

CARIBBEAN ECONOMIC REVIEW AND OUTLOOK

**BLUEPRINT FOR
CARIBBEAN ECONOMIES**

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AGENDA

1. **The Global Picture**
2. **Caribbean Economic Performance and Outlook – the usual Macroeconomic view**
3. **Caribbean Economic Performance and Outlook – a detailed Microeconomic view**
4. **Policy Blueprint for resilient economies – implications and policy choices**
5. **CDB Support for Trade and Competitiveness**



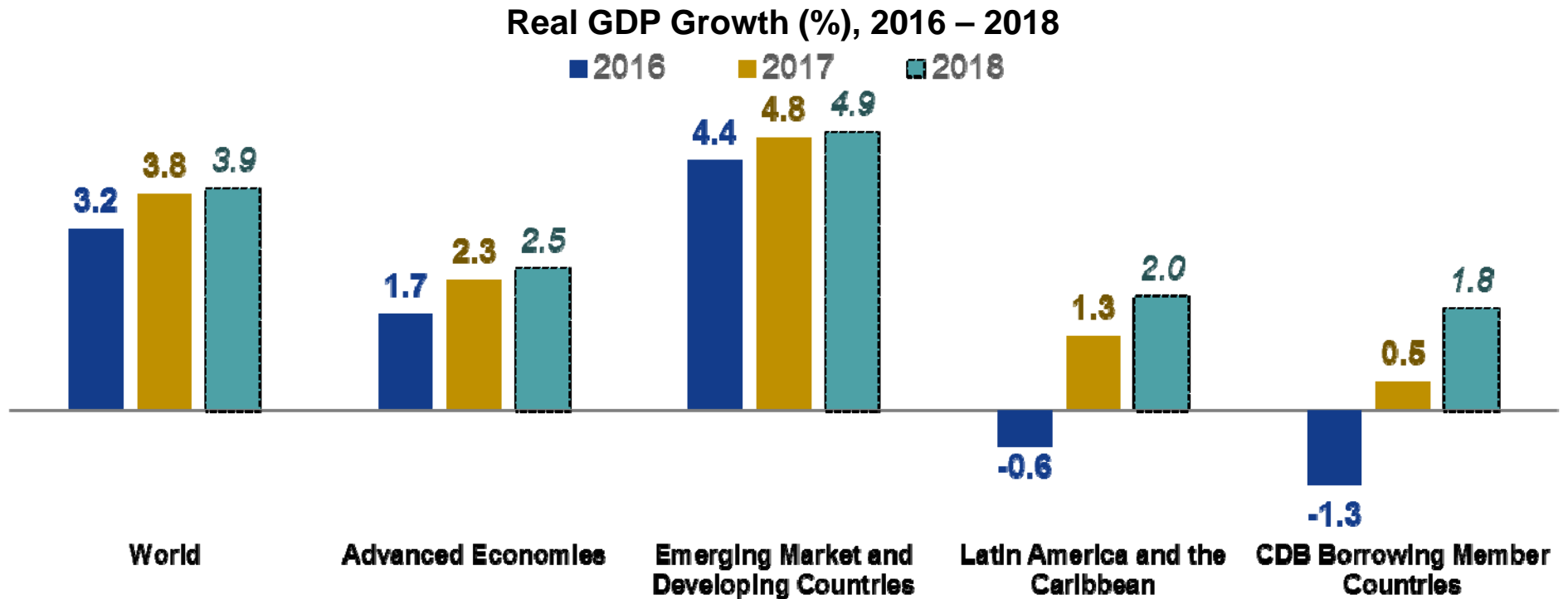


The global picture





Global outlook is more positive with the LAC region improving, but still lagging behind



Source: CDB, IMF WEO Update April 2018



Risks and opportunities

RISKS

- Continued uncertainty in U.S. Policy
- Weakening U.S. Dollar
- BREXIT
- Other geopolitical risks, including possible roll back in trade resulting from populist movements, Syria
- China rebalancing
- Non-inclusive growth
- Increased Oil Prices
- Natural disasters and extreme weather
- Latin American politics

OPPORTUNITIES

- Rising commodity prices
- U.S. fiscal stimulus
- Continued China stimulus
- Rapid advancement of AI and digital
- Improved economic prospects in advanced economies
- Effects of a weak US dollar on UK and European travel to the region
- Recovery in Brazil and Latin America
- Brexit and Commonwealth

