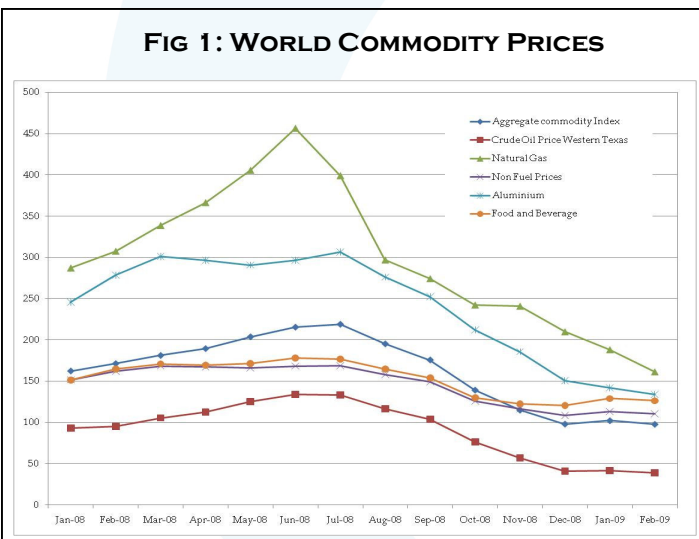




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FALLING COMMODITY PRICES AND IMPLICATIONS FOR CARICOM COMMODITY EXPORTERS

The major commodity exporters of CARICOM, Belize, Guyana, Jamaica, Suriname and Trinidad and Tobago have experienced the repercussions of the deterioration of commodity prices since July 2008. World Commodity prices soared to unprecedented levels in July 2008, and then fell dramatically (see Figure 1). Oil prices rose by 44 per cent between January and June 2008 to reach a monthly average of US\$133.93 per barrel, then collapsed to a monthly average of US\$39.15 per barrel by February 2009, close to the level of the first quarter of 2004. Other commodity prices exhibited a similar pattern.

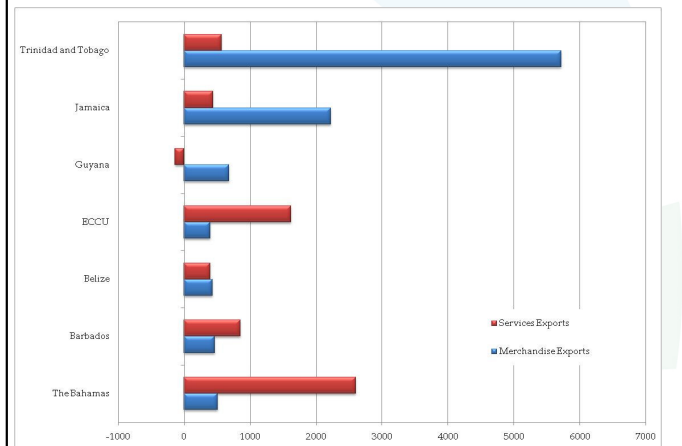


A selection of commodity dependent CARICOM countries is shown in Figure 2. Trinidad and Tobago was the most extreme as merchandise exports were ten times larger than service exports, while in Belize, Guyana, Jamaica and Suriname merchandise exports exceeded service exports by lower magnitudes, in contrast to the other CARICOM territories where service exports, including tourism, dominated. Along with the falling commodity prices, export companies have had to realign their costs with market demand. Preliminary

estimates are showing that an estimated 9,331 persons lost their jobs in Jamaica in 2008 while over 4000 jobs were lost in Trinidad and Tobago, primarily in energy and construction.

