Present and Future Requisites for Prosperity
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Good morning, ladies and gentlemen. Today I will present an overview of the Region's 2023 economic performance and forecasts for 2024. In the process, we will take stock of the Region's economic progress and highlight some key "Present and Future Requisites for Prosperity", considering the risks, challenges and opportunities that lie ahead.

Recently, our Borrowing Member Countries, have faced several disruptions to social and economic progress, including the COVID-19 pandemic and consequent deterioration in macroeconomic conditions. Related global trade and supply chain challenges, compounded by Russia's invasion of Ukraine in 2022, resulted in significant international commodity price increases. To bring inflation under control, contractionary monetary policy actions were sustained into 2023, raising interest rates and contributing to a slowdown in global economic activity. The Israel/Palestinian conflict, starting toward the end of 2023, added to the uncertainty.

Despite having to navigate this challenging external environment, Caribbean economies continued to rebound from the COVID-19 shock, with an average growth rate of 6.7% in 2023. This, however, is a slowdown from the 11% recorded in 2022, reflecting some return to the historical average following the unprecedented shock caused by the pandemic. By the end of 2023, 11 of our Borrowing Member Countries [1] had overtaken pre-pandemic output levels.

Higher oil production in Guyana was a significant driver of average regional growth in 2023. Production increased by 35.2%, influencing growth in the non-energy sectors and contributing to overall expansion of Guyana's economy of 32.9%. Economic activity in the other commodity exporters - Suriname and Trinidad and Tobago - also expanded but at a more measured rate, with the energy sector in Trinidad and Tobago recording a slight contraction.

As primarily a tourism-dependent region, the ongoing recovery of that industry was also a key driver of the regional economic performance, with service-exporting Borrowing Member Countries growing at an average of 2.4%. These economies benefitted from robust demand from major source markets, particularly the United States. Mobility and travel essentially returned to normal with the ending of emergency health restrictions in May 2023.

Data for the January-to-September period showed total arrivals reached 99% of pre-COVID levels, bolstered by continued recovery of airlift and the return of festivals and sporting events across the Region.

The tourism outturn, combined with ongoing private and public construction activity, drove real growth for most Borrowing Member Countries.

Unfortunately, Haiti continued to be an exception to the regional performance, as the country grappled with persistent instability and high inflation, which contributed to weak economic performance.

Consistent with generally better economic environments, labour market conditions continued to improve across Borrowing Member Countries. Despite positive labour market trends, gender gaps persist, with unemployment among women generally being higher than among men. Furthermore, while there has been some moderation in youth unemployment, it remains elevated compared with other segments of the population.

In 2023, inflation, and associated risks to food and energy security, continued to be a major concern. While inflation rates generally eased across the Region, mirroring international trends, lingering high energy and food costs, supply chain issues, and strong consumer demand kept inflation elevated. Currency depreciation was also a contributory factor in one Borrowing Member Country.

In response to the persistent price pressures, some Borrowing Member Country governments extended price relief into 2023, easing the burden of higher living costs on poor and vulnerable populations. Governments also contended with elevated borrowing costs amid tight financing conditions. Nevertheless, with the continued strengthening in economic activity, government revenues and overall fiscal outcomes improved. The average regional primary surplus therefore increased from 0.5% of GDP in 2022 to 0.8% in 2023. Borrowing Member Countries with established fiscal sustainability frameworks have already pivoted toward fiscal consolidation, while the others refocused on fiscal or debt sustainability anchors.

The Region's average debt-to-GDP ratio continued to trend downward, after spiking in 2020 at the onset of the COVID-19 pandemic. In 2023 growth in nominal GDP was the main contributor to positive debt dynamics, as the nominal value of regional debt continued to build, albeit at a slower pace. Over the course of 2023, debt-to-GDP fell 4.8 percentage points to 51.8%. Still, in 9 Borrowing Member Countries, debt ratios remained above the 60% threshold.

Looking ahead, the Caribbean Development Bank forecasts an average growth rate of 8.6% for its 19 Borrowing Member Countries in 2024, largely attributable to increased oil production in Guyana and the continued expansion of the tourism industry. Excluding Guyana, this growth projection falls to 2.3%, a moderation from the estimated growth of 2.5% in 2023, which aligns with the broader trends of slowing, below-average global growth and the ongoing normalisation of economic conditions in the Caribbean.

The projected outlook is susceptible to various downside risks, such as sluggish global growth and persistent high inflation, which have the potential to undermine the expected economic performance. Escalations in existing geopolitical conflicts or the emergence of new ones could disrupt stability, consumer confidence, and investments, critical elements for sustaining economic growth. These events may also trigger supply chain disruptions and rekindle volatility in global commodity prices, necessitating additional monetary tightening that could weaken external travel demand from the region's primary source markets. Additionally, challenges linked to climate change, including natural disasters, pose risks to the region.

CDB recognizes that higher and sustained levels of economic growth is needed to achieve greater prosperity for the region's citizens. Raising potential output and building economic resilience over the medium to long term will require reducing high export concentration by raising competitiveness through increased productivity and lower production costs. Among the future requisites for achieving this are:

1. Adequate, climate-resilient social and economic infrastructure.
2. Improving the institutional frameworks within which businesses operate, especially through digitalization;
3. The adoption of artificial intelligence;
4. Deepening the human resource base and reducing skills gaps;
5. Creating the enabling environment for greater penetration of sustainable energy sources to strengthen energy security, but also stabilize and reduce energy costs; and,
6. Enhancing logistics quality to augment intra-regional trade, which can develop regional value chains while reducing import dependence and enhancing food security. In this regard, in 2023, CDB, in partnership with the International Trade Centre, assessed select country logistics performance and made recommendations for improving them. Some key recommendations included:

- Digitalization of trade and customs processes;
- Investments in modern air and seaport infrastructure, distribution centers, and storage facilities that support efficient movement of goods;
- Modernization of customs, immigration, and tariff rules to facilitate trade and remove barriers; and,
- Implementation of information systems with data capture, sharing, and inventory control to create transparency and optimize logistics.

CDB is supporting its Borrowing Member Countries in these efforts through various interventions that will be highlighted by my colleague – Director of Projects, Therese Turner-Jones.

To accommodate some of the critical spending needed to accelerate development, marginal expansion in the fiscal stance of some Borrowing Member Countries is projected in 2024, but most are expected to maintain positive primary balances, bolstered by continued economic growth. This would allow for continued convergence to fiscal and debt targets, as fiscal consolidation efforts to rebuild buffers and resilience to future shocks are expected to continue in 2024, with ongoing initiatives to strengthen tax administration and boost revenue. At this juncture, the focus of fiscal policy is to strike the appropriate balance between securing fiscal sustainability and facilitating growth and development. At the same time, making the necessary investments in pursuit of resilient prosperity will require greater access to adequate and affordable financing to support debt sustainability efforts. In this regard, and as stated by the Acting President, the Bank will continue to strengthen its partnerships to mobilize resources for sustainable development and support our Region in achieving resilient prosperity.

I now turn the podium over to Director of Projects, Therese Turner-Jones.