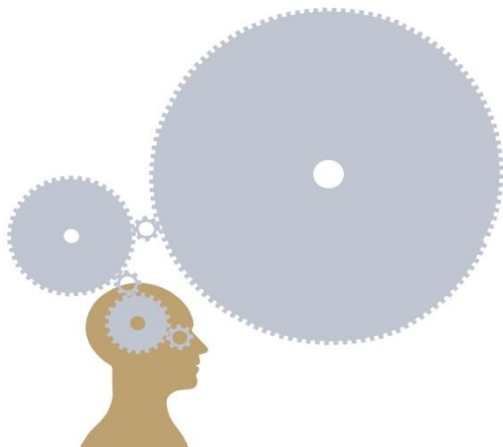


# Economic analysis of Caribbean economies

Cable & Wireless Communications

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July 1st 2011

# Oxera



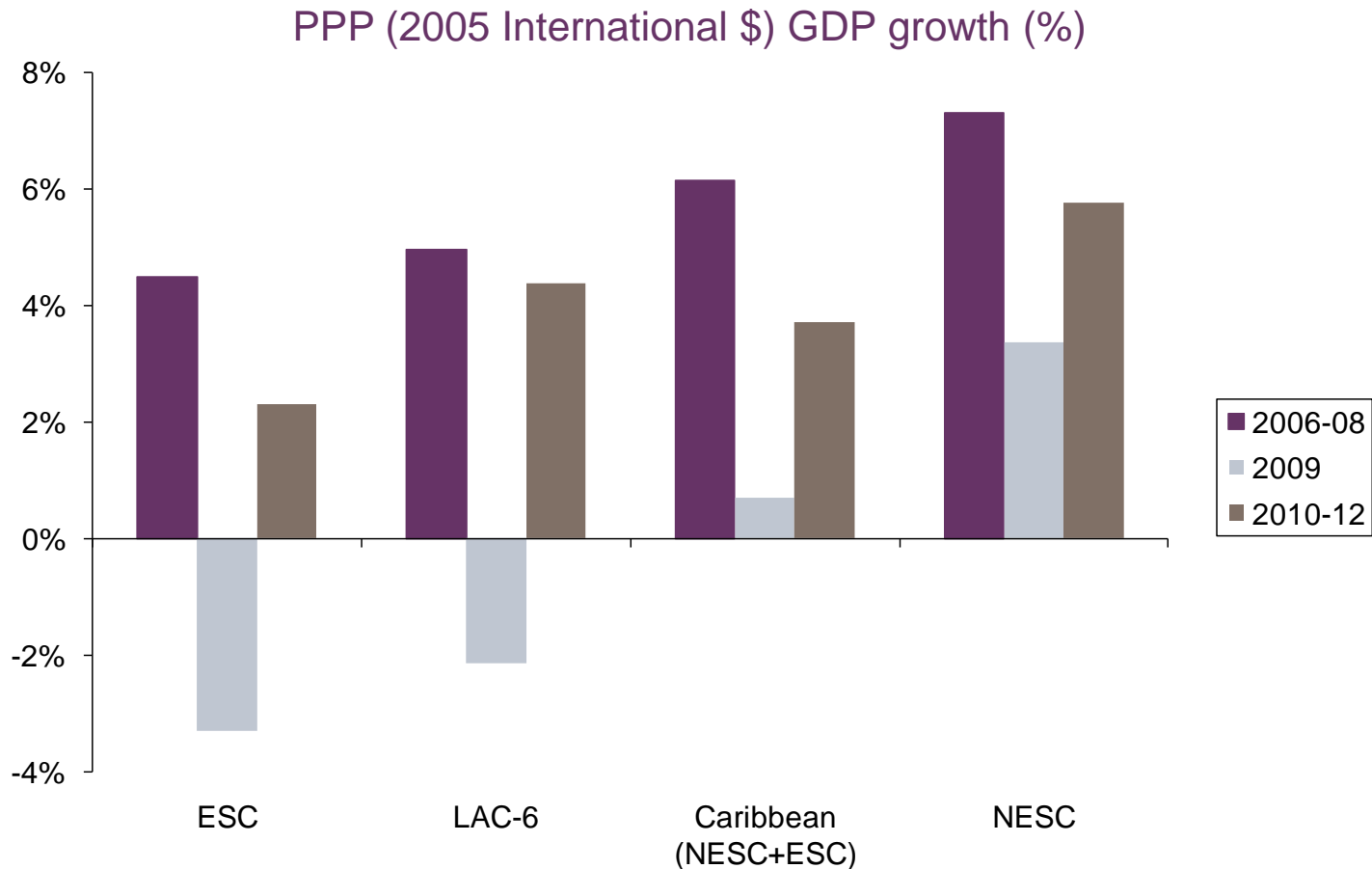
- one of Europe's foremost economics consultancies
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- we combine core economic skills with detailed industry expertise