The vulnerability of the various countries to adverse movements in commodity prices is dependent in part on their export composition and their level of diversi-

FIG 2: RELATIVE COMMODITY EXPORTS FOR CARICOM TERRITORIES FOR 2007



Notes: Trinidad and Tobago merchandise exports are in net terms, while the merchandise trade is in gross terms for the other territories.

fication. Guyana's exports were the most diversified in 2007 as gold accounted for 22.5 per cent, sugar 22 per cent, bauxite 14.9 per cent, rice 11 per cent and timber 8.1 per cent which together accounted for over 70 per cent of total exports. Jamaica exports were more concentrated with the bulk of revenues realized from crude minerals excluding fuels (50.5%), followed by Mineral Fuels, Lubricants and related Materials (16.7%), Chemicals (14.6%) and Food (10%). Export concentration was relatively high in Suriname, as the gold and bauxite accounted for 52 per cent of exports. Agricultural exports for Belize accounted for at least 54 per cent of total exports but the agricultural

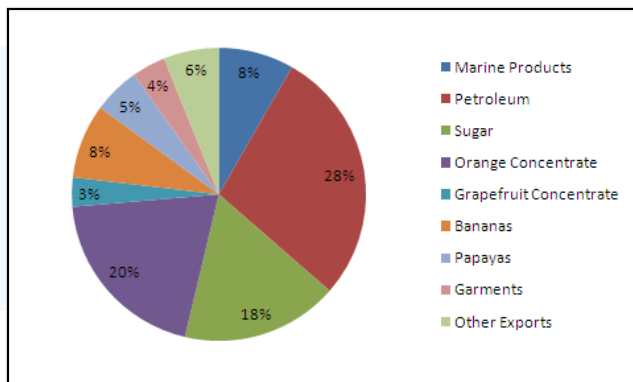
FALLING COMMODITY PRICES AND IMPLICATIONS FOR CARICOM COMMODITY EXPORTERS CON'TD

sector was diversified. Trinidad and Tobago's exports were even more concentrated as minerals and fuels were 68.5 per cent of total. With chemicals only 16.8 per cent and manufacturing 6 per cent. These sectors accounted for 92.3 per cent of total exports.

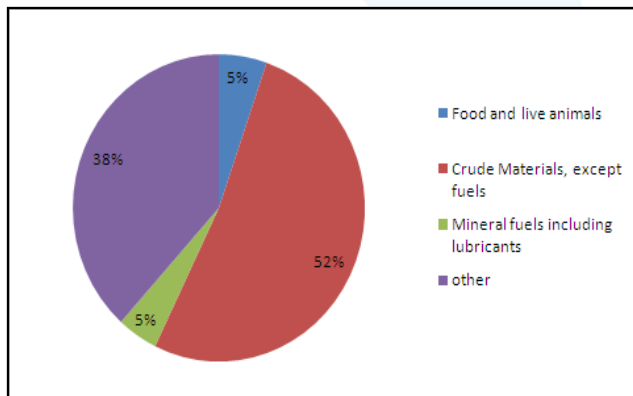
In normal times, the diversification of the export base should allow countries to spread risk and therefore allow territories to better ride out shocks to commodity prices. It is a measure of the extraordinary collapse of global production and spending that almost all the commodity prices declined together, even where sectors appeared to be unrelated.

CHART 1. COMPOSITION OF EXPORTS BY COUNTRY – 2007 (CONT'D)

