



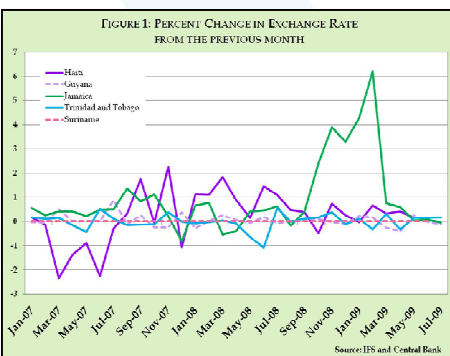
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## THE GLOBAL ECONOMIC CRISIS – HOW ARE CARIBBEAN ECONOMIES COPING?

Economic activity has declined almost everywhere in the region, although Jamaica is the only country where the balance of payments has come under pressure as a result of the global crisis. Many countries experienced foreign exchange losses, but in all cases foreign reserves remained adequate, and a few countries experienced increases in reserves. Not unexpectedly, tourism has been adversely affected by the worldwide slump in tourist travel, with falling arrivals almost everywhere in the Caribbean. Inflation rates have declined, in most cases quite significantly. Interest rates have fallen in most countries, except Jamaica where a strong interest rate hike was among the measures adopted to relieve pressure on foreign exchange.

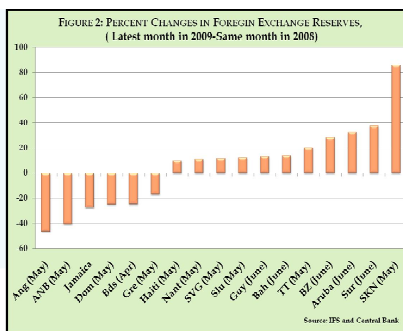
No Caribbean country appears to have avoided economic contraction in 2009. Real output was reported by the respective central banks to have contracted by 3.3 percent in Trinidad and Tobago (first quarter), by 3 percent in Barbados (the year to June), and by between 3.5 and 4.5 percent in Jamaica (second quarter). In Aruba, the commonly used indicator of economic activity, the real turnover tax revenue, was down 10 percent in April, continuing a falling trend evident since the beginning of the year.

There were losses in foreign exchange reserves in Barbados, the ECCU, Jamaica and Trinidad and Tobago, which left the reserves from about seven percent to 25 percent below corresponding levels of a year earlier, for the most recent data. However, Jamaica was the only country where the exchange rate depreciated, prompting a strong official response, combining foreign exchange sales with a large interest rate increase. The exchange rate slide, which began early in October 2008, was largely arrested at the end of January 2009, and the



rate has remained unchanged since April (Figure 1). Aruba, Belize, Guyana, Haiti and the Netherlands Antilles all recorded higher levels of foreign exchange reserves, comparing the latest month with a year

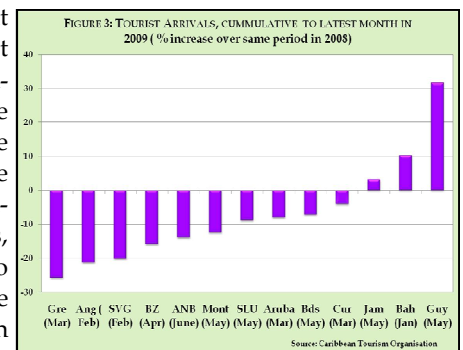
earlier, with increases ranging from 10 to 30 percent. In The



Bahamas, in contrast to other tourism-dependent economies, foreign exchange reserves in the second quarter fluctuated around the same levels as for the same period in 2008, and at the end of June were somewhat higher. (Changes in reserves are shown in Fig-

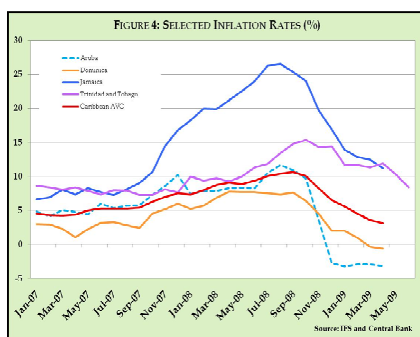
ure 2.)

