CariCRIS

Caribbean Information & Credit Rating Services Limited

CARICRIS IS THE CARIBBEAN'S REGIONAL CREDIT RATING AGENCY. IT IS A UNIQUE MARKET-DRIVEN INITIATIVE AIMED AT FOSTERING AND SUPPORTING THE DEVELOPMENT OF REGIONAL DEBT MARKETS IN THE CARIBBEAN.

DAILY NEWSWIRE

DISCLAIMER

All information contained in this publication has been researched and compiled from sources believed to be accurate and reliable at the time of publishing. However, in view of the natural scope for human and/mehanical error, either at source or during production, CariCRIS accepts no liability whatsoever for any loss or damage resulting from errors, inaccuracies or omissions affecting any part of the publication. All information is provided not-for-profit, without warranty, and CariCRIS makes no representation of warranty of any kind as to the accuracy or completeness of any information hereto contained.

FOR COMMENTS AND QUERIES CALL:
1-(868)-627-8879
or E-mail: newswire@caricris.com

CariCRIS

Caribbean Information & Credit Rating Services Limited

DAILY NEWSWIRE

OUR UPCOMING WORKSHOPS!

WORKSHOP	DATE	COUNTRY
Operational Risk Management in Financial Institutions	16 & 17 November 2017	Trinidad

Please contact Prudence Charles (pcharles@caricris.com) or Sita Sonnyram (ssonnyram@caricris.com) to register

Latest Rating Actions by CariCRIS

- The Government of the Republic of Trinidad and Tobago's rating reaffirmed at *Cari***AA+**
- The Government of Saint Lucia's ratings for its proposed bond issues assigned at *Cari***BBB**
- Goddard Enterprises Limited's rating reaffirmed at *Cari***AA-**
- Development Bank of Jamaica Limited's rating reaffirmed at *Cari***BBB+**
- The Government of Saint Lucia's rating reaffirmed at *Cari***BBB**
- The Government of the Commonwealth of Dominica's rating reaffirmed at *Cari***BB+**
- Bourse Securities Limited's rating reaffirmed at *Cari***A-**
- Eastern Caribbean Home Mortgage Bank's rating reaffirmed at *Cari***BBB+**
- RHAND Credit Union Co-operative Society Limited's rating reaffirmed at *Cari***BBB-**
- Point Lisas Industrial Port Development Corporation Limited's rating reaffirmed at *Cari***A+**
- The Government of the British Virgin Islands' initial issuer rating assigned at *Cari***AA-**
- NCB Capital Markets Limited's initial issue rating assigned at *Cari***BBB-**
- VENTURE Credit Union Co-operative Society Limited's rating reaffirmed at *Cari***BBB-**

- Please visit our website at www.caricris.com for the detailed Rationales on these and other ratings

Benefits of a CariCRIS Credit Risk Analysis workshop:

- Learn credit risk analysis through a structured and practical approach relevant to the Caribbean
- Develop a comprehensive understanding of how to evaluate the risk of common industries in the Caribbean
- Develop a keen understanding of business/financial risks and their potential impact on future financial performance

CariCRIS' credit ratings and daily Newswire can also be found on the Bloomberg Professional Service.

REGIONAL

Trinidad and Tobago

Former Energy minister: SPT needs to change

Former Energy minister Kevin Ramnarine is hoping that in his 2018 Budget presentation today, Finance Minister Colm Imbert will take the initiative to adjust the current Supplemental Petroleum Tax (SPT) regime.

Central Bank holds Repo rate at 4.75%

The Monetary Policy Committee (MPC) of the Central Bank of T&T has decided to hold the Repo rate at its current level of 4.75 per cent according to the latest Monetary Policy Announcement (MPA).

Shell T&T boss: Talks on Dragon gas ongoing

Discussions between Venezuela and T&T concerning the Dragon Field gas deal have not been interrupted due to sanctions posed by the US against Venezuela in late August, 2017.

Jamaica

Tourism officials expect cruise boost

With an unexpected gain of 68 additional cruise calls by year end, more airlifts and increased hotel rooms in the offing, Minister of Tourism Edmund Bartlett projects that the marketing barometer for visitor arrivals is pointing to double-digit growth for Jamaica's tourism sector next year.

Hertz Operator Eyes Bigger Slice Of Car Rental Market

Executive chairman of Norbrook Equity Partners, Khary Robinson, says he has grown his share of the car rental market to 15 per cent since acquiring the Hertz franchise last year, but is angling for more.

NHT loses acre of Twickenham Park land to Mandela roadworks

The planned expansion of the Mandela Highway has caused the National Housing Trust (NHT) to forego almost one acre of its property in Twickenham Park, St Catherine.

Barbados

Prices of gasoline and kerosene rise

Effective midnight tonight, Sunday, October 1, the retail prices of gasoline and kerosene will rise, while the prices of diesel and liquefied petroleum gas (LPG) will fall.

CHANGE THE MODEL
Straker: Government cannot tax its way out

President of the Small Business Association, Dean Straker, has insisted that a country cannot tax its way out of a fiscal problem. Furthermore, he has called for a new paradigm or new model for our business development in Barbados.

Bahamas

Opposition Rejects Imf's Income Tax

The Opposition's finance spokesman yesterday demanded "less talk and more action" from the Government, while affirming his party is against the IMF's income tax proposal.

Rbc: Loan Activity Fall Drives Fee Rises

A Royal Bank of Canada (RBC) executive yesterday said competition and demand have driven it to a digital banking platform, with 23,000 clients in the Bahamas already using its banking app.

