CARIBBEAN ECONOMIC REVIEW AND OUTLOOK

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Caribbean Development Bank / Barbados
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AGENDA

01 The Global Picture
02 The Regional Picture
03 Vision
THE GLOBAL PICTURE
MODEST ACCELERATION EXPECTED IN 2017

Real GDP Growth (%)

Source: IMF World Economic Outlook Update, January 2017
RISKS AND OPPORTUNITIES

RISKS
- Uncertainty in US Policy
- Geopolitical risks
- BREXIT
- China rebalancing
- Global tightening
- Non-inclusive growth
- Low US productivity

OPPORTUNITIES
- Rising commodity prices
- US fiscal stimulus
- Continued China stimulus
- Rapid advancement of A.I.
THE REGIONAL PICTURE – WHERE ARE WE AND WHERE ARE WE GOING?
2016 ECONOMIC GROWTH

Real GDP Growth in 2016 (%)

Source: Statistics Offices, ECCB, CDB estimates
UNEMPLOYMENT REMAINS HIGH IN MOST COUNTRIES

Source: Statistics Offices
GROWTH STILL CONSISTENTLY LOWER THAN OTHER SIDS

Real GDP growth (%) 2006 to 2016

Source: CDB estimates, IMF, UN
COMMODITY PRICES STILL RELATIVELY LOW & RATE OF VISITORS ARRIVALS HAS DECLINED

**Gold Index: Jan 12 - Dec 16**

**Crude (US$/bbl) Jan 12 - Dec 16**

**Stayover Arrivals**

- **2014**: +5.9%
- **2015**: +4%
- **2016**: +1.7%

Sources: IMF, CTO
DOING BUSINESS DETERIORATED IN MOST BMCS

<table>
<thead>
<tr>
<th>Country</th>
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<th>Difference 2016-2017</th>
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<td>Regional Average</td>
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Source: World Bank Group
## HIGH DEBT ACROSS BMCS

### Debt as a % of GDP

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<tr>
<th></th>
<th>2015</th>
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<th>Change in %</th>
<th>Primary Balance (% of GDP)</th>
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Source: Statistics Offices, Central Banks
FOREIGN CURRENCY RESERVES BELOW BENCHMARK LEVEL

Benchmark 3.0

Months of Imports

2014 2015 2016
REGION EXPECTED TO GROW IN 2017

Source: CDB forecasts
VISION – WHERE DO WE NEED TO BE, AND HOW?
WE NEED TO ACT NOW

- Strong targeted Social Development programmes
- Stabilise the economies through fiscal and debt consolidation
- Tackle the obstacles to growth
- Reform governance and institutions
ENSURE THAT EVERYONE CAN CONTRIBUTE TO AND SHARE THE BENEFITS OF GROWTH

Target the SDGs through:
- Education
- Healthcare
- Social Security
- Housing
- Dedicated Ministries and targeted programmes (e.g. CONEVAL in Mexico)

POOR

DEPRIVATIONS

PUBLIC POLICY

INCOME

Income Cut-off

6 5 4 3 2 1 0

• EDUCATION
• HEALTH SERVICES
• SOCIAL SECURITY
• QUALITY HOUSING
• HOUSING SERVICES
• ACCESS TO FOOD
ECONOMIC STABILITY

Expenditure Reforms
- Implement effective fiscal rules
- Modernise public sector activities
- Reduce transfers to SOEs and parastatals through the streamlining of operations
- Improve procurement and modernise technological infrastructure
- Strengthen institutions
- Better targeting to reduce subsidies

Revenue reforms
- Comprehensive assessment of the tax system
- Enhance audit and control
- Use technology to simplify tax payments (e-Government)
- Trade facilitation and customs reform
## ECONOMIC STABILITY

### Debt Management

<table>
<thead>
<tr>
<th>Reduce the cost of financing with a debt management strategy</th>
<th>Maximise use of concessional finance thereby reducing cost of borrowing</th>
<th>Seek to climate proof infrastructure</th>
<th>Improve the framework for debt management</th>
</tr>
</thead>
</table>
SIMPLE REFORMS TO ENHANCE INCLUSIVE GROWTH

- Improve the environment for doing business
- Reduce barriers to trade
- Use PPPs to close infrastructure and service gaps
- Strengthen the banking sector
- Engage the diaspora

- Facilitate and promote green energy production
- Liberalise monetary policy
- Provide incentives for raising capital, e.g. junior stock markets
- Divest state assets to help unlock value
- Foster access to global supply chains
### TOWARDS BETTER GOVERNANCE

<table>
<thead>
<tr>
<th>Accountability</th>
<th>Transparency</th>
<th>Fiscal discipline</th>
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| • Clearly articulated vision to which governments hold themselves, and the people hold them accountable. | • Greater engagement of stakeholders (civil society, labour unions, private sector) on issues on national importance.  
• Hiring, appointments, awarding of contracts, granting of incentives/concessions. | • Focus needs to be on ensuring value for money. |
THANK YOU