# Introduction

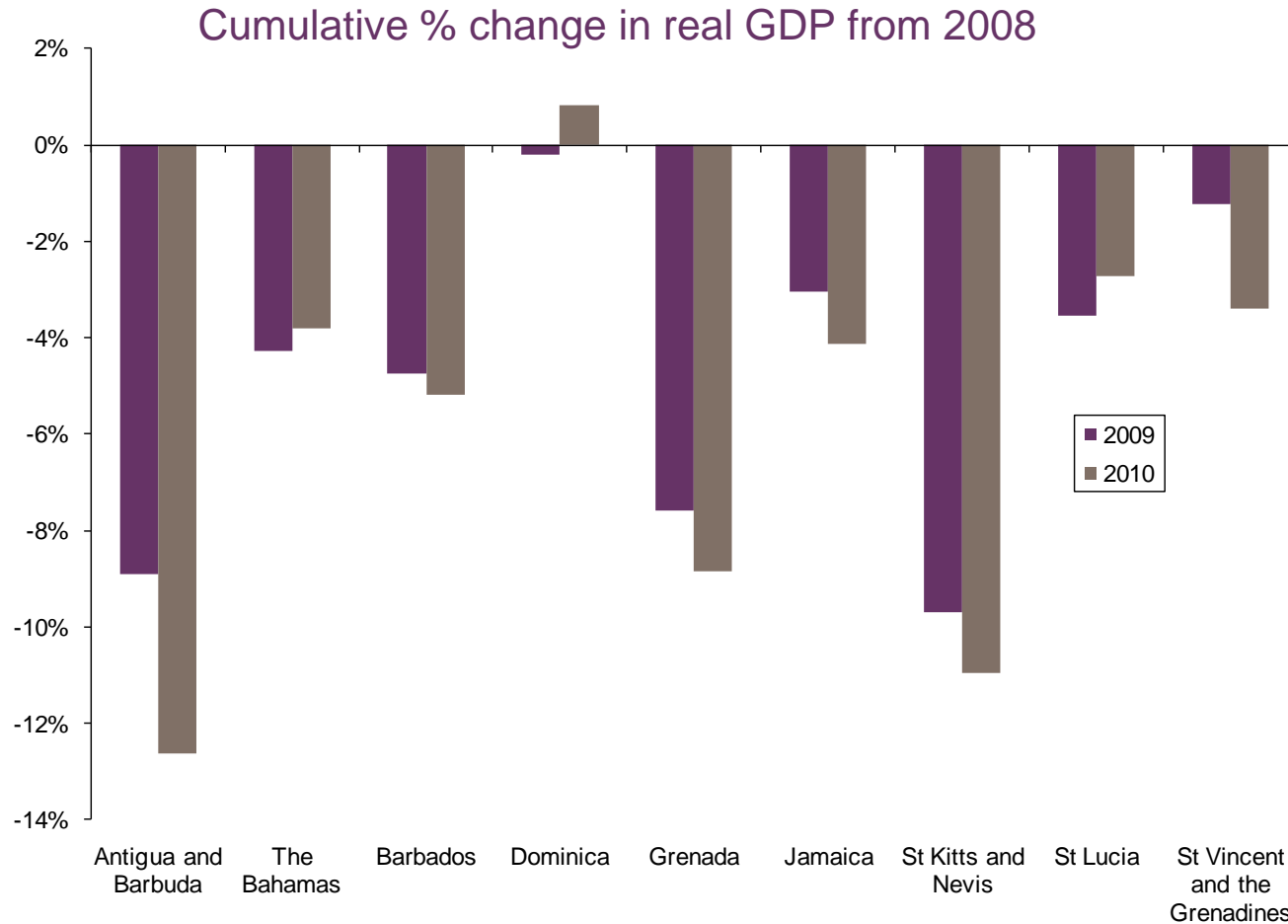
- global recession has hit countries in which Cable & Wireless Communications operates
  - how hard have those economies been hit?
  - when and how quickly can we expect recovery?
- examine recent performance of countries Cable & Wireless Communications operates in—broadly the English Speaking Caribbean (ESC)— compared with rest of Caribbean and OECD comparators
- issues examined
  - variation in performance and severity of recession
  - features of the region
  - factors driving disposable income
  - economic outlook

# Variation in performance within the Caribbean



Cable & Wireless Communications footprint is mainly in ESC, which has been harder hit by crisis and is expected to recover at a slower rate than comparators

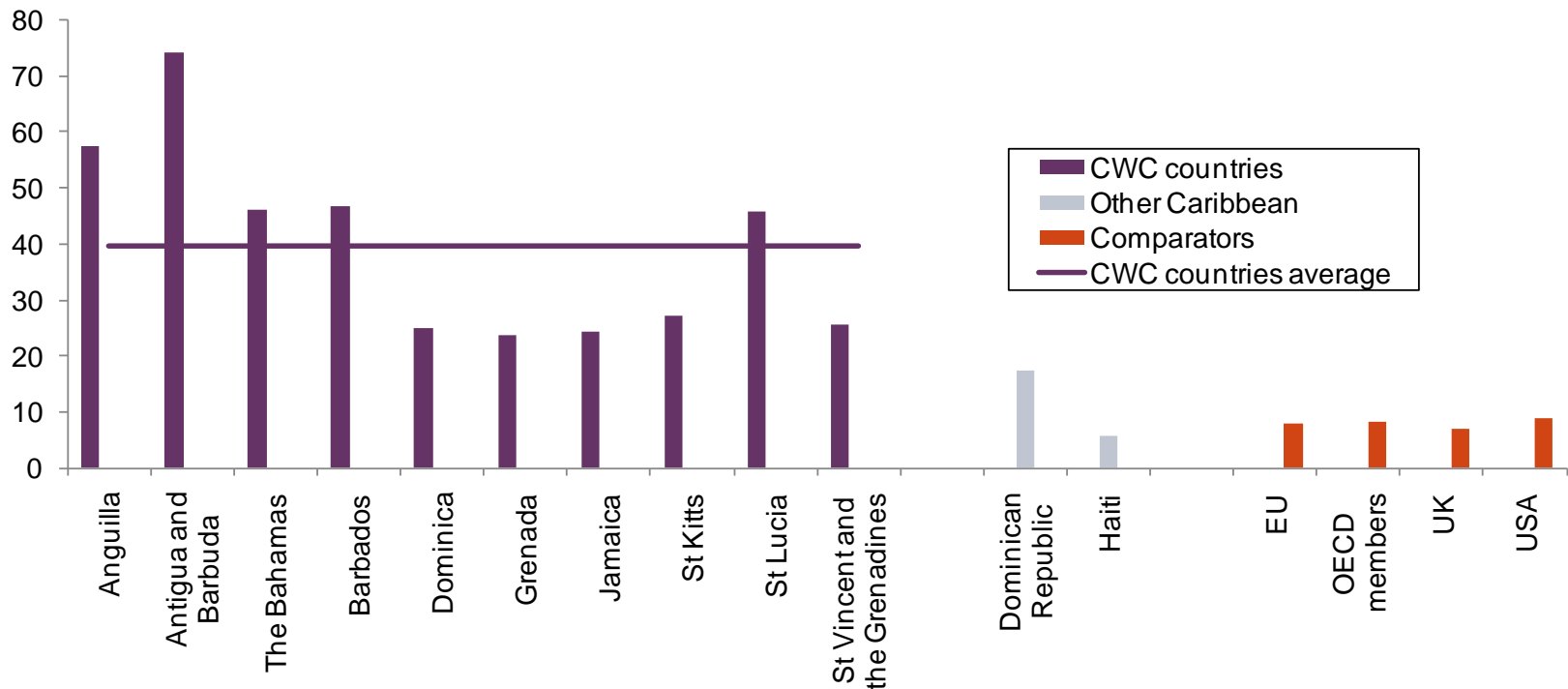
# Severity of recession



While the depth of recession differs within the ESC, the cumulative impact has been severe across the Cable & Wireless Communications footprint

