# COTE 2017 ARMCHAIR DISCUSSION

*ECONOMIC PERSPECTIVES ON THE REGION*

*Anthony Peter Gonzales*

*11/10/2017*

# *GROWTH RATES*

- Since 2009 the majority of Caribbean countries have grown on average 1.2% per year, compared to 3.7% globally, 1.8% in advanced economies, and 4.3% in other small developing states.

- Service economies have now been doing better than the commodity dependent ones where economic performance was driven by the slow recovery of international commodity prices from their 2015 lows.

# *INCLUSIVE GROWTH*

- Low growth of average incomes tend to impact negatively on poverty and inequality. Despite efforts at reducing poverty and inequality in the Caribbean, high rates of poverty, unemployment and inequality are still a major development challenge

# *RESILIENCE AND SUSTAINABLE GROWTH*

- Long-Term Sustainable Growth remains a major challenge in solving poverty, debt, inequality and unemployment. Except for the DR, growth rates are too low over the long term to solve these problems.

- Much of this growth differential with other Small Economies reflects a higher level of export diversification among other small states, underpinned by greater competitiveness. Both in terms of market share of Caribbean exports in world exports and the Global Competitive Index, Caribbean countries have been failing. No Caribbean country has yet achieved the innovation stage of development

# *CURRENT ACCOUNT DEFICITS*

- Overall the current account improved to -5.1 percent of GDP from -8.9. Lower fuel prices and positive tourism performance contributed to reduced current account deficits in Barbados, Grenada, Jamaica, and St. Vincent and the Grenadines.
- Many of these countries have seen their external positions improve significantly. For example, Jamaica has eliminated much of its double-digit current account deficit in just a couple of years. And Guyana is experiencing its first external surplus in decades. Jamaica, Grenada, and St. Kitts and Nevis have achieved important results reducing their fiscal and external vulnerabilities over the last few years

# *FOREIGN RESERVES*

- The reserves position improved in Guyana, Jamaica and the Eastern Caribbean Currency Union (ECCU) member countries.

- More significantly, foreign reserves in The Bahamas, Barbados and Suriname were below the global benchmark of three months of import cover

# *FISCAL STABILITY*

- Despite a commitment to fiscal stability, the region did not make much progress with regard to fiscal consolidation in 2016. The average fiscal deficit of the region increased slightly by 0.1 percentage points, while public debt rose by 1.9 percentage points.

- The fiscal deficit declined by 2.2 percentage points among the goods producers, but worsened by 0.9 percentage points among the services producers

# *DEBT*

- High and/or rising levels of indebtedness remain a challenge, with increasing debt service payments crowding out productive expenditure that is critically needed to stimulate growth.

- The region's public debt to GDP ratio increased by 2.0 percentage points to 70.7 per cent of GDP in 2016. The goods producers posted a larger increase (3.2 percentage points), compared with 1.4 percentage points growth in the debt burden of the service producers.

# *INFLATION*

- In 2016, inflation in the Caribbean continued to be moderated by low international commodity prices, with soft, albeit increasing oil and food prices having a particularly marked effect on service producers.

- It should be noted that while average inflation in the Caribbean stood at 4.9 per cent in 2016, when the effect of Suriname is removed, the region is shown to experience deflation of (-0.3 per cent).

# *OUTLOOK*

- While overall economic conditions worsened, external accounts improved thanks to tourists and low oil prices. Average economic growth declined to -0.4 percent in 2016 from 0.2 percent in 2015. The debt-to-GDP ratio increased to 73 percent from 71, and the primary fiscal deficit increased from 1.5 to 1.8 percent of GDP.

- Growth is expected to reach **1.9** percent on average in 2017 (IMF WEO), while the primary fiscal deficit is expected to **reduce by half. D**ebt and current account ratios are expected to be similar to 2016.

THANK YOU