Govt Targets $90m Cruise Passenger Spending Boost

The Government is targeting a near-28 per cent increase in cruise passenger spending yields to generate an extra $90 million in annual tourism revenue, a Cabinet Minister said yesterday.

Ag: Bahamas 'In Danger' Over Money Launder Flaws

The Attorney General yesterday slammed deficiencies in this nation's anti-money laundering regime as "entirely unacceptable", warning they had put the Bahamas "in great danger".

Bahamas' Gdp Grows 27.6% To $10.7bn

The level of Gross Domestic Product in the Bahamas increased by 27.6 per cent from 2012 to now, the National Accounts Section of the Department of Statistics announced Friday.

St. Kitts and Nevis

FLOW launches new LTE Service in St. Kitts and Nevis

ST. KITTS AND NEVIS has joined the rest of the world with its upgraded mobile internet system, when telecommunications giant FLOW launched the country's first LTE Service.

Belize

BTL to pay out $9.4 million in dividends

Belize Telemedia Limited (BTL) held its annual general meeting last night. At the meeting, the company declared that it would pay dividends of 19 cents per share, for a total payout of $9.4 million, of which the Government of Belize, the largest shareholder, is to receive roughly $5 million.

Imports exceeded $1 billion up to August

The gap between what Belize imports and what it exports continues to be high, with imports more than tripling exports for the first eight months of the year.

Dominica

UN launches multi-million dollar appeal for 'badly battered' Dominica

The United Nations says it has launched a Hurricane Maria Flash Appeal for the "badly battered" Caribbean island of Dominica.

Antigua & Barbuda

US $16M pledged so far for Barbuda

The Antigua and Barbuda government has received cash commitments amounting to some U.S. $16 million dollars from friendly governments as part of an outreach to help with the reconstruction efforts on devastated Barbuda.

Other Regional

IMF study examines loss of corresponding banking relationships on Caribbean

A new study examining the loss of corresponding banking relationships (CBR) in the Caribbean has found that global banks have reassessed their individual business models, deciding on different strategies in response to changes in the macroeconomic and regulatory environment that has lowered the expected profitability of correspondent banking.

INTERNATIONAL

United States

Dollar surges as Fed talk boosts Treasury yields

The dollar soared on Monday as U.S. Treasury yields hit their highest level since mid-July, while Spanish borrowing costs rose and stocks fell as a violent police crackdown on an independence vote in Catalonia rattled investors.

United Kingdom

UK factory growth slows, price pressures rocket again: Markit PMI

British manufacturing growth cooled last month as cost pressures lurched higher, according to a survey that could put the Bank of England a step closer to raising interest rates, despite a murky outlook ahead of Brexit.

Sterling sinks to three-week low on economy, Tory conference

Sterling slipped to a near three-week low against the dollar on Monday as investors focused on underlying weakness in the British economy and the governing Conservatives gathered for what could be a fraught party conference.

Europe

Euro zone September factory PMI hits highest since Feb 2011 as new orders accelerate

Factories across the euro zone enjoyed their most productive month since early 2011 in September, and the momentum looks set to continue into October as new order growth accelerated, a survey showed on Monday.

China

China makes targeted reserve requirement rate cut to boost lending to small firms

China's central bank on Saturday cut the amount of cash that some banks must hold as reserves for the first time since February 2016 in a bid to encourage more lending to struggling smaller firms and energize its lacklustre private sector.

China's factories grow at fastest pace in over 5 years as prices surge

China's manufacturing activity grew at the fastest pace since 2012 in September as factories cranked up output to take advantage of strong demand and high prices, easing worries of a slowdown before a key political meeting next month.

Japan

Japan FSA finds smaller banks lag in money laundering fight -sources

Japan's smaller banks are behind in taking steps against money-laundering and terrorism financing, Japan's financial regulator has found, according to people familiar with the matter and documents seen by Reuters.

Japan's business mood hits decade-high, labor shortage bites: BOJ tankan

Big manufacturers have more confidence in Japan's business conditions than they have had for a decade as a weak yen and robust global demand add momentum to the economic recovery, a closely watched central bank survey showed on Monday.

Global

Oil falls to below $56 on signs of higher output

Oil fell more than $1 a barrel to below $56 on Monday as a rise in U.S. drilling and higher OPEC output put the brakes on a rally that saw prices score their biggest third-quarter gain in 13 years.

OECD oil stocks set for 'substantial' 2017 draw, but may rise in 2018: IEA

Forecasts for U.S. shale oil growth and uncertainty around China's crude imports may see oil stocks building again next year after OPEC and non-OPEC cuts contributed to "substantial" draws this year, the International Energy Agency (IEA) said.

Global Cont'd

Fitch: Sweet Spot for World Economy Won't Last Beyond 2018

The global economy has improved markedly this year and is on course to record its fastest expansion since 2010, but the current favourable mix of strong growth and highly-accommodative macro policies could be as good as it gets, says Fitch Ratings in its latest Global Economic Outlook (GEO).

Asian factories rev up in September ahead of year-end spending spree

Factories in Asia's largest economies cranked up activity in September as a synchronized upswing in growth globally pointed to solid consumption of manufactured goods heading into the lucrative end-of-year shopping season.

CariCRIS

Caribbean Information &
Credit Rating Services Limited

FULL ARTICLES

Former Energy minister: SPT needs to change

Monday 2nd October, 2017 – Trinidad and Tobago Guardian

Former Energy minister Kevin Ramnarine is hoping that in his 2018 Budget presentation today, Finance Minister Colm Imbert will take the initiative to adjust the current Supplemental Petroleum Tax (SPT) regime.

According to Ramnarine, the tax should be changed to a higher level or a sliding scale should be introduced in order to promote further investment in the Energy sector.