Tourist arrivals for the first quarter in Jamaica were about the same as for the same period in 2008, but elsewhere arrivals fell by between five and 15 percent, from comparable periods a year earlier, for the most recent data (Figure 3). In Barbados, where value added in the tourism sector was estimated to have fallen by eight percent in the first half of 2009, compared to the same period of 2008, the Canadian market, the smallest of the country's major segments, was the only one to have increased. The decline in Caribbean tourism is more or less in line with the fall in international tourist arrivals, estimated by the World Tourism Organisation at eight percent for the first four months of 2009 (See *UNWTO World Tourism Barometer*, June 2009, [www.unwto.org](http://www.unwto.org)).



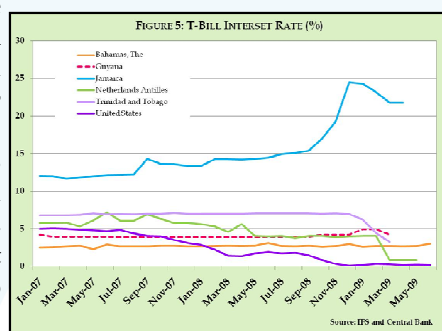
Inflation has been on the decline throughout the Caribbean, and rates have fallen below four percent year on year, except for Jamaica and Trinidad and Tobago. Prices are reported to have declined in Aruba, and there has been no increase in the price index for Dominica since December. At the other extreme, inflation in Jamaica was 8.9 percent for the second quarter, and in Trinidad and Tobago the rate at June was 8.4 percent. (Inflation comparisons are shown in Figure 4.)

## THE GLOBAL ECONOMIC CRISIS – HOW ARE CARIBBEAN ECONOMIES COPING? cont'd



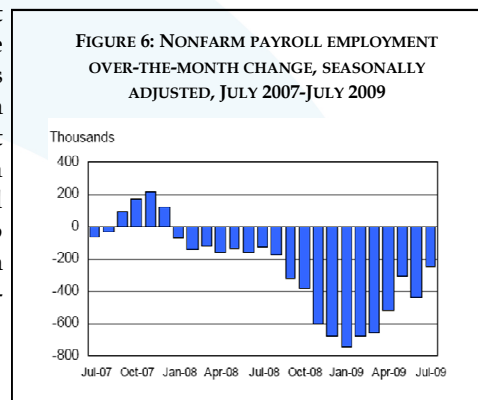
The Jamaican authorities employed a sharp interest rate hike as an element in their strategy to arrest the foreign exchange outflow and the depreciation of the exchange rate. As a result, treasury bill rates in that country rose to 24 percent in December 2008, and remained at 22 percent in

August. Elsewhere in the Caribbean treasury bill rates have not changed much if at all, except for the Netherland Antilles, where the rate fell to 0.8 percent in March, and Trinidad and Tobago, where the rate fell almost four percentage points to



3.2 percent in the first quarter. (Treasury bill rates are shown in Figure 5.)

The prospects for the Caribbean depend crucially on the recovery of the US economy. Unfortunately, the guarded optimism which has recently been expressed by US officials and others appears to lack a solid foundation, because jobs are still being lost in the US (Figure 6). It is difficult to understand how the US will achieve a recovery driven by consumer demand, when potential consumers are still losing jobs. What is more, the labour force is shrinking, an indication that the longterm unemployed are giving up their job search out of frustration.



## REGIONAL NEWS SUMMARY

### CL FINANCIAL

- British American Insurance Company in Barbados is still registering growth. (BN 28 Jul)
- The Bermuda Monetary Authority announced it had started winding up proceedings against British American Insurance Company (Bermuda branch), causing concern for clients. (TG 6 Aug)
- The life and health insurance portfolio of CLICO (Bahamas) Limited, Belize Branch has been ordered transferred to RF&G Life Insurance Company.
- A full audit is to be carried out on British American Insurance Company Limited in St Kitts and Nevis. (Cnn 12 Aug).
- Minister of Finance Karen Nunez-Tesheira said the Government is satisfied with the way CLICO has been using the first injection of cash provided by the State. (TE 5 Aug)
- CLICO has had its financial strength downgraded to C (weak) from B (fair) by AM Best. (TE 10 Aug)

### THE STANFORD GROUP

- Shredded documents seized from R. Allen Stanford's South Florida offices are being pieced back together by prosecutors. (Cnn 25 Jul)
- Stanford International Bank Ltd's court-appointed receiver is seeking to recoup \$925 million tied to certificates of deposit issued by Allen Stanford's Antigua-based bank. (Cnn 30 Jul). The judge ruled that he can sue investors only for interest payments they received from the financier. (Cnn 4 Aug)
- Allen Stanford will remain jailed until trial.

