a decline of US$515.0 million in net official investment inflows. The noticeable lower official inflows in 2011 were largely attributed to a fall in project loans following significant disbursements from multilateral financial institutions in 2010, which were lower in 2011.

Foreign Exchange Market

There was greater stability in the foreign exchange market for 2011. However, the Bank intervened in the market periodically to smooth the volatility in the exchange rate throughout the year. This was in spite of strong net private capital flows and increased earnings from the tourism industry. During the year, the Bank also maintained the Public Sector Entities facility to meet the foreign currency demand of these entities. Against this background, the Bank maintained stability in the foreign exchange market by carrying out net sales of US$331.3 million to the market via its trading room, compared with net sales of US$89.1 million in the previous year.

Notwithstanding the generally favourable supply and demand conditions, the Central Bank was required to intervene in the market periodically throughout the first half of the year, in order to smooth the volatility in the exchange rate. In this regard, the Central Bank purchased excess foreign currency from the market. However, the Bank also augmented supply to the market to ensure stable market conditions, particularly during the re-opening of the GOJ 2019 Eurobond in the March quarter.

The second half of the year was characterized by a tightening of foreign currency which contributed to a 0.8 per cent depreciation in the value of the Jamaica Dollar vis-à-vis the US dollar. This was in spite of average daily purchases from earners being sufficient to satisfy end-user demand. The depreciation stemmed from a confluence of factors, chief of which was uncertainty regarding the continuation of the Stand-By Arrangement with the International Monetary Fund, which would adversely impact further disbursements under the programme as well as from other international lending agencies. In addition, there was uncertainty about the continuation of policy following the general elections in December. These developments exacerbated the seasonal increase in demand for foreign currency during the December quarter.

For 2011, average daily per diem purchases from earners were US$29.1 million relative to US$25.8 million in 2010. Concurrently, average daily sales to end-users for 2011 were US$28.2 million, higher than the US$25.7 million in 2010.

The activities in the foreign exchange market during the year saw the weighted average selling rate (WASR) of the Jamaica Dollar vis-à-vis its counterparts US and Great British Pound depreciating by 0.9 per cent and 0.5 per cent. These depreciations were in comparison to respective appreciations of 4.2 per cent and 6.8 per cent in 2010. However, the Jamaica Dollar appreciated by 0.6 per cent against the Canadian dollar for 2011 following depreciation of 0.9 per cent for 2010.

Monetary Policy & Interest Rates

The Bank continued easing monetary policy throughout most of 2011. This was evidenced in the reduction of its 30-day policy rate on four occasions. Overall the policy rate was reduced by 125 basis points to 6.25 per cent by end-September 2011. The reductions were effected in the context of relatively low inflation trends, declining inflationary expectations, stability in the foreign exchange market and weak domestic demand conditions. However, the interest rate on the overnight tenor remained unchanged at 0.25 per cent. The cash reserve and liquid assets requirements were also maintained at 12.0 per cent and 26.0 per cent, respectively, for the year.

Outlook

The forecast for relatively favourable economic conditions in the international economy and continued improvement in domestic demand should contribute to continued growth for 2012. However, improvement in the domestic economy could be tempered by the increase in unemployment as well as a decline in real wages. Furthermore, continued stability in the foreign exchange market and greater investor confidence hinges on the continuation of fiscal consolidation by the new political administration as well as the early reengagement of the International Monetary Fund.

Trinidad and Tobago: Economy Summary (December 2011)

(Central Bank of Trinidad and Tobago)

Gross Domestic Product

• The Trinidad and Tobago economy contractedby 2.6 per cent in the third quarter of 2011 afterrecording positive growth in the previous quarter.

• Activity in the energy sector declined by 5.6 percent in the quarter ending September 2011.

• Overall, the non-energy sector contracted by0.4 per cent in third quarter of 2011. A majorcontributor to the decline was the Distributionsector, which contracted by 3.9 per cent. TheConstruction, Manufacturing and Agriculturesectors registered growth rates of 1.5 per cent,1.2 per cent and 0.5 per cent respectively.

• The United States recorded another quarter ofpositive growth which reached 1.8 per cent inthe third quarter of 2011, compared to 1.3 percent in the previous quarter.

• On a quarter-on-quarter basis the economiesof United Kingdom and Euro Area continuedto record modest growth of 0.6 per cent and0.1 per cent respectively in the third quarter of2011. Japan recorded growth of 1.4 per cent in the third quarter of 2011 after two consecutivequarters of decline.

