CARIBBEAN CENTRE FOR MONEY & FINANCE

CARIBBEAN ECONOMIC PERFORMANCE REPORT

July 2015

CARIBBEAN CENTRE FOR MONEY AND FINANCE

Established under the joint auspices of the Central Banks of the Caribbean Community and The University of the West Indies

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CARIBBEAN CENTRE FOR MONEY AND FINANCE

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1.0 EXECUTIVE SUMMARY

The performance of the global economy in the last year has been characterised by divergence amongst major economies and differential performances between developed and emerging economies. Overall global economic growth in 2014 was slower than expected at 3.4 per cent, mirroring the growth rate achieved in 2013. This performance was underpinned by stronger growth in advanced economies but more so in the US, Canada and the UK with the Euro Area and Japan registering smaller improvements. Emerging and developing economies also registered slightly slower growth in 2014 relative to 2013, with Latin America and the Caribbean recording the most significant deterioration in growth.

In this environment, although risks to global growth prospects have abated somewhat, they are still mostly weighted on the downside. Risks include potential spikes in oil prices above current low expected prices embedded in oil futures and disruptive financial asset price shifts driven by expectations about the monetary policy stance of major economies which can cause a reversal in capital flows to developing countries. These risks also include the further strengthening of the US Dollar against other major currencies related to expected interest rate and growth changes. Huge challenges for portfolio management, and real exchange rate appreciation along with its negative trade implications in some emerging and developing countries can also be created. Additionally, increased geopolitical risks, the possibility of stagnation in Europe and Japan and slower growth in important emerging and developing countries caused by adjustment and low commodity prices are important risks to global growth prospects.

The level of economic activity registered in 2014 was characterized by modest increases and positive growth rates among the CARICOM territories. The average regional growth rate of Caribbean economies moved from 1.7 per cent in 2013 to 2.0 per cent in 2014. This was driven mainly by better tourism outturns in all tourism-dependent economies based on the better economic performance of important source markets such as the US and the UK. The commodity-producing economies experienced moderate declines in their level of economic activity in 2014 partly because of the drastic drop in commodity prices in the latter part of 2014.

In terms of some key areas of economic performance, the overall fiscal balance as a percentage of GDP for the region improved from -4.1 per cent in 2013 to -2.6 per cent in 2014. This improvement was driven in large part by increased tax revenues as growth improved based on improvements in the external economic environment. On the other hand, the external current account balance for the region deteriorated by 4.37 per cent for the year 2014 as the overall regional deficit widened from US$392.7 million in 2013 to US$409.8 million in 2013. The Caribbean region's indebtedness also increased in 2014. The region's average domestic debt to GDP ratio moved minimally from 28.7 per cent in 2013 to 28.9 per cent in 2014. The external debt level of the region increased by 7.1 per cent moving from US$22.5 billion in 2013 to US$24.1 billion in 2014.

The prospects for growth in the Caribbean hinge not only on developments in commodity markets, global growth and rebalancing and developments in the international capital markets but also on the inherent structural vulnerabilities of these countries. Very importantly, the economies of important trading partners for the Caribbean such as the US and the UK are improving and this should help improve growth prospects in the Caribbean. Weak commodity prices is a mixed bag, however, since it can help the service-based countries in the region but at the expense of the commodity-based economies. Additionally, questions about the sustainability of the Petrocaribe arrangement based on severe economic problems in Venezuela driven by a sharp drop in oil prices is a significant risk to Caribbean economic growth prospects, since this arrangement is a significant source of balance of payment support for many countries in the region which already have chronic balance of payments imbalances. Potential difficulties created by exchange rate volatility driven by US dollar strengthening is also an important risk factor impacting on Caribbean growth prospects.

In this context, the main objective for the region is to increase economic growth while steadily reducing macroeconomic and financial vulnerabilities. An important area for action is, therefore, to strengthen the fiscal accounts which is key to rebalancing the external accounts. The fiscal consolidation that this implies in some cases only requires increasing the efficiency of government expenditure programmes to weed out wastages without compromising the level of services provided to citizens and businesses. This is, however, a necessary but not the only condition needed for the resumption of strong sustainable growth. It also requires an improvement in competitiveness which implies a range of actions in connected areas including the improvement of the business environment, increasing labour productivity and improving the quality of public infrastructure. The region also needs to strengthen the legal and regulatory frameworks for financial risk assessment and mitigation to deal with any financial vulnerabilities which can threaten the resumption of sustainable growth in the Caribbean.

2.0 GLOBAL ECONOMIC DEVELOPMENTS

The global economy continued to experience moderate growth in 2014 mirroring the performance in 2013. This relatively modest outturn with a propensity for reversals over the last five years reflects underlying structural weaknesses in some major economies and vulnerability to major downside risks. The reversals over the last five years are manifestations of a persistent high degree of uncertainty and the related fragile consumer and business confidence which is reinforced by downside risks such as inadequate and incomplete policy responses, lingering vulnerabilities in the international financial systems from the recent crisis and global imbalances. A continuing pattern of downward revisions in global economic growth forecasts is testament to these vulnerabilities and reversals. Recent challenges such as significantly lower oil prices, serious problems in some European countries and exchange rate volatility triggered by unequal performance and expected changes in the monetary policy stance of major economies and a drop in world trade have added to the complexity of the challenges confronting policymakers. Additionally, there are serious doubts about the political will and ability of some governments to effectively confront these serious problems. With many showing signs of adjustment fatigue questions naturally arise about the sustainability of these programmes given the general unpopularity of the adjustment programmes and the lack of political consensus in many cases as to the best strategy to solve the problems.

The forces driving the performance of the global economy have become increasingly complex with structural challenges and potential risks entrenching asymmetries and creating a mixed bag of winners and losers. This often serves to frustrate international policy coordination which is critical to successfully confronting the myriad challenges facing the global economy. The performance of the global economy in the last year has been characterised by divergence amongst major economies and differential performances between developed and emerging economies. Growth in the United States and the United Kingdom improved strongly driven by accommodative monetary policy.

This, very importantly, has led to a strengthening of the labour markets in these countries which suggests the improvements are more durable. In contrast, the recovery has been relatively weak and inconsistent in the Euro Area and Japan reflecting the serious vulnerabilities still confronting these countries due to legacy issues related to the global financial crisis as well as other structural weaknesses. Additionally, growth in China has been decelerating to a still robust but slower pace as services replace manufacturing and real estate investments as the main drivers of growth. Disappointing growth in other emerging and developing economies in 2014 because of weaker external demand, domestic tightening and political uncertainties has also served to restrain global growth.

In this environment, although risks to global growth prospects have abated somewhat, they are still mostly weighted on the downside. These include potential spikes in oil prices above current low expected prices embedded in oil futures, disruptive financial asset price shifts driven by expectations about the monetary policy stance for major economies which can cause a reversal in capital flows to developing countries and further strengthening of the US Dollar against other major currencies related to expected interest rate and growth changes which can create huge challenges for portfolio management and real exchange rate appreciation and its negative trade implications in some emerging and developing countries. Additionally, increased geopolitical risks, the possibility of stagnation in Europe and Japan and slower growth in important emerging and developing countries are important risks to global growth prospects.

Overall global economic growth in 2014 was slower than expected at 3.4 per cent, mirroring the growth rate achieved in 2013. This performance was underpinned by stronger growth in advanced economies but more so in the US, Canada and the UK with the Euro Area and Japan registering smaller improvements. Emerging and developing economies also registered slightly slower growth in 2014 relative to 2013 with Latin America and the Caribbean recording the most significant deterioration in growth. The improvements in the US and UK were driven by accommodative monetary policy and increased consumption based on steady job creation, income growth, lower oil prices and higher consumer confidence. In the Euro Area growth was lower than expected but there was improvement in 2014 driven by higher consumption, higher net exports from a weaker Euro and lower oil prices.

In contrast, weak consumption and residential investments were the major reason that growth fell off in 2014 relative to 2013 in Japan. Moreover, emerging and developing economies have experienced slower growth as commodity prices fell and as China started to focus more on reducing pressures built up over a prolonged period of rapid credit and investment growth which led to lower investments in the real estate sector. This was compounded by geopolitical problems in the Middle East and Africa and domestic fragilities in some countries.

In keeping with the moderate and uneven nature of the global recovery, growth in the US was disappointing in the first quarter of 2015 as growth declined by 0.2 per cent relative to the fourth quarter of 2014. This was driven by less investment in the energy sector, disruptions to international shipping and bad weather and highlighted the relative fragility of the recovery and the tendency to reversals that have characterised the global economic recovery over the last five years. Nevertheless, global economic growth is projected to improve from 3.4 per cent in 2014 to 3.5 per cent in 2015 based on improvements in developed market economies driven by lower oil prices, softer fiscal adjustment and accommodative monetary policy. Emerging and developing economies on the other hand are expected to record slower growth because of developments in China, the weaker performance of oil exporters and slower growth in Latin America as other commodity prices weakens. By 2016 the global economy is projected to grow to 3.8 per cent due in large part to expectations of a better performance from emerging and developing economies as commodity prices start to rise, a rebound in world trade and the normalisation of growth in countries growing well below potential (Russia, Mexico and other parts of Latin America). Moreover, it is expected that 2016 could mark the beginning of the monetary tightening cycle in the US and UK and this is likely to result in slightly lower growth in those countries in 2017 (See Table 1).

Table 1: GLOBAL ECONOMIC GROWTH

Country/Region	YEAR				
	2013	2014	2015	2016	2017
World	**3.4**	**3.4**	**3.5**	**3.8**	**3.8**
Advanced economies	**1.4**	**1.8**	**2.4**	**2.4**	**2.2**
USA	2.2	2.4	3.1	3.1	2.7
Japan	1.6	-0.1	1.0	1.2	0.4
Canada	2.0	2.5	2.2	2.0	2.0
UK	1.7	2.6	2.7	2.3	2.2
Euro area	**-0.5**	**0.9**	**1.5**	**1.7**	**1.6**
Emerging market and developing economies	**5.0**	**4.6**	**4.3**	**4.7**	**5.0**
Russia	1.3	0.6	-3.8	-1.1	1.0
Emerging and developing Asia	**7.0**	**6.8**	**6.6**	**6.4**	**6.3**
China	7.8	7.4	6.8	6.3	6.0
India	6.9	7.2	7.5	7.5	7.6
Latin America and the Caribbean	**2.9**	**1.3**	**0.9**	**2.0**	**2.7**
Brazil	2.7	0.1	-1.0	1.0	2.3
Middle East and North Africa	**2.3**	**2.4**	**2.7**	**3.7**	**4.4**

Source: International Monetary Fund, World Economic Outlook Database, April 2015

The strength of the labour market is a very important barometer of the durability of the recovery. Unemployment has declined in 2014 relative to 2013 in some advanced economies but has remained stubbornly high in the Euro area reflecting the substantial output gaps in that region that still exist in spite of improved growth. Additionally, although unemployment has fallen in the US it is still higher than pre-crisis levels, again signalling the existence of a significant output gap. Unemployment levels are expected to continue falling in 2015 and 2016 (See Table 3).

Table 3: UNEMPLOYMENT RATES IN ADVANCED ECONOMIES

Year	Canada	Germany	Japan	Korea	Singapore	UK	US	Advanced Economies	Euro Area
2013	7.1	5.2	4.0	3.1	1.9	7.6	7.4	7.9	12.0
2014	6.9	5.0	3.6	3.5	2.0	6.2	6.2	7.3	11.6
2015	7.0	4.9	3.7	3.6	2.0	5.4	5.5	6.9	11.1
2016	6.9	4.8	3.7	3.5	2.0	5.4	5.2	6.6	10.6

Source: World Economic Outlook Dataset, April 2015, IMF.

Private consumption has improved in developed economies with the exception of Japan in 2014 reflecting better growth performance, improving labour markets and lower oil prices. Consumer expenditure, which is central to growth dynamics in developed markets, is generally expected to increase further in 2015 with some moderation in 2016. (See Table 4).

Table 4: CONSUMER EXPENDITURE GROWTH IN ADVANCED ECONOMIES

Year	Advanced Economies	USA	Japan	Euro Area	Canada	UK	Germany
2013	1.4	2.4	2.1	-0.7	2.5	1.7	0.9
2014	1.7	2.5	-1.2	1.0	2.7	2.0	1.2
2015	2.5	3.5	0.6	1.7	2.3	3.2	2.0
2016	2.5	3.2	2.0	1.5	2.2	2.9	1.5

Source: World Economic Outlook Dataset, April 2015, IMF.

