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DAILY NEWSWIRE



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WORKSHOP	DATE	COUNTRY
IFRS 9 for Banks & Other Financial Institutions	6 September 2017	Jamaica

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REGIONAL

Trinidad and Tobago

Maritime industry offers diversification potential

The Government of T&T has prioritised the maritime industry as one of the non-energy sectors with significant potential to contribute to national economic diversification.

Local start-up touts cashless payments

Local e-commerce start-up WiPay hosted a formal launch event yesterday at the Digicel IMAX Theater in Port-Of-Spain to showcase its suite of cashless payment offerings and payment processing technology.

Jamaica

GraceKennedy Finalises Consumer Brands Acquisition

GraceKennedy Limited has closed the acquisition of distributor Consumer Brands Limited, effective September 1. The price was not disclosed.

Growth & Jobs | Capitalise On Improving Jamaican Economy - JN Bank Exec Encourages Jamaicans Overseas To Invest In Country

Chief of Marketing at JN Bank, Saniah Spencer, has encouraged Jamaicans in the diaspora to capitalise on the improving Jamaican economy.

Barbados

Actuarial review finds NIS underperforming

An actuarial review of the National Insurance Scheme (NIS) has highlighted the much criticized delay in claim payments and tardy annual reports and financial statements as major challenges facing the scheme.

'US\$60 million lost in corporate taxes'

Newly elected President of the Barbados International Business Association (BIBA) Marlon Waldron is suggesting that Government allowed some international businesses to slip through its fingers six years ago, losing US\$60 million in corporate taxes in the process.

The Bahamas

Banks To Be 'More Hands On' Over \$1bn Bad Loans

The Central Bank's governor is expecting commercial banks to make a "more hands on" effort to tackle their \$1 billion non-performing loan pile.

Irma: Govt Fearing 'Major Financial Blow'

The Government was last night fearing Hurricane Irma will inflict "another dramatic financial blow" to the Bahamian economy, matching Matthew's \$600 million damage from a year ago.

INTERNATIONAL

United States

U.S. stock futures lower as North Korea tensions rise

U.S. stock index futures were lower on Tuesday after North Korea conducted its most powerful nuclear test over the weekend, rattling investor sentiment.

United Tech to buy Rockwell Collins for \$30 billion

Aerospace supplier United Technologies Corp (UTX.N) has struck a \$30 billion agreement to buy avionics and interiors maker Rockwell Collins Inc (COL.N), the companies said on Monday, in a deal that bulks up UTC's power with plane makers by creating one of the world's largest makers of civilian and defense aircraft components.

United Kingdom

UK builder Redrow lifts outlook further as profits jump

British housebuilder Redrow (RDW.L) said it expected revenue and profit expectations to continue to rise into 2020, after posting better-than-expected 2016-17 pre-tax profits of 315 million pounds (\$416 million).

Edinburgh Airport sale potential hit by Brexit jitters

Global Infrastructure Partners (GIP) explored a possible sale of Edinburgh Airport this year but decided that Brexit uncertainties would hit the price tag, sources close to the matter told Reuters.

Europe

Euro zone businesses outpace struggling British peers

Business activity in the euro zone stayed robust in August as it outpaced Britain, where an economy increasingly bogged down by Brexit worries lost momentum, surveys showed on Tuesday.

China

Hyundai hit again by supply disruption in China, one plant halted

South Korea's Hyundai Motor (005380.KS) said it had suspended production at one of its China factories on Tuesday after a supplier refused to provide parts due to delays in payment - its second such incident in as many weeks.

China's Xi wants to put relations with India on 'right track'

China wants to put its relationship with India on the "right track", President Xi Jinping told Prime Minister Narendra Modi on Tuesday, as the two countries sought to mend ties damaged by a recent tense Himalayan border standoff.

India

India must regulate tubewells as water becomes scarce with urbanization

India must better regulate the use of water-sucking tubewells as access to water becomes increasingly fraught amid rising temperatures and dwindling resources, according to an academic who has studied the Ganges river.

India to bid for Israel oil-and-gas exploration blocks - minister

Indian state-run Oil and Natural Gas Corp plans to bid for Israeli offshore oil-and-gas exploration blocks, India's oil minister told Reuters, the first major deal between the two countries since a groundbreaking trip by Prime Minister Narendra Modi in July.

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FULL ARTICLES

[Maritime industry offers diversification potential](#)

Tuesday 5th September, 2017 – Trinidad and Tobago Guardian

The Government of T&T has prioritised the maritime industry as one of the non-energy sectors with significant potential to contribute to national economic diversification.

According to a media release from the Ministry of Trade yesterday, leisure marine or yachting is a maritime services sub-sector which is economically viable, given T&T 's strategic geographic location below the hurricane belt, world class yacht repair and maintenance services and storage capability.

To effect the necessary changes and growth in yachting, the Ministry of Trade and Industry in collaboration with industry stakeholders and public sector partners, developed a Yachting Policy, 2017 - 2021.

Policy implementation, which has commenced, is intended to increase the economic contribution of the sub-sector through increased business activity, employment creation and greater foreign exchange earnings by supporting the growth of a self-sustaining sub-sector.

Immediate priorities include a comprehensive review of the Regulatory and Legislative Environment to be concluded in the next fiscal period.

Other critical initiatives actively being addressed to stimulate the sub-sector include:

- a) Facilitating the ease of entry into and departure from Trinidad and Tobago through the use of a Single Harmonised Form;
- b) Conducting Customer Service Training and developing and implementing Standard Operating Procedures for border agency officers at yachting ports of entry;
- c) Improving the human resource base through skills training and certification;
- d) Improving the infrastructure through the development of marinas and upgrade of yachting sites; and
- e) A Marketing and Promotional Plan to promote the yachting sub-sector internationally and locally.

The release said that the Government is aware of the challenges being faced by the sub-sector and remains committed to ensuring that these issues are addressed to allow the sub-sector to flourish.

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[Local start-up touts cashless payments](#)

Tuesday 5th September, 2017 – Trinidad and Tobago Guardian

Local e-commerce start-up WiPay hosted a formal launch event yesterday at the Digicel IMAX Theater in Port-Of-Spain to showcase its suite of cashless payment offerings and payment processing technology.

