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## **NEWS RELEASE**

### **HIGHLIGHTS OF CDB'S ACTIVITIES IN 2011** **AND ECONOMIC BACKGROUND AND PROSPECTS**

#### **PART A – CDB's PERFORMANCE IN 2011**

The operations of the Caribbean Development Bank (CDB) in 2011 were influenced significantly by ongoing adjustments taking place in all of the borrowing member countries (BMCs) since the global financial crisis and recession of 2008. Economic growth has been lacklustre; and borrowing programmes have been trimmed as BMC governments struggle to contain widening fiscal deficits and burgeoning debt. Approvals in 2011, therefore, totalled a modest USD 165 million, including grants amounting to USD 21 million. In comparison, total approvals reached almost USD 300 million in 2010, including grants of USD 30 million. Disbursements followed a similar pattern, declining by an estimated 48% to USD 167 million in 2011.

Both approvals and disbursements showed elevated levels in 2010 as a result of significant activity taking place under the Bank's Policy-Based Loan (PBL) Programme. In contrast, no PBLs were approved in 2011 and PBL-related disbursements were relatively low when compared with the previous year.

Altogether, 12 countries were direct beneficiaries of funding approved during the year. In addition, other BMCs benefitted from CDB's resources through a number of technical assistance approvals for regional initiatives.

Loan approvals were predominantly in support of national disaster management programmes being implemented by several BMCs following a series of hurricanes, torrential rains, flood, and extreme weather

events. The British Virgin Islands, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines were the main recipients of funding for rehabilitation and reconstruction.

The two largest loans were made to Barbados and St. Kitts and Nevis. CDB is providing a USD 35 million loan to the Government of Barbados for an Education Enhancement Sector Enhancement project, the objective of which is to improve the quality of education at the pre-primary, primary and secondary levels by enhancing the learning/teaching environment, improving the planning and management of the education sector and enhancing teacher effectiveness and school leadership.

The Board of Directors approved a package of exceptional financial assistance for the Government of St. Kitts and Nevis, including a guarantee of around USD12 million on a portion of the Government's restructured debt; conversion of a previously approved Policy-Based Guarantee into a loan equivalent to USD8.3 million, and conversion of the outstanding balance of four previously approved loans from the Bank's Ordinary Capital Resources to concessional loans. By facilitating a debt restructuring exercise as part of a comprehensive strategy, this package of assistance will support the Government in achieving debt sustainability

## **PART B – ECONOMIC REVIEW AND PROSPECTS**

### **I. International Economic Developments**

While progress has been somewhat uneven, the global economy has been gradually recovering from the “Great Recession” since the end of 2009. Emerging and developing economies have been the key drivers of the recovery, as advanced economies have continued to struggle with high unemployment rates and lingering weakness in credit, asset prices and capital flows. Elevated inflationary pressures have accompanied the recovery, as the rapid growth in developing and emerging economies has both fed and compounded rising food and petroleum prices.

The global economy progressed steadily through the first half of 2011. At the same time, weather-related reductions in crop production, as well as oil supply disruptions associated with the “Arab Spring” unrest in the Middle East, exerted additional upward pressure on international food and petroleum prices. By the third quarter, however, there were signs that the recovery was faltering. Fiscal challenges in Europe and the United States (US) had worsened more severely and more rapidly than

anticipated, as reflected in credit rating downgrades. The resulting crisis of confidence triggered further fall-out in financial, labour and housing markets, reinforcing fears of a “double-dip” recession in advanced economies. There were also concerns that developing and emerging economies, at risk of overheating earlier in the year, were starting to lose momentum, although this reduction in pace helped to temper inflationary pressures. Against this backdrop, policymakers maintained explicitly accommodative monetary stances, with the aim of bolstering the recovery, while redoubling efforts to address fiscal imbalances and make debt more sustainable.

Fiscal policy received particular emphasis in advanced economies, given the challenges they faced during the year. These included the ongoing debt crisis in the Eurozone and the Great East Japan Earthquake in March, in addition to serious fiscal imbalances in the US that would have negative repercussions for the entire global economy in the event of a disorderly adjustment.