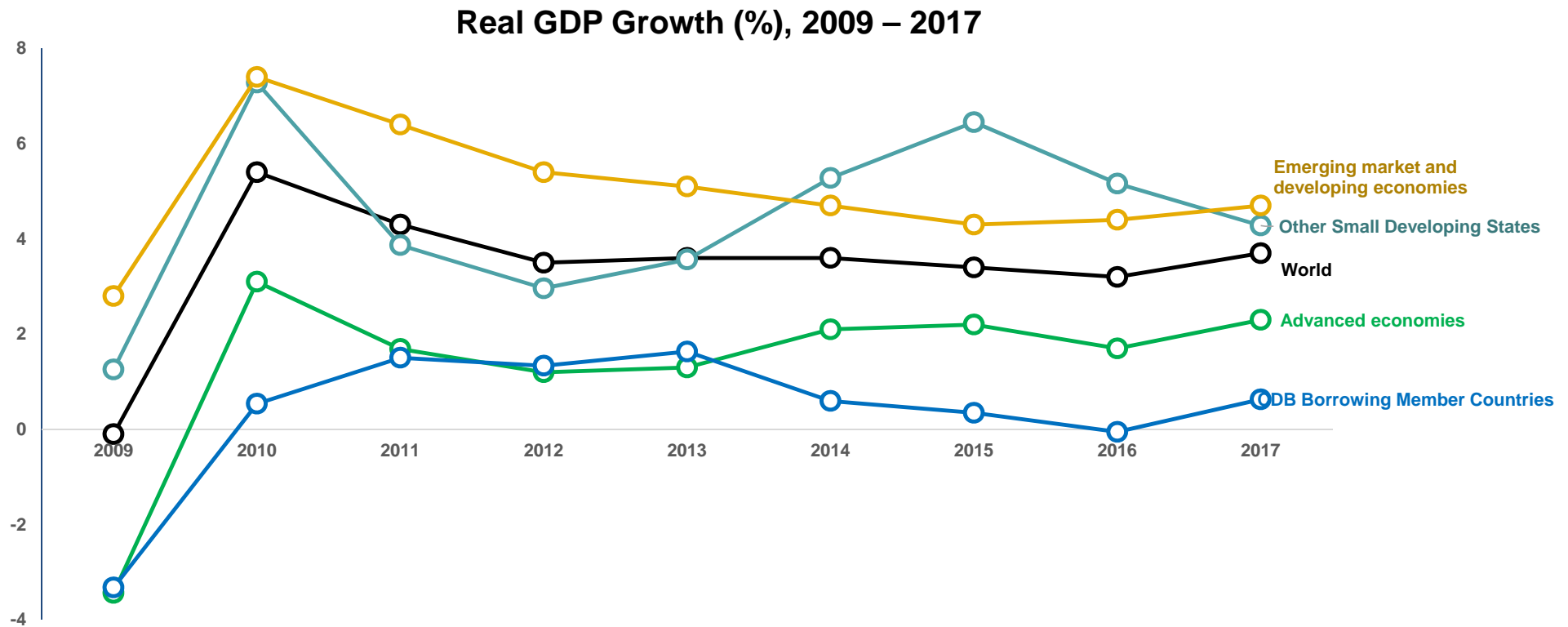


Caribbean economic review and outlook – Macroeconomic view





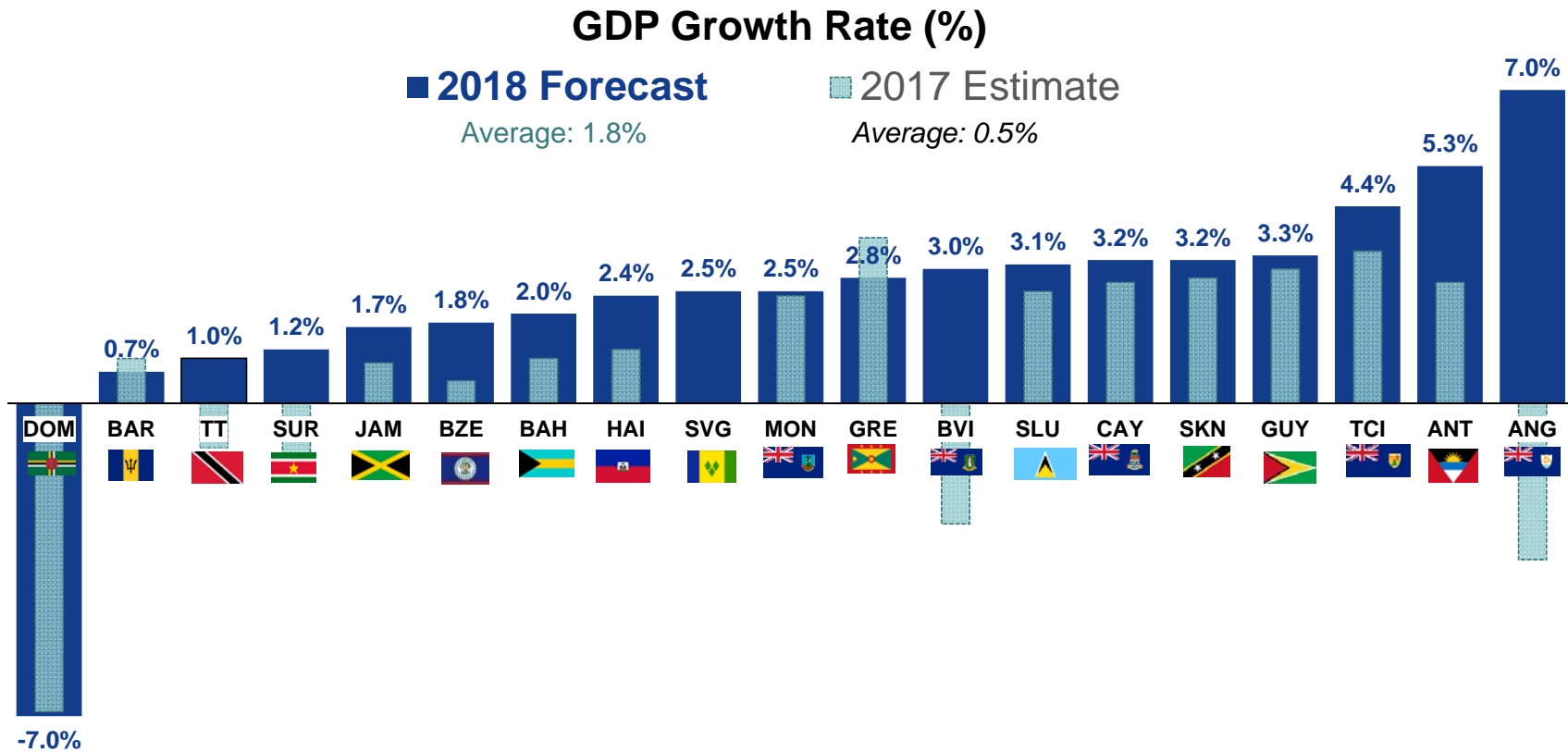
Average BMC growth is consistently lower than other small and developing states



Source: IMF, WEO, CDB



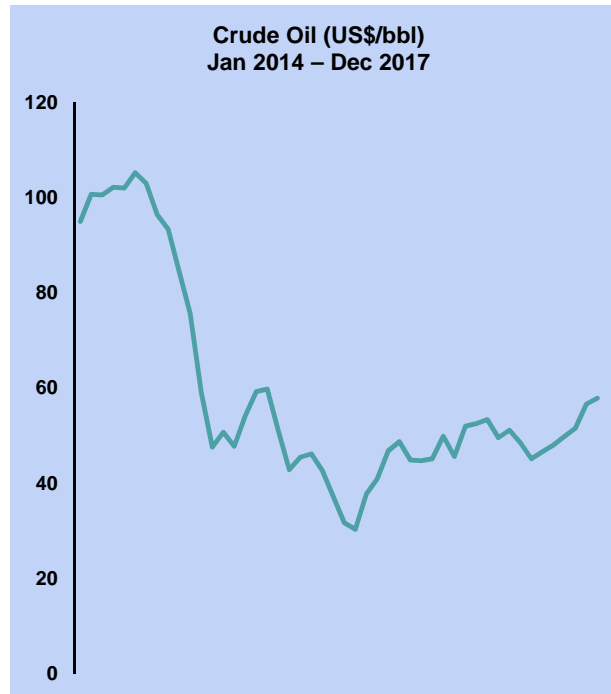
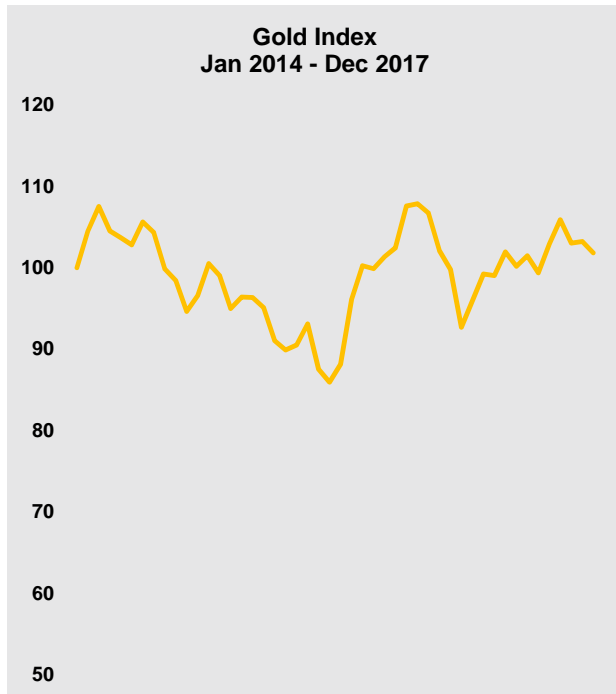
This year, average regional economic growth is anticipated to improve to 1.8%



Source: CDB, IMF WEO, ECLAC, Central Banks



Commodity prices still relatively low & visitors arrivals have recovered



Sources: IMF, CTO

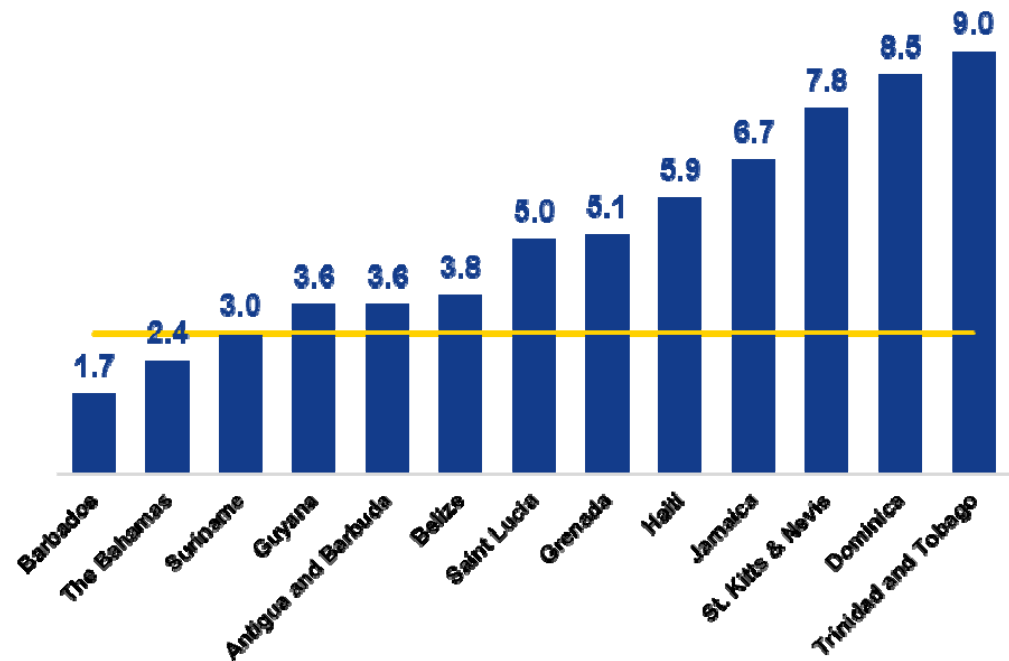


Many regional governments are highly indebted and have weak reserve positions

Government Debt/GDP (%)
EOY 2017 | Change from 2016 to 2017

	2017	Change		2017	Change
BAR	157.1	-4.4	SUR	63.2	-5.6
JAM	113.4	-6.0	TT	60.1	+1.3
BZE	93.9	+1.6	ANG	56.8	-3.8
ANT	78.3	-3.6	GUY	45.2	-0.5
SVG	76.8	-5.3	HAI	32.6	-1.1
DOM	69.4	-3.3	BVI	18.7	-0.1
BAH	72.7	+4.7	CAY	14.7	-1.6
SLU	68.5	-1.0	TCI	7.4	-0.2
GRE	66.3	-10.0	MON	6.1	+1.0
SKN	64.6	-0.2			