Inflationary trends in developed markets were generally subdued in 2014 relative to 2013 with the exception of Japan which reflected an increase in the consumption tax. This is based on relatively large output gaps in many countries and lower oil prices. In emerging and developing countries, inflation also generally fell off driven by lower commodity prices except in cases where there was significant exchange rate depreciation such as in Russia and Venezuela. Inflationary trends are expected to soften further in 2015 in line with the commodity price cycle and pick up in 2016 (see Table 5).

Table 5: GLOBAL INFLATION RATES

	Advanced Economies	USA	Japan	Euro Area	Canada	UK	Emerging Economies	LAC	China	India
2013	1.4	1.5	0.4	1.3	1.0	2.6	5.9	7.4	2.6	10.0
2014	1.4	1.6	2.7	0.4	1.9	1.5	5.1	8.2	2.0	6.0
2015	0.4	0.1	1.0	0.1	0.9	0.1	5.4	9.0	1.2	6.1
2016	1.4	1.5	0.9	1.0	2.0	1.7	4.8	7.2	1.5	5.7

Source: World Economic Outlook Dataset, April 2015, IMF.

The strengthening US dollar and the related volatility in exchange rates have increased tensions in the market and exposed some emerging and developing countries to market and liquidity risks . Especially in emerging and developing countries with pre-existing vulnerabilities. The potential for liquidity problems to occur, especially in countries with high external funding requirements in this tighter funding environment, is now a major risk for some emerging market economies. This could set the stage for sudden reversals in capital flows and the attendant crisis in capital and currency markets in some emerging and developing economies. Indeed, this has already happened in some emerging markets.

The trends in international trade reflect the uneven growth in 2014 with overall trade volumes falling slightly but with advanced economies increasing their trade volumes while emerging and developing countries recorded a fall-off in trade volumes. Trade is however expected to increase in 2015 and 2016 to 3.7 per cent and 4.7 per cent respectively but still track below the pre-crisis average trade growth of 6.8 per cent (see Table 7).

Table 7: WORLD TRADE AND PRICES (% Change)

Year	2009	2010	2011	2012	2013	2014	2015	2016
World Trade Volume	-10.6	12.6	6.8	2.8	3.5	3.4	3.7	4.7
World Trade in US dollars Price Deflators	-10.2	5.7	11.0	-1.6	-0.7	-1.6	-10.2	1.3
Volume of Exports in advanced economies	-11.8	12.3	6.3	2.0	3.1	3.3	3.2	4.1
Volume of Exports in Emerging and developing economies	-7.7	13.6	7.4	4.4	4.6	3.4	5.3	5.7

Source: World Economic Outlook Dataset, April 2015, IMF.

Commodity prices have broadly tracked the trajectory in the global economy with prices softening due to decreased demand from important emerging markets, most notably China. The fact that oil prices have fallen more sharply than other commodities suggests that factors idiosyncratic to the oil market are at play. In particular, improvement in supply from non-OPEC countries, the maintenance of supply volumes by OPEC in the face of decreased demand, increased energy efficiency and the appreciation of the US dollar against major currencies have also helped to drive prices down lower in 2014 when compared to 2013 (See Table 8). This softness in energy prices continued unabated in spite of significant geopolitical risks in the Middle East, North Africa and Russia. Natural gas prices trended higher in 2014 relative to 2013 but the latest data show that prices have come down significantly with the same trend observed for aluminium prices. Agriculture prices such as rice and sugar also softened but banana prices improved slightly over the review period.

Table 8: SELECTED COMMODITY PRICES

Commodity	Actual				Forecast	
	J-D 2012	J-D 2013	J-D 2014	Latest May 2015	J-D 2015	J-D 2016
Crude Oil – average $/bbl	105.0	104.1	96.2	62.5	53.2	57.2
Natural Gas US - $/mmbtu	2.8	3.7	4.4	2.8	3.0	3.2
Aluminium - $/mt	2023	1847	1867	1804	1850	1878
Rice Thai 5% - $/mt	563.0	505.9	422.8	381.0	415.0	411.4
Sugar (World) - $/kg	0.47	0.39	0.37	0.29	0.33	0.33
Bananas (US) - $/kg	0.98	0.92	0.93	0.94	0.98	0.97

Source: Commodity Price Pink Sheet, June 2015 and Commodity Price Forecast April 2015, World Bank

The main commodity groups, except beverages, all declined in 2014 relative to 2013, with energy, metals, agriculture, fertilizers and precious metals all falling significantly in this period. This actually represents a trend that began as far back as 2012 with metals and agriculture prices. The sharp drop in metals to date is due in large part to improved supplies and a slowdown of the construction sector in China. In the case of agriculture commodities, prices softened through a combination of bumper harvests, weaker demand and a stronger US dollar (See Table 9).

The prospects for commodity prices indicate that prices for individual commodities of interest, especially oil prices, are likely to soften further in 2015 with a mild recovery expected in 2016. The only exceptions include rice prices which are expected to continue falling in 2016 and banana prices which are expected to strengthen in the next two years. Key commodity indices are projected to decline in 2015 due mainly to abundant supplies and then recover moderately in 2016 but stay below the average price for 2014 as the market rebalances and as global demand improves and worries about geopolitical risks in oil producing countries ease. The exceptions to this trend include beverages, fertilizers and precious metals which are all expected to soften further in 2016 (See Tables 8 and 9).

Table 9: COMMODITY PRICE INDICES (2010=100)

Commodity	Actual				Forecast	
	J-D 2012	J-D 2013	J-D 2014	Latest May 2015	J-D 2015	J-D 2016
Energy	127.6	127.4	118.3	78.1	69.0	73.7
Non Energy	109.5	101.7	97.0	85.3	87.1	88.1
Agriculture	114.5	106.3	102.7	90.1	93.2	94.0
Beverages	92.6	83.3	101.8	93.3	93.0	92.0
Food	124.5	115.6	107.4	91.1	96.9	97.7
Metals and Minerals	96.1	90.8	84.8	74.6	73.4	74.9
Fertilizers	137.6	113.7	100.5	92.2	96.9	96.3
Precious Metals	138.5	115.1	101.1	94.3	97.6	97.0

Source: Commodity Price Pink Sheet, June 2015 and Commodity Price Forecast April 2015, World Bank

Despite serious concerns about the global economy, the international tourism industry continues to show resilience and is one of the few sectors to grow strongly. The United Nations World Tourism Organisation (UNWTO) estimates that international tourism accounts for 30 per cent and six per cent of the world's export of goods and services respectively. Moreover, as a worldwide export category international tourism is ranked fourth after fuels, chemicals and foods. Very importantly, it ranked first in many developing countries. UNWTO indicates that international tourist arrivals increased by 4.4 per cent relative to 2013 to reach 1,135 million visitors in 2014 (See Table 10). This growth in the international tourism industry above the historical average of four per cent in an environment of moderate and uneven global growth and geopolitical problems in Ukraine, the Middle East and North Africa, highlights the resilience of this sector. International tourism receipts also increased by US$ 48 billion to reach a record US$ 1,245 billion. When the US$221 billion from international passenger transport is added international tourism would have generated US$ 1.5 trillion in export earnings, proving this sector's ability to boost economic growth, export earnings and employment.

In terms of the regional distribution of tourist arrivals advanced economies (5.8%) grew at a faster pace than emerging economies (2.6%) in 2014 when compared to 2013. This robust performance was driven by strong performances by Northern Europe (6.7%), Southern/Mediterranean Europe (6.9%) and North America (9.3%). The relatively poor performance of emerging economies in 2014 relative to 2013 was due to a sharp drop in visitor arrivals in South-East Asia from 11.3 to 2.7 per cent, South Asia from 11.4 to 6.6 per cent and North Africa from six per cent to 0.6 per cent. The strongest performance in 2014 was posted by the Americas region based on strong improvements by all sub-regions but particularly North America. This significant improvement in arrivals in North America was not mirrored in terms of the tourism receipts which suggests that there were significant price cuts.

Very interestingly, the leading countries in terms of expenditure by source markets in 2014 were emerging economies including China which recorded a 28 per cent increase in expenditure abroad. Other major emerging markets such as The Russian Federation and Brazil lost strength in tourism expenditure abroad as economic growth fell off in those countries. Traditional source markets such as the US, Canada and the UK increased expenditure abroad (4 - 6%) driven by better economic performance.

Table 10: INTERNATIONAL TOURIST ARRIVALS

Country/Region	Total Arrivals (Millions)		Total Receipts (US$ Billions)		Per cent Change Arrivals		Per cent Change Receipts	
	2013	2014	2013	2014	12/13	13/14	12/13	13/14
Europe	**566.6**	**583.6**	**491.7**	**508.8**	**4.9**	**3.0**	**4.2**	**3.6**
Northern Europe	*68.0*	*72.5*	*74.8*	*80.7*	*4.1*	*6.7*	*7.6*	*5.1*
Western Europe	*170.8*	*174.6*	*167.1*	*171.1*	*2.8*	*2.2*	*2.2*	*1.5*
Cent. /East. Europe	*126.9*	*121.6*	*60.3*	*57.7*	*7.3*	*-4.1*	*3.5*	*-0.8*
South./Med. Europe	*201.0*	*214.9*	*189.5*	*199.3*	*5.6*	*6.9*	*4.8*	*6.2*
Asia and the Pacific	**249.8**	**263.4**	**360.7**	**376.9**	**6.8**	**5.4**	**8.6**	**4.2**
North-East Asia	*127.0*	*136.3*	*184.9*	*198.1*	*3.4*	*7.3*	*9.3*	*5.2*
South-East Asia	*94.3*	*96.8*	*108.2*	*106.8*	*11.3*	*2.7*	*10.8*	*0.4*
Oceania	*12.5*	*13.2*	*42.9*	*44.8*	*4.6*	*5.8*	*2.4*	*7.1*
South Asia	*16.0*	*17.1*	*24.7*	*27.2*	*11.4*	*6.6*	*6.4*	*7.8*
Americas	**168.0**	**181.5**	**264.4**	**274.0**	**3.4**	**8.1**	**5.0**	**3.0**
North America	*110.7*	*120.9*	*204.7*	*210.7*	*4.0*	*9.3*	*5.4*	*2.0*
Caribbean	*21.1*	*22.5*	*25.4*	*27.3*	*2.8*	*6.5*	*3.9*	*6.9*
Central America	*9.1*	*9.6*	*9.4*	*10.2*	*2.6*	*5.6*	*4.0*	*7.6*
South America	*27.1*	*28.5*	*24.9*	*25.9*	*1.5*	*5.2*	*3.2*	*6.0*
Africa	**54.8**	**55.8**	**35.1**	**36.2**	**4.8**	**1.8**	**2.7**	**3.4**
North Africa	*19.6*	*19.8*	*10.2*	*10.5*	*6.0*	*0.6*	*-1.0*	*2.4*
Sub-Saharan Africa	*35.1*	*36.0*	*24.9*	*25.7*	*4.2*	*2.5*	*4.3*	*3.8*
Middle East	**48.2**	**50.4**	**45.1**	**49.2**	**3.4**	**4.6**	**-7.0**	**5.7**
Advanced Economies	**586**	**620**	**784**	**815**	**4.9**	**5.8**	**5.8**	**3.2**
Emerging Economies	**501**	**514**	**413**	**430**	**4.5**	**2.6**	**4.0**	**4.8**
World	**1087**	**1135**	**1197**	**1245**	**4.7**	**4.4**	**5.1**	**3.7**

Source: UNWTO World Tourism Barometer Volume 13, April 2015

The outlook for the tourism industry in 2015 is for growth of between three and four per cent. The Americas are likely to continue leading growth in the international tourism industry as the US economy strengthens and the dollar appreciates against other major currencies. The Asia and the Pacific regions are also likely to continue being strong performers as countries take advantage of the demand from high growth in neighbouring countries.