The recovery in European Union (EU) economies gained momentum in the first quarter of 2011, but decelerated gradually over the rest of the year, as tensions in sovereign debt markets dampened consumer and business confidence and demand. In Germany and the United Kingdom (UK), two major EU economies, the slowdown culminated in estimated fourth-quarter contractions of 0.3% and 0.2%, respectively, relative to the previous quarter. Monetary policy, therefore, remained appropriately accommodative, while fiscal policy centred on austerity measures, aimed at consolidating public finances generally and resolving the debt crisis in the Eurozone.

In Japan, while the economy contracted by an estimated -0.9% during the first three quarters of 2011, the fallout from the earthquake was concentrated in the first half, as activity started to recover in the third quarter, with supply-side constraints having eased considerably and fiscal policy oriented towards support for reconstruction activities.

In the US, however, attempts to balance fiscal consolidation and support for the economic recovery remained mired in political gridlock, while growth slowed after an initial strong showing in the first quarter. Nevertheless, an uptick in consumer spending and business investment in the final quarter helped to sustain output growth at an estimated 1.7% for the year. A reduction in the unemployment rate - a closely monitored barometer of economic conditions — from 9.4% in December 2010 to 8.5% at end-2011, also indicated some strengthening of activity, although the rate remained high. While headline inflation rose during the course of the year, stemming from the general rise in energy and food prices,

core inflation remained relatively low<sup>1</sup>. The Federal Reserve therefore maintained the benchmark federal funds rate at historically low levels and introduced measures to boost the economic recovery and ameliorate mortgage market conditions.

Among developing and emerging economies, which proved to be more resilient to the headwinds buffeting advanced economies, the emphasis was generally on macroeconomic policy tightening, given that many were combating domestic overheating and inflationary pressures. However, some tightening cycles were halted and even reversed in some cases, as these pressures tapered off over the course of the year in line with moderating growth rates. Year-on-year growth in China, for example, decelerated progressively from 9.7% in the first quarter to 8.9% in the fourth. Consequently, the Chinese central bank ended more than two years of monetary tightening in November with a reduction in the reserve requirement for banks.

Looking ahead, the global recovery is expected to proceed at a more subdued pace. Developing and emerging economies should manage a soft landing, whereas weak financial, housing and labour markets in advanced economies are likely to remain a drag on growth. From a policy perspective, the recovery may also be constrained by ongoing efforts to repair public and private sector balance sheets through fiscal consolidation and reductions in household and firm debt, respectively, but should benefit from sustained monetary policy support. In terms of the main risks to the outlook, European economies are particularly prone to a relapse — the latest predictions are for key Eurozone economies to slip back into recession in 2012. There is also the potential for more spillovers from the Eurozone debt crisis to global financial markets. In all, the global outlook — and, by extension, the regional outlook — is highly uncertain, and risks remain tilted to the downside.

## **II. Regional Economic Developments**

### **Overview**

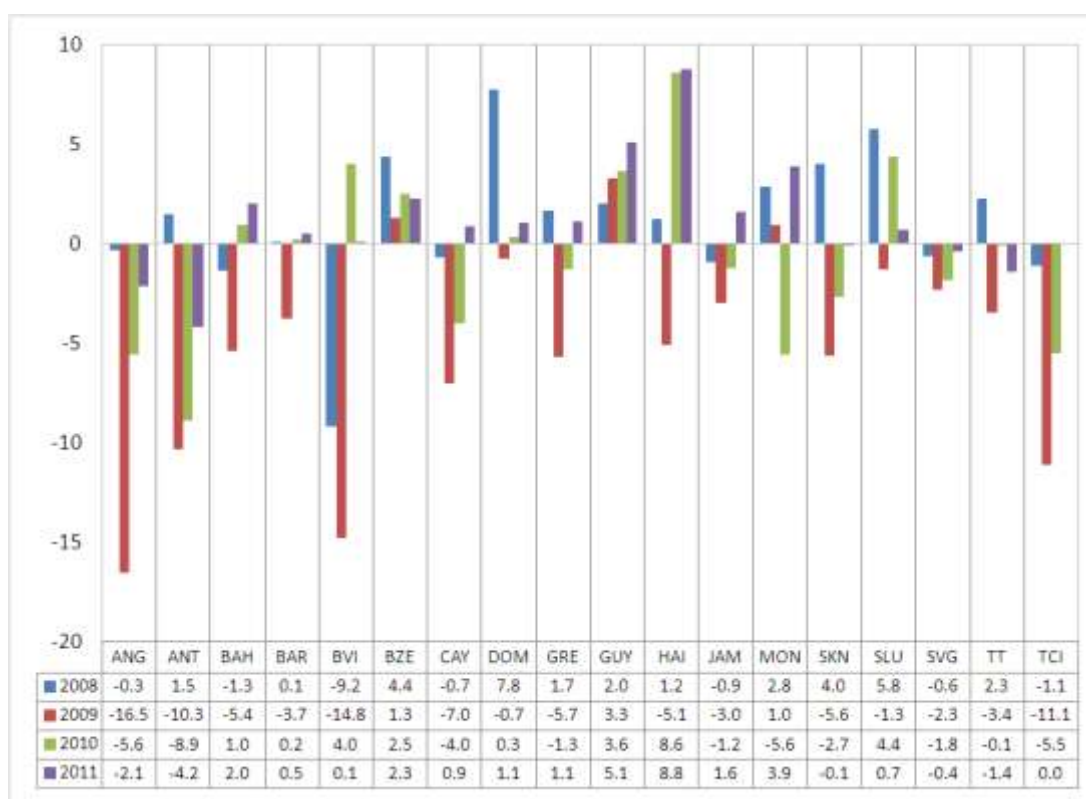
The global recovery may have been underway since late 2009, but with the lingering weakness in the Region's main trading partners — advanced economies, the recovery in Caribbean Development Bank (CDB) borrowing member countries (BMCs) lagged behind, finally gaining momentum in 2011. Preliminary estimates indicate that twelve of the eighteen BMCs registered expansions in real output