Total Reserves in Months of Imports
EOY 2017



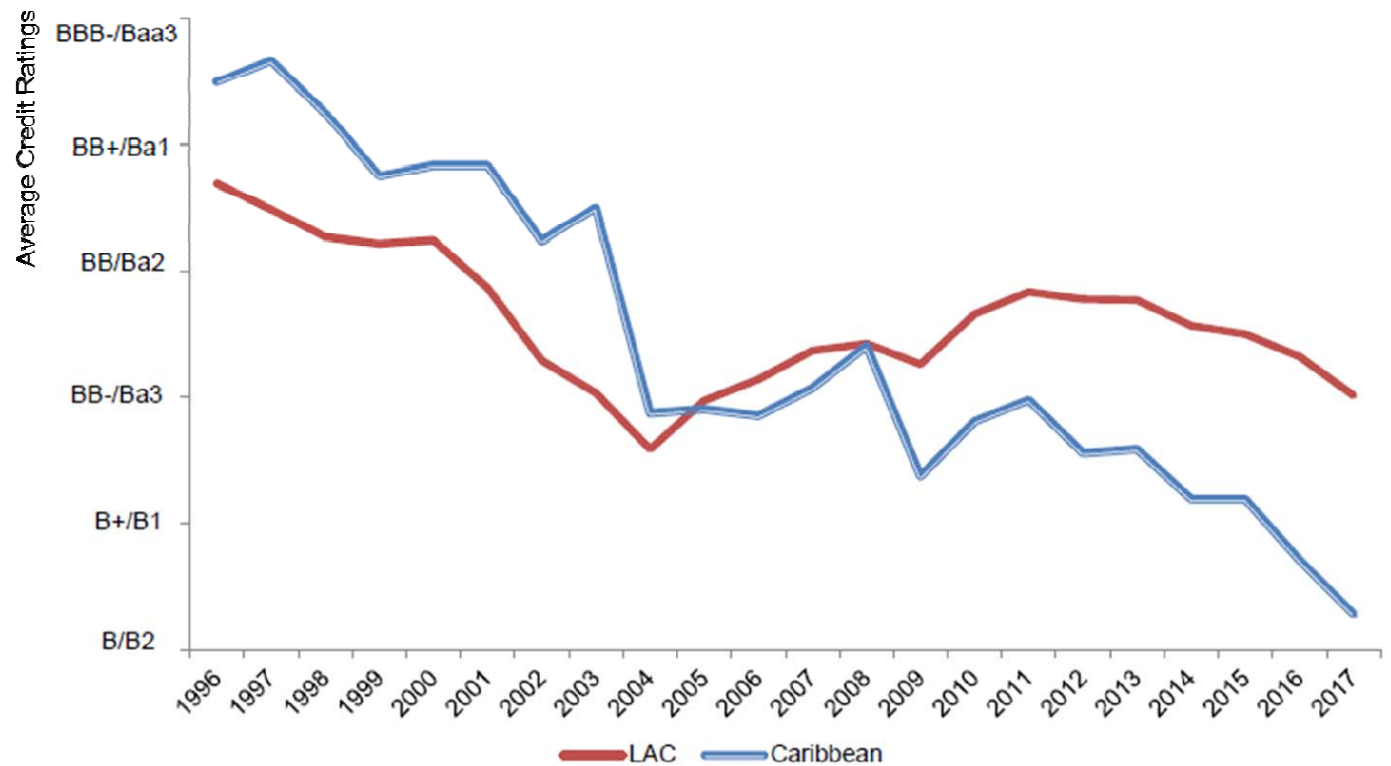
Median Government Debt = 64.6% GDP

Source: CDB, World Bank, Central Banks



Average regional credit ratings have deteriorated in the last two decades

Credit Ratings: Caribbean vs. LAC Average Rating : Fitch, Moody's and Standard & Poor's





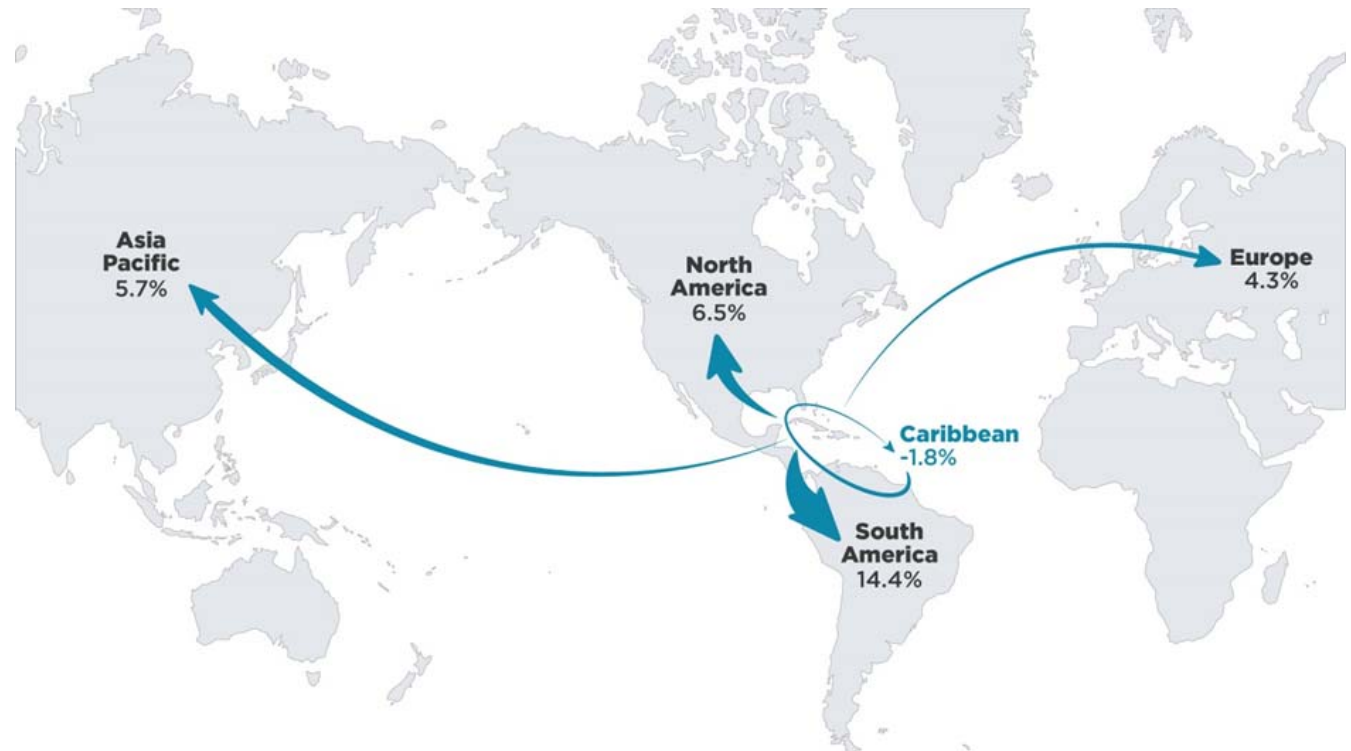
Caribbean economic review and outlook – Microeconomic view





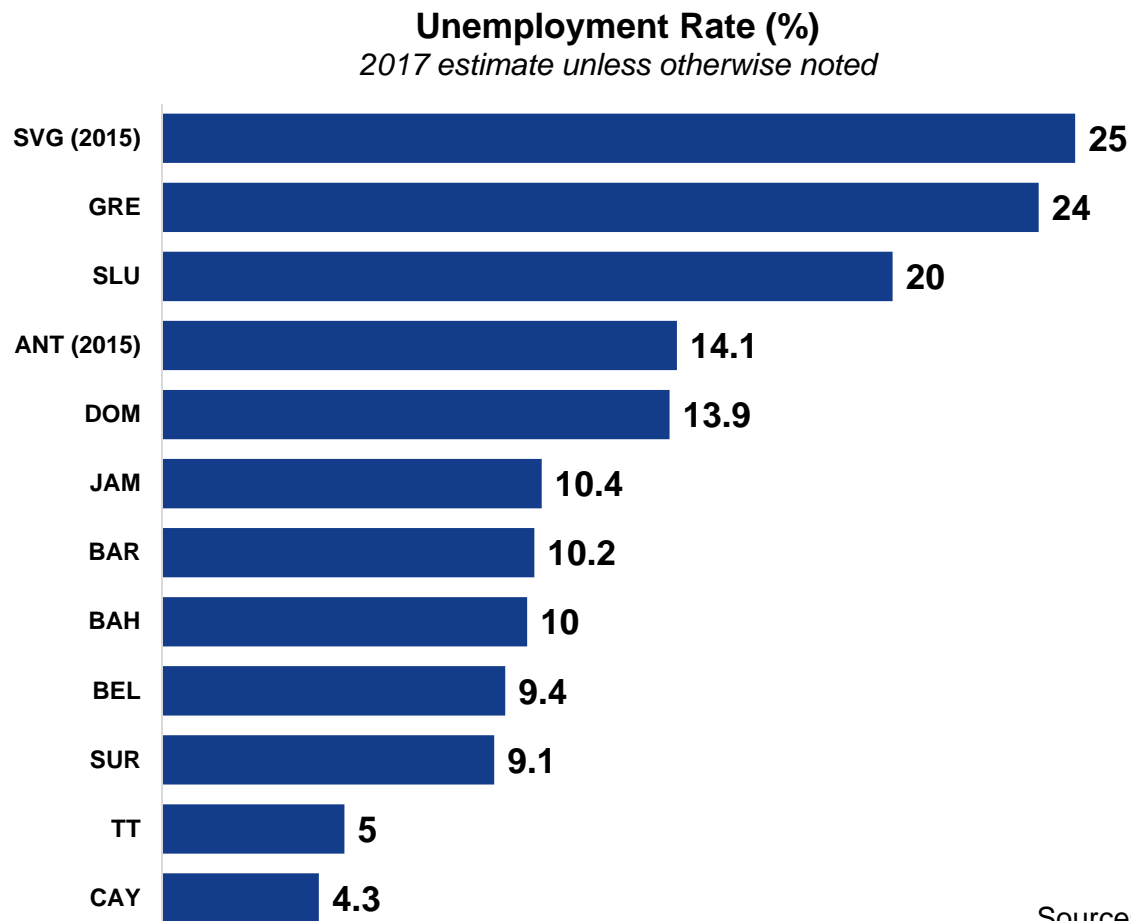
Passenger Traffic Growth from the Caribbean, CAGR 2006-2016

