

SM/07/320
Supplement 2

October 2, 2007

To: Members of the Executive Board

From: The Secretary

Subject: **Caribbean—Selected Regional Issues—Draft Public Information Notice**

Attached for the **information** of Executive Directors is the background section of the draft Public Information Notice for the paper on the selected regional issues in the Caribbean (SM/07/320, 9/11/07), which was discussed at the Board seminar on **Wednesday, September 26, 2007**.

At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of the Caribbean countries indicating whether or not they consent to the Fund's publication of the paper; such communication may be received after the authorities have had an opportunity to read the paper.

Questions may be referred to Mr. Panth (ext. 34253) and Mr. Faircloth (ext. 37469) in WHD.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

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INTERNATIONAL MONETARY FUND

Public Information Notice

EXTERNAL
RELATIONS
DEPARTMENT

Public Information Notice (PIN) No.
FOR IMMEDIATE RELEASE

International Monetary Fund
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Washington, D. C. 20431 USA

IMF Executive Board Discusses Selected Regional Issues in the Caribbean¹

On September 26, 2007, the Executive Board of the International Monetary Fund (IMF) conducted a seminar to discuss selected regional issues in the Caribbean. The seminar reflects the ongoing efforts in the Fund to strengthen the regional and cross-country perspective of its surveillance activities. The discussion centered on key policy issues emerging from the ongoing economic integration of the Caribbean countries, both among themselves and with the global economy. The policy issues reviewed focused, in particular, on those associated with financial integration, tax incentives and foreign direct investment, and the sharp erosion of trade preferences for the Caribbean countries.

Background

Overall macroeconomic performance in the Caribbean has been favorable in recent years. Regional economic growth, which had fallen sharply with the decline in tourism after the September 11, 2001 terrorist attacks, has rebounded strongly, expanding by 5½ percent on average in 2006. Average annual inflation fell to 4½ percent in 2006, down from 9 percent in 2003. Most countries in the region took advantage of the economic cycle early on to strengthen fiscal balances: on average, overall budget deficits improved by 4 percentage points of GDP during 2002–05.

However, significant risks remain. The Caribbean region is vulnerable to fluctuations in external demand and damage from hurricanes. As a result, economic growth and overall macroeconomic performance have been volatile, and with current account deficits mostly in double digits, the region remains highly dependent on external financing. Moreover, public

¹ The Caribbean countries covered in the discussion included Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

debt remains very high, exceeding 100 percent of GDP in some cases. While debt levels have fallen modestly in recent years, fiscal deficits deteriorated in some countries in 2006.

The Caribbean region has consistently been among the most open in the world, with relatively high social indicators. Caribbean countries have long recognized the benefits that economic integration brings, but they are also keenly aware of some of the risks. Regional cooperation is an integral part of their strategy to adapt to, and make the most of, globalization. The current favorable economic environment presents an opportunity to reinvigorate those efforts and advance the necessary reforms, to ensure a smooth integration process with maximum payoffs for sustained rapid growth and social progress.

Executive Board Assessment

Public Information Notices (PINs) form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case.

Caribbean: Selected Regional Economic Indicators 1/

	2000	2001	2002	2003	2004	2005	2006
Real sector							
Real GDP growth, in percent 2/	3.5	0.8	1.8	3.2	3.3	4.4	5.4
Investment, in percent of GDP 2/	29.6	29.6	29.1	29.8	30.2	32.5	35.3
National saving, in percent of GDP 2/	19.3	16.2	16.6	17.8	21.1	19.9	23.0
GDP, in billions of U.S. dollars 3/	52.7	55.0	55.6	53.0	58.4	74.4	82.7
Prices and monetary sector							
Broad money growth, in percent 2/	18.8	9.9	9.3	15.7	14.4	9.7	11.8
Consumer prices, end-of-period, in percent 2/	8.9	3.3	5.4	8.9	7.1	7.0	4.5
Real effective exchange rate, 1990 = 100 index 2/	108.6	112.7	107.3	102.5	106.4	109.3	110.7
Public sector							
Primary central government balance, in percent of GDP 2/	-1.3	-0.8	-2.9	0.1	1.4	1.3	1.2
Overall central government balance, in percent of GDP 2/	-5.4	-5.2	-7.6	-5.0	-3.8	-3.6	-3.3
Public debt, in percent of GDP 2/	78.6	82.7	93.5	96.5	96.5	91.9	86.0
Public external debt, in percent of GDP 2/	46.0	49.2	55.9	57.6	56.5	51.9	46.9
External sector							
Current account balance, in percent of GDP 2/	-11.0	-12.8	-13.0	-12.5	-8.9	-12.7	-12.6
Exports, f.o.b., in billions of U.S. dollars 3/	14.3	13.5	13.0	14.9	17.2	21.0	24.8
Imports, f.o.b., in billions of U.S. dollars 3/	22.6	21.8	22.1	22.0	24.0	29.0	33.0
Stock of international reserves, in billions of U.S. dollars 3/	4.9	7.0	6.2	5.8	7.7	10.5	12.1
Stock of international reserves, in months of imports of goods 2/	3.3	4.3	4.3	3.9	4.2	3.8	4.1

Sources: Country authorities; and Fund staff estimates.

1/ Includes Bahamas, Barbados, Belize, Dominican Republic, ECCU countries, Guyana, Haiti, Jamaica, Trinidad and Tobago, and Suriname. ECCU includes Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

2/ Arithmetic average of all 15 countries (including the six ECCU countries).

3/ Regional sum.