BELIZE



SURINAME



TRINIDAD & TOBAGO

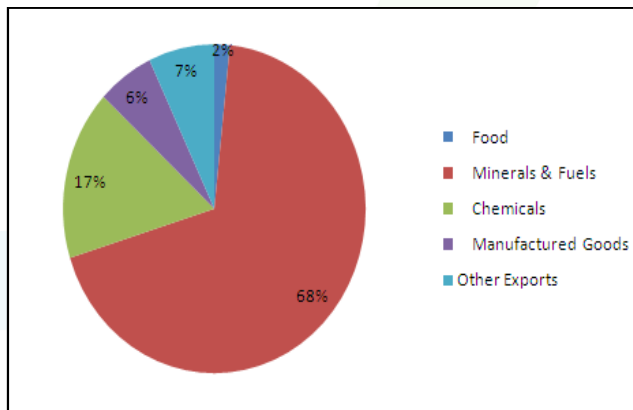
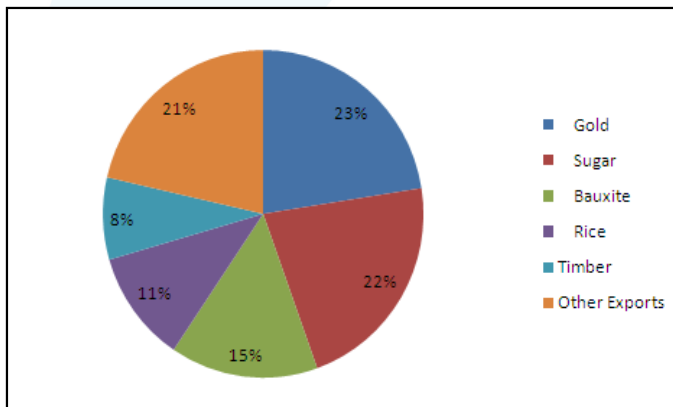
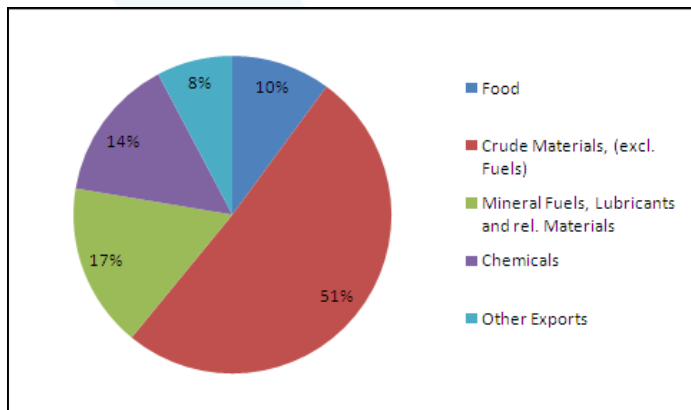


CHART 1. COMPOSITION OF EXPORTS BY COUNTRY -2007

GUYANA



JAMAICA



BANK OF ANTIGUA INTERVENTION

On February 17, 2009 Sir Allen Stanford, the chairman and sole shareholder of the Stanford Financial Group was charged by the U.S. Securities and Exchange Commission with fraud and multiple violations of U.S. securities laws for alleged "massive ongoing fraud" involving \$8 billion in certificates of deposits. Sir Allen, 58, is accused of running a massive "Ponzi" scheme using certificates of deposits issued by the offshore bank; Stanford International Bank in Antigua. Sir Allen and three of his top aides are also accused of misappropriating \$1.6 billion in investor funds.

News of the SEC charge caused significant concerns and panic among depositors of the Bank of Antigua (BOA); a commercial bank which is owned by Sir Allen Stanford. The BOA is regulated by the Eastern Caribbean Central Bank (ECCB) and does not fall under the purview of any US regulatory agency. Despite a move by the ECCB on February 18, 2009 to reassure depositors that their deposits were safe, customers responded by standing in long queues to withdraw funds. Recognizing that unusually high level of de-

posit withdrawals would threaten the liquidity and eventual solvency of the BOA, the ECCB intervened into the operations of the bank on February 20, 2009. The ECCB's intervention was initiated using the emergency provisions contained under part II (a) of the Eastern Caribbean Central Bank Agreement Act 1983. The strategy for intervention involved the creation of an oversight committee chaired by the Governor of the ECCB, and the creation of a company called the Eastern Caribbean Amalgamated Financial Company Ltd. The Financial Company is charged with carrying out the operations of the BOA while the necessary legal and financial activities are being carried out to ensure final sale of the BOA. Price Waterhouse Coopers have been engaged by the ECCB to carry out a valuation of the BOA.

The restructured BOA will be sold to the Eastern Caribbean Amalgamated Bank (ECAB). The five participating banks within the ECAB will each be allocated a 15% share allotment, while the Government of Antigua will be assigned 25% share ownership.

REGIONAL ROUNDUP IN MARCH

The CARICOM heads of government met in Belize to focus on the effects of the current global economic financial crises in the region. The Caribbean Community will be seeking greater access to funds from international financial institutions as part of its regional strategy to tackle the challenges faced as a result of the global financial and economic crises. It is proposed that the CSME would be a platform to facilitate the intervention by international financial institutions. Jamaica has already accessed funding from the CDB during 2008, to the extent of US\$160 million in loans and US\$5 million in grants to be used to support budgetary expenditure on infrastructure.