"SPT kicking in at US$50 per barrel is a huge disincentive to investment in oil exploration and production. I would even consider suspending SPT for landbased drilling and mature marine fields for three years," Ramnarine stated in emailed responses.

"The Government also has to address the situation with our service stations where many stations are losing money."

On the issue of the fiscal regime, he said no change has been made within the last two years.

This means he said, companies are investing and making investment decisions with the same tax regime which was in place in September 2015.

"We have heard that this (SPT) would be fixed for the last two years and frankly, it's now too late. The damage has been done.

A lot of investment for projects related to oil exploration and production on land has been lost due to this inertia. Two years and no change is not good."

Asked what he predicted that the budget would be pegged at, he estimated it would be pegged at an oil price of US$50 per barrel and a gas price of US$2.00 per mmbtu.

Referring to the price of gas at the pump, he suggested that the Finance Minister should reduce premium gasoline to be more reflective of a US$50 per barrel.

"I'm sure Minister Imbert will agree with me. Super gasoline has little or no subsidy at this time. Only diesel has a significant subsidy."

Commenting on the announcement by Mark Loquan, President, National Gas Company that the supply of gas problem is expected to be rectified by 2019, Ramnarine said projects such as TROC and Juniper may assist in alleviating the problem of a shortage of gas, but it would not entirely solve it.

"By far the largest of these projects is Juniper, they will help with the shortage but they will not eliminate the shortage. We have to combat a decline rate of 20 per cent to 30 per cent for gas reservoirs in the Columbus Basin.

"I don't see Juniper, Sercan, TROC helping much with revenue because of carry forward losses and low natural gas and ammonia prices. Ammonia is now under US$ 200 per tonne. That impacts the NGC revenue significantly.

This is why I was deeply concerned when the Prime Minister said that he negotiated natural gas prices on behalf of the NGC with EOG Resources at a meeting in Houston,Texas."

Overall, he said T&T is facing a huge economic crisis and estimated that by 2021 T&T may have no foreign reserves "if we continue at the current pace of depletion."

"Revenue is also down in 2018 to around TT$40 billion. There is increasing unemployment and frustration among youths. The Government must be innovative and help preserve jobs. I'd like to see a strategy that preserves jobs especially for young professionals.

The private sector also needs to step up and think differently at this time."

<< Back to news headlines >>

Central Bank holds Repo rate at 4.75%

Monday 2nd October, 2017 – Trinidad and Tobago Guardian

The Monetary Policy Committee (MPC) of the Central Bank of T&T has decided to hold the Repo rate at its current level of 4.75 per cent according to the latest Monetary Policy Announcement (MPA).

The Repo rate is the rate the Central Bank applies to overnight financing provided to commercial banks that are temporarily unable to meet their liquidity requirements.

Commenting on its decision to hold the rate at 4.75 per cent, the Bank said: "In its deliberations, the MPC continued to note the very narrow TT-US differential and the prospect of US rate rises at the end of the year. At the same time, the Committee observed that the nascent signs of recovery in the energy sector had not yet translated into a boost to other sectors and that inflationary pressures were currently not substantial"

The Bank noted that the T&T economy remains "growth-challenged", though it higlighted positive developments in the Energy sector.

"Growth in energy and energy-related production is expected to eventually pull up activity in other (non-energy) sectors which is still subdued" the announcement said.

The MPA also noted that the local commercial banking sector remained robust.

"Liquidity in the commercial banking system remained steady in the third quarter of 2017 with banks' excess reserves at the Central Bank averaging around $2.8 to $3 billion."

The next Monetary Policy Announcement is scheduled for November 24, 2017.

<< Back to news headlines >>

Shell T&T boss: Talks on Dragon gas ongoing

Monday 2nd October, 2017 – Trinidad and Tobago Guardian

Discussions between Venezuela and T&T concerning the Dragon Field gas deal have not been interrupted due to sanctions posed by the US against Venezuela in late August, 2017.

Commenting on the progress of the negotiations, Derek Hudson, country chairman of Shell T&T said the Dragon field deal is still on "subject to coming to a mutual agreement with Venezuela with NGC. We are still early in the planning stages."

Hudson was the feature speaker at a luncheon event hosted by the Energy Chamber held at the Hilton hotel in Port-Of-Spain yesterday.

Hudson's remarks come on the heels of public debate suggesting that Shell would have to remove employees from Venezuela due to the sanctions.

In August the Donald Trump-led administration imposed sanctions on Venezuela which were mainly targeted at the country's financial sector.

The US is a major importer of Venezuela's oil.

"At no point in time would we ever go counter to any of the guidelines to any of the governments who have applied sanctions." Hudson said, responding from questions from the media after the luncheon

In December 2016, Prime Minister Dr Keith Rowley and Venezuela's President Nicolas Maduro signed the deal which allows T&T access to gas reserves from Venezuela's Dragon Fields.

Explaining the process, Hudson said Shell's Trade and Compliance Office reviews such sanctions.

Hudson said those who are involved in the negotiations are experts who are non-US residents which, according to Hudson means, "we have people from the UK, Dubai and T&T. The way Shell operates under these circumstances is that we will use our global expertise in doing it."

He added, "Shell has worked in countries where sanctions have been applied before such as Russia and in those cases we will follow those guidelines."

According to Hudson, by the middle of the next decade Shell has the opportunity to double its production to the 2014 levels of production.

"We have capacity today to go between 650 to 700 million scoffs (standard cubic feet) of gas. We have some commercial constraints with respect to some things we have to do with Atlantic so to get us up to the levels we were at, at that point in time required probably another 200 to 300 million scoffs."