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<sup>1</sup> Headline inflation is the rate of increase in prices of all goods and services captured in the index of consumer prices, while core inflation excludes food and energy prices from the calculation.

during the year. Among the twelve, growth was modest in Barbados, the British Virgin Islands, the Cayman Islands and St. Lucia, but stronger in The Bahamas, Belize, Dominica, Grenada, Jamaica and Montserrat, while Guyana and Haiti both achieved growth rates above 5%. Of the five BMCs recording contractions (Anguilla, Antigua and Barbuda, St. Kitts and Nevis, St. Vincent and the Grenadines and Trinidad and Tobago), the downturn in Trinidad and Tobago deepened, but the declines in the other four were moderate relative to previous years. (See Figure 1).

**Figure 1: Growth (%) in Real Output, 2008-2011\***



Sources: national statistics offices, central banks and CDB

\*Data for 2008-10 are official data provided by BMCs, while data for 2011 are preliminary CDB estimates

The fledgling recovery was mainly underpinned by moderate increases in tourism or — in the case of less tourism-dependent, more commodity-based BMCs — improvements in agriculture and mining, as well as related manufacturing activities. For some BMCs, construction and quarrying also contributed positively to growth. The general recovery in economic output and implementation of policy reforms mostly resulted in improved fiscal performances. This notwithstanding, many BMCs confronted stubbornly high debt ratios that, together with still-high unemployment rates and weak indicators of

financial sector activity and stability, showed the lingering impact of the recession. They were also a reflection of pre-existing structural vulnerabilities, including susceptibility to natural disasters and concentration on a narrow range of goods and services such as tourism and commodity exports, as well as BMCs' failure to implement critical policy reforms in the past. Furthermore, adverse global developments during the year, including the persistent macroeconomic weakness in advanced economies and resurgent international commodity prices, weighed heavily on balance of payments and inflation outturns, in particular.

International developments will continue to shape regional outturns in 2012, with prospects for the Region closely mirroring the global outlook. The recovery in regional tourism is therefore expected to remain soft, in line with expectations for global demand, while no material pick-up in foreign direct investment is anticipated, reducing the likelihood of a boost to the balance of payments and, indirectly, to construction and other real sector activity. Consequently, most BMCs are projected to grow modestly, by 1-2.5%, in 2012. While dampening growth prospects in commodity-based BMCs, the projected moderation in global commodity prices should have a positive impact on the balance of payments by reducing import values, which should in turn help to ease domestic inflationary pressures within BMCs. However, the context framing regional prospects over the short to medium term remains one of limited fiscal space, structural weaknesses in the financial sector and an uncertain global outlook, with additional downside risks related to the Region's vulnerability to natural hazards and climate change impacts. Going forward, this context will continue to drive BMCs' policy imperatives of reinvigorating growth and building resilience to exogenous shocks.

