



## ARE CARICOM ECONOMIES BENEFITTING FROM THE LOW OIL PRICES?

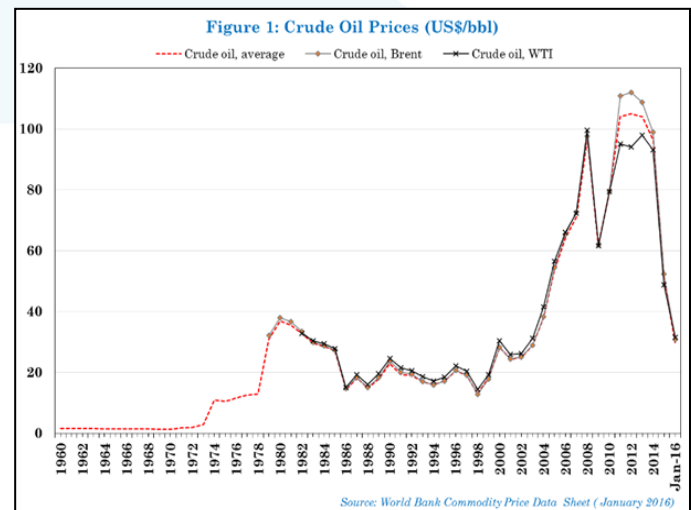
The effects of falling oil prices are being felt by economies around the world with oil-importing economies benefiting while the oil-based economies are reeling from reduced fiscal revenue, balance of payment problems and falling international reserves. These developments have had negative social and, in some cases, political consequences for many oil-based economies. In the World Bank's Commodity Outlook (January 2016), the 2016 price forecast for crude oil has been lowered to US\$37 per barrel, down from its October 2015 projection of US\$51 per barrel. This Report states that the lower forecast reflects a number of supply and demand factors. These include the sooner-than-anticipated resumption of exports by the Islamic Republic of Iran, greater resilience in U.S. production due to cost cutting and efficiency gains, a mild winter in the Northern Hemisphere and weak growth prospects in major emerging market economies.

Oil prices fell by 47 per cent in 2015 and are expected to decline, on an annual average basis, by another 27 per cent in 2016. The price outlook for oil now remains subject to considerable downside risks but according to the World Bank's Commodity Outlook (January 2016) a gradual recovery is expected over the course of the year 2016 for the following reasons:

- ⇒ The sharp oil price drop in early 2016 (Figure 1) does not appear fully warranted by fundamental drivers of oil demand and supply, and is likely to be reversed to some extent;
- ⇒ High-cost oil producers are expected to sustain persistent losses and increasingly make production

cuts that are likely to outweigh any additional capacity coming to the market;

- ⇒ Demand is expected to strengthen somewhat with a modest pickup in global growth.



The anticipated oil price recovery is forecast to be smaller than the rebounds that followed sharp drops in 2008, 1998 and 1986. "Low prices for oil and commodities are likely to be with us for some time," said John Baffes, Senior Economist and lead author of the Commodities Markets Outlook. The fact that oil prices are forecast to remain low in the near future should benefit service-based economies in the Caribbean in the short-term.

The Bahamas, Barbados, Jamaica and Curacao experienced an improvement in their economic growth in 2015 compared to 2014. On the other hand countries such as Aruba, Belize, ECCU, Haiti and Sint Maarten experienced slower growth in 2015 when compared to their levels in

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2014. Those economies that reported a slowdown in their economic activities in 2015 reported that although they experienced gains in their tourist arrivals from USA and Europe and lower costs in Transportation, these gains were outweighed by the contraction in sectors such as Financial Intermediation, Construction, Retail Business and Manufacturing. The lower cost of fuel imports, for the service-based economies was reflected in the positive changes in their external current account balances. Their trade balances although still in deficits, were lower in 2015 (Table 1) for all economies except Belize. On the other hand, Trinidad and Tobago which had not reported a trade deficit since 1998, registered a trade deficit of US\$