Delivering the opening address, company chairman Gerald Hadeed noted that the global e-commerce landscape is going through a significant transformative period.

“We are witnessing major disruption taking place in the global payments and e-commerce business and technology is the leading driver of this disruption. We need to develop an economy that is based on technology” Hadeed said.

In a presentation that lasted about two hours, WiPay CEO Aldwyn Wayne demonstrated to those in attendance how cash could be loaded to a WiPay account and then used to conduct payments at different stores and locations around T&T, and the ease with which funds could be transferred to different accounts in countries around the world. He added that the company’s payment platform eliminated the interchange processing fees that merchants currently must pay for transaction processing while pointing out that “Blockchain” technology was the main platform that kept all WiPay transactions safe.

Also speaking at the event was Massy Stores CEO Derek Winford who spoke about the supermarkets’ plans to begin the rollout of WiPay payment processing across the country, Unipet COO Kirt Hills who noted the integration of WiPay technology into hardware at the fuel pump to reduce transaction times, and Andre Aleong, CEO of online grocery store Hubbox, who commended WiPay for making online shopping easier in T&T.

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[GraceKennedy Finalises Consumer Brands Acquisition](#)

Tuesday 5th September, 2017 – Jamaica Gleaner

GraceKennedy Limited has closed the acquisition of distributor Consumer Brands Limited, effective September 1. The price was not disclosed.

GraceKennedy announced the deal with Athol Smith and his Company Sphinx for the 100 per cent acquisition in mid-July, giving it access to brands made by Procter & Gamble for local distribution.

Consumer Brands, which distributes Charmin, Bounty, Downy, Tide, Ariel, Always, Tampax, Pampers, Febreze, Crest and Olay among others, adds \$2 billion of revenue to the conglomerate's annual sales. GraceKennedy plans to merge the new acquisition with its World Brands operation.

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[Actuarial review finds NIS underperforming](#)

Monday 4th September, 2017 – Barbados Today

An actuarial review of the National Insurance Scheme (NIS) has highlighted the much criticized delay in claim payments and tardy annual reports and financial statements as major challenges facing the scheme.

However, while blaming “a backlog since 1998” for the absence of financial statements, Minister of Labour Dr Esther Byer-Suckoo is promising greater transparency.

According to the 15th annual actuarial review, which highlights the National Insurance Fund (NIF), Unemployment Fund and Severance Fund as of December 31, 2014, there were “several service and reporting challenges” that were of concern.

It said given the significant investment made in an administration and information technology system over the past 15 years, the NIS office was “underperforming what would reasonably be expected in delivering timely benefit adjudication.

“The concerns relate primarily to the time that it takes to award short-term claims and the time it takes to award pensions,” the report said.

“Obtaining complete and reliable data, both financial and statistical, from the National Insurance office is also a major concern. These challenges may be both system related and due to the lack of adequate human resources devoted to various tasks. As a result, the publishing of annual reports and the provision of data required for this report have been delayed extensively,” it added.

The NIS has a staff complement of about 300, about 280 of whom are appointed, while the remainder are on contract.

According to the 68-page review, delivered last Friday at the Ministry of Labour, “the NIS has not issued NIF annual reports since 2009 and has not submitted to the minister audited financial statements since 2004”.

However, Byer-Suckoo said the auditor general now had financial statements up to 2012 to be audited.

“I have said it before . . . but there has been quite a backlog since 1998. The auditor general did receive financial statements but because of the volume, the auditor general has been trying to work through those and has also engaged a private firm as well . . . So we have been able to do the work at National Insurance to get those statements to the auditor general ... so work on that is ongoing,” said Byer-Suckoo.

She said the NIS board continued to “monitor the situation so that where adjustments are necessary they are made”, adding that transparency was necessary to help alleviate any fears regarding the scheme.

“We remain committed to ensuring the transparency. It is one thing for you to come here once every three years . . . and I try and convince you that the national insurance is fine, but you need to have access to that information.

“I believe the only way folks can continue to have the confidence in the national insurance is if there is that transparency, the communication and the availability of the relevant information. So we are working in all those regards to ensure . . . the confidence in the national insurance. It also means that when statements are being made abroad that may have the effect of creating panic, where the information is available persons would then be able to go and get it for themselves and be able to see that there is no need for panic,” the labour minister explained.

She said the delay in paying claims and pension benefits experienced during the reporting period was as a result of IT-related challenges when the NIS was making the switch to a new system, and not due to a lack of funds.

“Those delays that you have seen with cheques being issued in recent times would due more to administrative and technological challenges at the National Insurance, all of which the National Insurance was then able to quickly address to ensure that the matter was resolved, and we commit to continuing to do that, to be responsive and quickly addressing any challenges as they arise.”

The report also pointed to the need for the preparation of “good governance guidelines”.

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'US\$60 million lost in corporate taxes'

Monday 4th September, 2017 – Barbados Today

Newly elected President of the Barbados International Business Association (BIBA) Marlon Waldron is suggesting that Government allowed some international businesses to slip through its fingers six years ago, losing US\$60 million in corporate taxes in the process.

Speaking on Friday at a BIBA organized international business update seminar at the Savannah Hotel, Waldron charged that the Freundel Stuart administration was slow to react when companies began leaving the country for other jurisdictions as a result of changes in Canadian tax laws.

“As a result of the relocation of four of those companies, Barbados lost about US\$60 million in corporate taxes. One of the four companies that re-domiciled actually engaged the Government requesting a solution. Needless to say, there was none given in a timely manner and that company left Barbados. That was the point at which we should have intensified our efforts in the marketplace,” Waldron told those gathered for the seminar titled What Businesses need to Know about Base Erosion and Profit Shifting (BEPS) and Double Taxation Treaties.

He said once the signs were there that some of the businesses would leave, the authorities ought to have spent additional financial and other resources on the development of the sector because of its contribution to the economy.

In fact, Waldron questioned why Government spent as much as it did on tourism, when compared to the international business sector, which contributed approximately \$1 billion to the economy, “but somehow the amount allotted to its promotion and development is a mere \$8 million annually while the tourism promotion is allocated over \$100 million”.