# Features of the region: reliance on tourism

2010 travel and tourism total contribution to GDP (%)

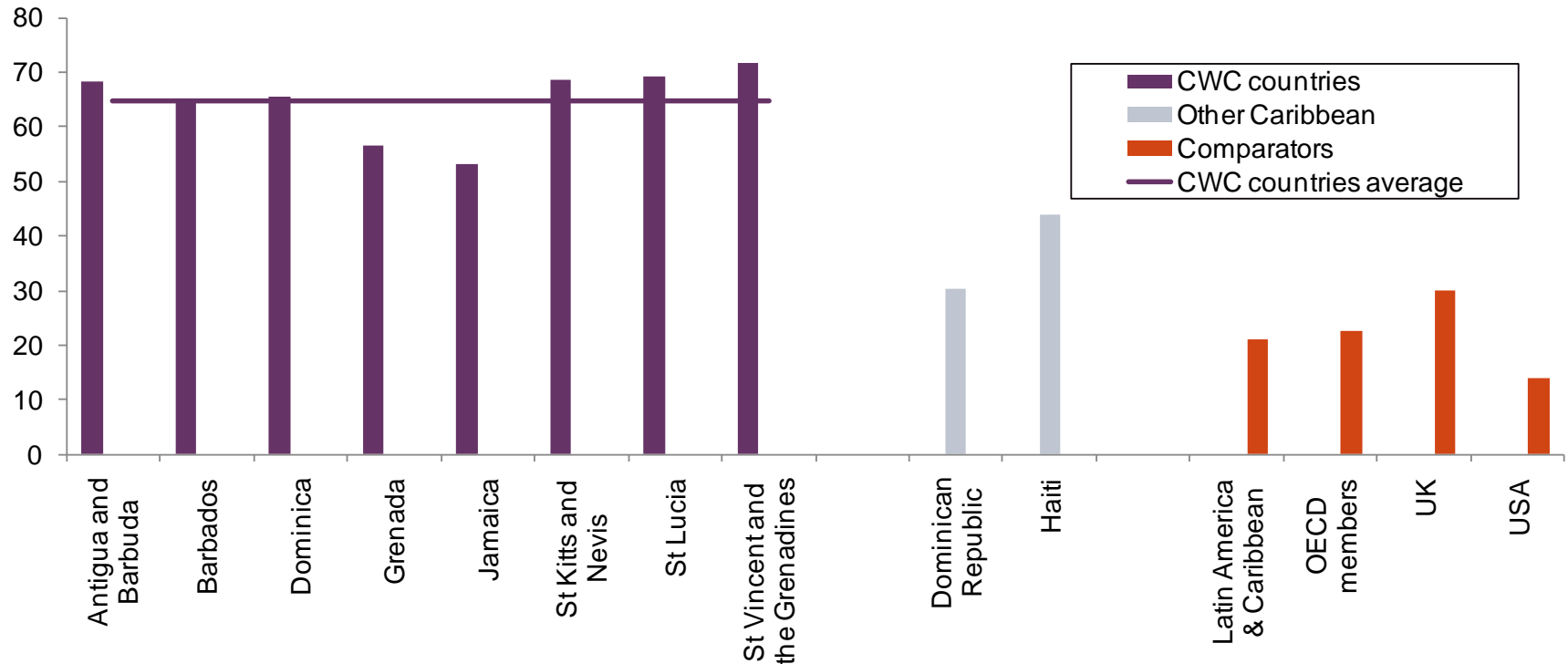


The *World Tourism Organisation Yearbook of Tourism Statistics 2010* lists the Caribbean as the most tourism-dependent region in the world, with seven of the ten most tourism-dependent countries located in this region

Source: CCMF (2011), Newsletter, 4:5, May.

# Features of the region: limited diversification

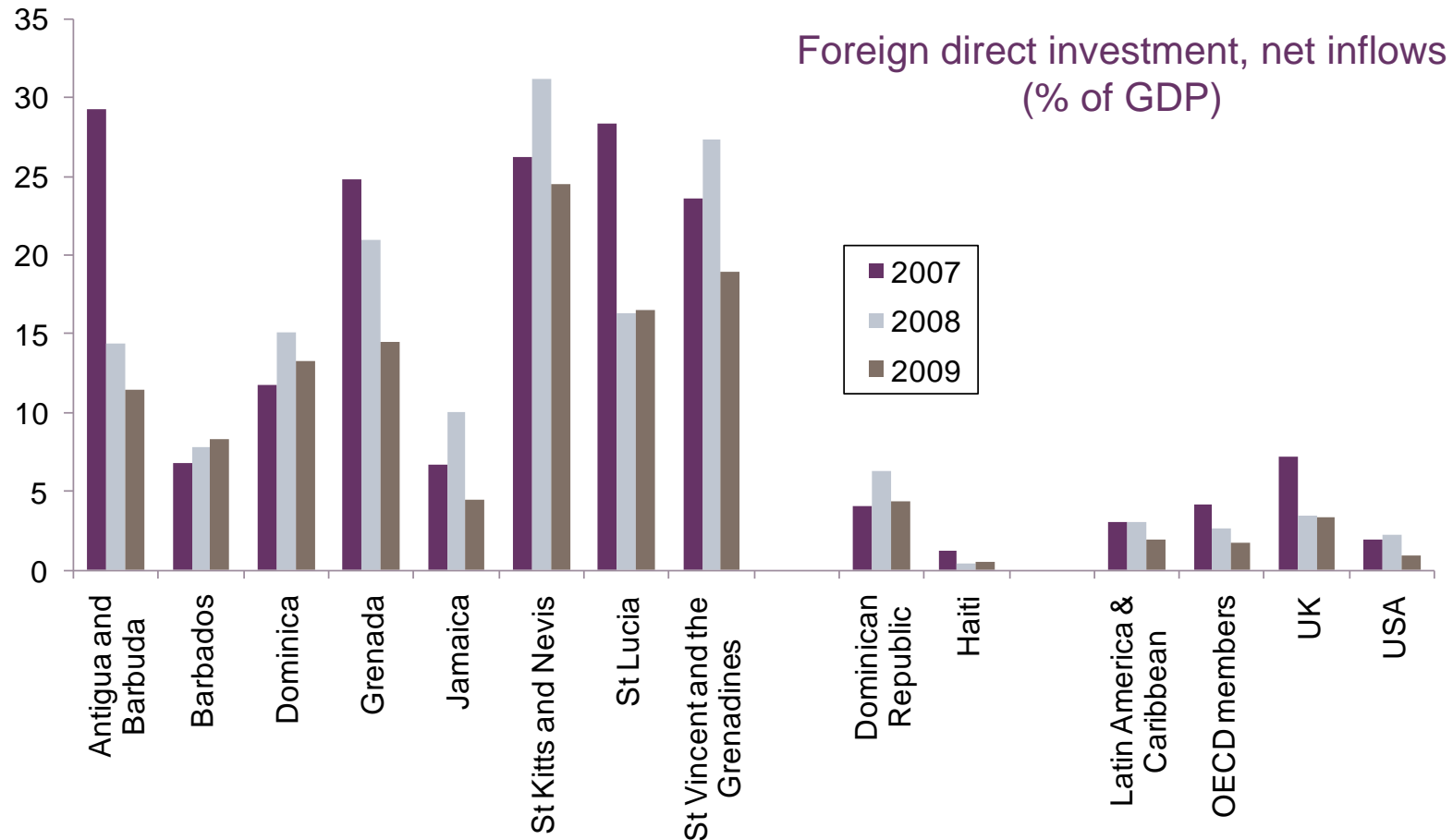
Imports of goods and services, 2009 (% of GDP)