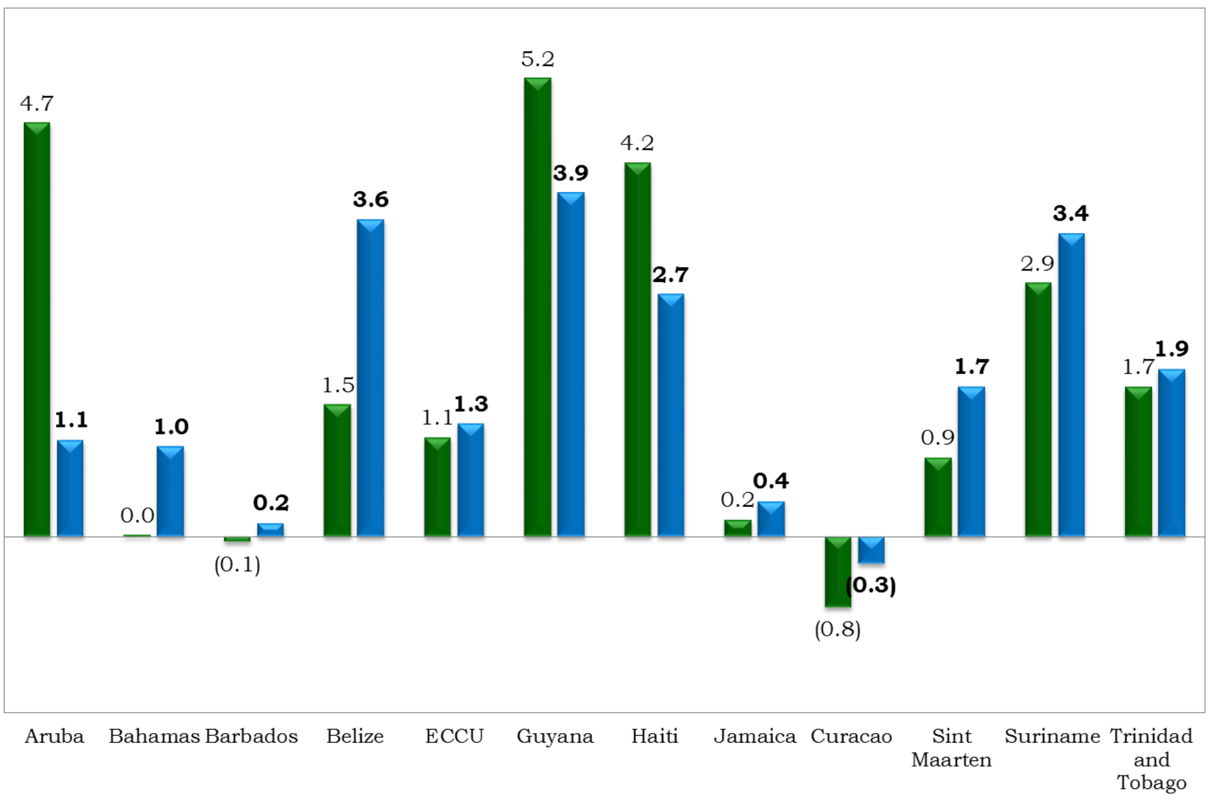
The increasing competition from new destinations implies that mature destinations have to improve their competitiveness if they want to increase market share. Factors such as complicated visa procedures, direct taxation of tourism activity and limited connectivity have been identified as some of the major impediments to growth in tourism. Indeed, research by the UNWTO showed that of the 656 million international tourists who visited G20 countries in 2011, an estimated 110 million needed a visa, while millions more were deterred from travelling by the cost, waiting time and difficulty in obtaining a visa. Facilitating visas for these tourists, many from some of the world's fastest growing source markets, could stimulate demand, spending and ultimately create millions of new jobs in these countries. Efforts should be intensified to facilitate the further development of the tourist industry by addressing these challenges as a matter of priority.

3.0 REGIONAL ECONOMIC PERFORMANCE

3.1 ECONOMIC GROWTH

Economic activity reported for 2014 within the Caribbean region was characterized by modest increases and positive growth rates among its territories. There were some declines, but in each instance the country's growth rate was still positive, with the exception of Curacao. The improved performance of these economies is reflective mostly of improved tourism markets as the global economy slowly began to recover.

Figure 1: Real GDP Growth Rates CARICOM Countries (%)



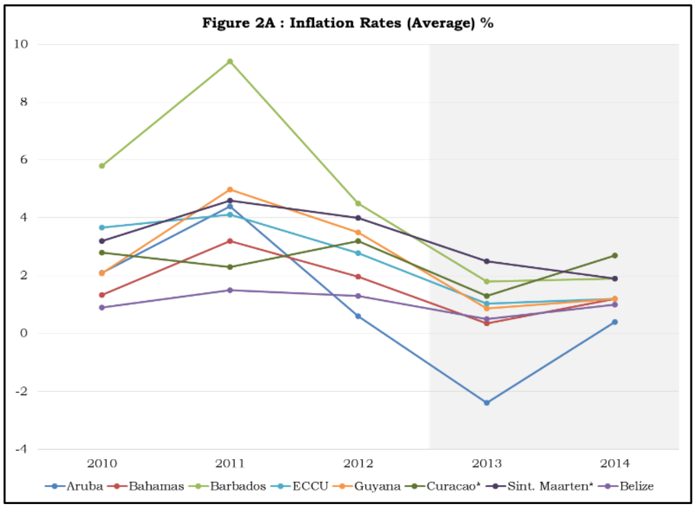
Source: The Central Banks of each country

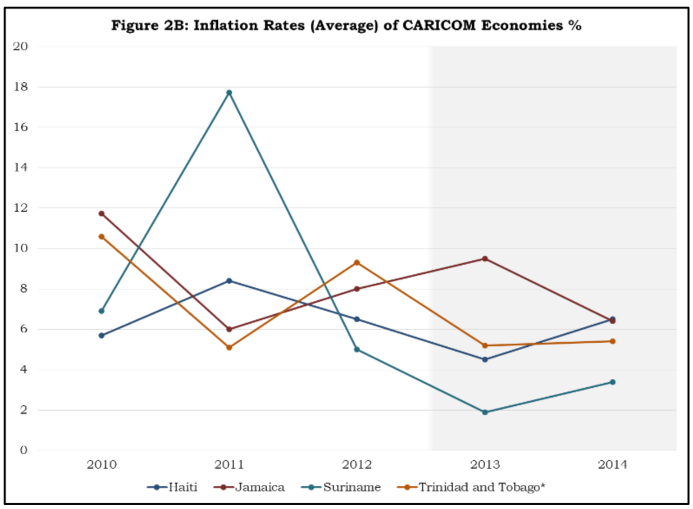
Belize reported the highest increase in growth rate of real GDP, having more than doubled its rate for 2013, moving from 2.5 per cent (2013) to 3.6 per cent (2014). This increase in economic activity for 2014 was driven by improved performance in export agriculture, tourism and merchandise trade. There were also upticks in economic activity for 2014 in Barbados (0.2%), ECCU (1.3%), (Jamaica (0.4%), Curacao (-0.3%), Sint Maarten (1.7%), Suriname (3.4%) and Trinidad and Tobago (1.9%). Although Curacao's growth rate for 2014 was negative 0.3 per cent, it did improve by five basis points from its reported growth rate in real GDP for 2013.

Aruba, Guyana and Haiti reported lower growth rates in their real GDP in 2014. The most drastic decline was in Aruba, with a reported decline in its economic growth to 1.1 per cent, a decline from its 4.7 per cent growth rate reported for 2013. In spite of stronger growth in it tourism sector of 8.5 per cent, the unexpected contraction in consumption and in investment mitigated its overall effects on the Aruban economy in 2014. Consumers responded negatively to the government's fiscal position in 2014 causing domestic demand to be weak. Investment activities contracted by an estimated 5.2 per cent in 2014 due to delays in the execution of investment projects because of difficulties in finding financing to start projects and snags in receiving the necessary paperwork to begin construction. The Haitian economy achieved its fourth consecutive year of positive economic growth in 2014, although it was lower than expected at about 2.8 per cent versus 4.2 per cent in 2013. This decline in output was mainly due to a drought in some areas of the country that reduced the performance of the agricultural sector.

Economic activity in Guyana declined in 2014, but continues to be positive and high; its growth in real GDP was 3.8 per cent in 2014 compared to the 5.9 per cent reported for 2013. Growth was attributed mainly to stronger sugar, rice, forestry and manufacturing output as well as expanding activities in the services sector (construction and transportation & storage). The output of gold, bauxite, fishing as well as wholesale & retail trade activities experienced drawbacks.

3.2 INFLATION





Inflationary pressures within the CARICOM countries in 2014 were mixed, as some economies reported lower inflation rates which stemmed from lower energy prices in the latter part of 2014, while higher inflation rates were reported because of increasing food prices. Inflation rates for 2014 ranged from 0.4 per cent (Aruba) to 6.5 per cent (Haiti).

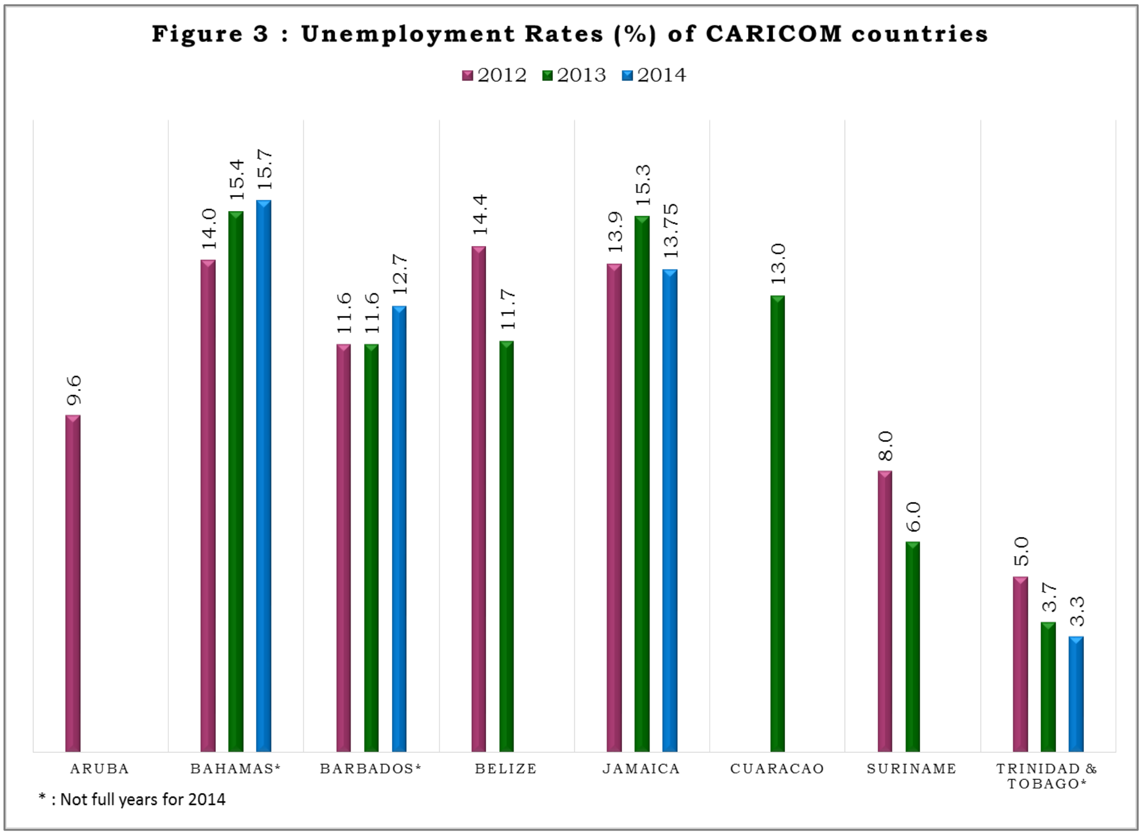
In The Bahamas, Barbados, Belize, ECCU, Guyana and Trinidad and Tobago the increase in inflation rates for 2014 compared to 2015 were marginal. Their increases ranged from 0.1 percentage point (Barbados) to 0.8 percentage point (The Bahamas). Inflation increased in 2014 by more than one percentage point in Aruba, Haiti, Curacao and Suriname.

Although there was a reported increase of 2.8 percentage points in Aruba's inflation rate for 2014, compared to its 2013 inflation rate, Aruba's average inflation rate for 2014 remained low at 0.4 per cent. Increases in the energy tariffs in October 2014 and the introduction of a health tax in December 2014 did not have any sizable impact on prices for the year 2014, since they occurred in the last quarter. The other components of inflation remained relatively flat in 2014.

Haiti's inflation rate increased in 2014, to 6.5 per cent from a 4.5 per cent reported for the previous year. The rise in inflation was primarily driven by a large accumulation of excess liquidity in the banking system as a result of a larger than programmed drawdown on government deposits since the domestic market for treasury bills remains shallow. This high liquidity leads to an increase in the demand for goods and services as well as the depreciation of the local currency and hence to higher inflation in the economy. Inflation in Suriname was 3.9 per cent in 2014, compared to 0.6 per cent in 2013, this considerably increase in inflation was largely due to higher food prices. A decline in local fuel prices of 18.2 per cent compensated to some extent the impact of higher food prices.

Inflationary pressures eased in only two countries in 2014, Jamaica and Sint Maarten; their inflation rates fell by 3.1 and 0.6 percentage points respectively. Inflation in the Jamaican economy decelerated to 6.4 per cent for 2014, from 9.5 per cent for 2013. This deceleration was largely influenced by lower energy and transport costs due to the decline in crude oil prices as well as the impact of generally weak domestic demand conditions. Major inflationary impulses stemmed from increases in the prices of domestic agriculture commodities due to the impact of drought conditions which prevailed in the September 2014 quarter.

