COVID-19: IMPLICATIONS & POLICY RESPONSES FOR THE CARIBBEAN

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GLOBAL CONTEXT

IMPLICATIONS OF COVID-19

POLICY RESPONSE
By the Numbers - Global

Total Confirmed Cases: 1,973,715
Total Deaths: 125,910
Total Recovered: 474,261

Source: John Hopkins University of Medicine 14 Apr 2020 21:41:11
COVID-19 has changed the Global Growth Outlook

**Demand and supply shocks**

**Financial Sector Stress**

**Severe Oil Price Shock**

Source: IMF
Oil Prices have crashed...back to where they were before OPEC +

Back to the Future
Prices are now back at levels before OPEC+ was formed

Source: Review of the Economy 2019
But monetary policy is limited in what it can be expected to achieve given the nature of this crisis.
By the Numbers - CDB BMCs

Total Confirmed Cases BMC: 585
Total Deaths BMC: 40
Total Confirmed - Wider Caribbean: 6,173

Source: World Health Organisation 14 Apr 2020 09:00
## Tourism Dependent Countries

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<thead>
<tr>
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<tr>
<td>ANGUILLA</td>
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<td>BELIZE</td>
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<td>CAYMAN ISLANDS</td>
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<td>DOMINICA</td>
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<td>GRENADA</td>
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<tr>
<td>GUYANA</td>
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<td>HAITI</td>
<td>2.9</td>
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<td>2.4</td>
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<tr>
<td>JAMAICA</td>
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<td>ST. LUCIA</td>
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<td>ST. VINCENT AND THE GRENADINES</td>
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<td>46.2</td>
<td>12.9</td>
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<td>ST. KITTS AND NEVIS</td>
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<td>SURINAME</td>
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<td>3.7</td>
<td>1.6</td>
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<td>TRINIDAD AND TOBAGO</td>
<td>3.0</td>
<td>7.8</td>
<td>3.8</td>
</tr>
</tbody>
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Source: WTTC
Multiplier Effects of Tourism

- Arrivals
- Growth of local supply chains
- Direct and indirect jobs
- Greater Tax Yields for economic and social infrastructure
- Enhanced sector linkages e.g. agriculture and manufacturing
- Improved wellbeing
Impacts in the Caribbean

Tourism

The tourism-dependent economies are being affected by an economic slowdown. Tourism employs approximately 2.4 million (mn) people in the Region and contributes more than $62 billion (bn) (15.5%) to gross domestic product (2018).

The impacts are being felt in the cruise industry as many governments deny porting to some vessels. Like airlines, most cruise ships have now cancelled their remaining cruises and repatriated their cruisers and crews.

Commodities

Lower demand for fuel and increased supply has driven down the price of crude on the international market. Negative impacts on the Region’s oil exporters: Trinidad and Tobago, Guyana and Suriname
Impacts in the Caribbean

Consumption and Investment

Supply-side disruptions to production and trade will lead to sharp but temporary declines in domestic consumption, and possibly investment if the outbreak affects views on future business activity.

Spillovers of weak demand to other sectors and economies through trade and production linkages.

Health and Productivity

Effects on health and mortality as well as major shifts in health care spending.
Assumptions

**Low- COVID-19_50%**
Moderate outbreak of the virus, with travel bans and precautionary behavior abating only after 6 months (March – September 2020). A 50% reduction in stayover tourist arrivals is used to effect the real sector shock.

**Moderate- COVID-19_80%**
Moderate outbreak of the virus, with travel bans and precautionary behavior abating only after 6 months (March – September 2020). An 80% reduction in stayover tourist arrivals is used to effect the real sector shock.