• Among the BRICS, economic activity continuedto surpass that of more developed regions. In thethird quarter of 2011, China and India recordedthe strongest growth of the five nation group at9.1 per cent and 6.9 per cent respectively.

• In the CARICOM region, economic growth inJamaica and Barbados continued along itsmodest growth path as the economies recordedincreases of 0.6 per cent and 0.7 per centrespectively, on a year-on-year basis in thequarter ending September 2011.

Domestic Prices

• Headline inflation ended the year at 5.3 percent, measured on a year-on-year basis.

• Core inflation, which excludes the impact offood prices, measured 1.5 per cent in twelvemonths to December 2011.

• Food inflation rose by 10.9 per cent on a year-on-year basis to December 2011, after fallingto its lowest rate (-0.3 per cent) for the year inAugust.

• Producer prices rose by 2.6 per cent in thetwelve months to December 2011 comparedwith 0.6 per cent in the previous quarter.

Commodities Prices

• After peaking at 154.2 in July 2011, the EnergyCommodity Price Index fell to 141.4 inDecember 2011. This represents a 9.5 per centincrease from the December 2010 level.

• The average price of crude petroleum (WTI)for December 2011 was US$98.6 per barrel,representing a year-on-year increase of 10.6per cent. Crude prices peaked in April 2011 at$113.9.

• In December 2011 natural gas prices averagedUS$3.20 per mmbtu, a 25.6 per cent declinefrom December 2010.

Production

• Domestic crude oil production stood at30,917 thousand barrels for the period January-November 2011, a 6.9 per cent decrease fromthe corresponding period of 2010.

• Natural gas production amounted to 38,767million cubic meters for the period January-November 2011; this was a decline of 4.3 percent from the corresponding period in 2010.

Interest Rates

• Following a 25 basis point reduction in July 2011,the repo rate remained unchanged at 3.00 percent throughout the period to December 2011.

• The basic prime lending rate declined from8.00 per cent in June 2011, to 7.75 per centin September 2011, remaining unchanged toDecember 2011.The 3-month Treasury bill rate stood at 0.28per cent at the end of December 2011, whichrepresented a decline of 9 basis points fromDecember 2010.

Monetary Aggregates

• Commercial bank credit to the private sectorgrew on a year-on-year basis by 5.3 per cent toNovember 2011.

• Commercial bank credit to businesses recordeda strong 6.8 per cent growth in November 2011.Consumer credit and real estate mortgage loanscontinued to grow, increasing by 4.2 per centand 9.7 per cent respectively, on a year-on-yearbasis.

Real Estate Market and Indicators of Construction Activity

• In the fourth quarter of 2011, the retail pricesof half (½) inch steel bars fell slightly, to reach$38.40 from the previous quarter, however thiswas a 12 per cent increase in prices from thesame period a year earlier.

• Although the price of gravel declined by 2.8 percent, the price of plastering sand increased by7.0 per cent on a year-on-year basis in the fourthquarter of 2011.

• Concrete blocks also recorded marginal priceincreases, as 100mm blocks increased by 0.3per cent while 150 mm blocks increased by 0.1per cent on a year-on-year basis in the fourthquarter of 2011.

Retail Sales

• The index of retail sales grew by 6.4 per cent ona year-on-year basis in the third quarter of 2011and by 7.6 per cent from the previous quarter.

• Petrol Filling Stations recorded the mostsignificant decline (-4.3 per cent) on a year-on-yearbasis, while Textile, Supermarkets andDry Goods recorded significant increases of14.5 per cent , 9.0 per cent and 7.1 per centrespectively, in the third quarter of 2011.

• Sales of new motor vehicles increased by 5.1per in 2011 compared to 2010. The overall figurerepresents a 14.7 per cent increase in sales ofpassenger cars which was tempered by an 8.3per cent decline in commercial vehicles.

Mutual Funds

• The value of income funds declined by 2.2 percent on a year-on-year basis to December 2011,while equity funds grew by 9.5 per cent for thesame period.

Equity Markets

• The Trinidad and Tobago Composite StockPrice Index rose by 21.2 per cent between 2010and 2011.

• On a year-on-year basis the Dow Jonescontinued to outperform the other indices witha 5.6 per cent increase while the NIKKEI andFTSE declined by 17.3 per cent and 6.7 per centrespectively for the period ending December2011.

Labour Force

• The unemployment rate stood at 5.8 per cent inJune 2011.

• The labour force participation rate declinedslightly to 61.6 per cent from the last quarter of2010 to June 2011