3.3 Labour Markets



The preliminary indicators for the labour market in the CARICOM economies hint at a mild improvement in employment opportunities. The slow-paced growth in most economies continues to be the primary reason for these high unemployment rates.

The labour market in The Bahamas continues to be adversely affected by the slow pace of economic activity in its economy. The unemployment rate for The Bahamas was 15.7 per cent (November 2014), a mere increase from 15.4 per cent in 2013. The combination of the traditional influx of new graduates, along with a 6.6 per cent decline in the number of discouraged workers to 4560, led to a 1.9 per cent advance in the Bahamian labour force to 201,040 persons, which exceeded the marginal 0.3 per cent increase in employment to 169,500.

Barbados implemented a major fiscal consolidation programme in 2014, which resulted in a number of retrenched government workers. The annual average unemployment rate at the end of September 2014 was 12.5 per cent, representing an increased rate of unemployment, as for the year 2013 a rate of 11.2 per cent was registered.

The average annual unemployment rate fell by 10.4 per cent to 11.6 per cent in Belize as it was buttressed by the pick-up in economic activity. Labour markets were more stable in 2014 than in the previous year, as there was a small dip in the number of jobs (0.05% in comparison with 2.5% in 2013) between April, a peak labour month, and September, an off-peak month.

Guyana's public sector employment had an overall increase of 3.5 per cent at the end of 2014. This position reflected an increase in employment within core civil services and public corporations by 7.7 per cent and 0.4 per cent respectively. Employment in public corporations widened marginally on account of increased recruitment in the Guyana State Corporation (GUYSTAC Group), Linden Mining Enterprise (LINMINE) and the Guyana National Newspapers Limited. Although private sector employment data are unavailable, there are indications of job creation in the agriculture, housing and other service industries.

The Statistical Institute of Jamaica (STATIN) reported that the unemployment rate decreased to 13.8 per cent in 2014 from 15.3 per cent in 2013. This contraction in the unemployment rate was reflective of a 0.1 per cent decline in the labour force as well as growth of 1.7 per cent in employment. Notwithstanding this improvement, the job seeking rate decreased to nine per cent from 9.8 per cent for 2013.

According to the Central Statistical Office of Trinidad and Tobago, the unemployment rate fell to an unprecedented low of 3.3 per cent in the first quarter of 2014 compared with 3.7 per cent in December 2013.

3.4 FISCAL ACCOUNTS

3.4.1 Current Fiscal Account

The current fiscal balance as a per cent of GDP increased in 2014 for the territories of The Bahamas, Barbados, Belize, ECCU, Jamaica and Suriname. Their increases ranged from 0.5 percentage points (Suriname) to 2.4 percentage points (Barbados). In both The Bahamas and Barbados, although improvements in their current fiscal accounts were reported for 2014, their values remained negative, at values of -0.9 as a per cent of GDP (The Bahamas) and -7.3 as a per cent of GDP (Barbados). Minimal declines of less than one percentage point in their current fiscal balance as per cent of GDP were registered for the economies of Belize, Guyana and Sint Maarten, while the economies of Aruba, Curacao and Trinidad and Tobago had greater than one percentage point increases.

Figure 4: Current Account Balances of CARICOM Economies (% of GDP)

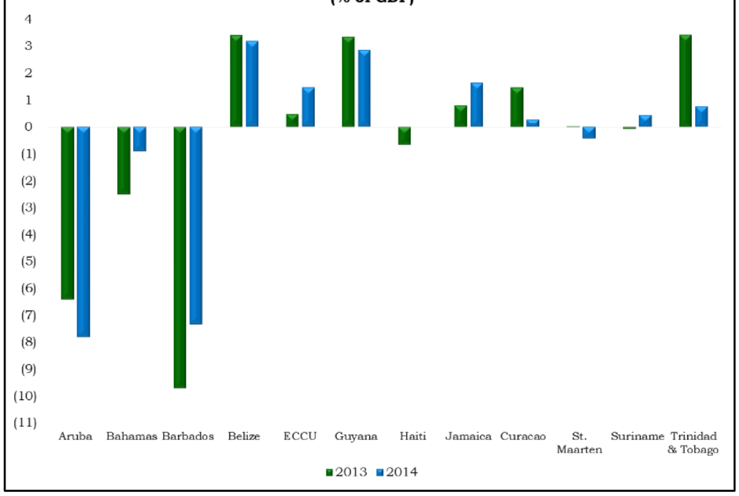
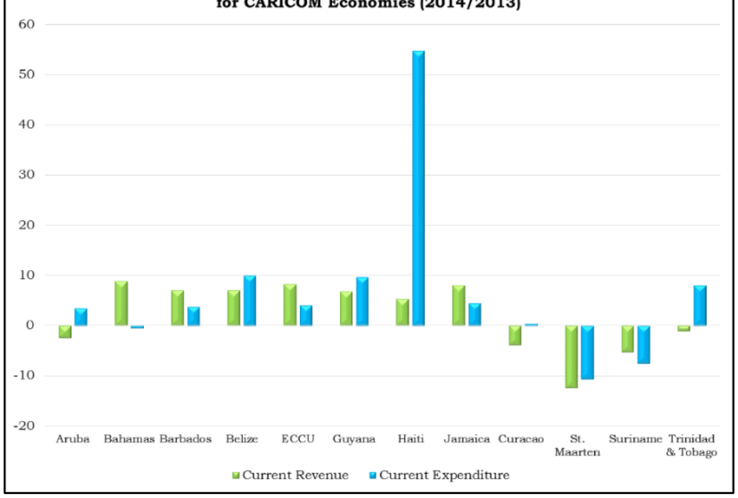


Figure 5: Percent Change of Current Revenue and Current Expenditure for CARICOM Economies (2014/2013)



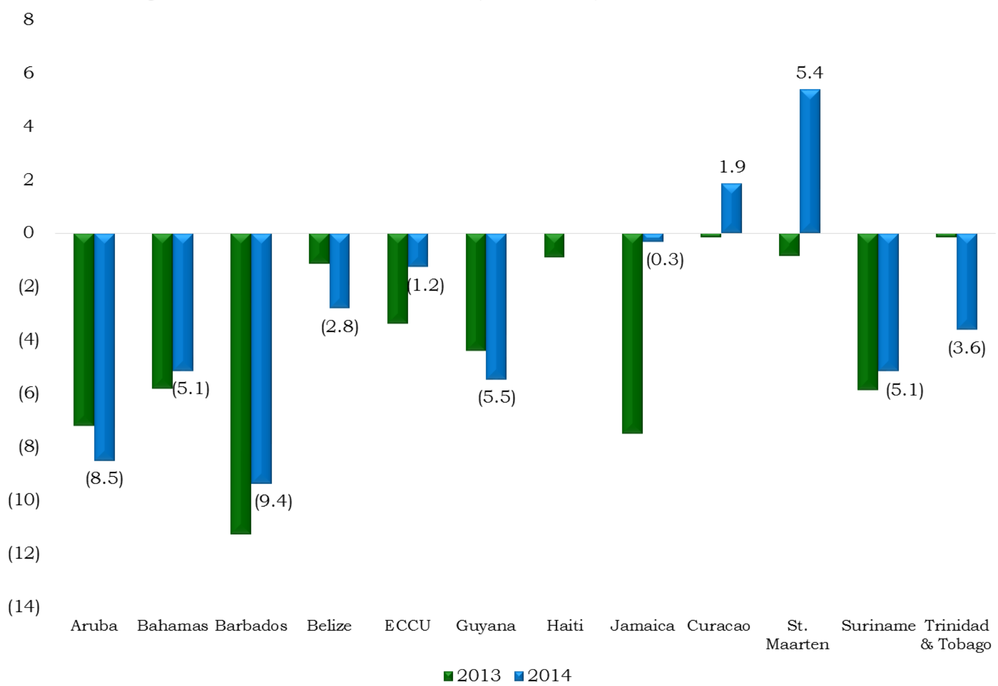
Current revenue increases ranged from 5.2 per cent (Haiti) to 8.28 per cent (ECCU) in 2014; seven territories reported increases in their current revenue with the major source being from tax revenue. Five territories experienced declines in their current revenue in

2014 in comparison to their 2013 level, the contractions ranging from negative 1.1 per cent (Trinidad and Tobago) to negative 12.5 per cent (Sint Maarten). In most of the economies current revenue declined because of a slowdown in overall economic activity.

The Bahamas, Sint Maarten and Suriname are the only economies to experience a decline in current expenditure levels in 2014, over their 2013 level. In Suriname efforts were made to curb discretionary expenses. The decline in the wage bill of almost four per cent following the expiration of the retroactive payments of the salary increase in 2012 and the reduction of some subsidies contributed to a more favorable overall result. Current expenditure increased in all the other economies, with increases ranging from 0.36 per cent (Curacao) to 54.63 per cent (Haiti). Belize, Guyana and Trinidad and Tobago had wage negotiations for a number of public sector jobs resulting in increased wages and salaries in the year 2014, and this contributed to the increases in their current expenditure.

3.4.2 Overall Fiscal Account

Figure 6: Overal Fiscal Balance (% of GDP) for CARICOM Economies



Curacao and Sint Maarten are the only economies to have positive overall fiscal balances as a per cent of GDP in 2014. Their overall fiscal balance as a per cent of GDP were 1.9 per cent (Curacao), 5.4 per cent (Sint Maarten). All other economies had negative fiscal balances. Comparing the fiscal performance from 2013 to 2014, the overall fiscal balance in Aruba, Belize, Guyana and Trinidad and Tobago experienced minimal declines, this was evidenced by the fall in overall fiscal balance as per cent of GDP by 1.3 percentage point, 1.1 percentage point, 1.6 percentage point and 1.7 percentage point respectively. The countries that had improvements in their overall fiscal balance as a per cent of GDP had percentage point increases that ranged from 0.7 (The Bahamas and Suriname) to 7.2 (Jamaica).

Suriname's revenue dropped by five per cent in 2014, as revenue from the mining sector plunged by 30 per cent. The fall in mining revenue was partly compensated by profit transfers from the Central Bank of Suriname and growth in corporate and wage tax revenue from the non-mining sectors. The concerted efforts of government to limit total expenditure resulted in a declined by three per cent in 2014, which resulted in their overall fiscal balance being improved. Jamaica reported the biggest improvement in its overall fiscal balance. Their Central Government's balance improved to reflect an overall fiscal deficit of US$41.88 million in 2014 relative to the deficit of US$240.18 million recorded for 2013. The improvement in the fiscal position largely reflected an increase in revenue and grants, the impact of which was partly offset by a marginal growth in expenditure. Total expenditure was US$ 3724 million for 2014, relative to US$3649.52 million for 2013. The higher expenditure was due to increased non-interest spending during the review period.

3.5 Banking and Financial

3.5.1 Interest Rate Spreads

High liquidity overhang remained in most CARICOM economies during 2014. The deposit rates of the commercial banks remained relatively low in 2014, with modest and minimal changes in most economies. Haiti experienced the greatest increase in its three-month average deposit rate of 218 basis points, moving from 0.19 per cent (December 2013) to 2.37 per cent (December 2014). An increase of 120.9 basis points was reported for Jamaica as its deposit rate was 5.28 at the end of December 2014. The four other economies that experienced increases in their deposit rates had very minimal increases; they ranged from one basis point (Guyana) to 25.23 basis points (Suriname). Aruba experienced a decline in its deposit rate of 120 basis points, a very considerable drop, given that at the end of 2013 they had an increase of 220 basis points over its 2012 rate for the same period. The other economies that had declines in their interest rates are Belize (44 basis points), The Bahamas (16 basis points), Trinidad and Tobago (2 basis points) and Barbados (1 basis point).