Waldron recalled that Minister of Finance Chris Sinckler and Acting Governor of the Central Bank Cleviston Haynes had made reference to the reduction of revenues of \$1.4 billion over the last nine years, “and has placed that shortfall on the doorsteps of international business and financial sector”.

He said while some might see this as blaming the sector for the state of the country's economy, he saw it differently.

"I take it in a very positive light. I see it as at last a recognition of the immense importance of international business to Barbados and a very viable contribution it has been making over the years.

"We are asking the powers that be now that country is aware of the impact of international business to our economy, to reconsider the disparity so that international business can reach its full potential and to make the contribution we know that it can make to the revenues and foreign reserves," he said.

Waldron said while he was pleased with Government's efforts to engage the private sector through a recent meeting, there was still a level of anxiety among the international business community regarding the current state of the economy and the low levels of reserves, which stood at 9.7 weeks of import or \$635.5 million as at the end of June.

He said a major part of the challenges remained the lack of ease in doing business, therefore no effort should be spared in placing resources behind improving the situation.

Minister of International Business Donville Inniss agreed that the sector was critical to the economy, while pointing out that some changes had been made, including a lowering of the tax rate to maintain business here in 2011 when the country ran the risk of losing some major Canadian-based firms.

"But it would be wrong if anyone today seeks to give the impression that the international business sector has been responsible for the state of macro-finances because when we took that decision in 2011 it was with the expectation that the revenue would fall and it has fallen as predicted," Inniss said.

"I think what we need to do is to redouble our efforts to get the revenues back up, not just in this sector but certainly from businesses on the whole," he said, adding that the sector continued to grow despite the challenges.

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[Growth & Jobs | Capitalise On Improving Jamaican Economy - JN Bank Exec Encourages Jamaicans Overseas To Invest In Country](#)

Monday 5th September, 2017 – Jamaica Gleaner

Chief of Marketing at JN Bank, Saniah Spencer, has encouraged Jamaicans in the diaspora to capitalise on the improving Jamaican economy.

Speaking to 55 Jamaican investors living in Florida recently, Spencer indicated that the Jamaican economy is growing; and she outlined several areas that are ready for investment.

"Inflation has been reduced to approximately two per cent; debt has declined from 145 per cent of GDP, prior to the current economic reform programme, to 115 per cent at the end of March this year; and interest rates are falling," she disclosed, pointing to the entry of JN Bank in the market as one of the forces behind the reduced interest rates.

"Unemployment is also decreasing, as figures in the past year declined from 12.8 per cent to 12.2 per cent," Spencer outlined. "In addition, consumer and business confidence have risen tremendously and remains at an all-time 16-year high, as Jamaicans become upbeat about real prospects for investments and jobs."

Spencer said that logistics is among the emerging areas and opportunities are developing from the expansion activities at some of the country's major ports of entry, as well as continued initiatives to expand the country's road network. She noted also that there will be need for services to support the port activities, such as storage and warehousing as well as indirect activities.

"These positive developments have also opened up many opportunities for investment in real estate," she said, "as improved road infrastructure connect communities and parishes, and there will be increased real estate value outside of urban centres."

She referenced business process outsourcing as another growing market, noting that it currently accounts for the highest employment growth rate in the country, employing more than 22,000 Jamaicans.

However, beyond business, Spencer highlighted that there were instruments in which individual Jamaicans overseas can invest and earn.

She highlighted the performance of the Jamaica Stock Exchange (JSE) and encouraged Jamaicans overseas to look at the local stock market as an area for investment, pointing out its performance over the past two years. In 2015, the JSE was declared to be the best performing stock market in the world, with more than 85 per cent of its listed companies gaining value on the stock exchange.

'Jamaican economy on right path'

Saniah Spencer, marketing chief at JN Bank updated Jamaicans in Florida about recent announcements that the Government is seeking to introduce a Diaspora Bond by the end of the financial year, which is intended to provide investors with a satisfying return while providing an opportunity for them to contribute to the development of the country.

In addition, Spencer said that JN Bank has issued a Diaspora Certificate of Deposit, which allows Jamaicans overseas to earn an attractive yield while contributing to the development of social enterprises that generate social and economic growth for communities and groups.

"JN Bank is positioned to facilitate these investments through our linkages and partnerships with developers and government agencies, and through our products and services," Spencer advised.

She said that the bank's savings and loans products included business loans to facilitate the investments of Jamaicans in the diaspora, as well as online facilities through its JN LIVE banking platform to manage payments and facilitate online transactions. The transactions facilitated include interbank transfers, wire transfers, foreign exchange purchases and bill payments.

"It is clear that although we have much to do to increase economic growth and spur development, the Jamaican economy is on the right path. It is strengthening and expanding, and is ready for investment in various areas," she affirmed.

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[Hyundai hit again by supply disruption in China, one plant halted](#)

Tuesday 5th September, 2017 – Reuters

South Korea's Hyundai Motor (005380.KS) said it had suspended production at one of its China factories on Tuesday after a supplier refused to provide parts due to delays in payment - its second such incident in as many weeks.

Frayed relations with suppliers to its venture with BAIC Motor Corp Ltd (1958.HK) are adding to headaches for Hyundai in China, where it has seen sales slump due to diplomatic tensions between the two nations and fierce competition from local brands.

Supplier sources familiar with the matter say that BAIC is in charge of payments and has been responsible for the delays.

The partners are fighting over their supplier strategy with BAIC favoring shifting to cheaper Chinese firms in the face of intense competition, while Hyundai wants to protect its South Korean supply chain, people familiar with the dispute said.

Hyundai declined to comment on the reason for the failure to pay suppliers. A representative for BAIC could not be immediately reached for comment.

Their joint venture had only just resumed production at four China plants on Aug. 30 after a suspension of about a week because one French supplier refused to provide fuel tanks due to non-payment.

This time, a German firm has refused to provide parts for air intake systems, a representative for Hyundai said, declining to identify the supplier. The joint venture's three other Chinese factories remain operational.

Any loss of production from this one factory is unlikely to have a major sales impact as Hyundai probably has sufficient inventory at the plant because its cars have not been selling well, said Ko Tae-bong, an analyst at Hi Investment & Securities.