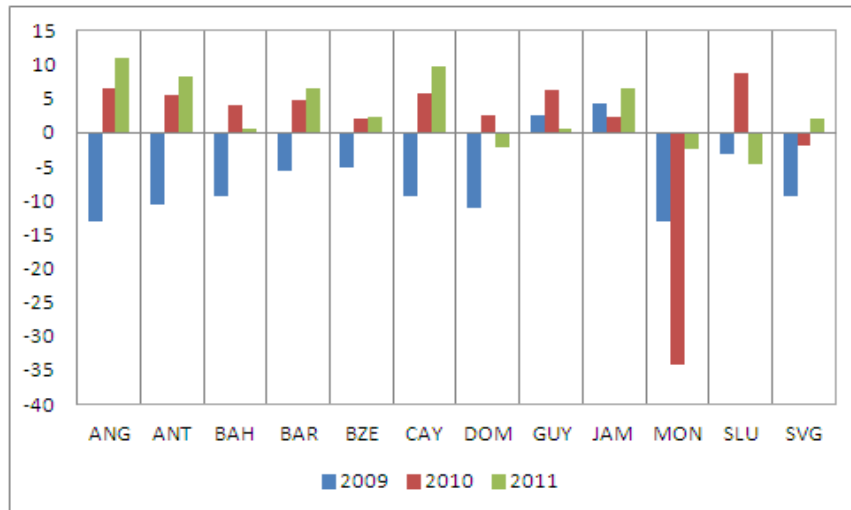
## **Regional Performance In 2011**

### *Real Sector*

For several BMCs the recovery was largely driven by tourism-related activity. While the downtrend in visitor expenditure remained a key concern among industry stakeholders, this was generally offset by growth in visitor arrivals. Most regional tourism destinations exhibited further improvements in stay-over arrivals during 2011, following the resumption of growth in 2010 (see Figure 2). Expansions in all source markets underpinned these gains, with especially robust growth in the Canadian market, as well as a notable turnaround in the European market after dismal performances in 2009 and 2010. Outturns in the cruise segment of the industry were more mixed (see Figure 3). Supply-side factors, such as rising fuel costs, were still motivating cruise lines to re-route ship itineraries closer to the North American

mainland. More generally, persistently weak incomes and employment in advanced economies continued to curtail demand to some extent. Consequently, several BMCs recorded declines in cruise passenger arrivals in 2011. Nevertheless, partial recovery in traditional source markets, together with intensified marketing initiatives aimed at enhancing destination branding and visibility, as well as diversifying into new source markets, led to strong demand-led growth for other BMCs.

**Figure 2: Growth (%) in Stay-Over Arrivals by Destination, 2009-2011\***



Source: Caribbean Tourism Organisation (CTO)

\*2011 figures as at November, except ANG (Jul), SLU (Aug), JAM & MON (Sep), BAH & GUY (Oct)

**Figure 3: Growth (%) in Cruise Passenger Arrivals by Destination, 2008-2011\***



Source: CTO

\*2011 figures as at November, except ANT & SLU (Aug) and BAH, BVI, GRE & JAM (Oct)

In agriculture, unlike the generalised underperformance of the sector in 2010, which was mainly attributed to weather-related factors and crop disease, outturns in 2011 varied significantly across BMCs. Some BMCs, such as Belize, St. Lucia and St. Vincent and the Grenadines, suffered setbacks to their recovery due to recurring crop disease and/or adverse weather conditions. Conversely, agriculture provided significant support to the recovery for BMCs like Guyana, Dominica, Grenada and Jamaica, which were able to capitalise on higher food crop prices on the international market.

Similarly, mining output generally grew in response to rising international commodity prices. High commodity prices boosted bauxite and gold extraction in Guyana, for example. The resurgence of mining activity in Jamaica likewise reflected higher prices for bauxite and alumina on the world market. In Belize, however, oil production was down, as the larger of its two commercial oil fields went into decline, while oil and gas production fell in Trinidad and Tobago, on account of expansive maintenance operations by a major producer.