### OTHER NEWS

- DaCosta Mannings Inc said that there would be 81 redundant positions at month-end. (BN 25 Jul)
- The Central Bank of Barbados has asked four institutional investors to return around \$100 million they were allowed to invest outside of the Caribbean. (BN 29 Jul)
- In Barbados the minimum interest rate on deposits is to be cut by 0.5 from August 17. Commercial banks are committed to cutting interest rates on new and existing loans by 0.5 per cent in an effort to reduce borrowing costs to businesses (BN 2 Aug)
- Barbados' largest construction company is reported to have laid off about 100 employees. (BN 14 Aug).
- IFC's convertible financing of 60 million Guyana dollars (\$300,000 US equivalent) will help Guyana's Small Business Development Finance Trust Inc to grow its client base of micro, small, and medium enterprises. (Cnn 28 Jul)
- Trinidad and Tobago's economy contracted by 3.3 percent in the first quarter of this year as activity in the energy sector declined 2 percent. (Cnn 6 Aug) TT Government expects to run a fiscal deficit for this year and next year; the Central Bank has also forecast a deficit of \$1.6 billion. (TG 15 Aug)
- Prime Minister Bruce Golding criticized a credit rating downgrade of Jamaica by Standard & Poor's and said on Aug 11<sup>th</sup> there was "no chance" the nation would default on its foreign debt payments. (Cnn 12 Aug)
- St Kitts and Nevis' Current Account balance recorded a

## REGIONAL NEWS SUMMARY con'td

surplus of EC\$5.1 million in the first quarter of 2009 reflecting a favourable variance when compared to the projected surplus of EC\$0.9 million and the deficit of EC\$3.6 million in the corresponding period in 2008. (Cnn 12 Aug)

- Continued job losses across Trinidad and Tobago's labour market have pushed the unemployment rate to five per cent. (TE Jul 30)
- Trinidad and Tobago is in recession according to data released by the Central Bank. Between October 2008 and March 2009 the country's economic growth fell by more than four per cent. (TE 5 Aug). Retail sales have contracted by 7.8 per cent. (TE 6 Aug)
- In Barbados, Banks Holdings Ltd has put some employees on a four-day work week, and the Urban Development Commission is in the process of laying off over 20 workers. (TE 10 Aug)
- There has been a drop in sales (in Port of Spain) of between seven and 15 per cent for this year when compared with the same period last year. (TE 22 Aug)
- The Bank of Jamaica on 24<sup>th</sup> July cut interest rates by one percentage point on all its open-market securities, (JG 26 Jul), again on 30<sup>th</sup> July (JG 31 Jul) and 20<sup>th</sup> August (JG 21 Aug).
- Remittance inflows to Jamaica have dropped close to 16 per cent since January. (JG Aug 14)
- Barbados bank governor said the economy has contracted by 3.0 per cent through the first two quarters of the year, and the island's economy is in recession. (JG 26 Jul)
- International rating agency Standard and Poor's (S&P) has further downgraded Jamaica's credit rating from B- to CCC+. (JG 7

Aug)

- The Government of Jamaica has slashed its expenditure plans, spending \$18 billion less than it had scheduled in the first four months of this fiscal year, and projected income for the first four months of the year fell short by \$10 billion (JG 12 Aug)
- Antigua has received US\$50 million from the regional trade bloc ALBA to help pay back wages of public employees. (JG 14 Aug)
- Trinidad and Tobago's energy sector has lost three investors who were to pump an estimated US\$185 million combined in energy projects that include drilling programmes spread over a four-year period. (JG Aug 14)
- The Planning Institute of Jamaica reports that agriculture grew 9.2 per cent and financial services 5.1 per cent in the second quarter, real GDP across the spectrum fell 3.9 per cent. (JG 19 Aug)
- The Jamaican Government and the IDB have signed off on a US\$350,000 grant for Energy Efficiency and Conservation Technical Assistance, to be used to assist the Government reduce the monies spent on energy in the Public Sector. (JO 23 Aug)
- Hoteliers in Trinidad and Tobago are reporting that advance bookings for the next few months look grim. (TE 25 Aug)
- According to ECLAC in its most recent report the volume of trade in Latin America and the Caribbean will drop 13% in 2009, surpassing the 10% decline in world trade.