"That is manageable. But if Hyundai's Chinese partner is refusing to make payments, that's a different story," he said, adding that the issue could occur time and time again.

Scrambling to tackle problems in China, Hyundai said this week it had appointed a new head for its China operations. Tao Hung Than, who is of Chinese descent, took the helm effective Friday replacing Chang Won-shin, who lasted less than a year in the job.

The new China CEO, however, has a huge task in front of him if he is going to get Hyundai back on track in the world's biggest auto market - one that accounted for nearly a quarter of Hyundai's revenue in the last financial year.

A weakening brand image and a product line-up without attractive SUVs are only adding to pain from diplomatic tensions. Hyundai's sales from its Chinese factories plummeted 64 percent in April-June first quarter, when the automaker posted its smallest quarterly net profit in five years.

South Korean firms have been hit by a Chinese backlash over Seoul's decision to deploy a U.S. missile defense system to counter threats from nuclear-armed North Korea. China says the system poses a threat to its national security.

Hyundai and BAIC were also due to start operations at a fifth China car factory late last month but the timetable has been pushed back. Hyundai has declined to comment on the postponement.

Hyundai Motor shares fell 1.4 percent to their lowest level since April 19 on Tuesday and have declined 4.2 percent since the first reports of the supply disruptions emerged a week ago.

Reporting by Hyunjoo Jin; Editing by Edwina Gibbs

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[China's Xi wants to put relations with India on 'right track'](#)

Tuesday 5th September, 2017 – Reuters

China wants to put its relationship with India on the “right track”, President Xi Jinping told Prime Minister Narendra Modi on Tuesday, as the two countries sought to mend ties damaged by a recent tense Himalayan border standoff.

The meeting was the first between the two leaders since Chinese and Indian troops ended a standoff in the Doklam border region about a week ago that was the neighbors' most serious military confrontation in decades.

Talks between Xi and Modi had been in question before the de-escalation, which came just in time for China to host the BRICS summit of emerging economies, which also includes Brazil, Russia and South Africa, in the southeastern city of Xiamen.

Healthy, stable ties were in the interests of both countries, Xi told Modi in a meeting on the sidelines of the summit, according to a statement from China's foreign ministry.

“China is willing to work with India ... to increase political trust, advance mutually beneficial cooperation and promote the further development of China-India relations along the correct path,” Xi said.

“China and India must maintain the fundamental determination that each other constitute mutual development opportunities and do not constitute a mutual threat,” Xi said, adding that peaceful, cooperative relations were the “only correct choice”.

Xi and Modi spoke for more than an hour and the discussions were “constructive”, Indian Foreign Secretary Subrahmanyam Jaishankar told reporters in Xiamen after the meeting.

“There was a sense that if the relationship is to go forward, then peace and tranquility on the border area should be maintained,” Jaishankar said, adding that both sides agreed that strong contacts between their defense personnel were needed to prevent another border incident.

“On both sides there was a sense that more efforts need to be made to ensure that these kinds of situations don't reoccur.”

Pressed on how the Doklam dispute was discussed, Jaishankar said, "Both of us know what happened. This was not a backwards looking conversation. This was a forward-looking conversation."

Hundreds of troops were deployed on the Doklam plateau, near the borders of India, its ally Bhutan, and China after New Delhi objected to China building a road through the mountainous area.

The quiet diplomacy that ultimately ended in de-escalation was based on a principle of stopping "differences becoming disputes" that Modi and Xi had agreed at a June meeting in Astana, an Indian official has said.

Still, China and India remain divided on many fronts, including India's deep suspicions of China's growing military activities in and around the Indian Ocean.

For its part, Modi's government has upset China with its public embrace of Tibetan spiritual leader Dalai Lama, whom the Chinese regard as a dangerous separatist, and growing military ties with the United States and Japan.

China has said its forces will continue to patrol in Doklam, which is claimed by Bhutan, and that it hoped India had learned a lesson from the incident.

Reporting by Michael Martina and Yawen Chen in XIAMEN; Additional reporting by Beijing monitoring desk; Editing by Richard Borsuk and Clarence Fernandez

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[India must regulate tubewells as water becomes scarce with urbanization](#)

Monday 4th September, 2017 – Reuters

India must better regulate the use of water-sucking tubewells as access to water becomes increasingly fraught amid rising temperatures and dwindling resources, according to an academic who has studied the Ganges river.

The basin of India's sacred river is home to about a quarter of the country's 1.3 billion population and contains 40 percent of the total replenishable groundwater resources.

But pollution and excessive usage are making its groundwater increasingly toxic and difficult to access.

"India is the largest consumer of groundwater in the world, but it is getting harder to recharge the aquifers," said Anthony Acciavatti, an adjunct assistant professor at Columbia University in New York City.

"The pollution of the river water is tied to the growth of urban centers, as well as the ubiquity of tubewells, which are unregulated," he said on a recent visit to Mumbai.

Worshipped by a billion Hindus and a water source for 400 million, the 2,525 km-long (1,570 miles) "Mother Ganga" runs from the Gangotri glacier in the Himalayas through northern and eastern India and Bangladesh before emptying into the Bay of Bengal.

Thousands of Indians take a holy dip in the Ganges every day; less than a quarter of an estimated 4,800 million liters of sewage that flow daily into the river is treated.

In addition, about 15 million tubewells in the Ganga basin suck up water indiscriminately and exacerbate loss of more accessible groundwater.

In the countryside, groundwater shortages have been attributed to government policies such as free electricity for irrigation, credit for digging wells and buying pumping equipment, as well as heavily subsidized diesel fuel for pumps.

But tubewells dug by wealthier city residents are also adding to the problem.

“Tubewells and hand pumps are the primary way in which groundwater is consumed, and not just by farmers, but also in urban centers,” said Acciavatti.

“You can’t ban them, but you can regulate their depth and intensity to mitigate their impact,” he said.

MAPS, CHARTS

Rising temperatures across India have dried up rivers and ponds, and forced millions to migrate in search of food and jobs.

At the same time, floods are also a threat during the annual monsoon rains, with this year’s floods affecting more than 16 million in South Asia.

The Ganga basin is one of the most densely populated river basins in the world. People have “learned to incorporate the capriciousness of the river into their lives”, said Acciavatti, who came to India in 2004 to map the Ganges.

