



## **CARIBBEAN ECONOMIC PERFORMANCE IN 2011 AND OUTLOOK FOR 2012**

Economic growth in the Caribbean in 2011 was mixed. The region-wide average growth rate in 2011 was 2.2% up from 0.9% in 2010. Growth was well above that 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 growth was compounded by rising prices. The average inflation rate increased from 4.9% in 2010 to 6.9% in 2011. Inflation ranged between 4% in the Bahamas and 17.8% in Suriname. Trinidad and Tobago was the only country to not experience an increase in its inflation rate in 2011.

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

Caribbean countries had mixed performances with respect to their external accounts. A rise in tourism

earnings improved the balance of payments for the 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 performance of the economies has been conditioned by global economic developments including slower growth and weaker labour markets than had been forecast for the global economy as a whole and for the advanced economies. Substantial downside risks linked to financial market fragility and fiscal and debt sustainability in the global environment exist for 2012. Against this backdrop, the International Monetary Fund projects very slow economic growth in the Caribbean in 2012. The average projected growth rate is 2.5% with only Belize, Guyana, Haiti and Suriname being above the average.

**By Prof. Compton Bourne**  
**Executive Director**  
**Caribbean Centre for Money and Finance**

## REGIONAL NEWS SUMMARY

### CL FINANCIAL

- CL Financial shareholders, at an extraordinary general meeting, unanimously agreed to grant a limited liability company called United Shareholders Ltd (USL) the authority to negotiate the future of the conglomerate on behalf of its shareholders. They also approved a resolution that the board of CL Financial form a shareholders' sub-committee that shall have the authority to negotiate and recommend to the CL Financial board any agreement, consent, extension or any other documentation supplemental to or derived from the Memorandum of Understanding of January 30, 2009 and the Shareholders' Agreement of June 12, 2009 (TG 16 May)
- Both CL Financial and subsidiary CLICO have issued pre-action protocol letters to Barbados-registered Proman Holdings Ltd as the companies seek to recover 51% of CLICO Energy Ltd (TE 26 May)

### CARIBBEAN

- Barbados' main economic engine seems to be sputtering as commercial banks report that a sizeable portion of their non-performing loans are linked to the tourism industry (BN 26 Apr)
- The IDB has announced the approval of a \$27 million grant for a pilot programme to improve land tenure security in rural areas in northern and southern Haiti (CNnow 26 Apr)
- Well-known Caribbean make-up line Sacha Cosmetics is in the process of having its brand legally registered in Colombia, which will be the launching pad to retailing its products in the Latin American market (Caribseek 27 Apr)
- The Barbados economy has expanded by 1.5% during the first quarter of 2012, with the Central Bank suggesting that sustained economic growth will take some time to return, and Government has slashed the fiscal deficit from 9.1% of GDP in fiscal 2010/2011 to an estimated 5.4% for the fiscal year ended last month (BAdv 27 Apr)
- The Guyana National Assembly approved the 2012 National Budget, despite over \$20 billion being chopped from the original \$192.8 billion estimate (GuyTim 27 Apr)
- Barbados pension funds, insurance companies, and other domestic investors are the primary source of funds to prop up the island's public debt (Carib360 30 Apr)
- Private sector credit in T&T continued to expand in February 2012, albeit at a slower pace than in the previous two months (TE 1 May)
- Compete Caribbean is inviting applicants from the Caribbean and the Caribbean diaspora in the USA, Canada and the UK to apply for the Caribbean Idea Marketplace. Successful applicants can receive up to \$100,000 in funding to develop their innovative projects (Caribseek 1 May)
- National Commercial Bank Jamaica posted net profit of \$4.8 billion for the six months to March 31. The earnings represented a \$1.4 billion, or 22.1% decline from the comparative period in 2011 (JO 1 May)
- A company that cleans shipping tanks for the Scotch whisky industry is setting up shop in Jamaica to service tanks there rather than sending them all the way to Europe and back empty. Tanks unloading cargo such as milk or orange juice in Jamaica currently have to make the six-week round-trip crossing to Glasgow or Rotterdam between shipments if they're to be cleaned to the highest standard. The work can also be done in Houston, Texas, but at a higher price (JO 2 May)
- Caribbean governments have been taken to task for their increasing "appetite for taxation of the tourism industry" which is eating into the sector's earnings (Carib360 2 May)
- A comprehensive survey involving thousands of accountants from around the world notes that business confidence in The Bahamas is the lowest in the Caribbean. While Jamaica has seen an improvement in business confidence, the region at large is underperforming compared the rest of the Americas (CNnow 3 May)
- RBC Royal Bank and RBTT are now operating under the new RBC Brand in Barbados - RBC Royal Bank (Barbados) Limited (BAdv 3 May)
- Despite the B\$603 000 half-year loss registered by Pine Hill Dairy the chairman says it will not