'Even without the burden of the global downturn, the greatest economic challenge confronting the Caribbean is defining new areas of competitive advantage. Market diversification is especially limited. In many cases the top three merchandise exports account for 70% of a nation's totals.'

Source: Inter American Development Bank (2010), 'Complete Caribbean' (IDB), May, p. 9, para 1.4.

# Features of the region: foreign direct investment



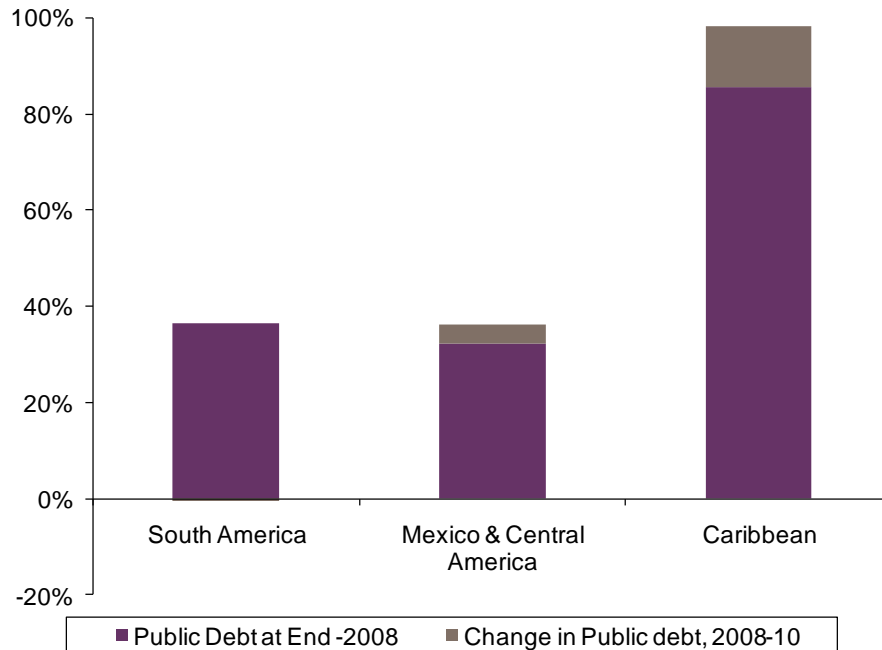
'(FDI) constitutes an important element of support of the production base of Caribbean countries. Net FDI inflows have tripled over the last 20 years ...'

Source: World Bank (2011), 'LAC Success Put to Test', April.

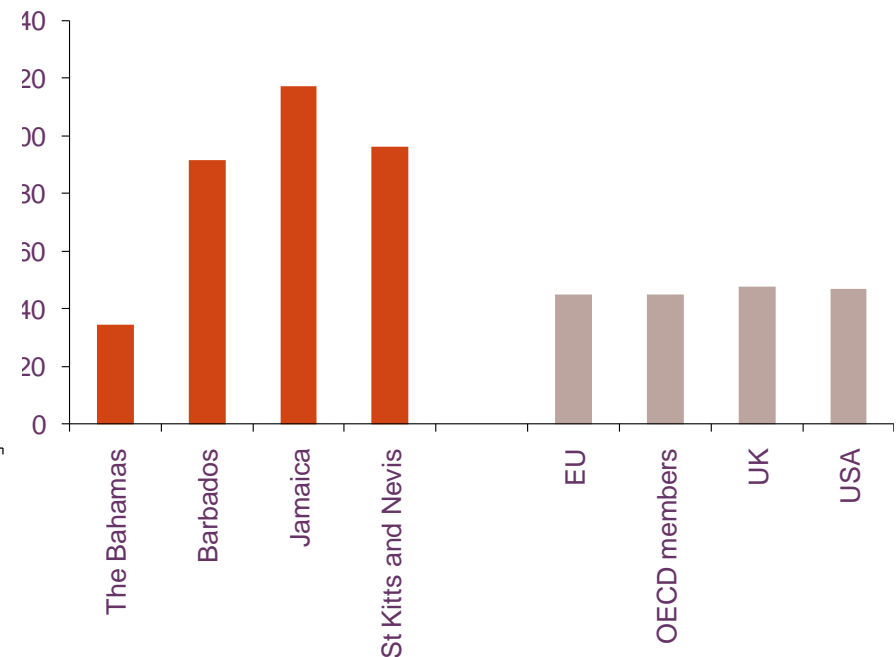


# Features of the region: weak fiscal positions

Latin America & Caribbean: public debt (% of GDP, simple average)



Total central government debt (% of GDP), 2005–08 average



- many countries have high public sector debt ratios, close to or above 100% of GDP
- IMF loan (and subsequent other credit) for Jamaica may help to ease the transition
- weak fiscal positions will raise borrowing costs in private and public sectors and require government retrenchment—lower spending, higher taxes

# Factors driving disposable income: tax



## - examples

- St Kitts: VAT introduced at 17%
- Barbados: VAT increased from 15% to 17.5%
- Jamaica: VAT increased from 17% to 17.5%
- Anguilla: new telecommunications levy at 7%, and new petrol tax at 7%
- Turks: 4% increase in customs fee, and new carbon tax on electricity consumption at 5%