Figure 7: Commercial Banks Average 3-Month Deposit Rate of CARICOM Economies (%)

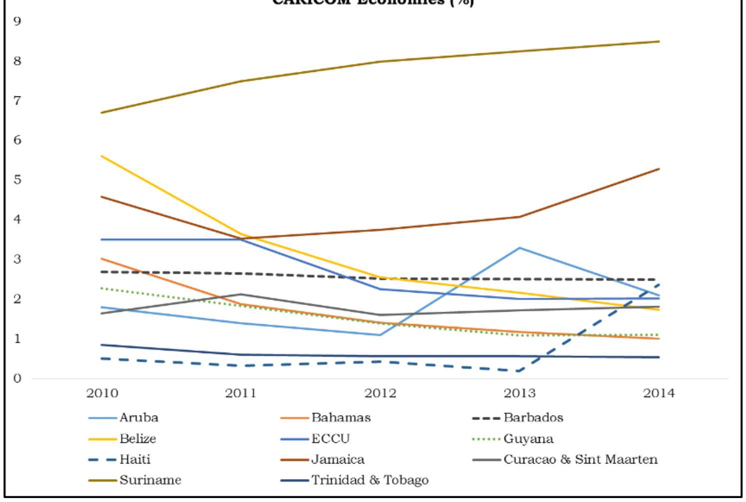
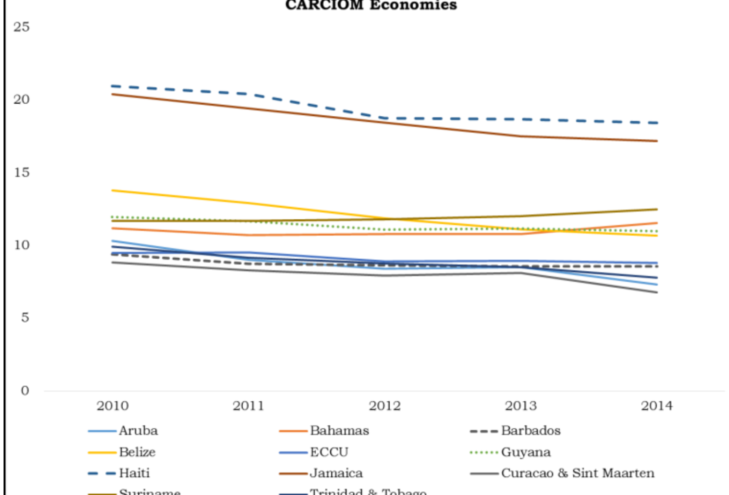
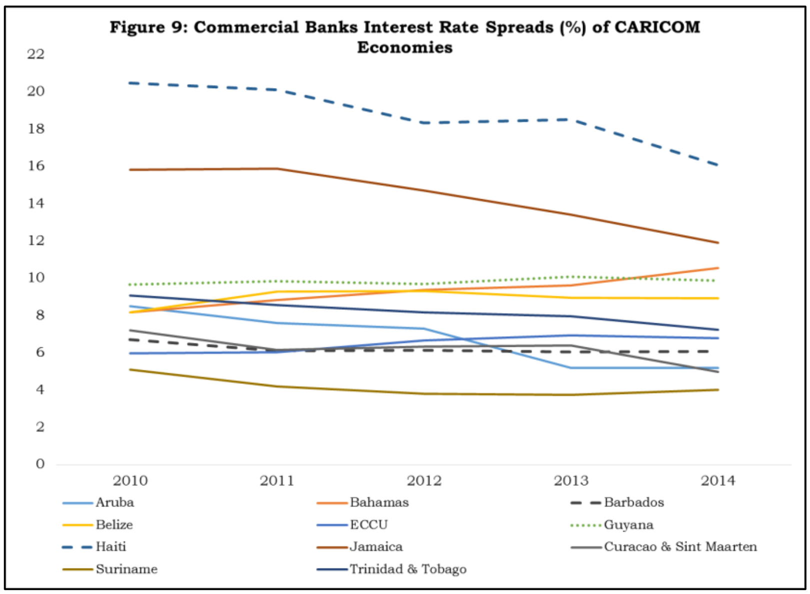


Figure 8: Commercial Bank Weighted Average Loan Rate (%) of CARCIOM Economies



Loan rates in most of the CARICOM countries seem to be trending downward. At the end of December 2014, commercial banks' weighted average loan rates increased in only three economies when compared to the rates at the end of December 2013, The Bahamas with an increase of 78 basis points, followed by Suriname with an increase of 50 basis points and Barbados with an increase of three basis points. The increase in loan rates can be taken as a sign of tightened lending conditions in these countries. Eight territories experienced lower commercial bank loan rates in 2014. The decline in loan rates ranged from 30 basis points (Guyana) to 132.17 basis points (Curacao and Sint Maarten).



The interest rate spreads narrowed in seven of the territories, with Haiti, Jamaica and Curacao and Sint Maarten having the greatest contraction with a decline in basis points of 242.6, 151.7 and 141.5, respectively. The other four territories reported contractions that ranged from 73 basis points (Trinidad and Tobago) to two basis points (Belize). Aruba was the only country to have no change in its interest rate spread at the end of December 2014, as the decline in their deposit rate of 120 basis points was cancelled out by the 120 basis point increase in loan rate. The same three countries that experienced declines in their loan rates are the same ones that showed increased interest rate spreads for the review period. The increase in interest rate spread were 94 basis point (The Bahamas), 24.8 basis points (Suriname) and four basis points (Barbados).

3.5.2 Commercial Bank Performance

Figure 10: Percent Change of Total Deposits and Loans of the Banking Sector of CARICOM Economies (2014/2013)

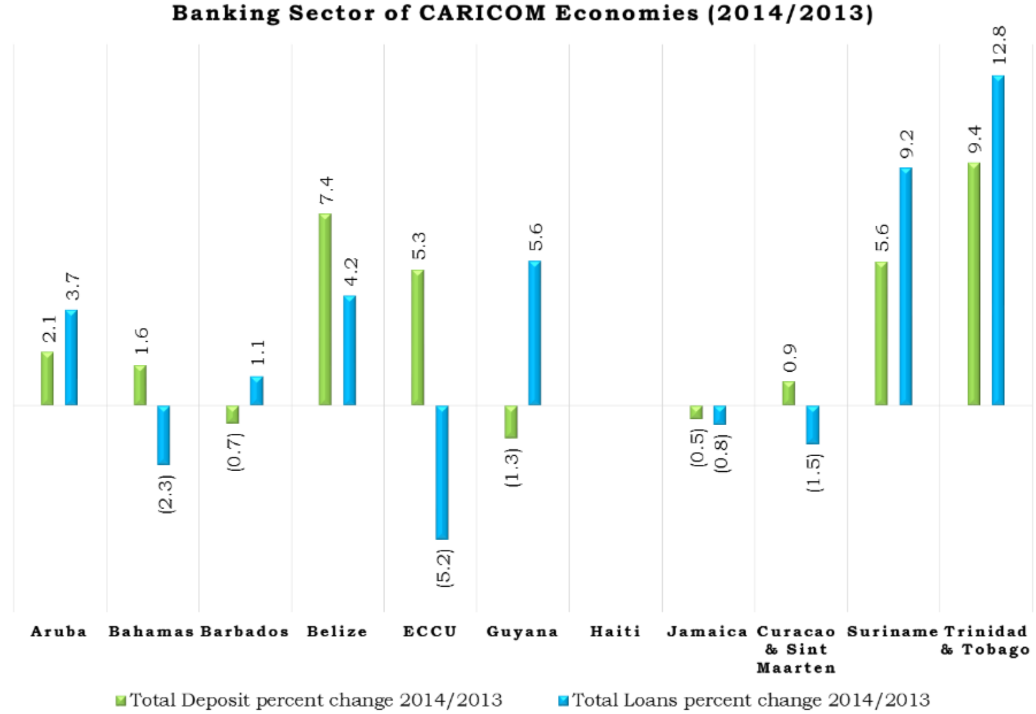
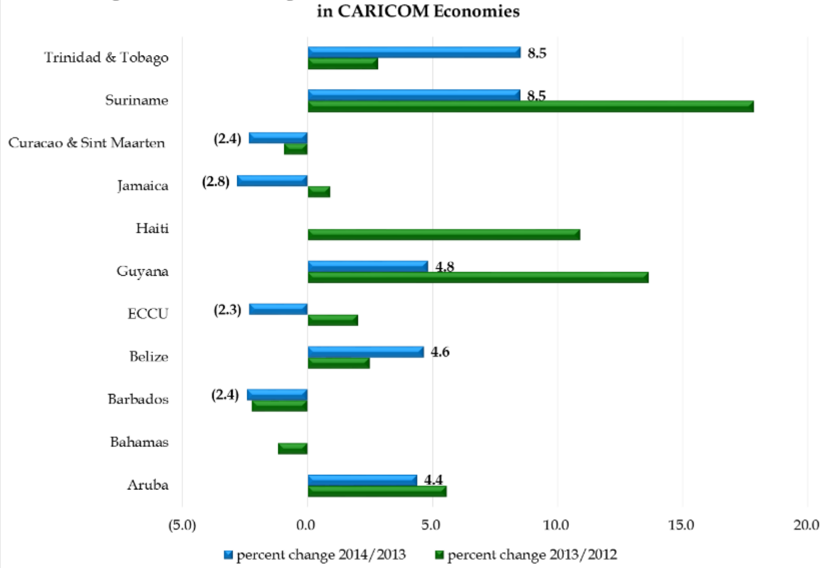
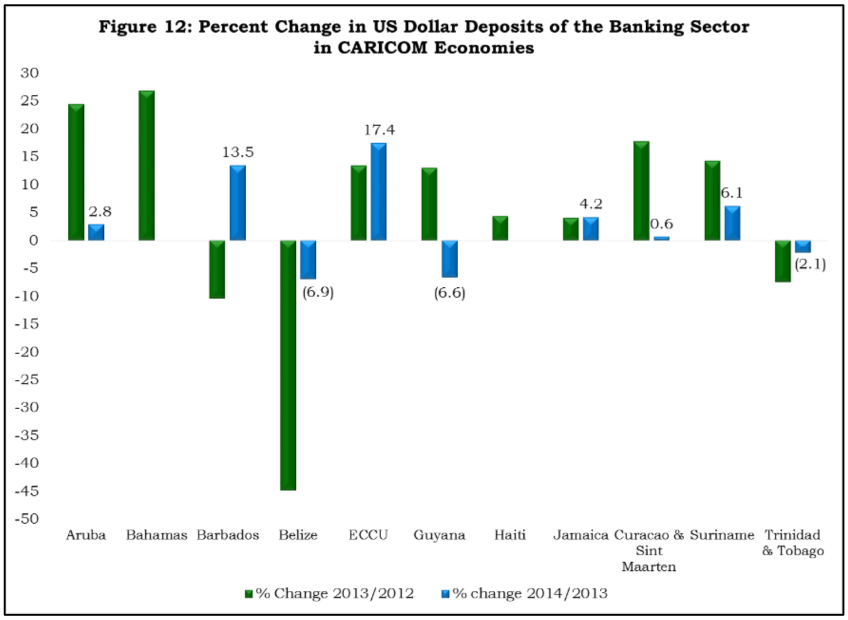


Figure 11: Percent Change of Total Domestic Credit to Private Sector from Banks in CARICOM Economies

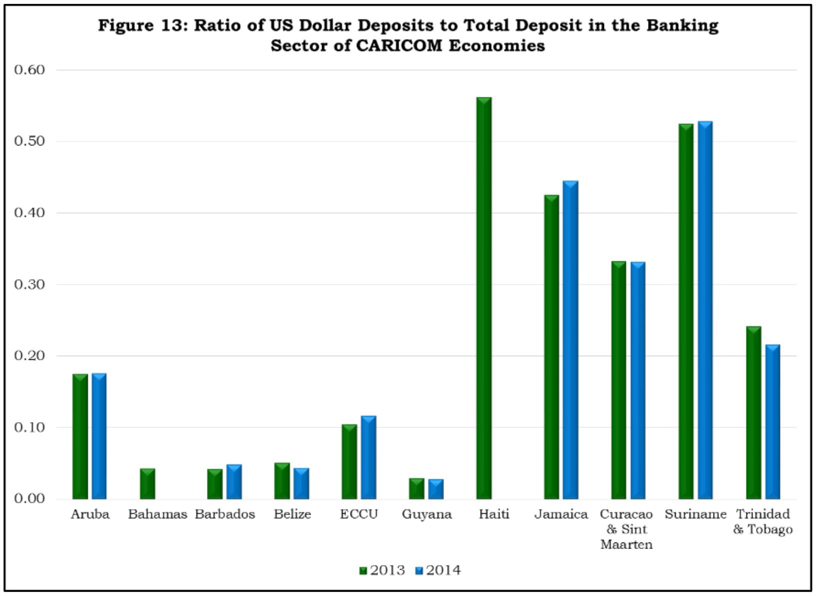


Excess liquidity and low interest rates continue to be a defining characteristic of the CARICOM economies' financial landscape in 2014 as it was in 2013. Against this backdrop, private domestic credit contracted between the comparable periods of December 2014/December 2013 in Barbados (-2.4%), ECCU (-2.3%), Jamaica (-2.8%) and Curacao and Sint Maarten (-2.4%). The decline in private sector credit by the



banking sector was in all instances less than three per cent. Total loans of the banking sector was also lower in three of those four territories, ECCU, Jamaica and Curacao and Sint Maarten. This is evidence that the decline in the borrowing of households in 2014 was related to the decline in total loans outstanding in the banking sector for those three economies. The Bahamas reported a decline in its total loans outstanding loans of 2.3 per cent, which was reflective of the mild level of its economic activity and commercial banks' conservative lending stance. The decline in total loans outstanding in the banking sector ranged from 0.75 per cent (Jamaica) to 5.19 per cent (ECCU).