Over a decade, he mapped the river on foot, by car and by boat with tens of thousands of photographs, sketches and journal entries, before the advent of drone photography and Google Maps.

Earlier this year, an Indian court declared the Ganges and Yamuna rivers living entities, giving them the same legal rights as human beings, in a move to help conserve them.

But a \$3 billion plan to clean the Ganges is behind schedule, with much of the money unspent.

To further the effort India must better regulate how both public and private land can be used to access water, Acciavatti said.

Access to river water must not merely depend on wealth.

“In the basin, you can tell which are the homes with tubewells - they are more than three storeys tall,” he said.

“They are obviously doing more damage than someone with just a hand pump.”

Reporting by Rina Chandran @rinachandran, Editing by Ros Russell.

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[India to bid for Israel oil-and-gas exploration blocks - minister](#)

Monday 4th September, 2017 – Reuters

Indian state-run Oil and Natural Gas Corp plans to bid for Israeli offshore oil-and-gas exploration blocks, India's oil minister told Reuters, the first major deal between the two countries since a groundbreaking trip by Prime Minister Narendra Modi in July.

India and Israel have deep defense ties but Modi and his right wing ruling group are pushing to expand the relationship into other sectors such as energy and technology with a country they see as a natural ally against terrorism.

A high-ranking delegation from India, the world's third-biggest oil consumer, visited Israel last month to discuss taking part in the tender for blocks in the Mediterranean Sea and Israeli officials said they were pleased with the visit.

"We will definitely bid for Israel's oil-and-gas blocks," Indian Oil Minister Dharmendra Pradhan told Reuters.

There was no immediate comment from Israel's energy ministry.

When Modi visited Israel in July, both sides showed interest to build a broader economic relationship, rather than one based on defense, which had drawn them together because of similar concerns about militant threats they face. They are starting from a relatively low economic base as bilateral trade was just \$2 billion in 2016.

Many oil majors have been hesitant to enter the Israeli market, fearing a backlash from oil-rich Arab states hostile to the country.

Israel put 24 exploration blocks up for auction in November 2016 and the country's energy minister, Yuval Steinitz, has said he would be happy to choose two or three foreign explorations groups. The auction closes on Nov 15.

India is conducting a technical and commercial analysis to participate in the Israel's bidding process, said Sanjay Sudhir, a joint secretary in the federal oil ministry, who led the delegation.

“We dove into all the relevant details of the tender - geological, technical - and familiarized them with Israel’s oil and gas ecosystem,” an official at Israel’s Energy Ministry said on the Indian team’s visit, declining to be identified in the absence of permission to speak to the media.

Israel wants to open up its hydrocarbon sector, which is currently dominated by a partnership of Noble Energy and Delek Group <DLEKG,TA>. They control the Tamar and the much larger Leviathan fields.

India also wants to participate in the upcoming auction to explore and develop gas fields off the coast of Lebanon, Pradhan said in July. Three of those blocks border waters with Israel, with which Lebanon has a long-standing maritime border dispute.

ONGC is India’s biggest energy exploration firm and a source at its overseas investment arm ONGC Videsh said the firm would not bid for any block in areas disputed by Israel and Lebanon.

“Israel has said that none of the blocks it has offered are in disputed waters,” said the source.

Another state-run explorer, Oil India Ltd, has not yet decided to bid in Israel’s licensing round, the Indian company’s chairman, Utpal Bora, told Reuters.

India’s decision to bid for blocks off Israel and Lebanon comes after a setback in getting development rights for a giant gas field in Iran.

Indian companies discovered the Farzad B gas field in Iran in 2008 and have bid several times for the development rights, but media reports suggest that Tehran has decided to award the field to Russia’s Gazprom.

Reporting by Nidhi Verma in New Delhi and Ari Rabinovitch in Jerusalem:
Editing by Sanjeev Miglani and Neil Fullick

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[Euro zone businesses outpace struggling British peers](#)

Tuesday 5th September, 2017 – Reuters

Business activity in the euro zone stayed robust in August as it outpaced Britain, where an economy increasingly bogged down by Brexit worries lost momentum, surveys showed on Tuesday.

Growth in the euro zone slowed only marginally from the blistering pace set in the spring, according to a Purchasing Managers' Index. An equivalent reading for Britain was the lowest since last September, shortly after the referendum vote to leave the European Union.

"The story in the next couple of years is that by all probability - unless we get an external shock - the euro zone recovery is for real. I don't see any reason why this will peter out anytime soon," said Erik Nielsen, group chief economist at UniCredit.

"Where would growth come from at this stage in Britain? There is erosion of real income because of the inflation numbers and the uncertainty means investment will not play a role until you get some clarity on what is going on (about Brexit)."

IHS Markit's Final Composite PMI for the euro zone held steady at 55.7 in August, slightly below an earlier flash estimate of 55.8. It has been above the 50-mark that separates growth from contraction since mid-2013.

The services PMI fell to a seven-month low of 54.7 from July's 55.4 but was still one of the best growth rates in over six years. Similarly, while the new business index fell, it remained above its long-run trend.

The PMI for Britain's dominant service industry fell to 53.2 in August from July's 53.8, below the median forecast of 53.5 in a Reuters poll. [GB/PMIS]

The data suggested that euro zone and Britain's economic growth paths are diverging.

The euro zone reading points to third quarter GDP expansion of 0.6 percent, IHS Markit said, matching second quarter growth and faster than the 0.4 percent predicted in a Reuters poll last month.[ECILT/EU]

Britain, which initially withstood the shock of the June 2016 Brexit vote before slowing sharply in early 2017, has outpaced the bloc's economies over two-thirds of the time since recovery from the financial crisis began.

But rising inflation and weak wage growth has curtailed household spending and it is expected to grow just half the euro zone's rate this quarter, 0.3 percent, then maintain that lackluster pace through to the middle of next year. [ECILT/GB]

British shoppers increased spending in August at the fastest pace so far in 2017, excluding a surge in April caused by the Easter holiday, but there is little sign yet that a squeeze on spending is easing, retailers said on Tuesday.