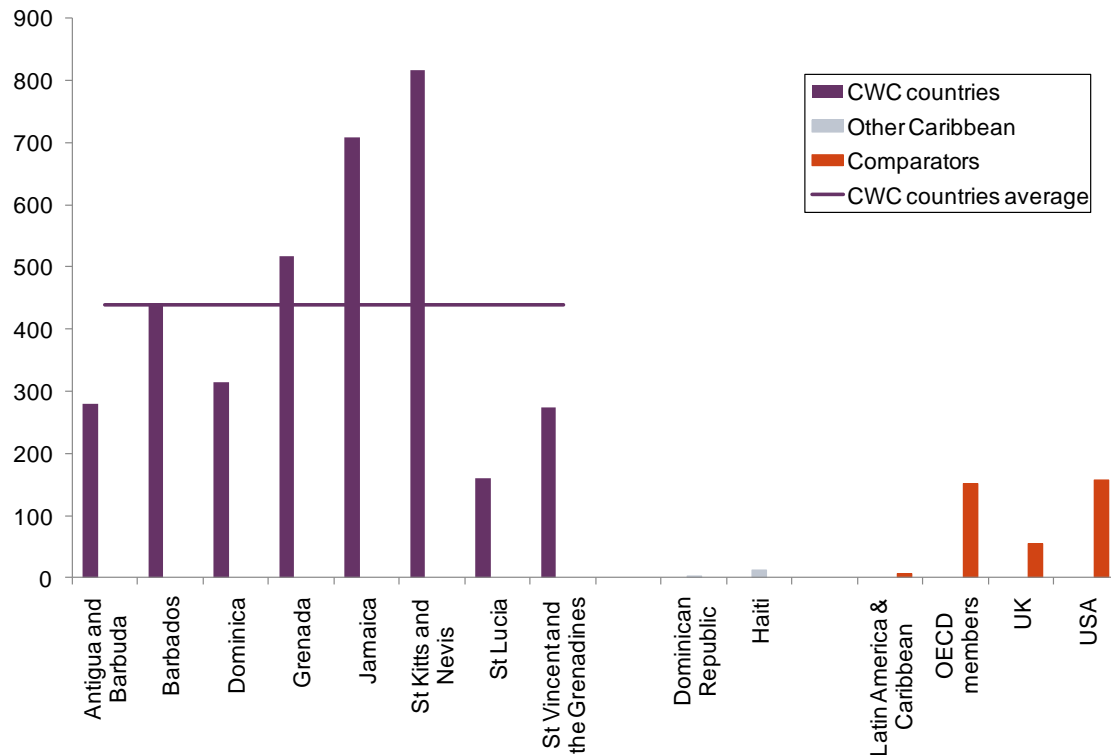
## Factors driving disposable income: inflation

- regional inflation jumped from 2.4% in 2009 to 4.8% in 2010
- rising food and energy prices may also reduce disposable income, especially for import-dependent island economies
- ‘The rising costs of these important commodities have trickled down to the Region’s populace, driving down purchasing power and threatening any gains that were made towards the reduction of poverty’

Caribbean Community (CARICOM) Secretariat (2011), Press Release 182/2011, May18th.

# Factors driving disposable income: remittances

Workers' remittances and compensation of employees, received (current US\$ per head)



	% change in workers remittances received (2008–09)
Antigua and Barbuda	-5%
Barbados	+10%
Dominica	-14%
Grenada	-4%
Jamaica	-15%
St Kitts and Nevis	-10%
St Lucia	-15%
St Vincent and the Grenadines	-4%

- inflows of remittances in the ESC are high (around \$400 per head), and fell by 6%, on average, in 2009, reducing disposable income