Increased private sector credit in the banking sector was experienced in five economies, ranging from increases of 4.4 per cent (Aruba) to 8.5 per cent (Suriname and Trinidad and Tobago), while total loans outstanding in six of the reporting territories increased at the end of 2014 in comparison to end of 2013. They were the same five that experienced increased levels of private sector credit at the end of 2014. The increases for these five territories ranged from 3.73 per cent (Aruba) to 12.81 per cent (Trinidad and Tobago). The only exception was Barbados; its total loans outstanding increased by 1.15 per cent, but its private sector domestic credit declined by 2.4 per cent.

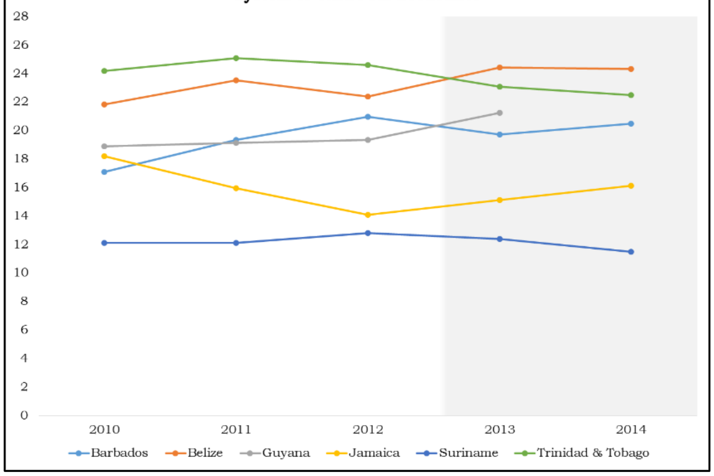


Total deposits in the banking sector declined minimally in three territories at the end of 2014, Guyana (-1.28%), Barbados (-0.68%) and Jamaica (-0.52%). The increase in total deposits for the other seven reporting territories ranged from 0.92 per cent (Curacao and Sint Maarten) to 9.42 per cent (Trinidad and Tobago). Belize, Guyana and Trinidad and Tobago experienced declines in their US dollar deposits of 9.94 per cent, 6.61 per cent and 2.13 per cent, respectively. Noteworthy increases in US dollar deposits occurred in ECCU with 17.42 per cent and Barbados with an increase of 13.47 per cent. Dollarization of deposits has remained relatively unchanged in most of the territories, with very small increases or decreases in the ratios of US dollar deposits to total deposit in the banking system occurring over the review period.

3.5.3 Financial Soundness Indicators – Banking System

The capital adequacy of banks for the six reporting countries remained well capitalized in 2014. Only two countries experienced a drop in Capital to Risk Weighted Assets ratio for 2014 compared to the 2013 value, but they were marginal decreases. In Suriname it moved from 12.4 per cent (2013) to 11.5 per cent (2014), and in Trinidad and Tobago it declined from 23.1 per cent (2013) to 22.5 per cent (2014).

Figure 14: Regulatory Capital to Risk Weighted Assets (%)- Banking System of CARICOM Economies



The ratio of non-performing loans to total loans increased in Suriname only for the review year 2014 but by a mere 0.2 percentage point. All other reporting countries experienced a decline of non-performing loans to total loans ratio in 2014 over the 2013 values. The declines were minimal in all instances for Barbados, Belize, Guyana, Jamaica and Trinidad and Tobago.

Figure 15: Non-Performing Loans to Total Loans (%) - Banking System of CARICOM Economies

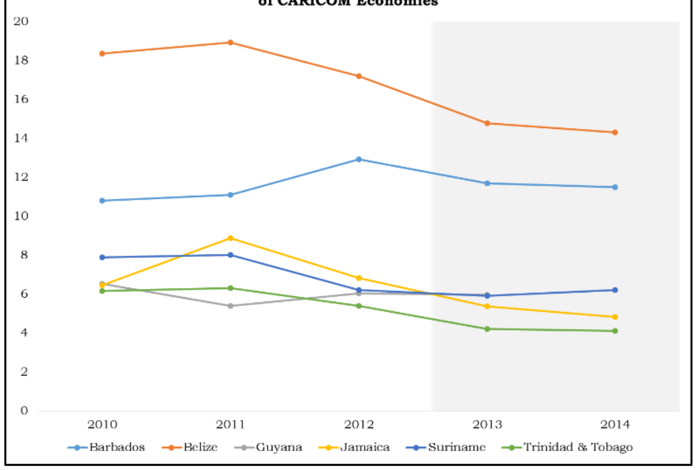
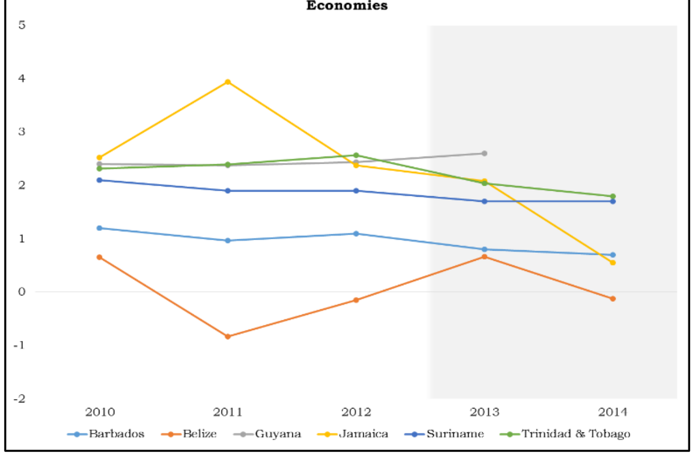
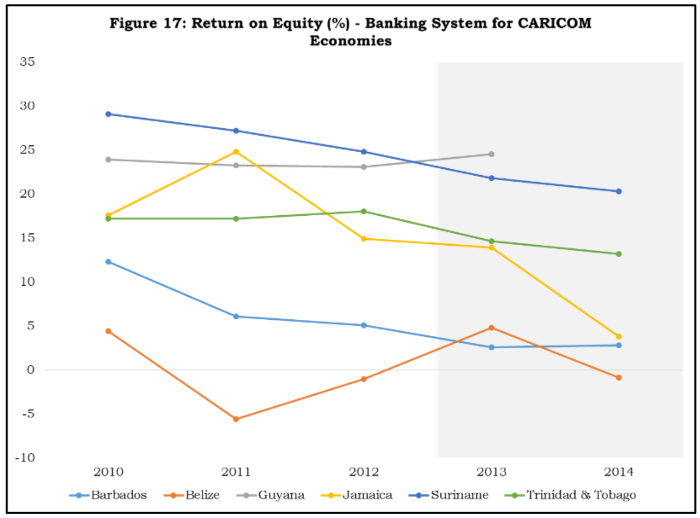


Figure 16: Return on Assets(%) - Banking System for CARICOM Economies



The earnings and profitability ratio performance in 2014 indicate that there was a general decline in profitability in the banking sector. Both ratios – Return on



Assets and Return on Equity declined considerably in 2014 over the 2013 levels. Of the four countries reporting for their Return on Assets ratio for 2014, three reported declines of 11.6 per cent (Trinidad and Tobago), and 12.5 per cent (Barbados), 73.34 (Jamaica), 117.85 per cent (Belize). There was no change in Suriname's Return on Asset of 1.7 per cent. Return on Equity was also significantly lower in 2104 than in 2013 for four of the five reporting countries – Belize, Jamaica, Suriname and Trinidad and Tobago. Their return on equity ratio dropped by 18.18 per cent (Belize), 72.66 per cent (Jamaica), 1.5 per cent (Suriname) and 9.99 per cent (Trinidad and Tobago).

3.6 PUBLIC DEBT

Figure 18: Domestic Debt (Percentage Change 2014/2013) for CARICOM Economies

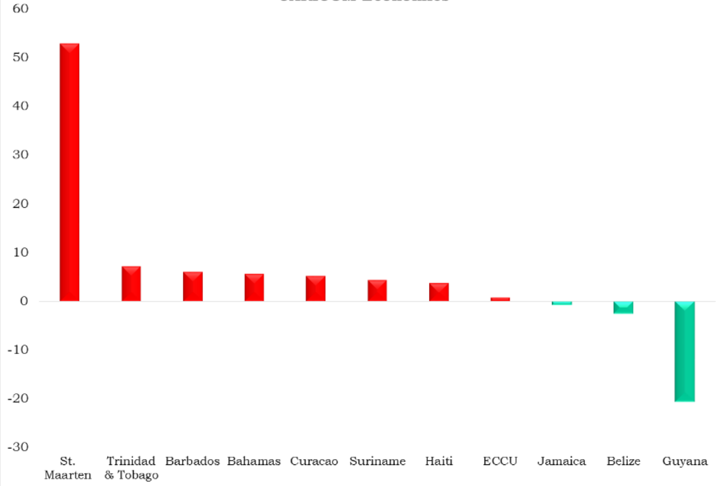
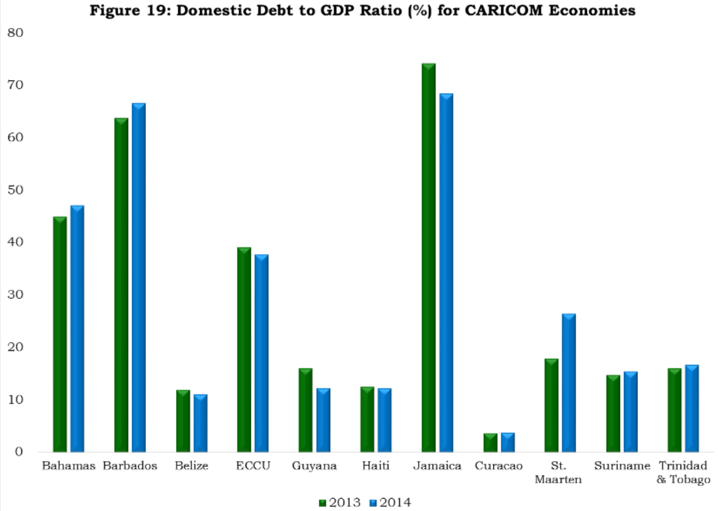


Figure 19: Domestic Debt to GDP Ratio (%) for CARICOM Economies

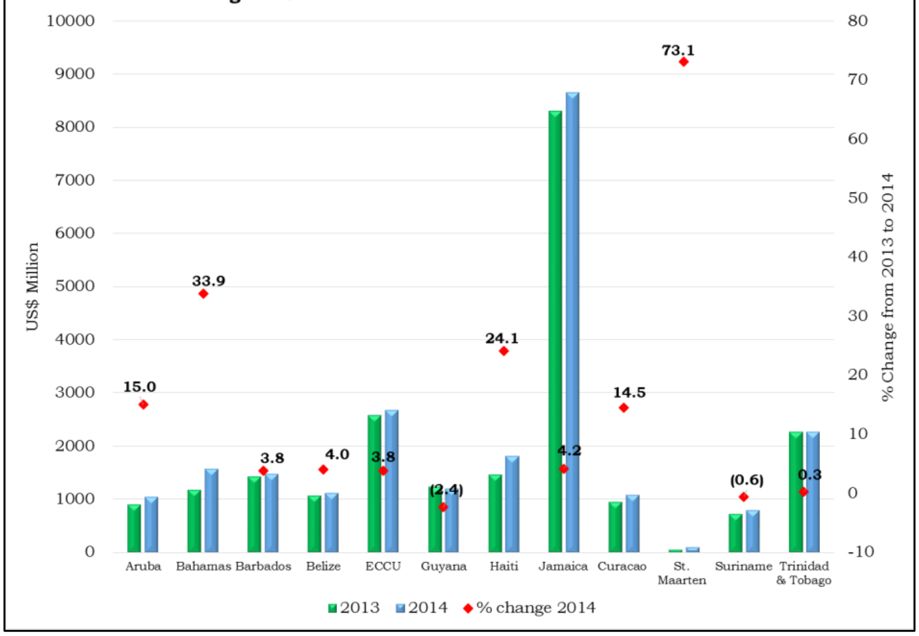


Most of the Caribbean economies remained embattled in 2014 with high levels of debt. High debt levels have been a defining characteristic of most Caribbean economies for the past seven years. External debt appears to be the main source of the rising debt level in most economies, as these increases outpaced those of domestic debt in 2014.