He added that the challenges that lie ahead involved the decline of older gas fields.

<< Back to news headlines >>

Tourism officials expect cruise boost

Monday 2nd October, 2017 – Jamaica Observer

With an unexpected gain of 68 additional cruise calls by year end, more airlifts and increased hotel rooms in the offing, Minister of Tourism Edmund Bartlett projects that the marketing barometer for visitor arrivals is pointing to double-digit growth for Jamaica's tourism sector next year.

The additional vessels were largely diverted to Jamaican shores as a result of recent hurricane damage to other ports.

"For the rest of this year we're expecting a bounce that is going to be huge, especially from cruise. There are about 68 additional calls that we're expecting from cruise alone between now and the end of the year," Bartlett told an international group of journalists at a recent press briefing at Jewel Grande last week.

Bartlett, who has been leading a push to grow travel not just to Jamaica but also the wider Caribbean, also disclosed that Sunwing Airlines, recognised as Canada's leading leisure airline, will be providing a record 100,000 seats into Jamaica for this winter in anticipation of significant growth in tourist travel.

"We have settled a level of airlift connectivity within our destination that will guarantee the double-digit growth," the tourism minister stated.

The latest figures for 2017 show that up to September 24, tourist arrivals were up 7.1 per cent on last year, with earnings for the same period ahead by 8.3 per cent.

Meanwhile, the strategic out-turn of adding 15,000 more rooms to the hotel sector in five years is becoming more realistic with plans for new hotels increasing. A list of new properties on the drawing board was outlined by Minister Bartlett at the press briefing.

He confirmed that Hard Rock would be coming with 1,000 rooms; H10 with 750; the Chinese with over 2,000 rooms in Mammee Bay; Sugar Cane is on target for 5,000 rooms in Richmond, and Grupo Excellence will complete construction of 350 rooms by March. Grupo Excellence will then move on immediately thereafter to building another 450 rooms by September 2019. In other developments, Royalton has confirmed that it will be expanding further by 1,200 rooms.

Spanish Court West, the former Breezes Montego Bay that has been expanded to twice its original size, will be opened on the resort city's Hip Strip by mid-2018. By then also, the former Wyndham New Kingston hotel will be back in operation and Renfrew Hotel and the new AC Marriott by Sandals will also open in Kingston next year.

Additionally, land space has been identified along Montego Bay's Elegant Corridor, capable of accommodating 1,300 more rooms in close proximity to the recently opened Jewel Grande Montego Bay Resort & Spa in Rose Hall.

Minister Bartlett also disclosed that direct employment in the island's tourism industry had increased from 94,000 last year to 106,000 so far this year. The ministry's target is for 125,000 to receive direct employment by 2021.

Bartlett reflected satisfaction on the tourism sector.

"Jamaica is on a good path and that we have thought through our strategies based on our vision and our mission. We are presenting a total destination," Bartlett declared.

<< Back to news headlines >>

Hertz Operator Eyes Bigger Slice Of Car Rental Market

Monday 2nd October, 2017 – Trinidad and Tobago Guardian

Executive chairman of Norbrook Equity Partners, Khary Robinson, says he has grown his share of the car rental market to 15 per cent since acquiring the Hertz franchise last year, but is angling for more.

Norbrook's foray into the car rental business has benefited from the strength of the American brand, he told Gleaner Business.

"Hertz is the fourth largest car rental in the country with approximately 15 per cent market share, but we are doing some interesting things to change that. The difference between the players is not big. Also we have a higher share of the market based on revenues because we are historically so not compete on price but on quality, service and brand," Robinson said.

He did not specify the target.

Norbrook Equity acquired the Jamaican franchise for Hertz Car Rental through its wholly-owned subsidiary Norbrook Car Rental Limited in August 2016. It also became the first Caribbean franchisee to operate Firefly Car Rental, a 'value' rental car brand owned by Hertz International.

In the same month, ATL Automotives, a member of the ATL Group, secured the franchisee for its Enterprise Rent-A-Car, National Car Rental and Alamo Rent A Car brands in Jamaica. The agreement brought all three Enterprise Holdings brands to tri-branded facilities throughout the island starting in late 2016.

Robinson said that Hertz's loyalty program was "four times" the size of its closest competitor.

"The problem in Jamaica is that the previous owner just didn't want a fleet larger than a certain size," he commented.

Norbrook Car Rental has grown its fleet of vehicles to more than 330 and currently operates from two on-airport and two off-airport locations - namely Norman Manley International Airport, Sangster International Airport, 28 Sunset Boulevard in Montego Bay and 109 Old Hope Road in Kingston.

Norbrook is a diversified group started in 2008, whose business holdings include transportation, courier services, ecommerce logistics, bottled water and landscaping.

<< Back to news headlines >>

Caribbean Information & Credit Rating Services Limited

[NHT loses acre of Twickenham Park land to Mandela roadworks]

Monday 2nd October, 2017 – Jamaica Observer

The planned expansion of the Mandela Highway has caused the National Housing Trust (NHT) to forego almost one acre of its property in Twickenham Park, St Catherine.

In 2015, the NHT announced plans to start building more than 9,000 housing solutions across Jamaica, one of which was the development of 134 two-bedroom townhouses for Twickenham Park Phase 4 at an estimated cost of $1.6 billion.

But Senior General Manager at the NHT, Donald Moore, in a roundtable interview with the Jamaica Observer, said the proposed plan is now being modified to facilitate infrastructure development by the National Works Agency (NWA) along the highway.

“The NWA told us how it will impact us and we looked to see whether we would have to have a fight but there was no need; it's not significant. It's less than an acre I understand will be taken off and the number of townhouses will be reduced by roughly 14, so we will still have 120 units to develop.