The manufacturing sector in most BMCs continued to contract or stayed flat, amid declining competitiveness and weak demand, particularly among smaller BMCs engaged in light manufacturing. However, some BMCs with large agro-processing industries and mineral refining capacity benefited from the rebounds in agriculture and mining induced by higher commodity prices. Accordingly, manufacturing output expanded in Guyana, mainly reflecting the processing of sugar and rice. In the case of Belize, manufacturing grew despite the fall-off in petroleum-related activity, due to an increase in sugar and citrus juice production. Manufacturing in Trinidad and Tobago also increased in spite of the declining petroleum output in that country, which was offset by growth in non-oil manufacturing. Meanwhile, Jamaican manufacturing showed signs of recovery in 2011, especially from the second quarter of the year, as the sector benefited from the reopening of bauxite refining plants and improvements in plant capacity and capacity utilisation.

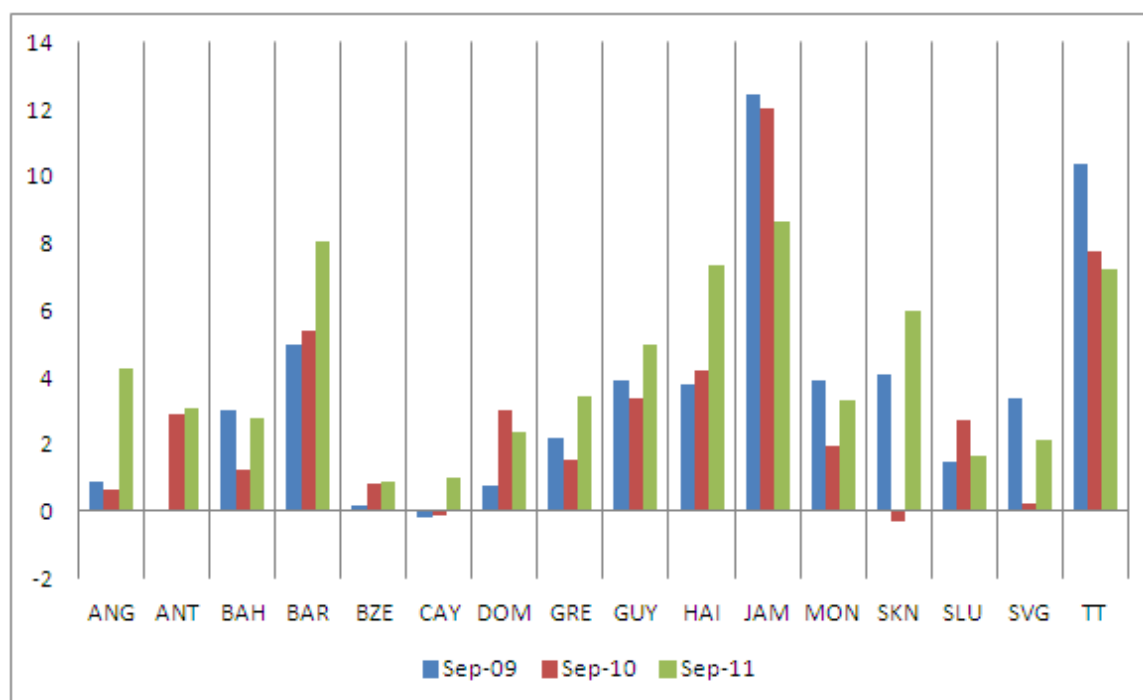
Construction and quarrying activity also appeared to be recovering in some BMCs. The recovery was driven by post-disaster reconstruction in Haiti, St. Lucia and St. Vincent and the Grenadines, which had been hit in 2010 by an earthquake in the case of Haiti and Hurricane Tomas in the other two. Renewed foreign investment for tourism-related developments drove private sector construction activity in countries like St. Kitts and Nevis and the Bahamas; a few BMCs, including The Bahamas, Guyana and Jamaica, were able to supplement private activity with strong public investment. However, in several BMCs, inflows of foreign investment had not yet returned to pre-recession levels, while governments had

scaled back their capital budgets even further in the context of fiscal consolidation efforts, extending the slump in construction activity in some and negating the 2010 recovery in others.

Indications are that, despite the recovery in economic output in most sectors, labour market conditions remained depressed for the most part in 2011. Three of the four BMCs for which unemployment data were available — The Bahamas, Barbados and Jamaica — reported double-digit mid-year unemployment rates, representing an improvement in The Bahamas, a deterioration for Barbados and virtually no change in Jamaica, relative to the previous year. The mid-year rate in Trinidad and Tobago was 5.8%, up a full percentage point from the rate in the corresponding period of 2010. Furthermore, available data showed further declines in the number of work permits issued by overseas dependent territories. Other indicators of economic activity and anecdotal evidence likewise suggest that the elevated unemployment levels recorded in 2010 persisted into 2011 in most BMCs. Guyana was an exception, as strong growth in economic activity was linked to an imputed rise in employment.