**Table 1: CARICOM ECONOMIES - External Current Account (US\$M)**

CARICOM Economies		2013	2014	2015
Commodity-Based Economies	Guyana	-456.03	-385.18	-144.20
	Suriname	-195.96	-415.47	-807.55
	Trinidad & Tobago	3419.94	377.57	-38.70
Service-Based Economies	Aruba	-331.28	-136.70	109.89
	Bahamas	-1493.93	-1928.10	-1351.80
	Barbados	-396.70	-409.08	-285.06
	Belize	-72.60	-127.81	-174.74
	ECCU	-931.64	-815.51	-711.80
	Haiti	-537.17	-775.84	-223.97
	Jamaica	-1312.75	-1128.16	-326.19
	Curacao	-664.32	-374.15	n.a.
	St. Maarten	4.96	-46.50	n.a.

Source: National Central Banks of the Countries

38.7 million in 2015. Trinidad and Tobago also continues to experience significantly reduced fiscal revenues as

**Table 2: CARICOM ECONOMIES - Overall Fiscal Balance (% of GDP)**

CARICOM Economies		2013	2014	2015
Commodity-Based Economies	Guyana	-4.40	-5.48	-1.43
	Suriname	-6.07	-5.69	-9.63
	Trinidad & Tobago	-0.17	-3.80	-4.91
Service-Based Economies	Aruba	-7.19	-8.56	-4.25
	Bahamas	-5.80	-6.20	n.a.
	Barbados	-10.86	-8.76	-7.43
	Belize	-1.15	-2.87	-8.39
	ECCU	-3.38	-1.19	-0.28
	Haiti	-0.90	-3.98	-3.98
	Jamaica	-7.49	-0.30	-0.41
	Curacao	-0.45	1.74	2.89
	St. Maarten	-0.84	5.38	0.50

Source: National Central Banks of the Countries

energy prices fall, leading to deteriorating overall fiscal balance (Table 2). The service-based economies such as Aruba, The Bahamas, ECCU and St. Maarten however, reported improvements in their overall fiscal balance in 2015.

In the short-term, the service-based economies of CARICOM have been benefiting from falling oil prices while Trinidad and Tobago has faced severe economic problems. An important potential problem for service-based economies to consider, however, would be the knock-on effects of the slowdown in economic activities in Trinidad and Tobago on their economies in the medium to long term. Trinidad and Tobago is a major source for intra-regional investment and tourism. The persistent decline in oil prices can therefore lend to significantly lower levels of intra-regional investment and tourism flows from Trinidad and Tobago, hampering growth in those service-based economies.

By  
**Ms. Julia Jhinkoo**  
Junior Research Fellow  
Caribbean Centre for Money and Finance

## REGIONAL ECONOMIC NEWS

### Aruba

- Aruba business people report increase in profits - A larger percentage of respondents to the Central Bank of Aruba's (CBA's) Business Perception Survey operated with profits in the third quarter of 2015, compared to the previous quarter, the CBA said in a report." (CBAruba, Bank News , 2 Feb. 2016)
- Aruba sweeps travel marketing awards season - While Hollywood's hottest celebrities dazzle as "lead actor" or "best new artist," Aruba stars as "best in show" for advertising and marketing this awards season - with achievements ranging from the most digitally-savvy island in the Caribbean to the most sustainable destination in the world. ( CNNow, 18 Feb. 2016)