Non-food sales remain at levels seen two years ago and separately on Tuesday, credit card firm Barclaycard said British consumers increased their spending at a slower pace in August and fewer of them felt confident about their finances.

PARTING WAYS

Forward-looking indicators in the euro zone survey imply there will be little slowdown this month with new orders, backlogs of work, employment and an expectation gauge remaining strong.

Yet while optimism among British company managers edged up, it remained close to low levels that have been indicative of the economy stalling or even contracting in the past, with Brexit the main concern, IHS Markit said.

"Higher costs and lower investment are slowing UK output to a chronic crawl. The summer months may have been warm but the recessionary risks for the UK economy are only increasing as we move into autumn," said Jeremy Cook, chief economist at WorldFirst, a foreign exchange payments company.

One common theme was rising price pressures - welcome news to policymakers at the European Central Bank who want inflation higher but less attractive to their counterparts at the Bank of England who want to bring inflation down.

The euro zone output prices index rose to 52.1 from 51.7. August inflation nudged closer to the ECB's target, registering 1.5 percent, data showed last week.

ECB policymakers meet on Thursday, and while no change is expected then, they are expected to announce a reduction of monthly asset purchases in October, according to a majority of economists in a Reuters poll. [ECB/INT]

BoE rate-setters meet next week. Prices paid by services firms rose at the fastest pace in six months, potentially adding to Britain's inflation rate, which is already heading for about 3 percent, above the central bank's 2 percent target.

Most economists polled by Reuters were convinced the BoE will not raise interest rates between now and when the initial Brexit negotiation period ends in a little under two years. Only 14 of 59 economists expected one or more rate rises by end-2018.

Additional reporting by William Schomberg; Editing by Ross Finley and John Stonestreet

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[U.S. stock futures lower as North Korea tensions rise](#)

Tuesday 5th September, 2017 – Reuters

U.S. stock index futures were lower on Tuesday after North Korea conducted its most powerful nuclear test over the weekend, rattling investor sentiment.

North Korea conducted its sixth nuclear test on Sunday, which it said was of an advanced hydrogen bomb for a long-range missile, marking a dramatic escalation of the regime's stand-off with the United States and its allies.

The United States blamed North Korea's trading partners on Monday of aiding its nuclear ambitions and the White House declared that "all options to address the North Korean threat are on the table."

However, equity markets recently have been able to withstand geopolitical events surrounding North Korea, with initial losses erased relatively quickly.

September is typically the worst month in the year for stocks, with the S&P falling 0.5 percent on average. This September could be particularly nail-biting as Wall Street may face a rough ride if there is a showdown in Washington over the U.S. budget and the federal debt ceiling.

Wall Street gained modestly on Friday as a tepid U.S. jobs report kept expectations muted for another interest rate hike this year, while investors kicked off a typically dour month for stocks on a positive note.

The S&P 500 hovered near all-time highs as major stock indexes marked gains for a second straight week. The Nasdaq tallied a record closing high after minting its best week of the year.

Equity markets were closed on Monday for Labor Day holiday.

Economic data in the day include a report from the Commerce Department that will likely show that factory goods orders fell 3.3 percent in July, compared with a rise of 3.0 percent in the previous month. The data is due at 10:00 a.m. ET (1400 GMT)

Federal Reserve's Minneapolis Chief Neel Kashkari and Dallas Fed head Robert Kaplan are expected to speak at different events later in the day.

Fed Board Governor Lael Brainard will also speak on the economic outlook and monetary policy in New York.

Shares of United Technologies (UTX.N) were down 3.83 percent in premarket trading after the company struck a \$30 billion deal to buy avionics and interiors maker Rockwell Collins (COL.N). Rockwell shares were up 0.87 percent.

Reporting by Sruthi Shankar in Bengaluru; Editing by Anil D'Silva

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[UK builder Redrow lifts outlook further as profits jump](#)

Tuesday 5th September, 2017 – Reuters

British housebuilder Redrow (RDW.L) said it expected revenue and profit expectations to continue to rise into 2020, after posting better-than-expected 2016-17 pre-tax profits of 315 million pounds (\$416 million).

The firm said it now expected to report turnover of around 2.2 billion pounds in 2020 and profit of around 430 million pounds. It had previously guided that it would post revenue of 1.9 billion pounds in 2019.

But the firm also warned the government that the country needs to reach an early agreement as part of Brexit talks to secure the key role of European Union construction workers.

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[United Tech to buy Rockwell Collins for \\$30 billion](#)

Tuesday 5th September, 2017 – Reuters

Aerospace supplier United Technologies Corp (UTX.N) has struck a \$30 billion agreement to buy avionics and interiors maker Rockwell Collins Inc (COL.N), the companies said on Monday, in a deal that bulks up UTC's power with plane makers by creating one of the world's largest makers of civilian and defense aircraft components.

Farmington, Connecticut-based United Technologies will pay \$140 per share for Rockwell Collins, split between \$93.33 per in cash and \$46.67 in stock, according to the companies. The price represents a 17.6 percent premium to Rockwell's \$119 share price before news of the talks emerged on Aug. 4.

Shares of Cedar Rapids, Iowa-based Rockwell Collins closed at \$130.61 on Friday. U.S. markets were closed on Monday for the Labor Day holiday.

The acquisition price implies a total transaction value of \$30 billion, including Rockwell Collins' debt, and a total equity value of \$23 billion. United Tech said it plans to fund the cash portion through debt issuances and cash on hand.

Under the deal, the companies said that Rockwell Collins and UTC's aerospace systems segment will be combined to create a new business unit named Collins Aerospace Systems.

"This acquisition adds tremendous capabilities to our aerospace businesses and strengthens our complementary offerings of technologically advanced aerospace systems," UTC's chairman and chief executive officer, Greg Hayes, said in the statement.

"Together, Rockwell Collins and UTC Aerospace Systems will enhance customer value in a rapidly evolving aerospace industry by making aircraft more intelligent and more connected," he said.

SUPPLIERS VS PLANEMAKERS

The creation of a new giant in the top echelon of aircraft parts makers comes as planemakers Boeing Co (BA.N) and Airbus SE (AIR.PA) are trying to capture more of the profits earned by their suppliers. Both are pushing suppliers to lower prices and are moving into the high-margin aftermarket arena for parts and services that suppliers now enjoy.