## CCMF SEEKS NEW EXECUTIVE DIRECTOR

The CCMF is looking for a dynamic economist or finance specialist with a graduate degree and research or policy experience to become its new Executive Director. The Executive Director heads a small team of dedicated professionals and contractors, who provide policy and information services to Caribbean central banks, financial institutions and regional businesses. The Centre's work is assisted by a distinguished group of research associates. The Centre publishes the *Caribbean Economic Performance Report*, the *Journal of Business Finance and Economics in Emerging Economies* (JBF3E), occasional monographs and collected papers volumes, as well as a range of financial and macroeconomic statistics. Its publications are all available online, at [www.ccmf-uwi.org](http://www.ccmf-uwi.org).

### Job Summary

Reporting to the Board of Directors, the successful candidate will have the following key responsibilities

- ⇒ To lead the development of a policy research agenda for the Centre
- ⇒ To secure its financial resources
- ⇒ To implement the work programme and upgrade services to the domestic, regional and international community.
- ⇒ Key Knowledge and Experience:
  - ⇒ Post-graduate degree in Economics
  - ⇒ A minimum of 5 years' experience at a senior management

level

- ⇒ Working knowledge of, or training in, management, finance or accounting would be an asset
- ⇒ Sound leadership and management capabilities
- ⇒ Possession of effective human resource management skills
- ⇒ Sound record of publications and evidence of continuing research on topics related to economics and finance

Anyone interested should contact Dr. Marion Williams, Governor of the Central Bank of Barbados and Chair of the Executive committee of CCMF, at (246) 436 6870 or email [AH-King@centralbank.org.bb](mailto:AH-King@centralbank.org.bb). They may also contact Kathleen Charles at (868) 645 1174 or [Kathleen.Charles@sta.uwi.edu](mailto:Kathleen.Charles@sta.uwi.edu) or write to the CCMF at :

### Caribbean Centre for Money and Finance

The University of the West Indies  
St. Augustine Campus  
Trinidad and Tobago, W.I.

The deadline for applications is **September 30th 2009**. The new Executive Director should assume office on November 1, or as soon afterwards as is practical.



## ANNOUNCEMENTS ....

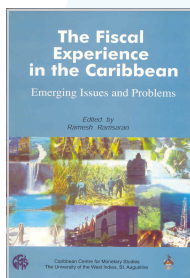
**41<sup>ST</sup> ANNUAL MONETARY STUDIES CONFERENCE****"Building Financial Sector Resilience in the Caribbean "****November 10<sup>th</sup>-13<sup>th</sup> 2009****Georgetown , Guyana**

Submissions are invited for the 41st Annual Monetary Studies Conferences , on the following themes :

- Financial Contagion
- Financial Integration
- Financial Volatility
- Countercyclical Fiscal Policy
- Debt and Fiscal Sustainability
- The Cost of Financial Rescue Package
- The Future of Commercial Banking
- Financial Sector Stability
- Financial Development and Related Issues
- Foreign Exchange Markets
- Financial Risk Management
- Economic Uncertainty and Economic Planning

Abstracts of the papers to be presented should be submitted by **Friday 4<sup>th</sup> September, 2009** to [ccmf@sta.uwi.edu](mailto:ccmf@sta.uwi.edu); [Kathleen.Charles@sta.uwi.edu](mailto:Kathleen.Charles@sta.uwi.edu) and [deputygovernor@bankofguyana.org.gy](mailto:deputygovernor@bankofguyana.org.gy) .

You are kindly requested to forward papers for the Conference directly to the Bank of Guyana, via email to [deputygovernor@bankofguyana.org.gy](mailto:deputygovernor@bankofguyana.org.gy) in Microsoft Word format by **Friday 30<sup>th</sup> October, 2009**.

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**1<sup>ST</sup> YEAR ANNIVERSARY**

This marks the first anniversary of the CCMF Newsletter, as such we would like to take this opportunity to thank all of you that have made our newsletter a success. As we are about to enter our second year of circulation we would like you to send us your comments or suggestions that will enable us to better improve this publication.



Send e-mails to : [ccmf@sta.uwi.edu](mailto:ccmf@sta.uwi.edu)

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