### The Bahamas

- Bahamas government asks for more time on megaresort winding up - Months after filing a petition to wind up bankrupt megaresort Baha Mar, The Bahamas government, through its attorney, asked a Supreme Court judge on Monday to hold off on the winding up as "positive" signs exist for a resolution to the crisis, but more time is needed to get to that point. ( CNNow, 3 Feb. 2016)
- Bahamas discusses small business development assistance with OAS - Dr Elliston Rahming, Bahamas ambassador to the United Nations and the Organization of American States (OAS), and Dr Eugene Newry, Bahamas ambassador to the United States, on Thursday met with director Maryse Roberts and Renee Penco of the OAS Department of Economic Development to discuss assistance towards the potential establishment of a small business development centre (SBDC) in The Bahamas. ( CNNow, 6 Feb. 2016)
- Bahamas freezes money stolen by Cayman Islands fraudster - Reliable sources in The Bahamas have reported that a government agency there has frozen corporate bank accounts controlled by Cayman Islands securities trader, Ryan Bateman. The companies named are Bahamas Exploration Limited, and Atlantic Petroleum Limited. . ( CNNow, 9 Feb. 2016)
- IDB Group to hold annual meeting in Bahamas- The Inter-American Development Bank Group will hold its annual meeting in Nassau, The Bahamas, on April 7-10. Economic and financial leaders from its 48 member countries will discuss key development challenges for Latin America and the Caribbean on issues ranging from the global economic slowdown, private sector investments, energy sector diversification, sustainable urban development, the potential of creative industries, and natural capital as a line of defense against climate change, among others. ( CNNow, 11 Feb. 2016)
- Utility Management Company sold after signing \$10 million contract with Bahamas - Just over two weeks after Power Secure International signed a management service agreement (MSA) with the Bahamas government to transform the electricity sector, that company has been sold to Atlanta-based Southern Company for \$431 million. Under the terms of the deal, PowerSecure -- based in Wake Forest, North Carolina -- will become a wholly owned subsidiary of Southern Company. ( CNNow, 27 Feb. 2016)

### Barbados

- Barbados announces 2015 best year on record for tourism - The Barbados tourism industry is on a strong growth path, with 2015 being a record year. Minister of Tourism and International Transport,

Richard Sealy Minister of tourism and international transport, in an update on the state of the industry, noted that 2015 was a "turnaround year" with many of the vital signs showing steady improvement. ( CNNow, 5 Feb. 2016)

- Barbados continues to diversify its economy - Prime Minister Freundel Stuart says his government is continuing to diversify the Barbados economy to ensure that the country is not dependent on any one sector. ( CNNow, 6 Feb. 2016)
- Caribbean tourism sets new performance records - For the first time ever since the Caribbean Tourism Organization (CTO) began keeping records, the Caribbean outperformed every major tourism region in the world in setting new arrival and spend records in 2015, while exceeding expectations. ( CNNow, 17 Feb. 2016)
- Barbados introduces incorporated cell company legislation - Barbados passed legislation that enables the creation of incorporated cell companies (ICCs). Intended to complement its segregated cell legislation, the introduction of incorporated cell companies provides investors with the ability to separate assets and liabilities within a number of financial service activities. The legislation is expected to come into effect before month end. ( CNNow, 25 Feb. 2016)
- Caribbean economies experience 'mixed fortunes' in 'topsy-turvy' external environment - St Kitts and Nevis, Grenada and the Turks and Caicos Islands showed 4 percent growth, due to improved tourism arrivals and increased tourism related construction, while the region's economic powerhouse Trinidad and Tobago grew by just 0.2 percent due to weaker oil and gas prices. That's according to the Caribbean Development Bank (CDB)'s Economic Review for 2015 and Outlook for 2016, delivered on Wednesday at its headquarters in Barbados. ( CNNow, 26 Feb. 2016)

### Belize

- Free movement of labour workshop underway in Belize - twenty Belizeans from the private sector, public sector and union representatives are attending a two-day workshop on the free movement of labour in Belize City. The workshop opened with four key speakers that highlighted the history, present progress and the benefits of the CARICOM Single Market and Economy (CSME). ( CNNow, 11 Feb. 2016)
- Threat to regional finance sector to get CARICOM heads' attention - Ahead of Monday night's opening of the CARICOM heads of government inter-sessional meeting in Belize, finance ministers deliberated in the morning on a regional response to a threat to the banking sector in member states. The issue is the threat to correspondent banking relationships, or the possible loss of access to the international financial markets by mainly the regional indigenous banks. ( CNNow, 16 Feb. 2016)
- CARICOM must wage relentless campaign against threat to banking sector, says Belize PM - The threats to the region's banking sector via the phenomenon of de-risking could have "cataclysmic ramifications" for the Caribbean, and a "relentless" campaign must be waged against it, incoming chairman of the Caribbean Community (CARICOM) and prime minister of Belize, Dean Barrow, warned on Monday. ( CNNow, 17 Feb. 2016)
- All options to be pursued for solution to banking sector threat, says CARICOM chair - The Caribbean Community (CARICOM) will employ the full range of options available to it to confront the