Four economies reported declines in their levels of domestic debt for 2014 in comparison to their domestic debt levels in 2013. They were Belize (-2.52%), Guyana (-20.62), Jamaica (-0.69) and Suriname (-27.5%). Both Belize and Jamaica had domestic debt restructuring that occurred in 2013. Guyana's drastic decline in its domestic debt was a result of a fall in the total outstanding stock of treasury bills due to lower issuance of 182-day and 364-day treasury bills. This was a result of a decline in excess liquidity in the banking system. In February 2014, the Ministry of Finance in Suriname transferred assets in some selected special accounts to cover overdrawn current accounts held at the Central bank as part of a reform to introduce a Single Treasury Account. The netting out of assets and liabilities resulted in the sharp reduction of 27.5 per cent in domestic debt.

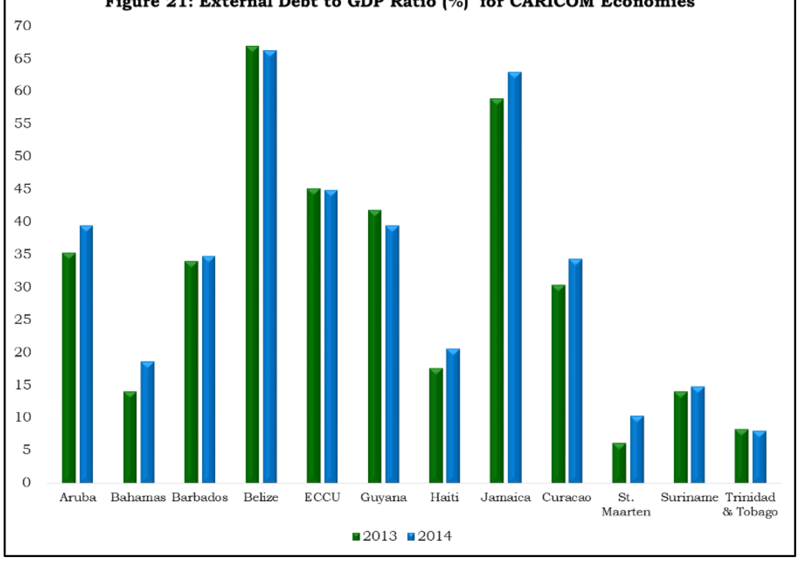
The other CARICOM economies all reported increases in their domestic debt levels, all increases were below ten per cent, except for Sint Maarten. The domestic debt of Sint Maarten increased by 52.85 per cent in 2014 from its level of US$100.66 million in 2013. The ratio of domestic debt to GDP was below 20 per cent in all economies except The Bahamas, Barbados, ECCU, Jamaica and Sint Maarten.

Figure 20: External Debt for CARICOM Economies



External debt levels increased in all the economies in 2014, expect in Guyana where minimal a decreases of 2.38 percentage points was reported. Increases in the external debt levels for the countries ranged from 73.09 per cent (Sint Maarten) to 0.32 per cent (Trinidad and Tobago). As with its domestic debt, Sint Maarten had an extremely high increase in its external debt. The external debt-to-GDP ratios for the CARICOM

Figure 21: External Debt to GDP Ratio (%) for CARICOM Economies

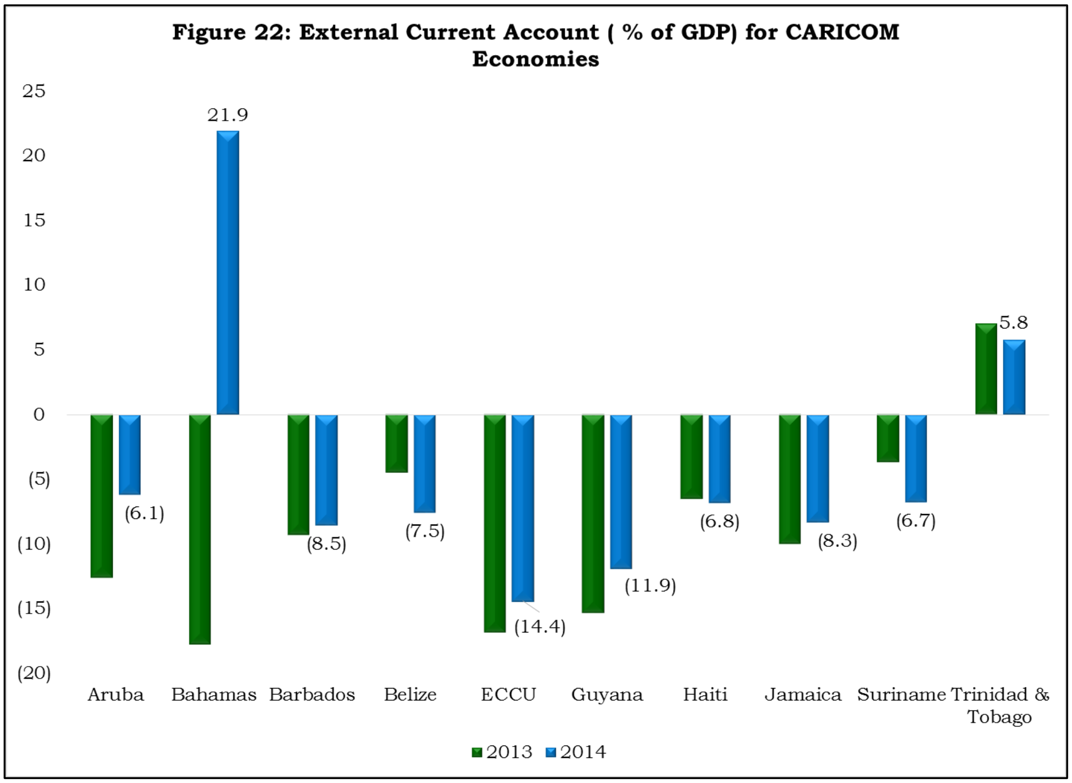


countries of The Bahamas, Haiti, Sint Maarten and Trinidad and Tobago were below 30 per cent for the year 2014. Belize and Guyana reported ratios that were higher than the 30 per cent threshold but their external debt to GDP ratios were lower in 2014 compared to their 2013 ratios.

3.7 INTERNATIONAL TRADE

3.7.1 External Current Accounts

The trade sector of the CARICOM economies underperformed in 2014. The Balance of Trade declined in all economies except Belize, ECCU and Haiti, but although they had improvements their values were still negative. Exports declined in almost all of the territories; only Aruba, Barbados and Haiti reported increases in their exports. The increase in exports was minimal in Barbados at 0.8 per cent and for Aruba and Haiti it was a 4.3 per cent and 4.1 per cent respectively.



The performance of the external sector was relatively mixed as the external current account balances improved in four of the reporting territories and worsened in six of them (Table 11). Of the four territories that had improvements in 2014 over their 2013 balance, Aruba had the greatest improvement of 49.8 per cent, while Barbados had the smallest decrease of 6.7 per cent. The Bahamas, Belize, Guyana, Haiti, Suriname and

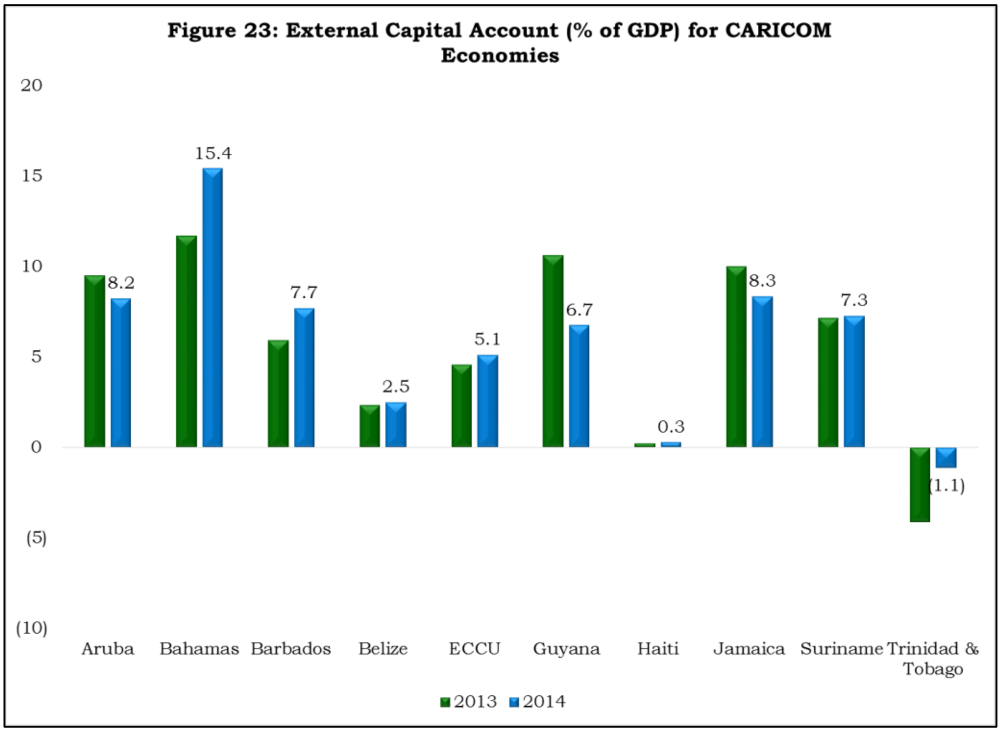
Trinidad and Tobago were the territories that experienced a worsening of their external current account. In The Bahamas the 24.5 per cent widening of their current account balance was due to increased capital imports and construction-related service payments due to development projects. Suriname's external current account deficit widened from US$198 million in 2013, to US$386 million in 2014. The deterioration was caused by the goods and services account which outpaced the improvement in the income account. Exports of goods fell by ten per cent, primarily driven by gold, while imports of services rose by 37 per cent, reflecting in particular the construction and technical & trade-related services in the oil sector. While in Belize, its 76.3 per cent was a result of lower earnings from exports of petroleum, citrus juices, commercial free zone sales and increased profit repatriation by foreign owned businesses. When viewed in relation to GDP, the same situation is revealed.

Table 11: EXTERNAL CURRENT ACCOUNT AND CAPITAL ACCOUNT (US$M)

Country	External Current Account			External Capital Account		
	2013	2014	% Change 2014/2013	2013	2014	% Change 2014/2013
Aruba	(325.7)	(163.4)	(49.8)	245.6	219.3	(10.7)
Bahamas	(1493.9)	(1860.4)	24.5	990.0	1308.2	32.1
Barbados	(396.7)	(369.8)	(6.8)	252.2	335.6	33.1
Belize	(72.6)	(128.0)	76.3	37.7	34.2	(9.3)
ECCU	(964.0)	(863.2)	(10.5)	262.8	305.6	16.3
Guyana	(456.0)	(371.2)	(18.6)	314.8	210.6	(33.1)
Haiti	(535.6)	(602.6)	12.5	20.0	25.9	29.5
Jamaica	(1312.7)	(1150.8)	(12.3)	1312.7	1150.8	(12.3)
Suriname	(197.9)	(386.2)	95.1	385.3	418.0	8.5
Trinidad & Tobago	1920.0	1636.8	(14.8)	1133.7	(307.2)	(127.1)

3.7.2 External Capital Accounts

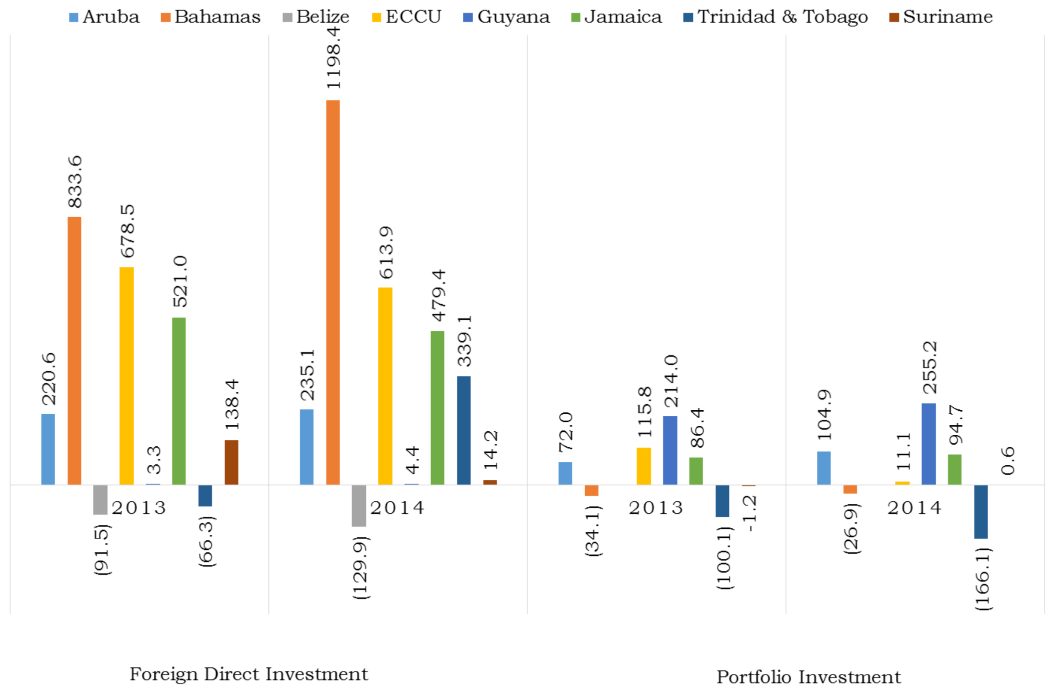
The external capital account balances of the ten reporting territories were positive for all territories except one, Trinidad and Tobago. Although they had positive balances when compared to their 2013 balance, the declines in 2014 were for the ECCU (33.1%), Jamaica (12.34 %), Aruba (10.7 %) and Belize (9.28%).