**Decline in
intra-
regional air
traffic**





Many BMCs have had double-digit rates of unemployment for more than a decade

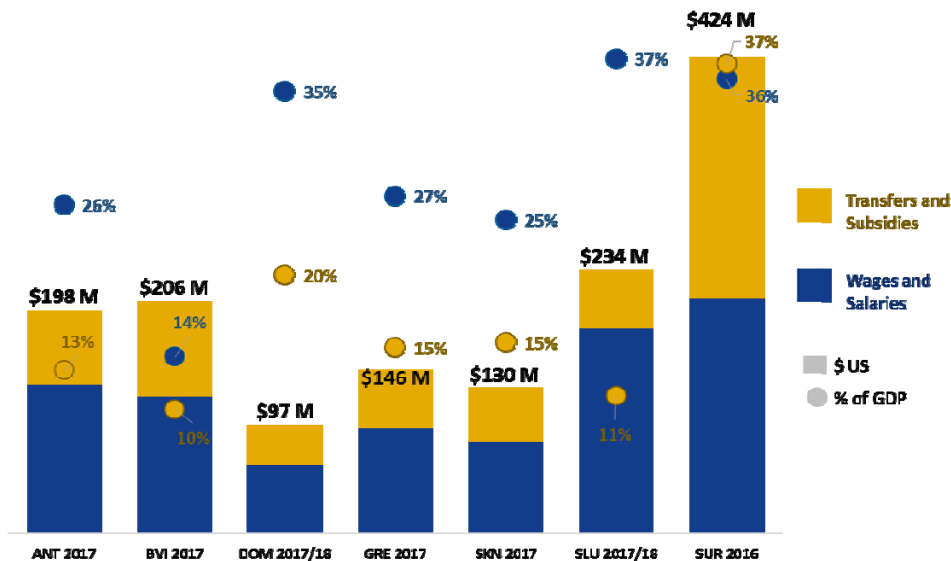


Sources: IMF, Statistical Offices, CDB

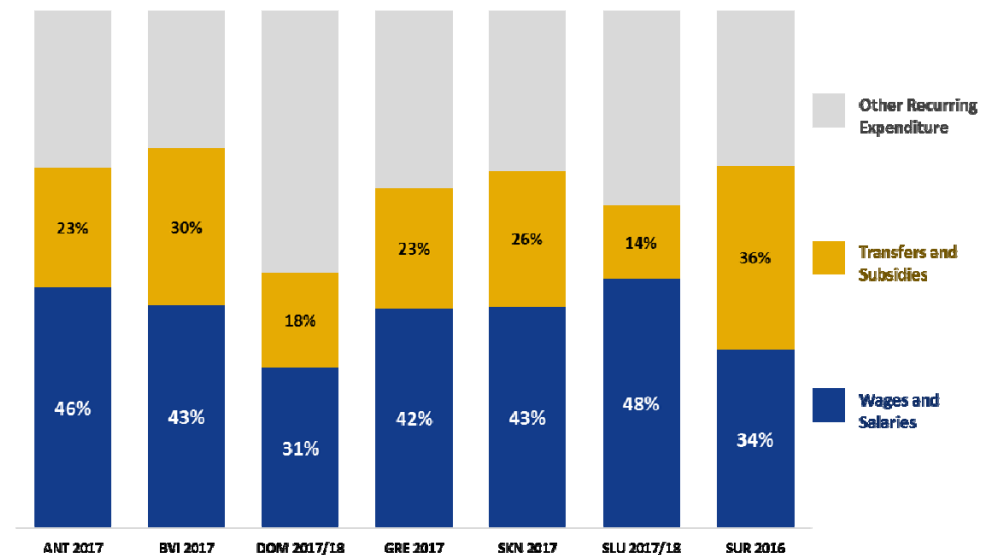


Caribbean governments can no longer afford current levels of expenditure

Wages & Salaries and Transfers & Subsidies, Total and as a % of GDP



Wages & Salaries and Transfers & Subsidies as a % of Recurring Government Expenditure



Source: Government Estimates

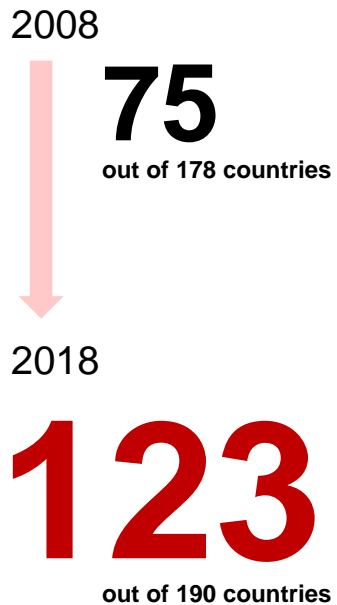


Doing Business rankings deteriorated across the region

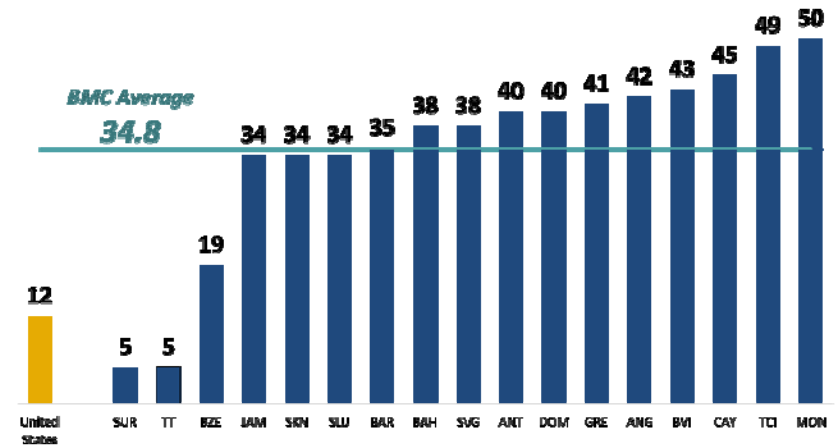
WB Ease of Doing Business Rank

Country	2008		2018
NZ	2	↑ 1	1
SIN	1	↓ 1	2
JAM	63	↓ 7	70
SLU	34	↓ 57	91
DOM	77	↓ 21	98
TT	67	↓ 35	102
ANT	41	66	107
BAR	NR		117
BAH	51	↓ 68	119
BZE	59	↓ 62	121
GUY	104	↓ 22	126
SVG	54	↓ 75	129
SKN	64	↓ 70	134
GRE	70	↓ 72	142
SUR	142	↓ 23	165
HAI	148	↓ 33	181

Regional Average



Local Electricity Tariffs (US¢/kWh), 2012



Generally high electricity costs also contribute to low business competitiveness



2017 ICT Development Index, Ranking and Inputs

Over half of the BMCs surveyed do not have a single internet service offer for speeds 100 M and higher

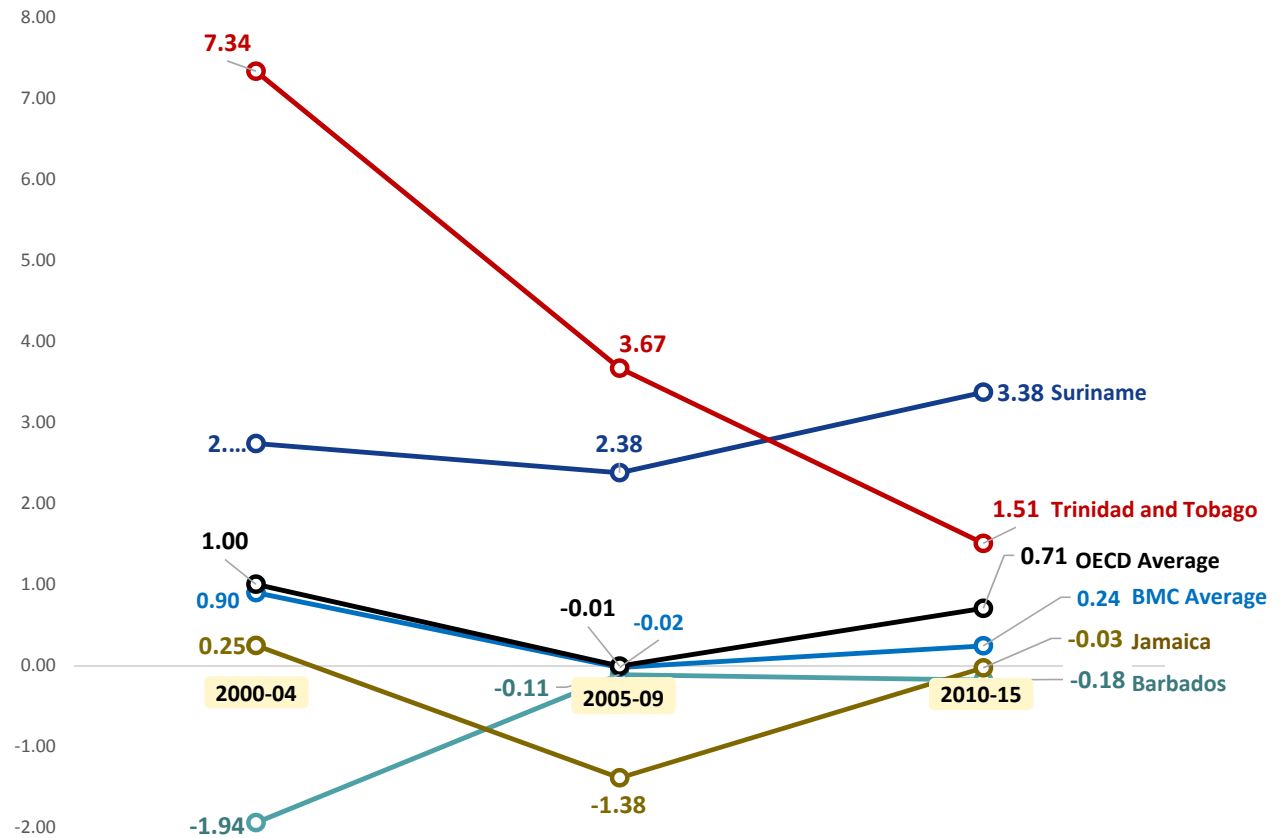
	IDI Rank <i>out of 175</i>	Access	Use	Skill	Highest d/l speed	
					Speed/bps	Price (USD)
ANT	75	6.3	4.0	6.2	2 M	\$62.20
BAH	64	6.8	4.5	7.5	300 M	\$229.99
BAR	35	8.2	5.9	7.7	1 G	\$297.50
BZE	119	3.7	2.6	5.8	16 M	\$199.52
DOM	69	6.4	4.8	6.1	50 M	\$76.93
GRE	74	6.3	3.8	7.0	100 M	\$128.46
GUY	121	4.3	1.7	5.7	10 M	\$46.37
JAM	99	4.8	3.6	5.8	200 M	\$116.43
SKN	34	7.7	6.5	7.6	48 M	\$128.09
SLU	94	5.7	3.7	5.5	100 M	\$124.22
SUR	84	5.9	4.5	4.7	6 M	\$39.74
SVG	78	6.5	3.9	5.9	100 M	\$128.09
TT	67	7.0	4.5	5.7	1 G	\$296.30