“It will also impact the lands on which we have the branch office right now, so we are going to lose some parking space, as well,” Moore said.

Last July, the NWA signed a US$64-million contract with China Harbour Engineering Company (CHEC) to rehabilitate and widen the Mandela Highway in St Catherine. The deal will see the four-lane Mandela Highway upgraded to a six-lane carriageway to accommodate the high volume of traffic.

The new roadway will have three lanes in either direction, separated by a concrete barrier; with each lane having a width of 3.65 metres. According to reports, the first stage of the expansion will begin at Six Miles and continue in the vicinity of the Portmore turn-off, while the second stage will continue to the roundabout at Jose Marti Technical High School at Twickenham Park.

Sunday Finance understands that the NWA plans to remove the roundabout to facilitate the expanded highway in addition to other infrastructure development. Across from the Twickenham Park roundabout and adjoining the Unions Estate Housing development sits the open lot slated for the development of Twickenham Park phase 4.

NHT's 12.6-acre property, which was acquired from the Government of Jamaica, will also share boundaries with a tuition-free boarding school — Christel House — that will provide education, health care, meals and other assistance for impoverished children from the area. It is to be built by the non-profit organisation Christel House International.

Moore noted that while the Christel House and the Jose Marti Technical High School will sit next door to the new development, the close proximity of the properties should not be detrimental to homeowners.

“If it's the noise level people are worried about, school operates during the daytime and we hope that the children are in classes. You do have times when children play but that happens in the communities as well so the general laughter and chatter in the daytime shouldn't affect people,” he said.

UNIONS ESTATE RESIDENTS CONCERNED ABOUT FLOODING

However, interim president of the Unions Estate Hartnel Campbell has raised concerns about how the expanded roadways will affect pedestrians, as well as the impact of flood waters from the roadway into the community when it rains.

“We've had accidents right outside the community already, so we want to know how pedestrians will be accommodated. As for the flood waters, it's a terrible issue. When it rains the water coming into the community is so high that it affects our vehicles, so we want to know what the NWA is going to do about the problem and if the new community will be faced with this same situation,” Campbell said.

Moore, in responding to Campbell's concerns, said the NHT has had discussions ad nauseam with NWA to have the drainage issue addressed, but the NWA has constantly touted lack of funding as the reason for its inability to address the problem.

“I'm hoping that part of the funding for the fixing of the road is to also deal with the matter of drainage because there is a serious problem right now of the water coming across the highway and flowing into Unions Estates,” he said, adding that the Twickenham Park Phase 4 development will be built as a separate community from the Unions Estate Development and as such will have its own drainage system at the back of the community.

Still, he added that residents should also look at the bigger picture since the surrounding communities stand to benefit from proper road access and an easy commute to and from Kingston.

“That road has always been a challenge and so they are going to be fixing that problem,” he said.

NHT, in its plan to undertake at minimum 15,000 starts over a three-year period, says the Twickenham Park Phase 4 development is just the start of housing units proposed for St Catherine and Clarendon.

On Friday, the Trust handed over the Bourkesfield Meadows, St Catherine, and recently broke ground for the Mary's Field Housing Development. Colbeck Castle, Hellshire Phase 2, Monymusk Phase 2, Sevens Phase1 and Sheckles Phase 1 are developments now on the table for St Catherine and Clarendon.

“St Catherine happens to be one of the areas where the NHT has lands and where most of the construction will be taking place, in addition to Clarendon. The housing plan on a whole should not be significantly affected by the modification of Twickenham Park Phase 4,” Moore said.

The expected start of the Twickenham Park Phase 4 development has been rescheduled to facilitate modification of the design plan, but the Trust says it is working to meet the anticipated completion date of April 2019.

<< Back to news headlines >>

IMF study examines loss of corresponding banking relationships on Caribbean

Sunday 1st October, 2017 – Trinidad and Tobago Guardian

A new study examining the loss of corresponding banking relationships (CBR) in the Caribbean has found that global banks have reassessed their individual business models, deciding on different strategies in response to changes in the macroeconomic and regulatory environment that has lowered the expected profitability of correspondent banking.

The study notes that given the various drivers, there is no "silver bullet" to solve the problem of withdrawal of CBRs and that coordinated efforts by various stakeholders are called for to mitigate the risk of financial exclusion and the potential negative impact on financial stability.

"Policy initiatives must address drivers related to risk or risk perceptions as well as those related to profitability," the study noted.

The latest International Monetary Fund (IMF) Working Paper titled Loss of Correspondent Banking Relationships in the Caribbean: Trends, Impact, and Policy Options, notes that evidence confirms that the number of CBRs and value of CBR transactions has indeed fallen in several Caribbean countries over the past few years.

The authors of the study note that depending on specific country characteristics and those of the correspondent and respondent banks, there's a full spectrum of outcomes.

"At one end of the spectrum, some global banks have broadly withdrawn from CBRs worldwide; others have withdrawn from the Caribbean region or a particular country (eg Belize); others have targeted individual banks; and others have maintained services but to a restricted set of clients of respondent bank and charged higher fees."

Caribbean governments have in the past complained about the loss of CBRs and have mounted several missions to the United States in a bid to get a reversal of the policy.

Caribbean countries have also taken country-specific efforts to improve compliance with international standards and enhance risk-based supervision even though challenges remain in ensuring effective implementation of national AML/CFT frameworks.

“Nonetheless, enhanced international co-ordination and action by all stakeholders are still required to address CBR challenge. Home authorities of global banks should continue to proactively communicate their regulatory expectations to correspondent banks.