banking crisis that is threatening the region, chair of the community and prime minister of Belize, Dean Barrow, said. He underscored the necessity of collective action, sensitisation and mobilisation. (CNNow, 19 Feb. 2016)

### ECCU

- St Vincent agriculture ministry calls on CARICOM to consolidate commodity supply - St Vincent and the Grenadines minister of agriculture, Saboto Ceasar, has called on policymakers in Caribbean Community (CARICOM) member states to identify a commodity or commodities for consolidated supply to regional and international markets. (CNNow, 3 Feb. 2016)
- New ECCB governor outlines his vision to regional and local media - Media practitioners from across the Eastern Caribbean Currency Union (ECCU) were given an opportunity on Monday to interact with the new governor of the Eastern Caribbean Central Bank (ECCB), Timothy Antoine, as he outlined his new vision for banking within the ECCU during a press conference at the bank's headquarters in Basseterre, St Kitts. (CNNow, 4 Feb. 2016)
- IMF concludes consultation with St Lucia - On February 5, the executive board of the International Monetary Fund (IMF) concluded the 2015 Article IV consultation with St Lucia. (CNNow, 11 Feb. 2016)
- Dominica's citizenship programme main source of FDI, officials say - In an in-depth interview, two senior Dominican officials provide a rare glimpse behind the scenes of the programme. Vince Henderson is Dominica's permanent representative to the United Nations. Emmanuel Nanthan heads the country's Citizenship by Investment Unit. They reveal how the programme works in practice, and discuss its potential contribution to the broader economic development of the island. (CNNow, 17 Feb. 2016)
- Citizenship programme to boost St Lucia economy - Prime Minister Dr Kenny Anthony said Saint Lucia's new citizenship by investment programme will provide impetus for the recovering economy, in order to lessen the effects of a decline in foreign direct investment. (CNNow, 18 Feb. 2016)

### Haiti

- OAS mission says stakeholder discussions in Haiti at a delicate stage - the Organization of American States (OAS) special mission currently in Haiti says that "the discussions between the Haitian stakeholders are at a very delicate and urgent stage amid the political situation that now faces the country with the imminent departure from office of President Michel Martelly on February 7". (CNNow, 4 Feb. 2016)
- Agreement reached for transitional government in Haiti - Just 22 hours before the end of President Michel Martelly's term without an elected president to succeed him, an agreement was reached for a transitional government in Haiti. (CNNow, 8 Feb. 2016)
- Weather and drought to blame as food insecurity doubles in Haiti - Haiti's third consecutive year of drought, exacerbated by the global El Niño weather phenomenon, has driven people deeper into poverty and hunger, and doubled the severely food-insecure population, the United Nations World Food Programme (WFP) said on Tuesday. (CNNow, 10 Feb. 2016)
- Interim president elected in Haiti - The Haitian National Assembly on Sunday elected Senate president Jocelerme Privert as the island

nation's interim president, one week after the departure of former president Michel Martelly. (CNNow, 16 Feb. 2016)