In addition to high unemployment, socioeconomic conditions in the Region were adversely affected by the high and rising cost of living, as was manifested in inflation outturns for 2011 (see Figure 5). Generally, this was attributable to the continued rise in global commodity prices. However, fiscal impulses added to inflationary pressures in some BMCs. For example, St. Kitts and Nevis experienced an inflationary spike, primarily due to the introduction of a Value Added Tax (VAT) at the end of 2010. A similar spike in Barbados was largely attributable to the raising of the VAT rate at the end of 2010, while hikes in the petroleum levy and customs surcharge significantly influenced strong price growth in Anguilla. The main exceptions to the uptrend in inflation were Jamaica, St. Lucia and Trinidad and Tobago. In Jamaica and Trinidad and Tobago, the relative stability of their flexible exchange rates helped to curb inflationary pressures, while for St. Lucia the key mitigating factors were fuel tax concessions and subsidies on basic food products. In Trinidad and Tobago relatively low rates of inflation for 2011 also resulted from high base effects in 2010, when inflationary pressures peaked due to flood-related food-supply bottlenecks.

**Figure 4: Twelve-month Average Inflation as at September, 2009-2011\***



Sources: National statistics offices and central banks

\*2011 figures for Dominica and St. Vincent & the Grenadines are as at June

#### External Sector

Reflecting the ongoing rise in commodity prices, preliminary indications are that import values rose in many BMCs, in some cases despite reduced volumes. In the Eastern Caribbean Currency Union (ECCU), however, the import bill is estimated to have decreased, as volumes fell significantly, reflecting depressed economic conditions. Export performances (inclusive of tourism earnings) varied widely according to real sector outturns. However, continued broad-based improvement in remittance inflows represented a common trend. FDI inflows resumed only to select BMCs, mainly for tourism-related construction developments and mining activity. Official inflows generally declined, except to BMCs affected by natural disasters or engaged in structural adjustment programmes supported by multilateral financial institutions.

Overall performances were, therefore, mixed. Barbados' balance of payments deficit was estimated to have narrowed on account of strong private capital inflows, which counterbalanced a largely import-driven expansion of the current account deficit. For Jamaica, reserve data also implied an overall

deficit for the year, attributed to a fall-off in tourism receipts and net capital inflows in the latter half of the year, reversing the previous year's surplus. Meanwhile, preliminary estimates for the ECCU indicate a widening overall balance of payments surplus for the sub-region, as current account deficits narrowed due to the declines in imports and higher travel receipts associated with improved tourism outturns, offsetting a reduction in foreign direct investment and capital grant inflows. Available data for Trinidad and Tobago were also indicative of a larger balance of payments surplus, with buoyant energy exports more than compensating for increased imports and the characteristically negative capital and financial account balance.

Despite the variation in balance of payments performances, all BMCs maintained adequate levels of foreign exchange reserves, while the currencies of the four BMCs with flexible exchange rates (Guyana, Haiti, Jamaica and Trinidad and Tobago) remained broadly stable.

#### Financial Sector

Deposit growth has been mostly tepid across the Region, which may be a sign that individual and firm incomes have not yet recovered, consistent with the indications of persistent high unemployment. The erosion of disposable incomes due to rising inflation may have exacerbated the situation. Weak employment and disposable incomes also seem to be still suppressing credit demand in some BMCs, particularly in the ECCU. However, lending began to pick up in other BMCs, in response to favourable credit conditions supported by accommodative monetary policies. For example, in an environment of relatively low inflation and low exchange rate volatility, the monetary authorities maintained accommodative policies in Jamaica and Trinidad and Tobago, aimed at supporting the recovery in the former and stimulating the contracting economy in the latter. The situation in Guyana was again quite different, as the robustness of economic activity and foreign financing inflows gave rise to strong increases in domestic credit and a build-up of foreign assets. In this context, price stability considerations took precedence, prompting the Bank of Guyana to tighten its monetary policy stance through open market operations to mop up liquidity. Monetary policy in Haiti was also geared toward reining in rising inflation.