Source: ITU



Measuring Productivity – Total factor productivity

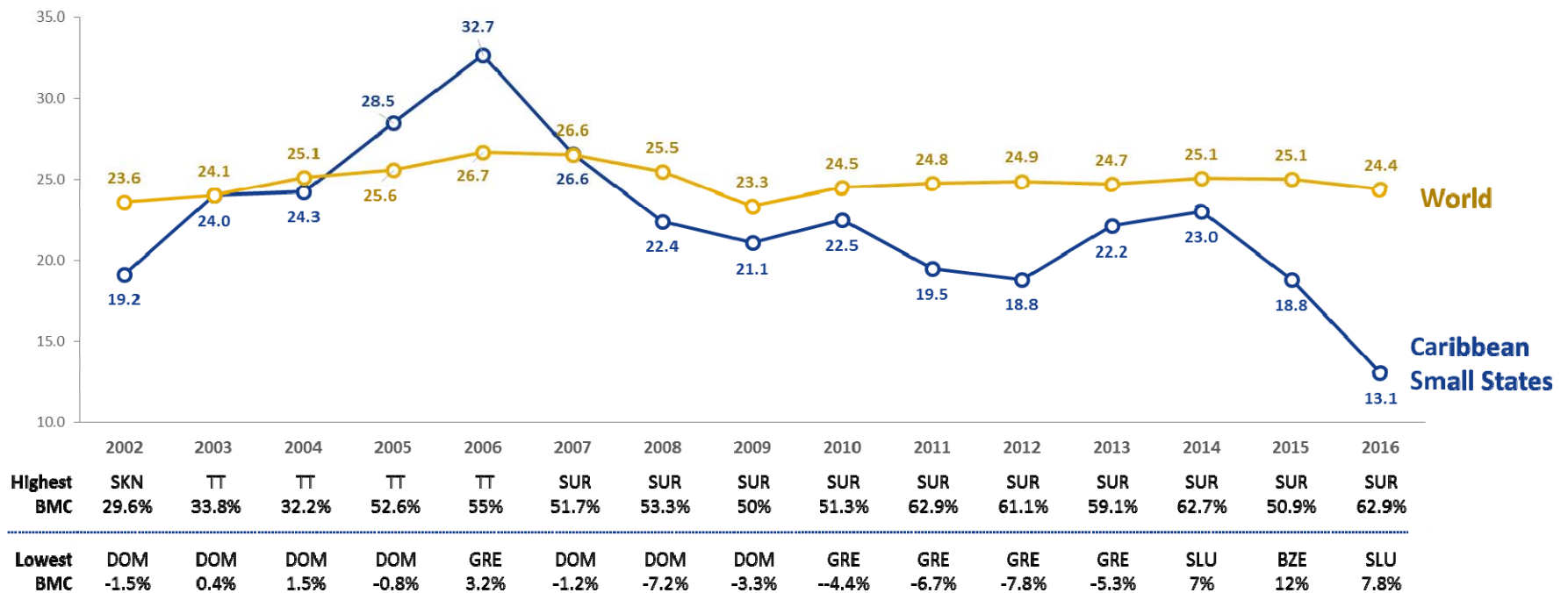
Average annual TFP (residual), 2000-2015





Many BMCs have fallen into the trap of low savings and high debt

Gross Domestic Savings (% of GDP)

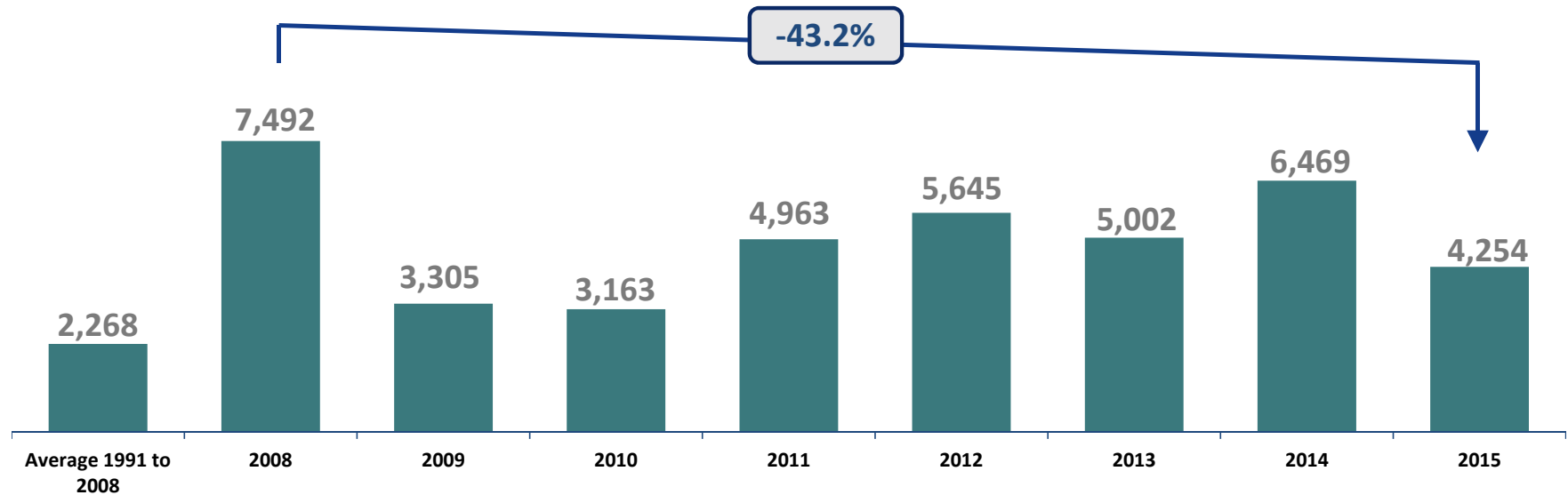


Source: World Bank



FDI inflows into the Caribbean fell 43.2% in the 8 years after the financial crisis

FDI Inflows in to the Caribbean (1991-2015), USD million



Source: Government Estimates



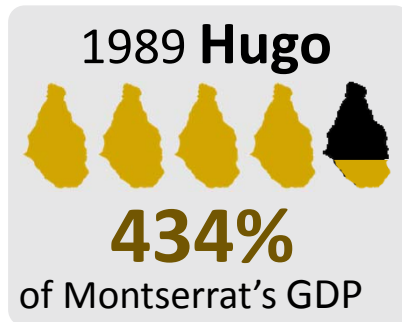
Sovereign credit ratings are below investment grade standards

Country	Ratings Agency			Investment Grade Ratings
	Moody's	S&P	CariCRIS	
Singapore	Aaa	AAA		Aaa/AAA Minimal risk
United States	Aaa	AA+		
United Kingdom	Aa2	AA		Aa/AA Very low
Japan	A1	A+		A/A Low risk
Bahamas, The	Baa3	BB+	Not rated	Baa/BBB Moderate risk
Barbados	Caa3	CCC	BBB	
Belize	B3	B-	Not rated	Ba/BB Substantial risk
BVI	Not rated	Not rated	AA-	
Dominica	Not rated	Not rated	BB+	B/B High risk
Jamaica	B3	B	BBB	
St. Lucia	Not rated	Not rated	BBB	Caa/CCC Very high
SVG	B3	Not rated	Not rated	
Suriname	B1	B	Not rated	
Trinidad & Tobago	Ba1	BBB+	AA+	