“International standard setters need to be more mindful of the unintended consequences on developing countries of efforts to improve the resilience of the international financial system. At the same time, the affected countries should continue to strengthen their regulatory and supervisory frameworks, including for AML/CFT to meet relevant international standards, with the help of technical assistance where needed,” the authors wrote.

They said that respondent banks need to proactively engage correspondent banks to give them comfort on the adequacy of their own customer due diligence, transaction monitoring, and AML/CFT frameworks.

<< Back to news headlines >>

UN launches multi-million dollar appeal for 'badly battered' Dominica

Saturday 30th October, 2017 – Nation News

The United Nations says it has launched a Hurricane Maria Flash Appeal for the "badly battered" Caribbean island of Dominica.

It said the international aid community is asking for US$31.1 million to reach 65,000 people over the next three months in order to address challenges, such as a lack of fresh running water and electricity, along with road damage and communication black-outs.

Emergency supplies from the United Nations food relief agency are being delivered to Dominica as people face "huge challenges in their lives" in the wake of the devastation wrought by Hurricane Maria, which ripped through the small Caribbean island last week, the UN said.

"Dominica has been badly battered and needs to be rebuilt," said World Food Programme (WFP) Regional Director for Latin America and the Caribbean, Miguel Barreto.

Barreto said the mountainous island suffered nearly 30 deaths, about 80 per cent of its buildings damaged, and many roads blocked or impaired.
"We're working with the Government to support the people who are facing huge challenges in their lives" said Barreto, noting that an estimated 10 metric tons of WFP high-energy biscuits were transported by ship to the eastern Caribbean island this week and then delivered to communities in the remote interior by helicopter and to coastal communities by boat.

Overall, WFP plans to provide a range of food assistance to some 25,000 people for three months as it discusses with the Dominica Government a system to supply hurricane-affected people with food vouchers to be used in local markets once they reopen.

WFP said it is also providing "critical logistics, air service and telecommunications support to Dominica and the humanitarian relief response."

WFP's Emergency Telecommunications Team, has set up connectivity in Dominica to some 400 registered users, including the Government Emergency Operations Centre, the island's airports and hospitals, and the Dominican, Venezuelan and French fire brigades.

Barreto and the UN Resident Coordinator for Barbados, Stephen O'Malley, visited some of the worst-hit areas and have held discussions with Prime Minister, Roosevelt Skerrit.

"We've been talking to the government about how to help them get their systems up and running again," O'Malley said. "People want to go back to their normal lives, and we can help them do that."

The UN food agency's emergency efforts are part of a larger UN operation to provide a range of assistance, including disaster relief, humanitarian coordination, shelter and water.

On the logistics side, the UN Humanitarian Response Depot (UNHRD) in Panama and the UN Humanitarian Air Service (UNHAS) – both managed by WFP – are providing support to humanitarian partners in Dominica and the region, the UN said.

The UN Office for the Coordination of Humanitarian Affairs (OCHA) said that, while this is the fifth time on record that Dominica has taken a direct hit from a hurricane, it has never faced a storm of such ferocity and strength as Maria.

<< Back to news headlines >>

US $16M pledged so far for Barbuda

Monday 2nd October, 2017 – The Daily Observer

The Antigua and Barbuda government has received cash commitments amounting to some U.S. $16 million dollars from friendly governments as part of an outreach to help with the reconstruction efforts on devastated Barbuda.

This was revealed by Minister of Information Melford Nicholas at Thursday's post-Cabinet news briefing.

"So far in the assessed cash contributions that have been committed, I think … the contributions have amounted to approximately 16 million US dollars; there are other in kind contributions that have been made and the effort will continue," he said.

Nicholas noted that they were aiming to raise U.S. $50 million. He also sought to give reassurance that the development plans that had been on the books for Barbuda prior to Hurricane Irma were merely disrupted and not abandoned.

The island's landing facilities were singled out as a priority development area since it was integral to getting the heavy duty supplies in to begin the reconstruction exercise.

"There's a great need for sealift and airlift into Barbuda and the extent to which we are able to fix and expand the capacity of Barbuda to land these craft is going to be important to the whole redevelopment effort," Nicholas said.

Meanwhile, the government has asked those wishing can make "cash donations" to make contributions to either of its two established accounts.

Chief-of-Staff Lionel Hurst had disclosed earlier that accounts have been set up at the Antigua Commercial Bank and the Caribbean Union Bank to accommodate funds on behalf of the state.

<< Back to news headlines >>

Prices of gasoline and kerosene rise

Sunday 1st October, 2017 – Barbados Today

Effective midnight tonight, Sunday, October 1, the retail prices of gasoline and kerosene will rise, while the prices of diesel and liquefied petroleum gas (LPG) will fall.

The new retail price of gasoline will be Bds$3.38 per litre, up from $3.25. The price of kerosene will be $1.41 per litre, up from $1.19, and the price of diesel will move from $2.46 per litre to $2.37. These represent increases of 13 cents per litre for gasoline and 22 cents per litre for kerosene, while the price of diesel has decreased by nine cents per litre.

Meanwhile, the retail prices of LPG will fall from Bds$155.31 to $154.52 per 100 lb cylinder, a decrease of 79 cents; from $43.93 to $43.73 per 25 lb cylinder, a decrease of 20 cents; from $38.82 to $38.65 per 22 lb cylinder, a decrease of 17 cents; and from $35.29 to $35.13 per 20 lb cylinder, a decrease of 16 cents.

These changes are in keeping with Government's policy of allowing retail prices to be reflective of those on the international market.