### Guyana

- Fiscal measures in Guyana's 2016 national budget - Stimulating growth, restoring confidence: The good life- Minister of Finance Winston Jordan, presented the second budget for the coalition government under the theme 'Stimulating Growth, Restoring Confidence: The Good Life Beckons.' The budget, according to the minister, is anchored on the following five pillars: National Unity, National Infrastructure, National Institutions, National Security and Public Services. These pillars are the main drivers in the shaping of government's policies and programmes as it embarks on a journey to transform the economy through prudent management. (Stabroek News, 5 Feb 2016)
- Guyana to join Islamic Bank by mid-year - Guyana, which joined the Organisation of Islamic Cooperation (OIC) in 1998, but not the Islamic Development Bank (IsDB), an organ of that group, will finally join the bank by mid-year according to Finance Minister Winston Jordan during an address to Parliament. (CNNow, 22 Feb. 2016)

### Jamaica

- Jamaicans go to the polls on 22 February 2016 - Jamaicans will go to the polls on Thursday February 25, 2016, in an early general election announced on Sunday night by Prime Minister Portia Simpson Miller at a rally of her ruling People's National Party (PNP). (CNNow, 2 Feb. 2016)
- Jamaica targeting job opportunities in global animation industry - The government is moving to position Jamaica to tap into potential job opportunities in the global animation industry, estimated to be worth over US\$222 billion and for which there is a demand for 30,000 animators. (CNNow, 5 Feb. 2016)
- Jamaica negotiating with major oil and gas company for licence to explore - Science, technology, energy and mining minister, Phillip Paulwell, says the ministry is in the final stages of negotiation with a major oil and gas company, to explore another section of Jamaica to determine the potential for commercial oil and gas. (CNNow, 10 Feb. 2016)
- Jamaica upgraded to 'B'; outlook revised to stable- Fitch Ratings has upgraded Jamaica's long-term foreign and local currency IDRs to 'B' from 'B-' and revised the rating outlooks to stable from positive. In addition, Fitch upgraded Jamaica's senior unsecured foreign- and local-currency bonds to 'B' from 'B-'. The country ceiling has been affirmed at 'B' and the short-term foreign-currency IDR affirmed at 'B'. (CNNow, 13 Feb. 2016)
- Opposition wins Jamaica general election - The opposition Jamaican Labour Party (JLP) led by Andrew Holness narrowly won the general elections on Thursday. The JLP was ahead in 33 of the 63 seats with most votes counted, according to the Electoral Commission website. (CNNow, 26 Feb. 2016)

### Curacao and Sint Maarten

- US supplies OPEC with oil in Curacao after 40-year export ban - According to Bloomberg Business, the US is now supplying OPEC with crude oil through Curacao. Petroleos de Venezuela SA (PDVSA) received a cargo of West Texas Intermediate crude at the end of

## REGIONAL ECONOMIC NEWS cont'd

January at a terminal in Curacao, where PDVSA operates the refinery, according to two people familiar with the shipment. It was the first delivery since export restrictions on US crude were lifted last year. ( CNNNow, 4 Feb. 2016)

- Curacao government will not renew oil refinery lease with Venezuela - In a letter to the leader of the coalition party PAIS, Alex Rosaria MP, the minister of public health, science and environment, Siegfried Victorina, has indicated that the Curacao government will not renew the oil refinery lease agreement with the Venezuelan state oil company PDVSA. ( CNNNow, 5 Feb. 2016)
- Oil refinery to remain open, says Curacao PM - During a hastily called press conference, the prime minister of Curacao, Dr Bernard Whiteman confirmed that the government has decided not to renew the lease of the oil refinery with the Venezuelan state oil company PDVSA, which expires in 2019, under the same conditions for the next ten years. ( CNNNow, 5 Feb. 2016)
- Netherlands foreign minister to discuss ties between Dutch islands and CARICOM -Ties between the Dutch islands and the Caribbean Community (CARICOM) will be discussed at the Kingdom of the Netherlands level, according to a report of the Kingdom delegation activities in late September in New York during the 70th General Assembly of the United Nations. ( CNNNow, 29 Feb. 2016)