In a move seen as a threat to Rockwell, Boeing said in July that it would build up its own avionics business.

Last week, Airbus urged supplier UTC to stay focused on fixing industrial problems that have delayed new aircraft deliveries.

If plane makers "are going to take more of the aftermarket or demand more of the aftermarket, we're going to have to think about how we price our products," Hayes told analysts in July.

By making more of the components needed on each aircraft, analysts say, United Technologies likely will gain some leverage to resist such pressures.

The deal also follows a wave of consolidation among smaller aerospace manufacturers in recent years that was caused in part by the need to invest in new technologies such as metal 3-D printing and connected factories to stay competitive. A combined United Technologies and Rockwell Collins could similarly invest, and their broad portfolios have little overlap.

United Technologies makes Pratt & Whitney jet engines used by Airbus, Bombardier Inc (BBDb.TO), Embraer SA (EMBR3.SA) and other plane makers. It supplies engines for Lockheed Martin Corp's (LMT.N) F-35 Joint Strike Fighter. It also supplies such key components as landing gear, air conditioning systems and engine covers to a wide range of jetliners.

Rockwell Collins is a major avionics supplier to Boeing and Airbus and other plane makers. In April it added passenger seating, cabin interiors, lavatories and galleys through its \$6.4 billion acquisition of B/E Aerospace.

The two companies have spent a month trying to reach an agreement, and their combined sales would be more than \$62 billion, compared with about \$95 billion for Boeing.

United Technologies expects to close the purchase in the third quarter of 2018. The company, with a \$94.2 billion market value, also owns Otis Elevator and air conditioner maker Carrier.

Rockwell Collins has a market value of \$21.2 billion.



The deal, which includes \$7 billion in Rockwell's debt, is expected to save more than \$500 million by the fourth year after its completion, the companies said.

Morgan Stanley & Co LLC was the financial adviser to United Tech, and Wachtell, Lipton, Rosen & Katz was its legal adviser.

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[Edinburgh Airport sale potential hit by Brexit jitters](#)

Tuesday 5th September, 2017 – Reuters

Global Infrastructure Partners (GIP) explored a possible sale of Edinburgh Airport this year but decided that Brexit uncertainties would hit the price tag, sources close to the matter told Reuters.

The infrastructure fund's sale of London City airport last year at a chunky valuation of more than 30 times core earnings had stoked speculation about more deals and the sources said that GIP asked banks to review its options.

The sources said the Edinburgh Airport valuation concerns arose because of uncertainty over Britain's ability to strike a deal on access to Europe's aviation market after the country leaves the bloc.

A spokesman for GIP declined to comment.

Edinburgh handled 12.4 million passengers last year and ranks as Britain's sixth-busiest airport ahead of Glasgow.

One of the sources said that investment banks had proactively contacted GIP hoping to land a sellside mandate, but GIP was in no rush to sell and no deal was imminent.

But another source said he expects GIP to consult banks again in the next 12 months.

GIP bought Edinburgh Airport for 807 million pounds (\$1.1 billion) more than five years ago from the now defunct BAA, which also used to own Heathrow, Gatwick and Stansted airports.

Last year GIP sold London City Airport to a consortium including Canada's Borealis Infrastructure and Ontario Teachers' Pension Plan for more than 2 billion pounds, having bought it for only 742 million pounds in 2006.

Additional reporting by Arno Schuetze; Editing by David Goodman

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Banks To Be 'More Hands On' Over \$1bn Bad Loans

Monday 4th September, 2017 – Tribune 242

The Central Bank's governor is expecting commercial banks to make a "more hands on" effort to tackle their \$1 billion non-performing loan pile.

John Rolle told Tribune Business he expected to see more sales of bad loans, suggesting that Scotiabank's disposal of a portion of its toxic portfolio to Gateway Financial, the Sunshine Holdings affiliate, could act as a model for the sector.

Emphasising that the banks cannot rely on an improving economy alone to clear up their 'bad' pre-recession loans, he added that the Central Bank expected to have "more conversations" on the issue with its licensees.

"We continue to believe that in addition to all the support that the economy will provide, there will still have to be some level of hands on effort by the institutions to address those exposures," Mr Rolle told Tribune Business.

"That's one of the areas where we expect to have even more conversations with the institutions. To be fair, for the last few years there's been a recognition that the economy alone should not be relied upon to whittle away these exposures."

The Bahamian commercial banking sector's 'bad' loan pile peaked at a collective \$1.2 billion, and little significant progress was made in reducing it until Scotiabank's arrangement with Gateway Financial. The latter is understood to have purchased the problem loans at a substantial discount, possibly as low as 25-28 cents on the dollar.

This brought delinquent and 'past due' loans to \$1.007 billion at end-June 2017, and Mr Rolle said the Central Bank was "looking at cases" where banks had been able to offload some of their non-performing portfolio to the likes of Gateway.

"That's a good sign, and provides something of a model to other institutions in dealing with their arrangements," the Governor said of the Scotiabank transaction.

"I would expect to see more hands on involvement, and the possibility of more sales of bad loans is still there."

Sir Franklyn Wilson, Sunshine Holdings' chairman, confirmed to Tribune Business last August that Gateway had acquired a portfolio of "several hundred" delinquent home loans, all more than 90 days past due, from a then-unnamed commercial bank.

He added that Gateway's efforts to subsequently restructure these loans had already proven "very effective", and would allow many borrowers to remain in their homes on terms better aligned with their financial circumstances.

Entities such as Gateway have been viewed as part of the solution to the Bahamas' entrenched mortgage/housing market crisis, as they can reduce the pile of 'bad loans' weighing down commercial bank balance sheets.

Selling such distressed loans enables commercial banks to recover some of their previous provisioning, and releases capital for lending to better-qualified home purchasers.

The consequences of the Bahamas' failure to deal more rapidly with the commercial banking industry's 'bad' loan pile were spelled out by Moody's, which said it had resulted in a "subdued" residential housing market.

With construction, real estate and attorneys all relying heavily on the housing market, together with furniture supply stores and other businesses, the non-performing mortgage overhang has dragged down much of the Bahamian economy.