The income and employment factors weighing on deposit and credit growth also appeared to be negatively affecting credit quality, as non-performing loans (NPLs) rose across most of the region for the third consecutive year. Rising delinquency played a part in reduced profitability, which was indicated by declining return on assets. Nevertheless, most regional banks remained relatively healthy and stable, with

liquidity and capitalisation staying within prudential norms. In the ECCU, however, International Monetary Fund (IMF) country reports indicate that some indigenous banks faced particularly high NPLs, which reduced liquidity and profitability and in turn had implications for solvency. One indigenous bank was placed under conservatorship during the year. A few indigenous banks, along with other systemically important financial institutions in the ECCU and individual investors and policyholders in the ECCU and the wider region, also remained significantly exposed to collapsed insurance group CL Financial. Reports by the judicial managers have proposed various resolution options, most of which imply large capital injections from ECCU and other regional governments. Concurrently, there have been discussions with potential investors towards a private sector-led solution that would maximise the amount that investors and policyholders can recoup while minimising the fiscal implications.

#### Fiscal Sector

Several BMCs remained constrained by significant debt overhang. Four of them featured among the top ten most indebted countries in the world, with debt to GDP ratios above 100%, while half of BMCs (nine) had ratios above the 60% international benchmark. However, fiscal balances improved slightly in the majority of BMCs, as reform programmes generally yielded revenue gains and expenditure savings, which assisted in stabilising debt dynamics. These encouraging performances also reflected strengthening economic activity, particularly in The Bahamas, Belize and Guyana.

Notably, improvements in Antigua and Barbuda, Jamaica and St. Kitts and Nevis all took place in the context of IMF programmes aimed at fiscal adjustment and debt restructuring. However, some delays in policy implementation and/or slippages in relation to programme targets occurred. Meanwhile, progress under Grenada's IMF programme stalled, as the fiscal position deteriorated despite the introduction of VAT in 2010, with subsequent concessions and the moderate pace of economic recovery contributing to weak revenues.

The narrowing of the fiscal deficit in Barbados under its home-grown fiscal consolidation programme was insufficient to prevent the downgrading of the country's credit rating and outlook during the year. The deficit also narrowed in St. Vincent and the Grenadines, but the stock of arrears remained unchanged and the budget underperformed due to below-target revenues and higher current expenditure.

Among overseas dependent territories, Montserrat's slightly improved fiscal outturn remained heavily dependent on UK budgetary assistance. Meanwhile, despite bettering their performance through

successful reforms, Anguilla and the Cayman Islands were still in breach of UK-imposed fiscal rules, limiting their autonomy in relation to new borrowing. The British Virgin Islands and the Turks and Caicos Islands likewise remained in breach, as revenues came in under budget targets, widening fiscal deficits.

Fiscal balances also worsened in Dominica, Haiti, St. Lucia and Trinidad and Tobago, largely due to higher expenditure. The increased spending was mainly on the recurrent side in Dominica and Trinidad and Tobago, whereas the pressure in St. Lucia and Haiti came from expanding capital budgets to fund post-disaster reconstruction. Haiti's fiscal gap was financed through aid flows, so that the already-low public debt actually fell, but debt levels rose in the other three countries.

## **Regional Prospects and Policies**

### *Outlook for 2012*

Growth prospects for the Region closely mirror the global outlook. Consequently, with the notable exceptions of Guyana and Haiti, which are again expected to grow by over 5%, most BMCs are projected to grow modestly, by 1-2.5%, in 2012.

The recovery in regional tourism is expected to remain soft, as demand is unlikely to strengthen significantly, given expectations of, at a minimum, continued high unemployment and further fiscal tightening in key source markets and, increasingly, the risk of a return to recession in Europe.

The industry faces other unfavourable developments on the horizon for 2012. British Airways announced reductions in flight frequency to several regional destinations toward the end of 2011, citing the Air Passenger Duty imposed by the UK government as an additional factor in slowing demand. The hosting of the 2012 Olympics in London is also likely to weigh on demand for travel in the UK and other European markets, whereas the Presidential elections in November could potentially have a similar effect on US demand.

With the high level of uncertainty still surrounding the global outlook, and the potential for further spillovers from the Eurozone debt crisis to global financial markets, no material pick-up in foreign direct investment is anticipated. This reduces the likelihood of a boost to construction and other real sector activity, as well as the balance of payments, from that quarter.