While there are reports that Jamaica tourism sector grew, falling commodity prices has exerted a downsizing of the West Indies Alumina Company. Full time workers, 850, have agreed to reduce hours and accept pay cuts. However, the company has announced that it may be forced to lay off another 900 bauxite workers within two months. The economic down turn has also caused a decline in cement demand in the region. The Bank of Jamaica reported that while Jamaican banks

pumped up their loan portfolios by 60 per cent in the two years preceding December 2008, non performing loans jumped 80 per cent, as borrowers were unable to service their loans owing to the deepening of the economic slowdown. Trinidad Cement Ltd has reported a decline in earnings with net profits falling by 26 per cent below that of the previous year. The Bermudez group of Companies in Trinidad and Tobago has reported that it is experiencing a decline in the sale of its products and export markets have tightened. Moves are afoot to improve the regulatory infrastructure in the region in light of the CLICO and the Bank of Antigua collapse as CARICOM proposes to establish a College of Regulators.

The international rating agency, Moody Investor Service, downgraded its rating of Jamaica's government and in a move which it said reflects the problems facing the country. The bonds were revised to B3 and B2 from B1 and Ba2. The deputy governor of the Central Bank of Trinidad and Tobago has reported that the country now has external reserves of US\$9 billion or 11 months import cover.

CONFERENCE ANNOUNCEMENT

THIRD BIENNIAL INTERNATIONAL CONFERENCE ON BUSINESS,
BANKING AND FINANCE
MAY 27-29 2009
THE UNIVERSITY OF THE WEST INDIES
ST AUGUSTINE CAMPUS

THEME : “Financial Services In Emerging Economies –
Surviving The Global Economic Meltdown”

The Third Biannual Conference, organized jointly by the Department of Management Studies and the Sir Arthur Lewis Institute of the University of the West Indies, St Augustine, Trinidad and the Caribbean Centre for Money and Finance.

The opening address will be given by the
Prime Minister of Trinidad and Tobago :
Hon. Patrick Manning.

Feature Speakers Include:

Hon Kenny Anthony
Former Prime Minister of St Lucia

Ron Allenby
*Assistant Treasury Operations Manager ,
Bank of Canada*

Catherine Kumar
*Chair of the Bankers' Association of
Trinidad and Tobago*

Hon Mariano Browne

Minister in the Ministry of Finance of Trinidad and Tobago

David Dulal-Whiteway

CEO of Republic Bank of Trinidad and Tobago, among others.

REGISTRATION FEE

Delegates US \$400

Academics US \$250

Students. US \$50

For further information and registration please contact :

Ms. Jo Anne Lodge or Ms. Ayanna Lewis
Conference Secretariat
C/o Caribbean Centre for Money and Finance
The University of the West Indies
St. Augustine
Trinidad and Tobago
Tel: 868 645 1174 Ext 2549
Fax: 868 645 6017
Email: bbf3@sta.uwi.edu

STAFF OF THE CARIBBEAN CENTRE FOR MONEY AND FINANCE

Executive Director :

Dr. Delisle Worrell

662-2002 ext 2550

DeLisle.Worrell@sta.uwi.edu

Research Fellow :

Mr. Dave Seerattan

662-2002 ext 2552

Dave.Seerattan@sta.uwi.edu

Research Fellow :

Ms. Tracy Polius

662-2002 ext 2547

Tracy.Polius@sta.uwi.edu

Research Fellow :

Mr. Anthony Birchwood

662-2002 ext 2545

Anthony.Birchwood@sta.uwi.edu

Research Assistant:

Ms. Julia Jhinkoo

662-2002 ext 2546

Julia.Jhinkoo@sta.uwi.edu



CARIBBEAN CENTRE
FOR MONEY & FINANCE

The University of the West
Indies
St. Augustine
Trinidad and Tobago
Phone: 868-645-1174
Fax: 868-645-6017
E-mail: ccmf@sta.uwi.edu