"Credit to the private sector remains depressed, as banks are increasing holdings of attractively-priced government paper while they clean up their loan books," Moody's said. "Non-performing loans (NPLs) continue to be elevated, amid weak economic performance and high unemployment levels.

"Chronically high non-performing loans are partly explained by the domestic banks' aggressive lending practices prior to the 2008-09 recession. However, debt restructuring operations and the government's Mortgage Relief Programme (MRP) are finally beginning to positively impact the asset quality of domestic banks.

“Asset quality is further bolstered by non-performing sales, complimenting the MRP-supported loan restructuring in the mortgage segment,” Moody’s added. “After a decade of non-performing overhang from the mortgage/financial crisis, non-performing loans are finally beginning to decrease.

“At end-2016, non-performing loans stood at 12.3 per cent of total private loans, compared to 15.1 per cent as of April 2016. As non-performing loans are concentrated in the mortgage sector, delinquencies have translated into tighter underwriting standards and subdued residential construction activity.”

Moody’s said commercial bank profitability had further strengthened in 2016, having further recovered from the previous year following a major drop in earnings in 2014.

“In 2016, domestic banks’ profitability again strengthened, primarily due to a rise in fee-based income and decreased provisioning for bad debts,” Moody’s said. “Net income to average monthly assets (ROA) rose to 2 per cent and equity (ROE) to 8 per cent in 2016, from 1.9 per cent and 7.4 per cent in 2015.

“Given the banks’ adequate capitalisation, low level of interconnectedness, mildly improving asset quality indicators – including falling non-performing loans – we believe that the risk of a banking crisis remains low and manageable.”

Moody’s added that the three Canadian-owned banks - Scotiabank, Royal Bank of Canada and CIBC FirstCaribbean - controlled around two-thirds of the banking sector’s total assets, and added: “The system also remains well-capitalised.

“Capitalisation ratios are well in excess of statutory requirements, 28.6 Regulatory Capital/ RWA (risk weighted asset ratio as of December 2016 versus 14 per cent regulatory trigger, and liquid.

“Banks are deposit-funded and have limited exposure to wholesale and interbank funding. Foreign currency lending by onshore banks is restricted to domestic borrowers who generate foreign currency, such as hotels.”

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[Irma: Govt Fearing 'Major Financial Blow'](#)

Monday 4th September, 2017 – Tribune 242

The Government was last night fearing Hurricane Irma will inflict “another dramatic financial blow” to the Bahamian economy, matching Matthew’s \$600 million damage from a year ago.

K P Turnquest, the deputy prime minister, told Tribune Business that this nation could “ill-afford” another Matthew-type hit given the economic and fiscal constraints under which it is currently labouring.

“We’re obviously very concerned,” he said, as Irma starts to bear down upon the Bahamas with what forecasters believe will be Category 4 winds by the time it hits this nation.

“This seems to be a monster storm, maybe even surpassing Matthew, which we know brought significant destruction to our country and the lives of so many Bahamians.”

Matthew, which struck the Bahamas with Category three/four winds, left an estimated \$600 million worth of damage in its wake (and at least \$400 million in insurance claims) after it battered New Providence and Grand Bahama - the two major population centres.

Moody’s estimated it cost the Government revenues equivalent to 2.4 per cent of GDP (around \$214 million) as a result of depressed economic activity, which added to the \$100 million worth of damage inflicted upon the southern Family Islands by Hurricane Joaquin in 2015.

Referring solely to Matthew, Mr Turnquest said: “We know the cost of that event was significant in terms of restoration and loss of revenue, which had a significant impact on the Budget.

“We are very concerned about the nature of this storm, but hope Bahamians have taken note of the experience of last year and protected themselves by insuring their property and taken precautions to protect their property in the particularly storm.”

The Government was also forced into an emergency \$150 million borrowing post-Matthew to finance essential infrastructure and public building repairs, and bring relief to storm-ravaged Bahamians. This ultimately expanded the 2016-2017 fiscal deficit from a projected \$100 million to \$350 million (according to the Christie administration), or \$500 million and even \$636 million (according to the current government and Moody's, respectively).

With the Bahamas still "paying" for Matthew and Joaquin, Mr Turnquest agreed that any impact from Irma was especially ill-timed.

"With the economic and financial constraints we have, we can ill-afford another storm of the magnitude of Matthew," Mr Turnquest told Tribune Business.

"We hope at the end of the day resources will be better managed, but in the best case scenario this represents a dramatic financial blow, particularly in Grand Bahama where we have not recovered from Matthew yet and many residents have significant damage to their homes and the Grand Lucayan is still not open.

"Any further damage will be a great setback which we can ill-afford here."

James Smith, a former finance minister, agreed with Mr Turnquest that a direct strike by Hurricane Irma on the Bahamas' major economic centres (New Providence and Grand Bahama) will be something this nation can "ill afford".

"It depends how we get hit," the CFAL chairman told Tribune Business, "but you can judge it by what happened with Matthew. It was estimated at \$400 million out of our GDP, and if it's anything like that we will be looking at the same thing. For us, we could be looking at a small disaster.

"It would be a setback we can't really afford. Let's hope we don't see it. You simply can't plan for these things. We'll have to pay for it from the Budget, and simply go to additional borrowing. It's more of the same."

Irma's approach, and potential impact, are likely to revive debate around the need for the Bahamas to establish some type of catastrophe or hurricane relief fund to finance post-storm recovery and restoration.

John Rolle, the Central Bank's governor, told Tribune Business last week that while foreign exchange demand indicated a "small uptick" in consumer spending, the economy was still suffering lingering effects from Matthew.

"There is growth, but we are still feeling the effects of the hurricane, unfortunately," he told Tribune Business, pointing to Grand Bahama and other hotel inventory that was being taken off-line for repairs.

The Government, already preparing for Irma's potential arrival, last night warned retail merchants such as food stores, pharmaceutical suppliers and building materials merchants against exploiting pre-storm demand by 'price gouging'.

Warning that this, as well as the 'hoarding' of supplies for so-called speculation and profiteering, were criminal offences, the Prime Minister instructed the Prices Commission to monitor the situation and inform the Attorney General's Office should any infractions be found.

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