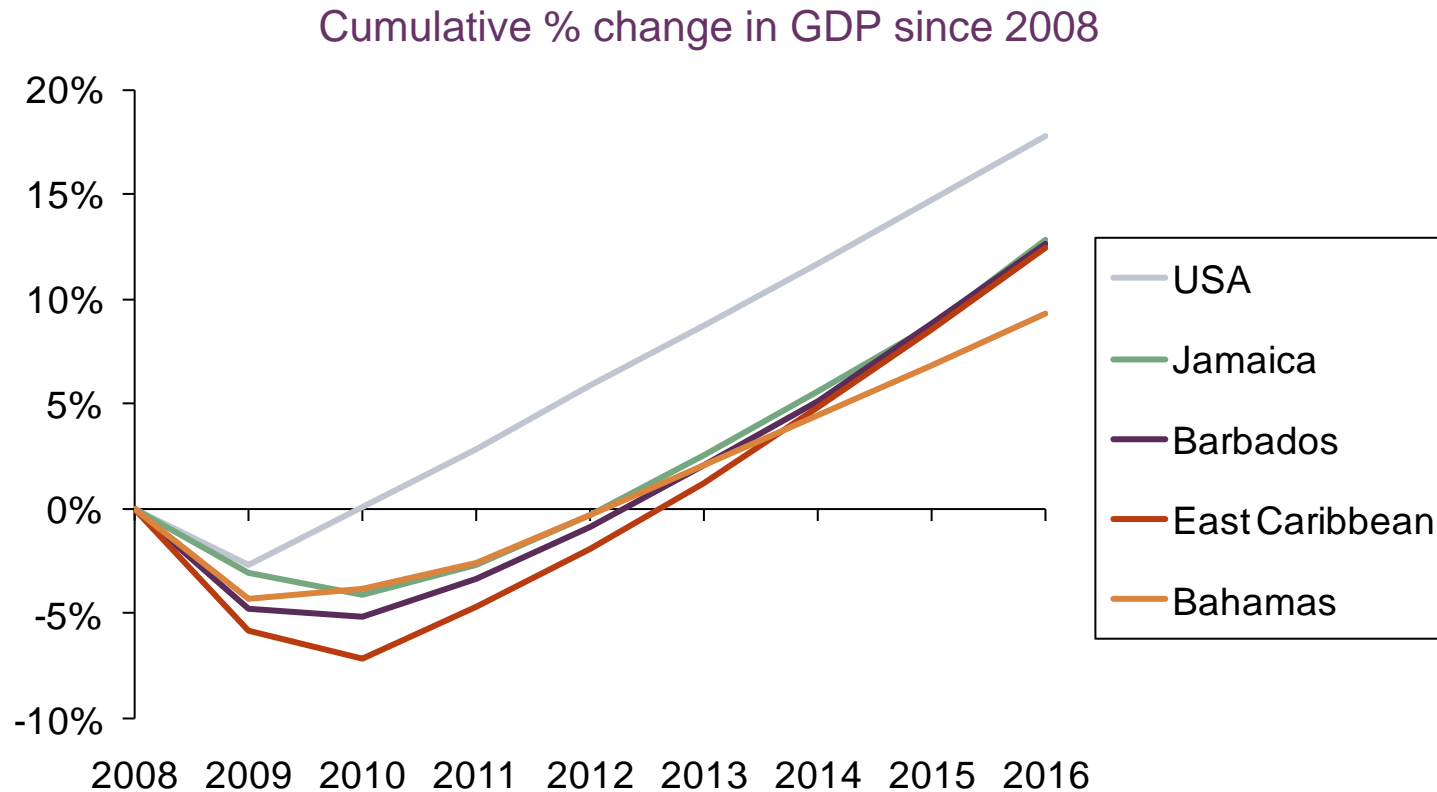
## Economic outlook

- some structural damage to potential economic output in the medium term owing to the recession
- expectation of a much lower average annual growth over the period 2008–12 in the ESC countries than in neighbouring countries, and lower rates relative to expectations before the crisis

Real GDP growth, pre- and post-recession

	2006–08	2010–12	2010–12
	% growth per annum, WB	% growth per annum, WB	% growth per annum, S&P
<b>ESC</b>	4.0	1.7	–
Barbados	2.4	1.7	1.8
Jamaica	1.2	1.2	0.6
The Bahamas	1.2	1.5	1.7
<b>NESC</b>	7.3	5	–
<b>LAC-6</b>	4.8	5.3	–
<b>USA</b>	1.5	3.1	2.8

# Where have we been and where are we going?



Caribbean recovery lags approximately two years behind US recovery

## Leading indicators

- US employment
  - very small positive growth in Q1 2011
- IMF: World Economic Outlook Update
- tourism
  - tourism spend in the Caribbean started growing again in 2010, but by less than 1%
  - Google Metasearch data: de-seasonalised data on 'holiday' + 'Caribbean' correlated with GDP growth
- investment
  - many projects halted, however ...
  - the US\$2.6 billion Baha Mar project in the Bahamas secured financing from the China Exim Bank in early 2011

## Appendix



# References

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- World Travel & Tourism Council (2011) 'Economic Data Search Tool' ([http://www.wttc.org/eng/Tourism\\_Research/Economic\\_Data\\_Search\\_Tool/](http://www.wttc.org/eng/Tourism_Research/Economic_Data_Search_Tool/))

## Definitions

- where Cable & Wireless Communications operates in the Caribbean (all considered to be ESC)
  - Anguilla, Antigua & Barbuda, Bahamas, Barbados, British Virgin Islands, Cayman Islands, Dominica, Grenada, Jamaica, Montserrat, St Kitts & Nevis, St Lucia, St Vincent, Trinidad & Tobago, Turks & Caicos
- East Caribbean defined as: Anguilla, Antigua & Barbuda, British Virgin Islands, Dominica, Grenada, Montserrat, St Kitts & Nevis, St Lucia, St Vincent
- LAC-6: Argentina, Brazil, Chile, Columbia, Mexico, Peru
- other Caribbean: Dominican Republic, Haiti, Puerto Rico

Note: Aggregate data provided for these categories is limited by the availability of that data in some cases.

# GDP growth (PPP, constant 2005 intl \$)

Country	2006-08	2009	2010-12*
<b>Selected English-speaking Caribbean</b>			
Antigua and Barbuda	7.4%	-8.5%	3.1%
Dominica	4.9%	-0.8%	2.4%
Grenada	1.1%	-6.8%	2.4%
Jamaica	1.2%	-3.0%	2.3%
St Kitts and Nevis	4.0%	-8.0%	1.7%
St Lucia	2.9%	-3.8%	3.8%
Trinidad and Tobago	6.7%	-3.0%	2.4%
St Vincent and the Grenadines	6.3%	-2.8%	2.7%
<b>Selected non-English speaking Caribbean</b>			
Dominican Republic	8.1%	3.5%	5.7%
Haiti	2.1%	2.9%	8.2%
<b>LAC-6</b>			
Argentina	8.0%	0.9%	4.9%
Brazil	5.1%	-0.6%	4.2%
Chile	4.3%	-1.5%	
Colombia	5.4%	0.8%	
Mexico	3.2%	-6.5%	
Peru	8.8%	0.9%	

Note: \*Indicates Forecast from IMF WEO. Source: Oxera, based on MIF.

# Imports of goods and services (% of GDP)

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Antigua & Barbuda	96	99	82	79	81	75	69	65	70	72	77	80	80	77	68
The Bahamas	55	58	55	53	50	52	48	44	46	49	56	67	68		
Barbados	56	57	59	55	57	57	55	57	57	63	69	64	64	64	65
Grenada	55	66	70	74	70	72	66	62	65	68	72	71	71	67	57
Jamaica	61	55	52											69	53
Dominica	64	61	70	67	67	68	62	61	60	61	66	63	69	71	66
St Kitts & Nevis	75	79	71	70	67	76	71	73	71	60	64	66	67	71	69
St Lucia	69	69	69	65	64	63	59	57	68	63	69	78	78	90	69
Trinidad & Tobago	39	41	57	54	44	45	45	45	38	41	39	38	37	39	0
St Vincent & the Grenadines	65	66	78	78	72	59	60	58	60	65	65	65	72	75	72
Dominican Republic	39.3	38.2	40.2	43.6	43.3	45.9	41.0	40.3	43.4	41.6	35.5	38.0	37.9	39.2	30.3
Haiti	28.7	28.9	26.4	26.6	29.7	33.4	36.1	36.0	47.9	44.0	42.9	45.0	38.9	44.2	43.9
Puerto Rico	96.9	93.9	94.5	94.3	98.7	98.0	100.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
UK	28.4	29.2	28.1	27.3	27.6	29.5	29.4	28.7	27.8	28.0	29.8	31.6	29.8	31.8	30.0
USA	12.3	12.4	12.8	12.8	13.5	14.9	13.7	13.5	13.9	15.2	16.1	16.8	16.9	17.8	13.9
OECD members	18.8	19.3	20.2	20.4	20.8	23.0	22.3	21.6	21.5	22.8	24.0	25.6	26.0	27.2	22.7
Latin America & Caribbean (all income levels)	20.8	21.2	22.0	22.6	22.2	22.9	22.7	20.7	20.4	21.8	21.9	22.2	23.0	24.1	21.0