The economic costs of natural disasters have been significant

Economic Costs of Storms in the region

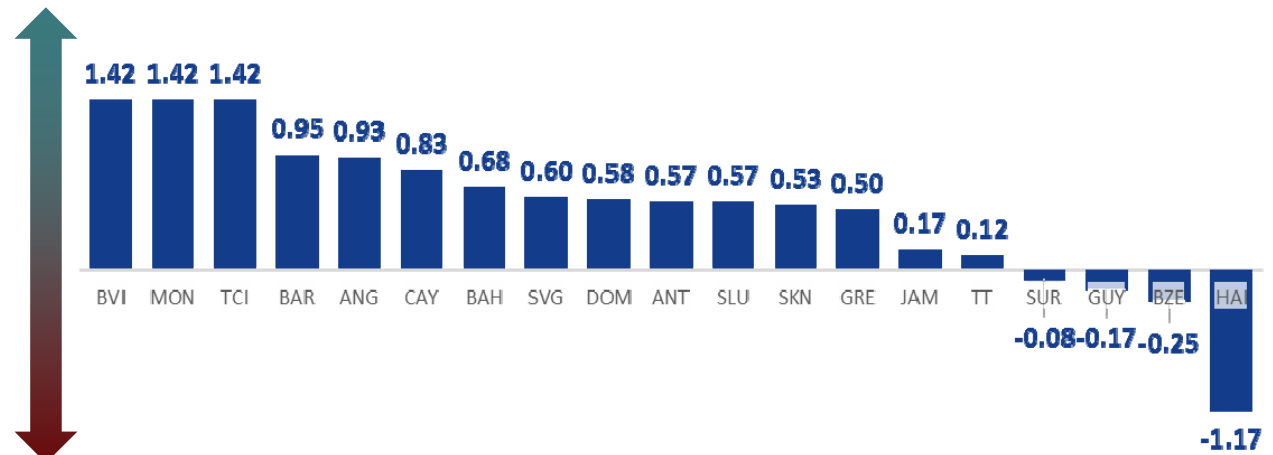




Governance Index

Poor governance inhibits economic growth and resilience

Good Governance: Maximum Score = +2.5



Poor Governance: Minimum Score = -2.5

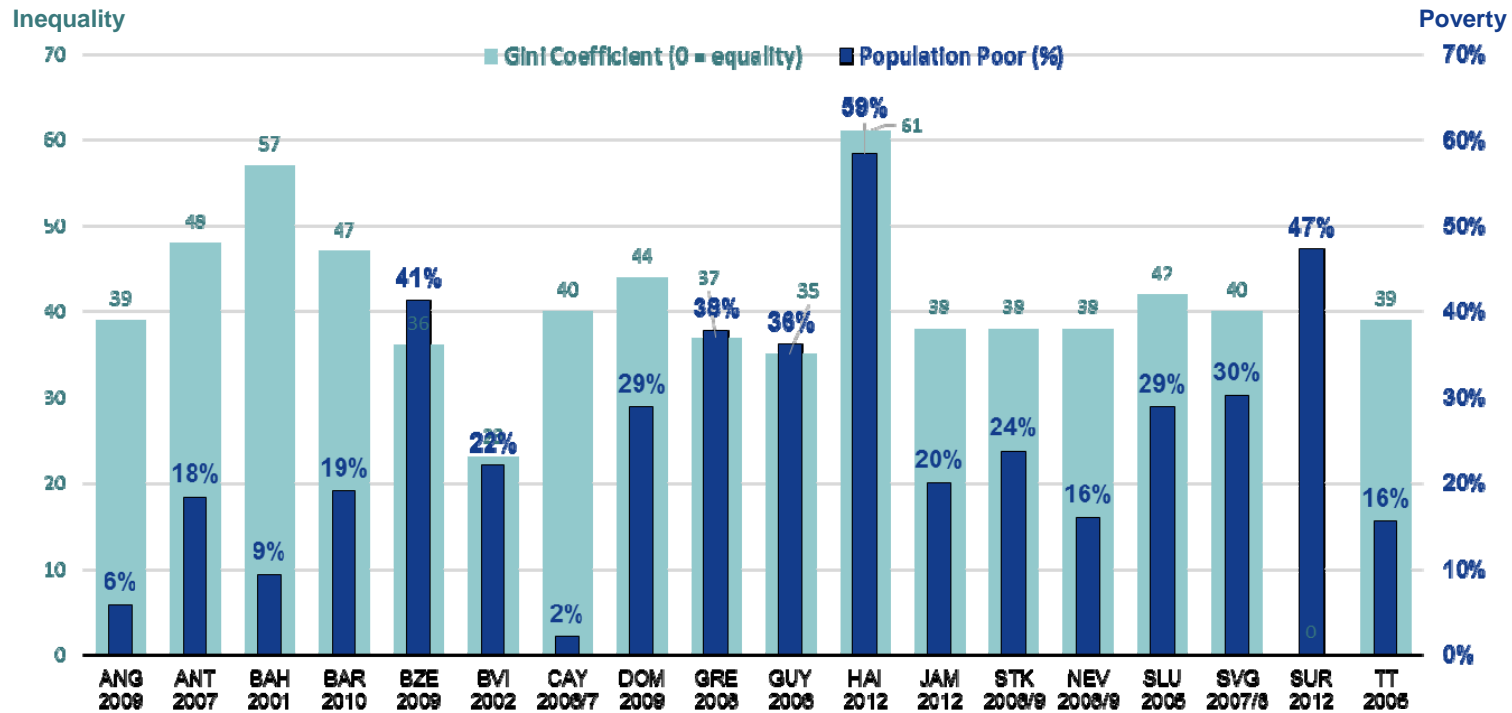
Source: World Bank

Note: WB Governance Indices aggregate from several different sources, including The Economist Intelligence Unit, Freedom House, Gallup World Poll, Global Insight Business, Cingranelli Richards Human Rights Database & Political Terror Scale, WEF, and World Justice Project.



Poverty is still too prevalent in our Region

Latest Available Poverty and Inequality Statistics

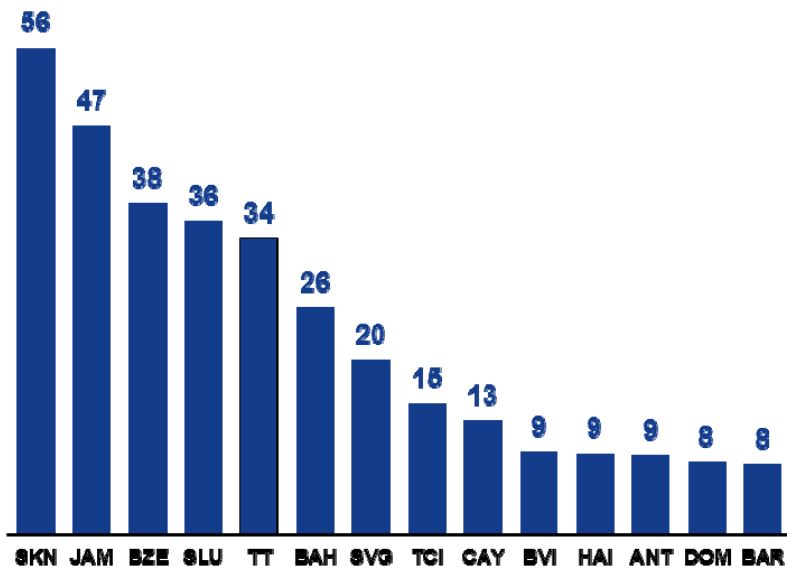


Source: Regional Government Reports, CDB, WB;
 †WB Poverty Gap/Headcount Ratio at \$5.50/day

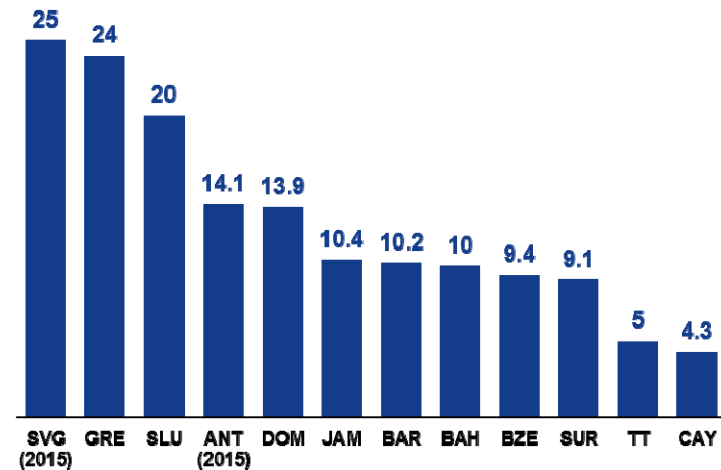


Double-digit unemployment and rising crime threaten the social fabric of regional economies