## REGIONAL NEWS SUMMARY CONT'D

- turn to more job cuts as a response to the challenges the company is facing (BN 3 May)
- Latin America and the Caribbean received US\$153.448 billion from foreign direct investment in 2011, which represents 10% of the global total flows according to a report presented by ECLAC (Caribseek 4 May)
  - T&T's Central Bank governor Ewart Williams is more concerned that the industrial relations climate rather than the current political situation could have more of an impact on investors' desire to get into the local economy (TE 4 May)
  - The first three months have shown a stellar performance within the island's cruise industry, as more of these passengers have visited Barbados compared with figures for the corresponding period last year (BAdv 7 May)
  - Fast-growing trade and investment between the Asia-Pacific area and Latin America and the Caribbean have transformed the two regions into powerful motors for the world economy, with two-way trade hitting US\$442 billion last year (GuyTim 7 May)
  - The Barbados Stock Exchange has reiterated its commitment to developing the local capital market. According to the BSE's report on the first three months of the year, overall trading volume fell 78% and trading value, 93% (BN 7 May)
  - Remittances to LAC countries grew 8% from 2010 to 2011, nearly returning to pre-recession, 2007 levels, according to a report just released by the Inter-American Dialogue (Caribseek 8 May)
  - Assets under management at the Unit Trust Corporation increased by 3.1% in 2011, from \$20.8 billion in 2010 to \$21.53 billion last year. But investment income earned by some of the Corporation's unit schemes and mutual funds declined last year (TE 9 May)
  - A new report released by the Center for Economic and Policy Research is warning Jamaica that its fragile economic recovery will be dangerously hampered by demands by the IMF and other donors. It said pro-cyclical macroeconomic policies, implemented under the auspices of the IMF, damaged Jamaica's recent and current economic prospects (JG 9 May)
  - A dramatic rise in the oil bill alongside flat tourism inflows caused Jamaica's current account deficit to more than double last year (JG 9 May)
  - Angostura Holdings has posted a \$20 million after-tax profit for its first quarter ended March 31, 2012. This is an 88.6% increase over last year's \$9.4 million result, company chairman Gerald Yetming (TE 10 May)
  - Jamaica's interest payments as a percentage of gross domestic product were the highest in the world last year even after a domestic debt restructuring two years ago; total interest payments were about US\$1.4 billion in 2011, or about 10% of GDP. That's about two-and-a-half times what was spent on capital programmes (TG 10 May)
  - The government has indicated its intention to collect J\$1.32 billion from traffic tickets this fiscal year. The Government last year collected \$620 million from traffic tickets, slightly less than the \$620.1 million collected the previous year (JG 11 May)
  - CARICOM rum producers are getting high-level support in their protest against subsidies that are giving foreign rum producers in the USVI preferential access to the United States market (Carib360 11 May)
  - Jamaica's Debt Exchange two years ago may have lowered its interest costs, but the country remains in a debt trap, with payments by far the highest in the world, relative to GDP. Jamaica's interest payments remain extremely high, amounting to nearly 10% of GDP in 2011, or 2.5 times what was spent on capital programmes (JO 11 May)
  - A tussle between T&T's First Citizens Bank and an unnamed commercial bank ended with the former entity agreeing to pay \$90 million for Butterfield, which is the smallest of the six commercial banks operating in Barbados (BN 11 May)
  - St. Kitts & Nevis and Brazil have signed a partial scope agreement that made the twin-island federation the only Caribbean country with almost zero-tariff access to the Brazilian market (JG 14 May)