### Suriname

- IMF mission visits Suriname - An International Monetary Fund (IMF) staff mission, led by Daniel Leigh, visited Paramaribo from February 1 to 11, 2016, for discussions on possible IMF financial assistance to Suriname. ( CNNNow, 12 Feb. 2016)
- Suriname credit ratings downgraded; outlook negative - Fitch Ratings has downgraded Suriname's long-term foreign and local currency issuer default ratings (IDRs) to 'B+' from 'BB-'. The rating outlook is revised to negative from stable. The country ceiling has been downgraded to 'B+' from 'BB-'. The short-term foreign currency IDR is affirmed at 'B'. ( CNNNow, 27 Feb. 2016)

### Trinidad and Tobago

- Jobless rate could jump to 15% - UWI professor warns- The University of the West Indies' Prof Karl Theodore has warned that this country's unemployment rate could jump to as high as 15 per cent during the present recession, given that employment is strongly dependent on the energy sector. ( Express, 16 Feb. 2016)
- Low oil price: bpTT to send home more workers - Energy giant BP Trinidad and Tobago (bpTT) will be sending home more workers. BpTT said yesterday it has begun a consultation process with employees who are likely to be affected by Group wide organisational changes. (Express, 16 Feb. 2016)
- "As a result, the company anticipates that at the end of this process approximately 2.5 per cent of its national employees will be impacted and over 50 per cent of its expatriate staff in Trinidad will be re-patriated," the company said in a media release.
- Trinidad to host high-level Caribbean technology forum - Senior Caribbean government technocrats will this week explore new mechanisms for facilitating comprehensive regional approaches for the planning and execution of information and communications technology (ICT) projects to foster development. ( CNNNow, 17 Feb. 2016)
- ILO regional director concludes Caribbean visit -"Important discussions need to be had on how to diversify the economy and create new sources of growth and new engines of job creation," said the director of the International Labour Organization (ILO) for Latin America and the Caribbean, José Manuel Salazar-Xirinachs, during a two-day official visit to Trinidad and Tobago.. (CNNNow, 18 Feb. 2016)
- Gov't to finance budget deficit by borrowing- Finance Minister Colm Imbert said Government would be financing its budget deficit from borrowings on the local and external financial markets. (Express, 23 Feb 2016)

### STAFF OF THE CARIBBEAN CENTRE FOR MONEY AND FINANCE

#### OIC

**Dr. Dave Seerattan**

662-2002 ext. 82551

[Dave.Seerattan@sta.uwi.edu](mailto:Dave.Seerattan@sta.uwi.edu)

#### Junior Research Fellow

**Ms. Julia Jhinkoo**

662-2002 ext. 82549

[Julia.Jhinkoo@sta.uwi.edu](mailto:Julia.Jhinkoo@sta.uwi.edu)

#### Secretary

**Mrs. Pamela Joseph**

662-2002 ext. 82548

[Pamela.Joseph@sta.uwi.edu](mailto:Pamela.Joseph@sta.uwi.edu)

### RESEARCH ASSOCIATES OF THE CARIBBEAN CENTRE FOR MONEY AND FINANCE

Mr. Myrvin Linden Anthony

Prof. Temisan Agbeyegbe

Dr. Anthony Birchwood

Mr. Anton Belgrave

Prof. Compton Bourne

Sir Courtney N. Blackman

Dr. Jenifer Daley

Dr. Kevin Greenidge

Dr. Kari H.I. Grenade

Mr. Kester Guy

Prof. Andrew Hughes Hallett

Dr. Lester Henry

Dr. Tarron Khemraj

Dr. Brian Langrin

Dr. Gene Leon

Dr. Arnold McIntyre

Dr. Winston Moore

Prof. Ramesh Ramsaran

Dr. Wendell Samuel

Dr. Ankie Scott-Joseph

Dr. Shelton Nicholls

Prof. Patrick Kent Watson

Dr. Allan Wright



**CARIBBEAN CENTRE  
FOR MONEY & FINANCE**

The University of the West Indies

St. Augustine

Trinidad and Tobago

Phone: 868-645-1174

Fax: 868-645-6017

E-mail: [ccmf@sta.uwi.edu](mailto:ccmf@sta.uwi.edu)