Intentional Homicide Rate *in 2016*



Unemployment Rate (%) *2017 estimate unless otherwise noted*

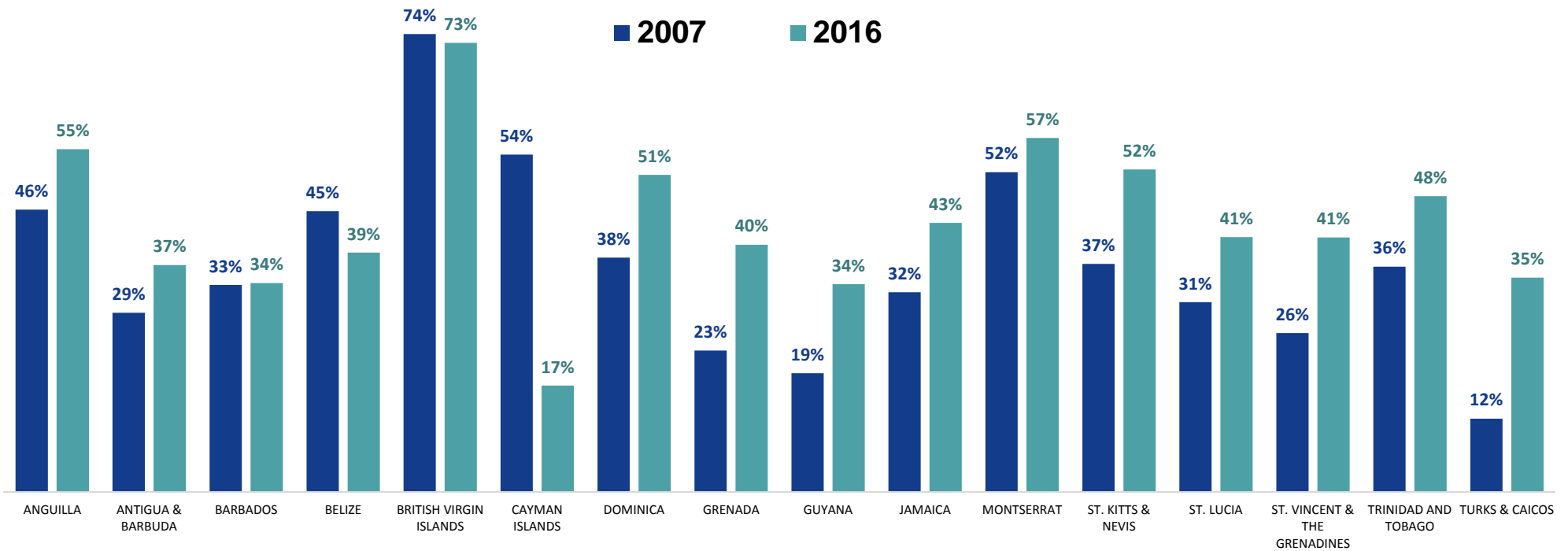


Sources: IMF, Statistical Offices, local reporting, CDB



While improved, education outcomes are still low

Percentage of students passing 5+ subjects at CSEC (including English A and Mathematics)

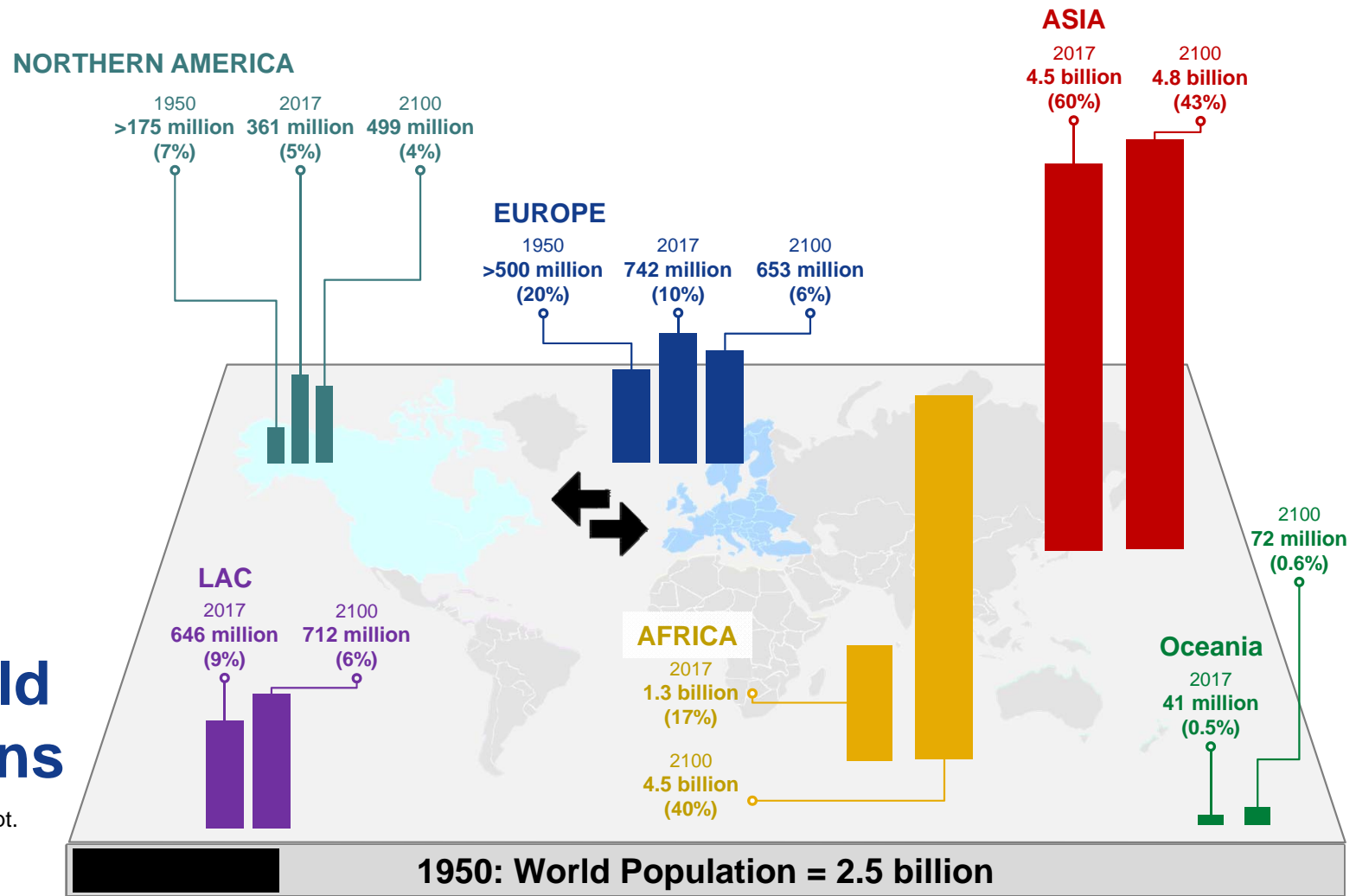


Sources: IMF, Statistical Offices, local reporting, CDB



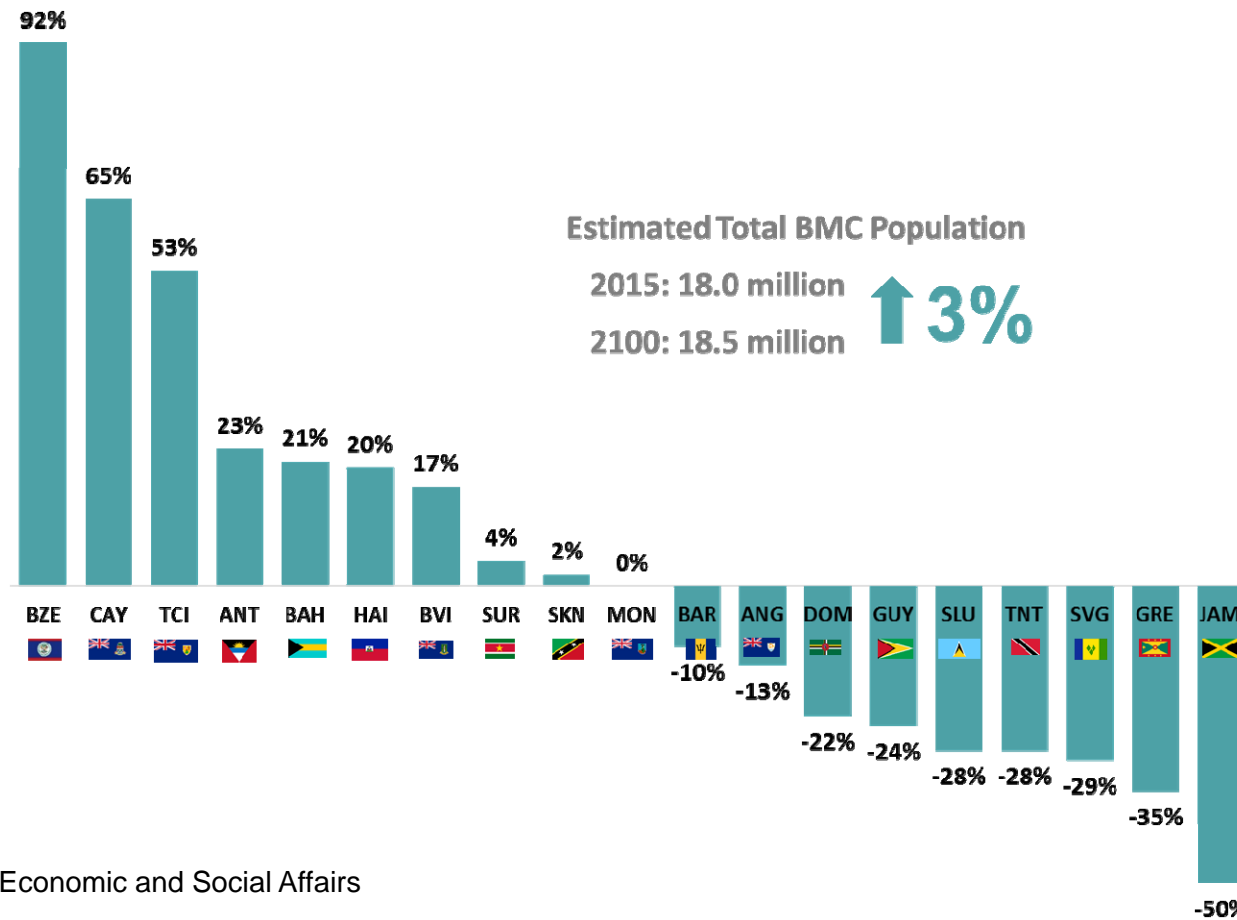
Global population evolution is helping to change world trade patterns