<< Back to news headlines >>

CHANGE THE MODEL

Straker: Government cannot tax its way out

Monday 2nd October, 2017 – Barbados Advocate

President of the Small Business Association, Dean Straker, has insisted that a country cannot tax its way out of a fiscal problem. Furthermore, he has called for a new paradigm or new model for our business development in Barbados.

Straker made the comments while delivering welcoming remarks at the Small Business Awards Ceremony and Reception at the Radisson Aquatica Resort.

The President contended that Barbados' economic performance of the past decade confirms that "our model of business development needs to be revisited".

According to him, "We have struggled to maintain commendable fiscal performance, with little or no growth annualised over this period, resulting in a greater tax grab by Government to support its operations and the delivery of social services."

He pointed out that the policies have had a demoralised impact on business, with the latest taxes announced this year – the National Social Responsibility Levy (NSRL) and the two per cent commission tax on foreign exchange (FX) transactions – destabilising several firms, small and medium alike.

"Our Secretariat has been receiving updates from members on the increased cost to their operations because NSRL and the FX tax, and the challenge of either passing on this cost to the consumer or reducing staff to keep their doors open," Straker said.

He stated that a sector that contributes 61 per cent of private sector jobs and 64 per cent to GDP, is worthy of greater consideration of policy to ensure this group is enfranchised to contribute even more.

Moving forward, he indicated that the first order of business is an enabling framework for which they in the SBA applaud Minister with responsibility for Small Business Development, Donville Inniss and his Ministry for laying the National Policy Framework for MSME Development in Parliament, in February of this year.

"This policy has several provisions that can strengthen the sector. We now call on the Ministry to move with alacrity to ensure the administration and implementation of this policy," he suggested.

In terms of Small Business Week, the President stated that it represents the SBA's opportunity to focus national attention on the significant contribution being made to economic and social development, by the many brave and visionary men and women to start a micro, small or medium enterprise.

"It is against this background that each year we include an awards component in the week, for us to celebrate those businesses that continue to excel and maintain a competitive advantage. We focused this year's week of activities on the theme, 'Exploring a New Paradigm for the Survival of SMEs'," Straker added.

<< Back to news headlines >>

Opposition Rejects Imf's Income Tax

Friday September 29th, 2017 – Tribune 242

The Opposition's finance spokesman yesterday demanded "less talk and more action" from the Government, while affirming his party is against the IMF's income tax proposal.

Chester Cooper, addressing the House of Assembly on the 'Speech from the Throne's contents, accused the Minnis administration of living in the past through its constant attacks on the former PLP government, and failing to produce a coherent economic growth strategy.

He argued that the Bahamas needed to "get ahead" of financial services change, and reform its existing taxation system - especially the "archaic" Business License fees - to foster more efficient revenue collection and GDP expansion.

Reiterating his belief that the Government's 2017-2018 Budget speech was "the wrong speech at the wrong time, and in the wrong place", Mr Cooper said the price paid by the Bahamas for escaping the subsequent 'junk' downgrade threat by Moody's was the firing of public sector workers and Budget cuts.

While he became the latest person to reject the IMF's call for the Bahamas to implement a 'low-rate income tax' in the medium-term, the Exuma MP said the Opposition did back other taxation reforms.

"We do support a consolidation, however, and maximising and enhancement of efficiency of existing taxes, and swift reforms to the archaic Business License fee," he told the House. "It's a regressive tax. Some progressive legislation to move our country forward would be welcome."

Mr Cooper suggested that tax reform may also be needed to complement an adjustment to the Bahamas' financial services model, given this nation's commitment to implement automatic tax information exchange via the OECD's Common Reporting Standard (CRS) on a multilateral basis.

He urged the Government to focus on the 'ease of doing business' by "streamlining and modernising even more the services of the Registrar General [and] the Immigration Department", and shed the Bahamas' reputation as an 'offshore centre' or tax haven.

With the OECD and its members now shifting their attention to eliminate 'profit shifting' by corporations, and tax base erosion, the Opposition's finance spokesman said: "We must get ahead of this. We must be proactive and modernise our Business License tax perhaps, leveraging the change to create incentives for real international business to domicile in the Bahamas.

"We have a lot of work to do in financial services, and the Government must provide the appropriate support. We do not have time to be talking about the past."

Reiterating his belief that the Government had almost talked its way into a downgrade that it "barely escaped" via the Budget communication, Mr Cooper urged it to unveil a growth and job creation strategy that would positively impact unemployed and low income Bahamians.

"In order to get the Bahamas back on track, we must get the economy growing again," he said. "The Government must outline and implement an aggressive economic growth plan.

"And in an economy such as this, economic growth can be induced either by government intervention in the short-term by expenditure on meaningful projects, or, by allowing the private sector to spend on projects by providing the appropriate incentives and ensuring the availability of credit.

"Unfortunately, to date, the Government has not seen fit to pursue either path. We need less talk; we need more action. The Bahamian people are hurting all across our Bahamaland."

Lamenting the seeming lack of "policy stimulus to jump start" tourism, financial services and construction, Mr Cooper highlighted numerous campaign promises and government initiatives that had either been delayed or abandoned.

Expressing concern that Family Islands such as his constituency could be lost in the Government's focus on Grand Bahama, the Opposition finance spokesman pointed out that renovations and re-opening at the Grand Lucayan had yet to materialise, despite the Prime Minister stating this would occur before end-August.

"The Exuma International Airport is not only a national disgrace, but it's an impediment to further development on the island," Mr Cooper said. "Major international developers committed to spending hundreds of millions of dollars are said to be delaying investment in Exuma as a result of lack of action on this facility.

"I am reliably advised that the previous Government left funding in place for airports at Exuma, North Eleuthera and Bimini. We ask the Government to get on with it, as this is also an opportunity to create jobs in the construction sector."