Foreign direct investment flows were higher in four of the seven reporting territories for 2014. The four territories that experienced increases were Trinidad and Tobago (661.4%), The Bahamas (43.77%), Guyana (30.82%) and Aruba (6.59%). The other four territories had declines in their foreign direct investment flows that ranged from 7.98 per cent (Jamaica) to 89.74 per cent (Suriname).

The foreign portfolio flows improved in 2014 for Aruba (45.81%), Guyana (19.25) and Jamaica (9.63). The Bahamas reported outflows that were greater than the inflows in both years 2013 and 2014 but in 2014 the difference was less than in 2013. In both the ECCU and Trinidad and Tobago there was deterioration in the foreign portfolio investments.

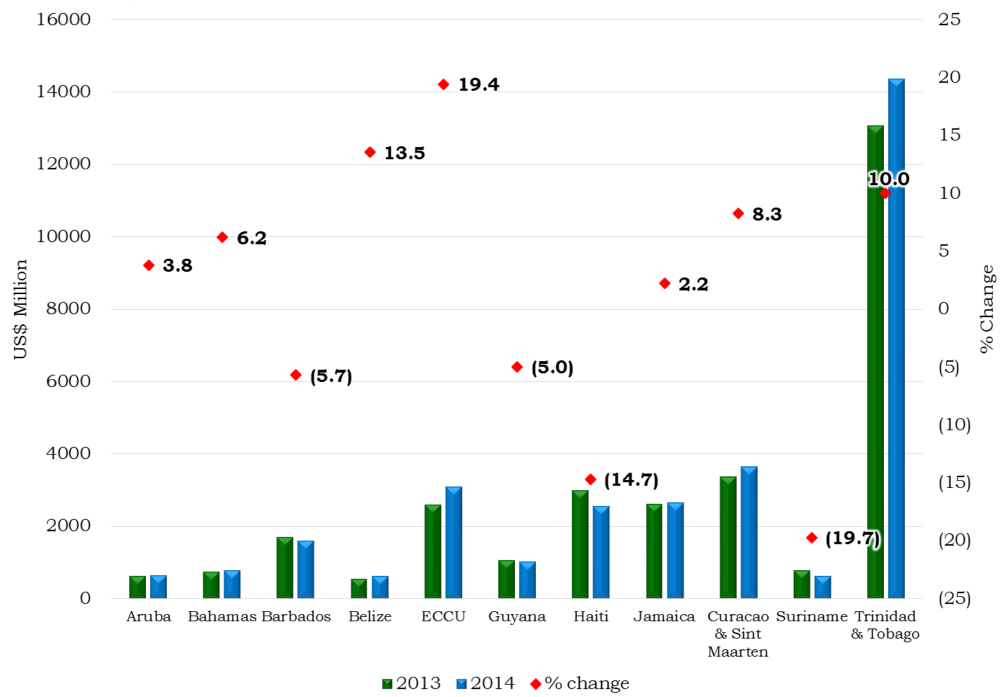
Figure 24: Net Foreign Investments (US$M) for CARICOM Economies



3.8 INTERNATIONAL RESERVES

The total gross international reserves increased in seven economies in 2014, ranging from increases of 2.2 per cent (Jamaica) to 19.4 per cent (ECCU), while four economies experienced a decline in their total gross international reserves ranging from five per cent (Guyana) to 19.7 per cent (Suriname).

Figure 25: Total Gross International Reserves for CARICOM Economies



The contraction in international reserves for Haiti and Suriname were double digits of 14.7 per cent and 19.7 per cent in 2014. In Haiti, reserves fell due to a decline of 19.5 per cent in its Monetary Authority's reserves which was significantly higher than the 3.8 per cent increase in commercial bank reserves reported for 2014. Suriname's fall in gross international reserves from US778 million to US$625.1 million was solely that of its Monetary Authority. The ECCU reported an increase from US$2596.9 million (2013) to US$3101.9 million (2014), this was due to significant increases in its gross international reserves for both the monetary authority (20.7%) and commercial banks (18.4%) in 2014.

Belize also had a substantial increase in its gross international reserves of 13.5 per cent in 2014, to a value of US$627.1 per cent.

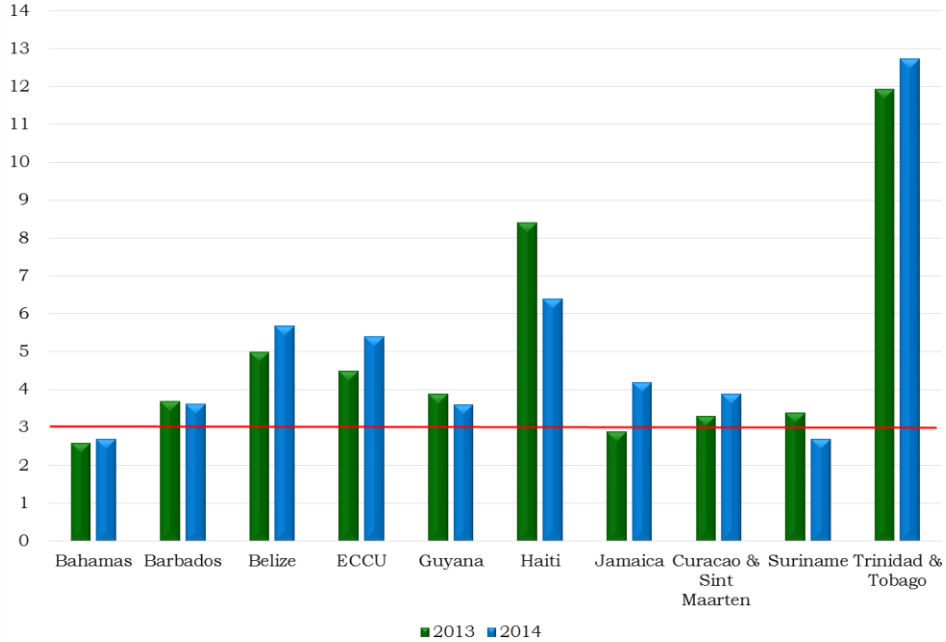
Table 12: GROSS INTERNATIONAL RESERVES (US$M) OF CARICOM ECONOMIES

Country	Monetary Authorities			Commercial Banks		
	2013	2014	% change 2014/2013	2013	2014	% change 2014/2013
Aruba	618.8	627.9	1.5	12.9	27.8	114.5
Bahamas	741.6	787.7	6.2	0	0	0
Barbados	572.1	526.1	(8.0)	1140.4	1089.0	(4.5)
Belize	405.1	486.8	20.2	147.2	140.3	(4.7)
ECCU	1169.1	1411.2	20.7	1427.8	1690.7	18.4
Guyana	776.9	665.6	(14.3)	299.9	357.6	19.2
Haiti	2384.2	1919.2	(19.5)	621.2	644.6	3.8
Jamaica	1817.6	2473.0	36.1	794.6	197.4	(75.2)
Curacao & Sint Maarten	1612.9	1868.4	15.8	1761.4	1784.3	1.3
Suriname	778.8	625.1	(19.7)	0	0	0
Trinidad & Tobago	9987.0	11316.4	13.3	3087.3	3066.7	(0.7)

It should be noted that Jamaica has the smallest per cent increase in its total gross international reserves for 2014, but it also had the greatest decline in its commercial bank reserves of 75.2 per cent, which was offset by the 36.1 per cent increase in the reserves of monetary authorities. Aruba had the greatest increase in its commercial bank reserves of 114.5 per cent.

The import cover ratio of official reserves to imports of goods and services at the end of December 2014 for most of the countries were above the three-month import coverage; only two countries were below, The Bahamas and Suriname, with ratios of 2.7 months. In Suriname if imports of the mining sector are excluded, as they are being financed by the mining companies themselves, the import coverage stands at 3.9 months for 2014.

Figure 26: Import Cover Ratio (Months) for CARICOM Economies



4.0 PROSPECTS FOR 2015

The prospects for growth in the Caribbean hinge largely on developments in commodity markets and consumer demand in developed market economies, but also on the structural vulnerabilities of these countries. Global growth is expected to track at 3.5 per cent in 2015, marginally better than in 2014. Very importantly, the economies of important trading partners for the Caribbean, such as the US and the UK, are improving which should help improve growth prospects in the Caribbean. Weak commodity prices is a mixed bag since it can help the service-based countries in the region but at the expense of the commodity-based producers. On the other hand, questions about the sustainability of the Petrocaribe arrangement as Venezuela is battered by the drop in oil prices is a significant risk to Caribbean economic growth prospects since this arrangement is a significant source of balance of payment support for many countries in the region which already have chronic balance of payments problems. This together with potential difficulties created by exchange rate volatility driven by US dollar strengthening are important risk factors impacting on Caribbean growth prospects.

The trajectory for oil prices will have a significant impact on growth prospects since all countries except Trinidad and Tobago are net oil importers. Broader commodity prices are also important as Table 18 shows that commodity producers only register a significant improvement in 2016 when commodity prices are expected to begin recovering. Service based economies also improve slightly in 2016 based on improvements in important source tourism markets leading to an expected improvement in the regional average growth to 2.7 per cent. There would be significant differences between countries however since some countries have pre-existing external, fiscal and financial vulnerabilities which restrain growth. These vulnerabilities have constrained business and consumer confidence and hampered private demand and growth in the respective jurisdictions. The financial vulnerabilities in the ECCU Area are also important risks to a robust recovery in the region.

Table 18: CARIBBEAN GROWTH PROSPECTS

Country	Actual		Projections	
	2013	2014	2015	2016
Antigua and Barbuda	1.8	2.4	1.9	2.3
The Bahamas	0.7	1.3	2.3	2.8
Barbados	0.0	-0.3	0.8	1.4
Belize	1.5	3.4	2.0	3.0
Dominica	-0.9	1.1	2.4	2.9
Grenada	2.4	1.5	1.5	2.0
Guyana	5.2	3.8	3.8	4.4
Haiti	4.2	2.8	3.3	3.8
Jamaica	0.2	0.5	1.7	2.3
St. Kitts and Nevis	3.8	7.0	3.5	3.0
St Lucia	-0.5	-1.1	1.8	1.4
St Vincent and the Grenadines	2.4	1.1	2.1	3.1
Suriname	4.1	2.9	2.7	3.8
Trinidad and Tobago	1.7	1.1	1.2	1.5
SERVICE PRODUCERS	1.4	1.8	2.1	2.5
COMMODITY PRODUCERS	3.7	2.6	2.6	3.2
REGIONAL AVERAGE	1.9	2.0	2.2	2.7

Source: IMF, Global Economic Prospects, April 2015.

Guyana, Suriname and Haiti are the only countries in the region expected to register relatively robust growth over the next two years with Barbados, St. Lucia and Trinidad and Tobago registering growth at the lower end of the spectrum. Overall the region is expected to record slightly higher growth in 2015 with a further improvement in 2016. Despite this more favourable outlook there are structural impediments to growth which could get worse. In particular, for the fixed exchange rate regime countries in the region exchange rates will strengthen with the US dollar, increasing costs and therefore worsening the competitive position of the region relative to competing destinations in and out of the region unless there are cost savings elsewhere or the quality of the product improves. The normalizing of the US relationship with Cuba is likely to open up this relatively new market and intensify the level of competition within the Caribbean tourism market leading to CARICOM countries losing market share.

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