Unemployment is expected to remain high, as job growth continues to lag the recovery in output, feeding into expectations of persistent weakness in individual and firm incomes. As a result, activity in the financial sector is likely to remain sluggish, with a similar impact anticipated in relation to asset quality and profitability.

Weak incomes could also undermine the effectiveness of regional governments' various revenue-generating measures, further hampering the achievement of targets under their fiscal reform and consolidation programmes. In Barbados and the ECCU, the contingent liabilities associated with a public sector-led resolution of CLICO/BAICO represent the potential for additional spending and debt creation. Election spending, where applicable, is also a latent risk. Nevertheless, the threat of credit downgrades facing some BMCs should infuse them with the discipline to stay the course of reforms. Furthermore, most BMCs have demonstrated strong commitment to achieving fiscal and debt sustainability.

At the core is, however, that BMCs' fiscal space is still extremely limited and growth in the Region, which lagged that of other regions on trend even before the recession (see Table 1), is likely to remain quite modest relative to other economies. BMCs will continue to face binding constraints, including under-diversified economic structures, under-developed infrastructure and a lack of private sector competitiveness, as well as weaknesses in the area of financial regulation and supervision, and macroeconomic management. They also remain highly vulnerable to the occurrence of exogenous economic shocks and natural disasters, compounded by the ongoing impact of climate change.

#### *Policy Implications*

The context framing regional prospects therefore remains one of an uncertain global outlook, limited fiscal space and structural weakness in the financial sector, in addition to the perennial downside risks posed by the Region's vulnerability to natural hazards and climate change impacts. Going forward, this context will continue to drive BMCs' policy imperatives of reinvigorating growth and building resilience to exogenous shocks.

**Table 1: Growth rates (%), 1980-2009**

	80-84	85-89	90-94	95-99	00-04	05-09	30yr Avg.	30yr High	30yr Low
<b>Caribbean*</b>	<b>1.3</b>	<b>1.4</b>	<b>0.8</b>	<b>3.6</b>	<b>3.1</b>	<b>2.2</b>	<b>2.1</b>	<b>6.0</b>	<b>(2.5)</b>
<b>World</b>	2.5	3.9	2.6	3.5	3.7	3.5	3.3	5.4	(0.7)
<b>Advanced Economies</b>	2.2	3.9	2.3	3.1	2.5	1.0	2.5	4.9	(3.7)
<b>Emerging and Developing Economies</b>	3.1	3.9	3.2	4.1	5.6	6.6	4.4	8.9	1.7
Central and Eastern Europe	1.5	2.7	(0.4)	3.8	4.4	3.5	2.6	7.3	(5.8)
Developing Asia	6.4	7.0	7.7	6.7	7.2	9.2	7.4	11.5	3.6
ASEAN-5	5.0	5.6	7.0	2.9	5.1	4.8	5.1	8.6	(8.3)
Latin America and the Caribbean	1.7	2.6	3.4	2.6	2.6	3.7	2.8	6.7	(2.5)
Middle East and North Africa	1.6	1.1	4.8	3.4	4.9	5.1	3.5	7.8	(1.8)
Sub-Saharan Africa	2.8	2.4	0.9	3.6	5.5	5.6	3.5	7.2	(1.2)

Source: International Monetary Fund World Economic Outlook Database, September 2011

Note: \*Caribbean = weighted average of ANT, BAH, BAR, BZE, DOM, GRE, GUY, HAI, JAM, SKN, SLU, SVG and TT

To this end, and given the fiscal constraints, regional policymakers must urgently pursue reforms to economic management, including public financial management and the development of statistical capacity, in order to ensure efficient, evidence-based allocation and use of resources. At the same time, priority must be given to the development and maintenance of well-targeted social safety nets to minimise the fallout from fiscal consolidation and external shocks for the most vulnerable in society. Finally, policymakers should seek to create an environment in which the private sector can emerge as the new engine of economic growth, job creation and poverty reduction.

Creating such an enabling environment will require them to continue efforts to resolve issues in the regional financial sector, as well as to develop appropriate supervisory and regulatory frameworks for the sector. It will also call for them to leverage regional resources and synergies by enhancing connectivity through information and communications technology. Safeguarding this environment will in turn demand strong commitment, demonstrated by the allocation of meaningful resource levels, to improving disaster management, as well as mitigation and adaptation with respect to climate change.

**END**