logo Image not found or type unknown

With Guyana Set to Start Producing 100,000 Barrels of Oil Daily, Caribbean Central Bank Projects 4.1 Percent Growth for Caribbean

Economy / **Published On February 12, 2020 07:01 PM /**

Staff Consortium February 12, 2020

Image not found or type unknown

BRIDGETOWN, Barbados, CMC – The Caribbean Development Bank (CDB) is projecting regional growth of 4.1 per cent this year, with Guyana set to dominate growth through the estimated daily production of about 100,000 barrels of oil.

Addressing the bank's annual news conference here on Tuesday, CDB president Dr Warren Smith noted that the other drivers of growth will be the construction, tourism and agriculture sectors.

However he warned that economic growth will remain lopsided and below the sustainable rates needed for long-term resilience, and borrowing member countries (BMCs) like Barbados, Grenada, Jamaica, and St Kitts and Nevis must stay on course with the home-grown socio-economic reform programs.

“Others should join the bandwagon and commence, with alacrity, implementation of their own adjustment programmes,” Smith said, adding that the CDB will continue with its own internal transformation programme, which started last year.

Reporting on the region’s economic performance for 2019, Smith stated that the Caribbean recorded another year of low growth at one per cent, compared to 1.6 per cent in 2018.

“This slowdown was consistent with relatively sluggish global growth of 2.9 per cent. The international economic environment continued to give mixed signals, especially concerning USA-China trade relations.

“Geopolitical anxieties in the Middle East presented major downside risks, whilst protests against corruption, inequality, climate change, and lack of political freedom mounted,” Smith told reporters.

The prolonged drought in Belize, Haiti and Jamaica, as well as the social unrest in Haiti, also contributed to last year’s economic slowdown, he added.

Reconstruction efforts following the deadly hurricanes Irma and Maria in 2017, also boosted economic growth in the affected BMCs.

“Unsurprisingly, the fastest growing economies were Anguilla at 10.9 per cent, and Dominica (5.7 per cent,” Smith reported.

The performance of the tourism sector improved in nearly every member country, with visitor arrivals growing by double digits in St. Kitts and Nevis and the Cayman Islands. Arrivals also rose sharply to pre-hurricane levels in Anguilla.

The Bahamas recorded the highest every number of visitor arrivals, last year – reflecting increased airlift from North America as well as its performance before Hurricane Dorian in September, which severely damaged the islands of Abaco and Grand Bahama.

“Guyana reported strong performance in the timber and gold industries; and activity rose as preparation for the commencement of oil production in 2020 heightened.

“However, economic growth remained flat in Trinidad and Tobago, pointing to subdued activity in energy, manufacturing and construction. And real GDP (gross domestic product) contracted by 0.3 per cent in Haiti where social unrest and political instability undermined economic confidence,” Smith told the media.

Although Barbados recorded gains in tourism, there was a slight contraction in the Barbados economy following delays in the start of major private sector projects.

“Nonetheless, Barbados made notable progress in implementing its Economic Recovery and Transformation Plan, and a strengthened fiscal framework led to a primary surplus of six per cent in 2019 compared with 3.5 per cent of GDP in 2018.

“The debt ratio dropped to under 120 percent of GDP from around 127 per cent of GDP in 2018; and Barbados’ credit rating improved following the successful restructuring of the Government’s external commercial debt”, Smith said.

In Grenada, there was an increase in tax revenues and the implementation of a new Tax Administration Act saw an increase in fiscal surplus. The debt ratio in St George's also fell below the international benchmark of 60 per cent of GDP.

St. Kitts and Nevis also recorded a debt ratio below 60 per cent of GDP, which, according to Smith, reflected the benefits of a healthy fiscal surplus associated with revenues from its Citizenship by Investment (CIP) programme that allows foreign investors to obtain citizenship in return for making a significant contribution to the socio-economic development of the Federation.

"Encouragingly, the debt ratio fell in 10 BMCs, with the declines being steepest in Barbados, Grenada, Jamaica and St. Kitts and Nevis. These BMCs are at various stages of implementing home-grown fiscal reform programmes," he said.

In the case of the Bahamas the country's fiscal deficit was narrowing prior to Hurricane Dorian, however debt rose slightly to 66.3 per cent of GDP to meet the initial post-hurricane financing requirements, but remained manageable.

Smith also reported that the CDB approved capital projects, policy-based operations and technical assistance totalling US$347 million.

He said disbursements rose by eight per cent to US$305 million in 2019, and the Board of Directors approved funding for several projects including a US$110 million loan from CDB; and a £25.6 million (One British Pound=US$1. 29 cents) grant from the CDB-administered United Kingdom Infrastructure Fund to modernise the Kingstown Port in St. Vincent and the Grenadines.

The bank also approved a second policy-based loan of US$75 million to support Barbados' ongoing economic stabilisation and recovery programme; and a US $50 million exogenous shock policy-based loan for The Bahamas following the passage of Hurricane Dorian.

Written by: By Marie Claire Williams