# Exports of goods and services (% of GDP)

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Antigua & Barbuda	85.3	75.7	76.4	75.1	72.5	70.3	60.5	56.9	57.9	61.1	57.4	49.5	47.7	49.1	47.5
The Bahamas	49.5	48.0	42.6	39.0	42.2	43.3	38.9	42.4	41.7	44.9	45.8	43.7	45.3		
Barbados	62.0	60.9	56.6	53.0	51.3	50.5	51.2	50.9	51.1	52.2	59.4	60.1	59.5	60.0	60.6
Grenada	44.8	44.7	44.0	46.2	57.4	54.9	45.7	38.9	36.6	41.0	25.9	27.5	30.0	26.0	26.8
Jamaica	50.5	43.8	39.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40.0	34.7
Dominica	49.8	51.3	55.8	58.7	58.6	53.3	45.2	48.0	44.7	45.2	42.7	44.9	39.8	37.8	38.4
St Kitts & Nevis	51.2	49.7	53.2	53.8	47.0	46.0	43.9	43.3	44.9	47.5	50.4	47.3	44.0	38.4	35.2
St Lucia	67.5	62.3	59.3	58.4	55.2	53.3	46.3	44.2	51.5	56.0	55.2	43.7	45.1	50.9	49.0
Trinidad & Tobago	53.8	51.5	53.9	48.5	50.0	59.1	55.3	50.3	52.1	56.1	65.8	68.5	67.1	68.4	
St Vincent & the Grenadines	51.2	52.9	50.6	49.5	53.4	52.9	50.0	47.7	44.1	43.2	44.4	42.0	37.6	35.2	33.8
Dominican Republic	35.8	35.2	36.2	35.8	36.6	37.0	33.7	32.5	43.1	42.3	30.0	30.0	28.8	25.5	22.2
Haiti	9.1	11.3	10.5	9.9	12.2	12.7	12.4	12.1	15.8	15.4	14.0	14.5	13.2	12.7	14.2
EU	29.7	30.2	32.0	32.2	32.4	35.8	35.8	35.0	34.2	35.5	36.9	39.3	39.8	40.6	35.7
UK	28.2	29.3	28.6	26.5	26.1	27.6	27.1	26.1	25.5	25.3	26.4	28.5	26.7	29.2	27.7
OECD members	19.2	19.6	20.7	20.8	20.6	22.2	21.7	21.2	20.8	21.9	22.7	24.2	25.0	25.8	22.3
USA	11.0	11.1	11.5	10.9	10.6	11.0	10.0	9.5	9.4	10.0	10.4	11.0	11.8	12.8	11.2

# Foreign direct investment, net inflows (% GDP)

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Antigua & Barbuda	6	4	4	4	8	6	14	9	22	10	25	35	29	14	11
The Bahamas	3	2	5	3	3	5	2	3	3	5	9	10	10		
Barbados	1	1	1	1	1	1	1	1	2		2	3	7	8	8
Grenada	7	6	11	14	11	9	14	12	19	14	13	16	25	21	15
Jamaica	3	3	3	4	6	5	7	5	8	6	6	7	7	10	4
Dominica	24	8	9	3	7	6	6	8	12	9	6	8	12	15	13
St Kitts & Nevis	9	14	7	11	19	29	26	23	21	14	21	23	26	31	25
St Lucia	6	3	8	13	12	8	9	7	14	10	9	25	28	16	17
Trinidad & Tobago	6	6	17	12	9	8	9	9	7	8	6	5	4	11	3
St Vincent & the Grenadines	11	15	32	28	17	11	6	9	14	16	9	22	24	27	19
Dominican Republic	2.5	0.5	2.1	3.3	6.2	4.0	4.3	3.5	2.9	4.1	3.3	3.0	4.0	6.3	4.4
Haiti	0.3	0.1	0.1	0.3	0.7	0.4	0.1	0.2	0.5	0.2	0.6	3.3	1.2	0.5	0.6
UK	1.9	2.2	2.8	5.1	5.9	8.3	3.7	1.6	1.5	2.6	7.8	6.3	7.2	3.5	3.4
USA	0.8	1.1	1.3	2.0	3.1	3.2	1.6	0.8	0.6	1.2	0.9	1.8	1.9	2.3	1.0
OECD members	1.0	1.1	1.3	2.3	4.0	5.4	2.8	2.2	1.6	1.6	2.3	2.9	4.2	2.7	1.8
Latin America & Caribbean (all income levels)	1.7	2.3	3.2	3.6	4.9	3.9	3.7	3.2	2.3	3.1	2.8	2.4	3.1	3.1	2.0

# Remittances received, current US\$ (2003–09)

Country	2003	2004	2005	2006	2007	2008	2009
Antigua & Barbuda	19,705,570	20,934,960	22,009,190	23,029,430	24,486,990	25,532,110	24,482,400
Barbados	130,500,000	130,508,600	134,805,400	138,598,400	141,228,200	101,160,700	113,263,700
Grenada	48,567,240	72,192,590	51,566,200	53,939,910	54,810,070	55,375,870	53,696,750
Jamaica	1,398,400,000	1,623,198,000	1,783,829,000	1,946,445,000	2,143,581,000	2,180,590,000	1,911,999,000
Dominica	17,816,300	23,150,130	24,975,550	25,371,130	25,867,680	26,105,280	23,107,440
St Kitts & Nevis	29,933,350	31,303,940	33,522,350	36,405,590	40,256,500	44,140,240	40,544,130
St Lucia	27,371,640	28,650,370	29,460,350	30,308,130	31,139,020	31,462,550	27,610,980
Trinidad & Tobago	86,800,000	86,900,000	92,400,000	91,200,000	109,400,000	94,500,000	99,299,940
St Vincent & the Grenadines	23,522,140	25,517,820	26,486,830	29,728,150	33,149,300	31,103,130	29,882,870
Dominican Republic	22,900,000	23,900,000	24,700,000	26,600,000	28,200,000	34,500,000	28,800,000
Haiti	31,350,000	38,520,000	59,686,310	75,515,040	96,406,380	117,080,000	134,824,000
UK	2,623,519,000	3,552,069,000	3,877,002,000	4,731,641,000	4,834,320,000	4,636,977,000	3,399,998,000
USA	36,544,700,000	39,346,700,000	40,634,500,000	43,619,620,000	46,995,150,000	48,829,100,000	48,308,200,000
OECD members	104,665,357,980	119,152,251,780	130,323,690,690	146,983,748,810	173,479,510,430	193,320,302,830	184,604,537,570
Latin America & Caribbean (all income levels)	2,100,992,982	2,306,990,839	2,629,413,202	3,037,729,255	4,014,261,352	4,655,340,737	4,107,186,277