**High- COVID-19_100%**
The outbreak is even more protracted, with precautionary behavior and restrictive policies remaining in place for the remainder of 2020 (March-December 2020). A 100% reduction in tourist arrivals is used to effect the real sector shock.
Indicative impacts
Indicative impacts
Summary of impacts

<table>
<thead>
<tr>
<th>Macro-Economic Indicators</th>
<th>Social Indicators</th>
<th>Environment</th>
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<tbody>
<tr>
<td>Real Economic Growth</td>
<td>Unemployment</td>
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<tr>
<td>Government Revenues</td>
<td>Mortality Rates</td>
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<td>Liquidity</td>
<td>Poverty Rates</td>
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<td>Government Expenditures</td>
<td>Social Exclusion</td>
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<td>Public Debt</td>
<td>Access to Health Care</td>
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Two phases of policy response: Economic Triage and Economic Resuscitation and Resilience Building

Phase 1: Coordinated Economic Triage

- Maximum Social Distancing
- Economic Contraction Curve

Phase 2: Economic Resuscitation and Resilience Reform Programme

- Continued Testing/mass Vaccination
- Health Normalised
- Assess Structural Damage to the Economy

Source: Ram (2020) Policy Responses for the Caribbean
Depth and length of recession depends on macro measures

Source: Ram (2020) Policy Responses for the Caribbean
Our Priority (global) is to flatten the Health pandemic curve

Source: Ram (2020) Policy Responses for the Caribbean
Potential Policy Options: Phase 1 - Economic Triage
Flattening the Recession Curve but an anchor must be sufficient FX reserves

1. Health System Support
2. Social System Support
3. Fiscal and Financial Prudence
4. Labour Market Support
5. Private Sector Support
6. Financial Sector Support
7. Supply Side BOP Support

Source: Ram (2020) Policy Responses for the Caribbean
Caribbean Countries are characterized by high export concentration caused by low competitiveness. This is reflected by:

- Inefficient logistics infrastructure
- Public and private infrastructure that is not physically resilient
- Cumbersome, outdated, inefficient regulatory systems
- PFM systems that do not generate value for money
Building Resilient Economies for Strong Inclusive Growth in the Caribbean

Key features:
Small, open economies
No reserve currencies

Key Imperatives:
- Export-led Growth
- Exports must be diverse
- Increased competitiveness
- Target GDP growth rate of 4-5%

Restructuring the Economy:
- Improved Governance
- Improved Infrastructure
- Improved Public Sector Regulatory Frameworks
- Improved Business Regulatory Frameworks
- Improved PFM Systems
- Improved Implementation
- Exploit Regional Integration

Digitalization and Resilience
Key Constraints to Intra-regional Agri-trade

Key Constraints

- Relatively high cost of production
- Inadequate transport and logistics
- Prevalence of non-tariff barriers in certain sectors
- Inadequate trade facilitation
- Low economies of scale
“However, deeper analysis highlights a number of other factors, though less recognizable, that are associated with successful agri-food investments in CARICOM and the wider Caribbean and Central American Regions, which are often absent in many of the less successful investments in CARICOM.

These factors include strategic private sector-led investments in innovation critical to the enhancement of agricultural productivity and efficiencies throughout the agri-food chain, legal and policy frameworks that create economic incentives for these innovations, and available hard and soft infrastructure to connect with regional and global distribution value networks”.

Source: CPSO Presentation (February 2020)
What is needed to support Intra-regional Agri-trade

**Enabling Environment**

- Harmonized regional SPS system (including protocols on risk assessment, trade in animal products and trade in vegetables)
- Harmonised national and regional quality infrastructure (linked to the above) – including increase in accredited testing laboratories, implementation of conformity assessment systems
- Improved trade facilitation including functional electronic trade and maritime single windows, completion of the Advance Cargo Information System and other commitments under the WTO Trade Facilitation Agreement

**Private Sector Investment (in priority sectors)**

- Enhanced private sector participation in the production of meat, poultry, corm, rice, cassava, coconut and coconut products, niche vegetables
- Immediate scaling up of projects that link suppliers with markets (including through distributors) e.g. Massy and the Making Agriculture Profitable and Sustainable (MAPS) Project executed in TT
- Business support to MSMEs to meet quality standards
- Public-private models to improve transport logistics
But we must implement: How to stop culture from eating our rebuilding strategy for breakfast

8 Steps to Delivery

1. Prioritization
2. Planning Labs
3. Open Day
4. Roadmap
5. KPI Targets
6. Implementation
7. External Audit
8. Annual Report

Source: PEMANDU
Oil Prices have crashed…back to where they were before OPEC +
“We cannot turn the clock back nor can we undo the harm caused, but we have the power to determine the future and to ensure that what happened never happens again.”

- Paul Kagame