## REGIONAL NEWS SUMMARY CONT'D

- More than half of the families in 41 of Latin America's biggest cities cannot afford to buy a proper formal dwelling using their own means, according to a new study about housing in the region by the IDB (GuyTim 15 May)
- BP and BG Trinidad and Tobago signed three production sharing contracts for oil and gas exploration as a culmination of last July's deep water energy bid round (TE 15 May)
- Exploratory drilling conducted in the past year has found precious metals worth potentially US\$20 billion deep below the ridges in Haiti's northeastern mountains. A mining company is now drilling around the clock to determine how to extract them (Carib360 16 May)
- More than two years after the January 2010 earthquake in Haiti, NGOs and private contractors are continuing to provide 80% of the country's social services. The dominance of primarily international actors has led to the creation of a "parallel state structure more powerful than the government itself", according to a recent report (Caribseek 16 May)
- Latin America and the Caribbean face a large and growing housing deficit, which can only be addressed if governments in the region foster greater private sector investment to increase the supply of adequate and affordable housing, according to the IDB (GuyTim 16 May)
- Guyana's Tourism Ministry has reported a record high of 36,352 arrivals in the first quarter of this year, representing a 20% increase over last year's international arrivals (GuyTim 16 May)
- Guyana's Minister of Natural Resources Robert Persaud has claimed in local Guyanese media that a large amount of gold is smuggled each year out of his country to Suriname (SN 17 May)
- The findings of the January 2012 **Labour Force Survey** released in May put the unemployment rate at 14.1%, compared to 12.9% one year ago. Some 23,100 jobs were lost last year, according to the current survey, but not everyone left the labour market (JG 18 May)
- The Bahamas must consider a value-added tax or other measures to boost revenue and bring it more in line with other countries in the region, according to an analyst at Moody's credit ratings agency (CNnow 18 May)
- The U.S. Department of Treasury's Office of Technical Assistance Economic Crimes is working with Guyana's financial institutions to build capacity to combat and prosecute money laundering and procedures to better monitor non-bank financial institutions will also be on the radar (SN 21 May)
- The final US\$280,000 (GUY\$55 million) of a debt owed by Guyana to the former Soviet Union will be cancelled (Carib360 21 May)
- Prices in Barbados have surged by roughly 16% over the past two years and by 9.4% in 2011 alone. That rate of inflation is three times higher than that of the inflation in the entire Caribbean (BAAdv 21 May)
- The Heritage and Stabilisation Fund, worth US\$4B (TT\$25.720B), made a net gain of US\$10 million (TT\$64.30M) for the 2010-2011 financial year (Newsd 23 May)
- It is not so much a question of if the Government must remove subsidies, but how, and the circumstances under which the State goes about it, two financial experts have said (TE 23 May)
- The US based rating agency, Moody Investors Services has downgraded the credit ratings of the Caribbean Development Bank by one notch from Aaa to Aa1 (TG 24 May)
- CARICOM countries have been warned that they need to implement a raft of reform policies with immediate effect, as the region seeks to overcome the impact of the global economic and financial crisis (GuyTim 24 May)
- More than 60 business leaders from Central America and the Caribbean met recently in Port of Spain, to discuss new opportunities for partnerships and expanding business between the two regions, as well as challenges to trade (Carib360 24 May)
- Locals and residents as well as small businesses in Saint Lucia who wish to access immediate funds for daily needs or business working capital can now do so more quickly and more efficiently than ever before. The country's newest micro-finance institution, Axcel Finance, specializes in

## REGIONAL NEWS SUMMARY CONT'D

- Xpress Loans, hire purchase and small business financing (CNnow 25 May)
- Standard & Poor's says in a new report on the Caribbean that economic growth and foreign direct investment has slowed while public debt has increased. It says external public-sector debt for the region rose to 29% of gross domestic product last year, up from 20% in 2008 (JO 25 May)
  - The Central Bank of T&T announced that headline inflation increased to 11.8% from 9.1% in March (TE 26 May)
  - The government's fiscal policy paper for 2012/2013 advises that Jamaica's fiscal budget is based on a "sharp upfront fiscal adjustment", and projects a slightly lower growth rate of one per cent for the new fiscal year. The fiscal deficit is expected to contract to 3.8% of GDP (JO 27 May)
  - During the Caribbean Development Bank's 42<sup>nd</sup> annual meeting, the CDB, the World Bank and the IDB formally signed a memorandum of understanding to jointly support the work of the Caribbean Growth Forum (GuyTim 28 May)
  - Former Minister in the Ministry of Finance Mariano Browne said the fall in this country's natural gas production should be a major source of concern for every citizen (Newsd 28 May)
  - Figures from the St Christopher Air and Sea Ports Authority (SCASPA) show a triple-digit increase in yacht arrivals and a double-digit increase in passengers aboard yachts for the first three months of this year compared to the same period in 2011 (CNnow 29 May)
  - CARICOM member states have been allocated €3.45 million to help enhance their capacity to further implement the CARICOM Single Market and Economy (Carib360 29 May)

### STAFF OF THE CARIBBEAN CENTRE FOR MONEY AND FINANCE

**Executive Director :**  
*Prof. Compton Bourne*  
(868) 662-2002 ext 82550

[Compton.Bourne2@sta.uwi.edu](mailto:Compton.Bourne2@sta.uwi.edu)

**Research Fellow :**  
*Mr. Dave Seerattan*  
(868) 662-2002 ext 82552  
[Dave.Seerattan@sta.uwi.edu](mailto:Dave.Seerattan@sta.uwi.edu)

**Research Fellow :**  
*Ms. Tracy Polius*  
(868) 662-2002 ext 82553  
[Tracy.Polius@sta.uwi.edu](mailto:Tracy.Polius@sta.uwi.edu)

**Research Fellow :**  
*Anthony Birchwood (PhD)*  
(868) 662-2002 ext 82545  
[Anthony.Birchwood@sta.uwi.edu](mailto:Anthony.Birchwood@sta.uwi.edu)

**Junior Research Fellow:**  
*Ms. Julia Jhinkoo*  
(868) 662-2002 ext 82546  
[Julia.Jhinkoo@sta.uwi.edu](mailto: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](mailto:ccmf@sta.uwi.edu)  
Website : [www.ccmf-uwi.org](http://www.ccmf-uwi.org)