# Population (2003–09)

Country	2003	2004	2005	2006	2007	2008	2009
Antigua & Barbuda	81,260	82,418	83,534	84,612	85,641	86,634	87,600
The Bahamas	317,407	321,453	325,496	329,551	333,609	337,668	341,713
Barbados	251,955	252,596	253,251	253,890	254,543	255,203	255,872
Cayman Islands	43,574	40,242	44,403	52,819	53,529	54,248	54,977
Grenada	101,903	102,194	102,500	102,823	103,169	103,538	103,930
Jamaica	2,625,700	2,638,100	2,650,400	2,663,100	2,675,800	2,687,200	2,699,617
Dominica	71,213	71,471	72,000	72,396	72,793	73,193	73,596
St Kitts & Nevis	46,710	46,985	48,000	48,393	48,790	49,190	49,593
St Lucia	160,620	162,434	164,791	166,838	168,338	170,205	172,092
Trinidad & Tobago	1,309,114	1,313,634	1,318,300	1,323,168	1,328,216	1,333,388	1,338,585
Turks and Caicos Islands	26,130	28,612	30,528	31,759	32,413	32,664	32,788
St Vincent & the Grenadines	108,321	108,531	108,716	108,872	109,005	109,117	109,209
Dominican Republic	9,252,034	9,392,871	9,533,442	9,673,755	9,813,686	9,952,711	10,090,151
Haiti	9,105,487	9,257,096	9,409,991	9,564,449	9,720,086	9,876,402	10,032,619
Puerto Rico	3,876,637	3,893,931	3,910,722	3,926,744	3,941,235	3,954,553	3,967,288
UK	59,568,776	59,879,865	60,226,500	60,604,901	60,980,304	61,406,928	61,838,154
USA	290,326,000	293,046,000	295,753,000	298,593,000	301,580,000	304,375,000	307,007,000
OECD members	1,174,667,577	1,182,823,442	1,190,793,167	1,199,154,792	1,207,965,642	1,216,298,865	1,224,135,414
Latin America & Caribbean (all income levels)	539,473,804	546,277,246	552,987,439	559,677,763	566,164,103	572,556,071	578,877,469



# Remittances per head (current US\$)

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Antigua & Barbuda	49	175	222	301	289	268	343	220	243	254	263	272	286	295	279
Barbados	236	266	302	344	393	457	522	497	518	517	532	546	555	396	443
Grenada	377	410	410	420	440	458	461	468	477	706	503	525	531	535	517
Jamaica	263	285	288	296	307	344	406	481	533	615	673	731	801	811	708
Dominica	184	191	193	204	219	229	241	245	250	324	347	350	355	357	314
St Kitts & Nevis	493	518	551	614	617	612	603	612	641	666	698	752	825	897	818
St Lucia	159	186	169	171	173	169	170	168	170	176	179	182	185	185	160
Trinidad & Tobago	25	22	24	35	42	29	31	61	66	66	70	69	82	71	74
St Vincent & the Grenadines	159	168	184	193	196	208	210	214	217	235	244	273	304	285	274
Dominican Republic	1	1	1	2	2	2	2	2	2	3	3	3	3	3	3
Haiti						1	2	2	3	4	6	8	10	12	13
UK	44	34	43	39	35	35	57	41	44	59	64	78	79	76	55
USA	83	88	94	99	107	110	121	126	126	134	137	146	156	160	157
OECD members	63	67	65	67	72	72	78	80	89	101	109	123	144	159	151
Latin America & Caribbean (all income levels)	3	3	3	3	3	4	5	4	4	4	5	5	7	8	7

# Unemployment (% of total labour force)

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Antigua & Barbuda							8								
The Bahamas	11	11	10	8	7		7	9	11	10	10	8	8	9	14
Barbados	20	15	15	12	10	9	10	10	11	10	9	9	7	8	
Cayman Islands	5	5	4	4			8	5	4	4	4	3	4	4	
Grenada		17		15			10								
Jamaica	16	16	17	16	16	16	15	14	12	11	11	10	9	11	11
Dominica			23		16		11								
St. Kitts & Nevis							5								
St. Lucia	16	16	20	22	18	16		15	22	21					
Trinidad & Tobago	17	16	15	14	13	12	11	10	11	8	8	6	6	5	5
Turks and Caicos Islands							10	6	8	10	8	7	5		
St. Vincent & the Grenadines															
Dominican Republic	15.8	16.7	15.6	14.4	13.8	14.2	15.7	16.1	16.7	18.4	18.0	16.4	15.6	14.2	
Haiti					7.2										
Puerto Rico	13.9	13.6	13.8	13.5	11.8	10.1	11.4	11.9	11.8	10.3	11.3	11.0	10.9	11.5	13.4
UK	8.6	8.1	7.0	6.1	5.9	5.5	4.7	5.1	4.8	4.6	4.6	5.3	5.2	5.3	7.7
USA	5.6	5.4	4.9	4.5	4.2	4.0	4.7	5.8	6.0	5.5	5.1	4.6	4.6	5.8	9.3
OECD members	7.4	7.3	7.0	6.8	6.6	6.2	6.3	6.8	7.0	6.9	6.6	6.1	5.7	6.0	8.1
Latin America & Caribbean (all income levels)	8.0	8.4	8.2	8.6	9.3	0.0	9.0	9.2	9.4	8.6	8.3	7.5	7.1	6.8	8.0

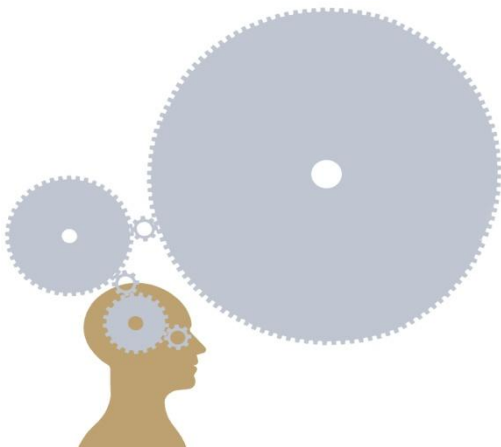
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