Source: Financial Times; UN Dept. of Economic and Social Affairs





Some BMCs will experience population decline during this century



Sources: UN Department. of Economic and Social Affairs



BMCs PSIP Performance 2012-2016

Country	Public Investment Implementation Rate	Capital Exp. (% of GDP)
Barbados	33%	2.3
ECCU	35% - 75%	5.0
Jamaica	86%	2.0
Trinidad	61%	4.6
Guyana	20%	7.3

Source: BMCs Budget reports, IMF Article IV and Staff Calculation, 2017



Regional Challenges

Macroeconomic

- Low economic growth
- Low commodity prices
- High debt, low savings and declining reserves
- Poor sovereign debt ratings
- Loss of CBRs and the high cost of AML/CFT compliance

Productivity & Competitiveness

- Low rankings in the World Bank's Ease of Doing Business index
- Large infrastructure gaps
- Weak governance
- Inefficient and costly transport links
- High energy and electricity costs and nascent regulation

Human Development

- High poverty and unemployment
- Very high youth unemployment and poor education outcomes
- High crime and citizen insecurity
- Limited social data available for designing and measuring effective strategies

Environmental

- High annual natural disaster costs
- Low insurance payouts
- Insufficient building codes
- Poor climate change adaptation tools

Implementation Gap

Regional Approach Gap



A framework for a more resilient Caribbean

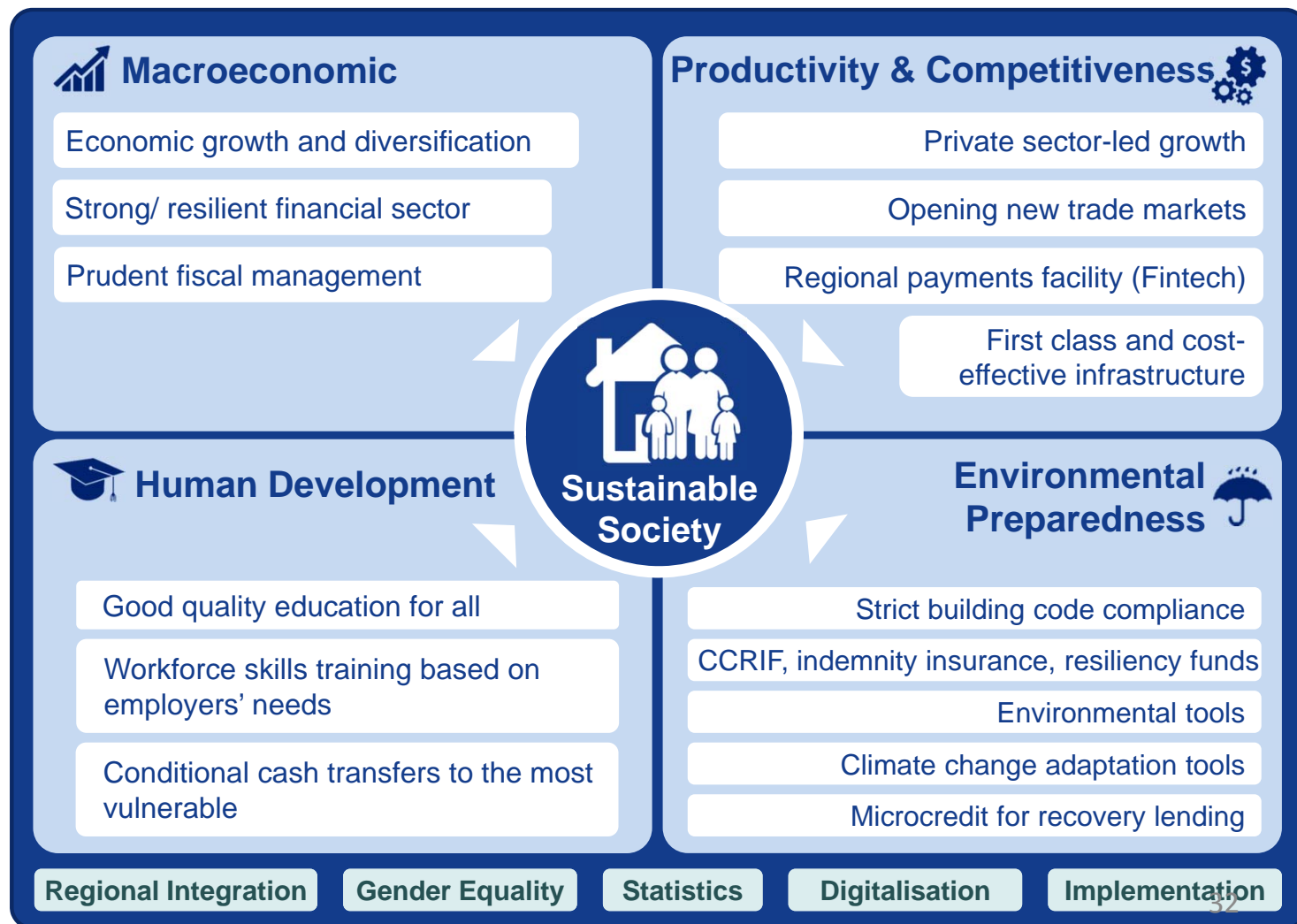


Port of Spain, Trinidad | Photograph: Joshua Yetman



**Caribbean
Blueprint:
A strategy
for our resilient
economies,
society &
environment**

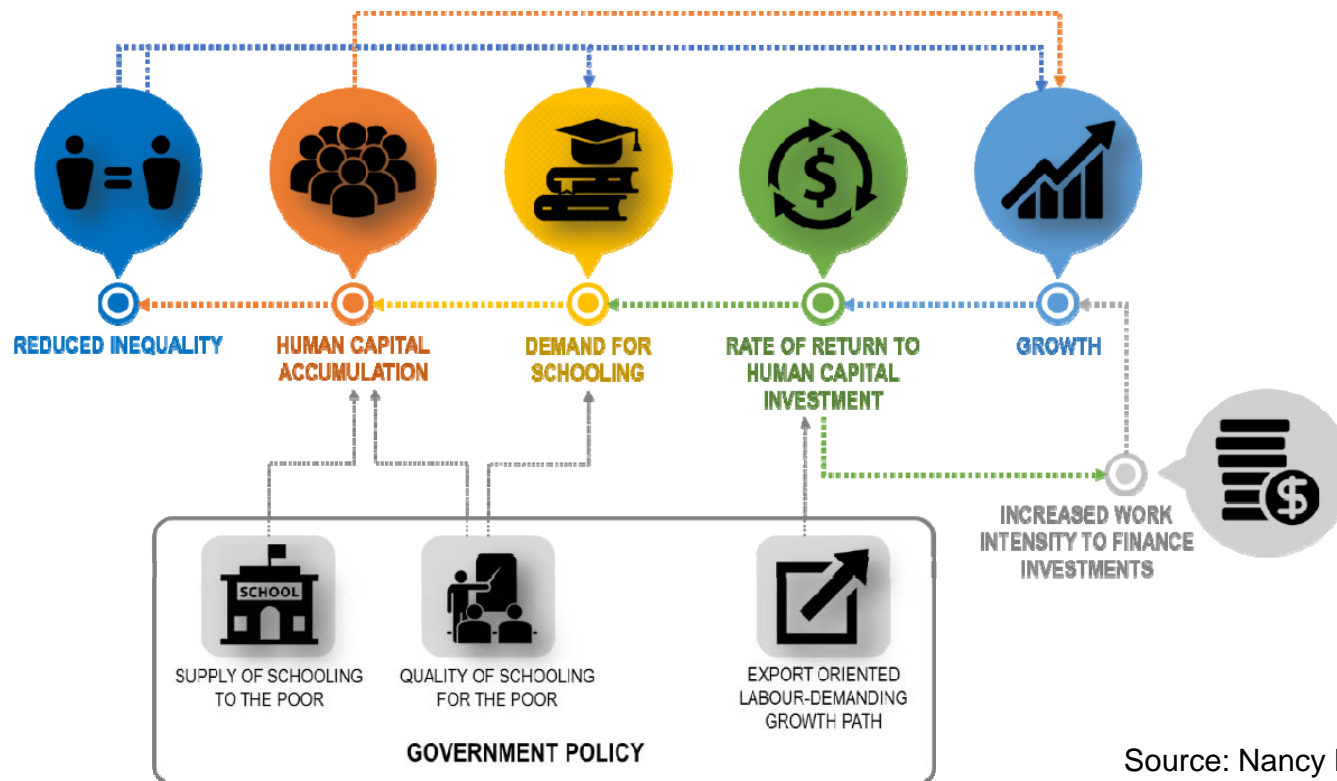
Stepping back in order to jump better





An effective education system needs a dynamic export driven economy with many employment opportunities

Virtuous Circle



Source: Nancy Birdsall et al. (2000)



Triple Bottom Line of Sustainable Development

PLANET

Protecting the Environment



PEOPLE

Advancing Social Well-Being



PROFIT

Growing the Economy



We should not let the **urgent** stop us from thinking about the **important**. The linked challenges of climate and development will shape humanity's future".

- Martin Wolf, FT Columnist