Mr Cooper also suggested the Government was 'reinventing the wheel' on import product standards and a 'one-stop shop' for entrepreneurs, pointing out that the Standards Bureau was already in place along with plans to address other weaknesses.

<< Back to news headlines >>

Rbc: Loan Activity Fall Drives Fee Rises

Friday 29th September, 2017 – Tribune 242

A Royal Bank of Canada (RBC) executive yesterday said competition and demand have driven it to a digital banking platform, with 23,000 clients in the Bahamas already using its banking app.

Kevin Darling, RBC's head of business banking for the northern Caribbean, also sought to justify the institution's fee increases, arguing that these were intended to cover operating costs and ultimately reduce the need to close branches.

Addressing the 14th Abaco Business Outlook conference, Mr Darling said banks incur overhead and staffing costs, while also having to deliver returns to their shareholders. While many consumers continuously lament increasing bank fees, he argued that there was simply not enough lending activity to cover their costs.

"In today's world there is not enough lending activity out there, on which banks traditionally make money on to cover all our cost," said Mr Darling. "When you run a business, if you don't have enough revenue to pay expenses, you either cut costs - which in our case would result in closing branches - or increase fees for services."

He added that RBC's Caribbean arm was now basically at the "break-even" point, having posted annual multi-million dollar losses in recent years. However, he affirmed RBC's commitment to maintaining its presence in the Bahamas, saying: "We plan to be here a very long time."

Many Bahamians are likely to be unconvinced by Mr Darling's fees defence, especially since RBC has been consolidating its branch network in both New Providence and the Family Islands, reducing staff headcount and combining locations with its FINCO mortgage arm.

Mr Darling, meanwhile, also defended the RBC's customer identification requirements. He said that since the bank was governed by multiple regulators in the Caribbean, it was held to a higher degree of responsibility with regard to Know Your Customer (KYC) requirements.

"I understand the inconvenience around ID's. However, if we want to maintain our presence here we must fulfill our obligations," said Mr Darling.

RBC also confirmed yesterday that the 75 per cent majority equity stake in FINCO, currently held by RBC Royal Bank Holdings (Bahamas), would be transferred to a yet-to-be identified entity within the RBC group by April 2019.

In a newspaper advertisement to FINCO shareholders, RBC said the transfer was required as a result of directives from the Central Bank of Trinidad & Tobago, which regulates its regional parent.

<< Back to news headlines >>

Govt Targets $90m Cruise Passenger Spending Boost

Friday 29th September, 2017 – Tribune 242

The Government is targeting a near-28 per cent increase in cruise passenger spending yields to generate an extra $90 million in annual tourism revenue, a Cabinet Minister said yesterday.

Dionisio D'Aguilar, minster of tourism, who was the keynote speaker at the Abaco Business Outlook conference, also vowed to "get tough" with cruise lines and "change the way we do business" to ensure their passengers spend more in the Bahamas with local firms.

He added that 70 per cent of the Bahamas' six million-plus annual visitors are cruise passengers, and said: "The cruise ship visitor spends an average of $70, while the stopover visitors spend an average of $1,500.

"In the short-term we are aiming to induce our cruise ship visitors to spend $20 more within our destination. The average spend right now is about $70 per person, and we want to get it to $90. This near-28 per cent increase in cruise spend will net $90 million in additional revenue. In tandem with increasing cruise visitor spend, we are working to get as many cruise visitors as we can to become return stopover visitors."

Mr D'Aguilar said the Ministry of Tourism will seek to act as a "buffer", and negotiate with the cruise lines on behalf of Bahamian entrepreneurs to ensure they capture more business from the cruise ships.

"Previous governments have given these cruise ships these islands, and they take the tourists to these islands and that's not really helping Bahamians because, for instance, they are bringing food off the ship," the Minister said.

"You may be able to sell some art or craft, but they tell their passengers not to bring any money with them and, as a result, we are not feeling anything economically. We incentivise them based on the number of passengers that they bring."

Mr D'Aguilar added: "We need to look at what is the economic impact, and base the incentive on that and not the number. If passengers come to Nassau and never get off the boat, we still have to incentivise them.

"We need to be able to partner and see how we can get visitors to spend more. We owe these cruise ship companies tens of millions of dollars. That's the deal we struck and we're just so scared. Get ready when I get tough with them and they threaten to pull their ships. We have to get tough with them in order to change the way they see us and do business with us.

"We have something they need, which is those islands," the Minister continued. "If you want to go to those islands you have to come to Nassau, Freeport or whatever the major population centres are and get visitors to spend. They have made substantial investments on those islands and that is something we have to leverage."

Mr D'Aguilar's comments hit on a strategy that many in the tour operator/excursion provider industry have advocated for years, namely using the cruise lines' Bahamian private islands as a method to extract more favourable terms for locals and their businesses.

Under the US Jones Act, foreign-flagged vessels such as the cruise ships have to first call at a foreign port before they can return home to the US. This made the Bahamas a natural stop on the three, four and even five-night cruises, but Cuba's opening up has whittled away this advantage and strategy./

And this is not the first time Mr D'Aguilar has threatened to 'get tough' with the cruise lines. He did similar in slamming as "reprehensible" the threat by a major cruise line to terminate Bahamian tour operators' contracts if they direct-sell to passengers without its permission.

His pledge came after Tribune Business obtained a copy of Norwegian Cruise Line's (NCL) August 30 warning letter demanding that Bahamian shore excursion providers "discontinue this practice immediately".

Promising to confront the cruise lines on the issue, Mr D'Aguilar said he "completely agrees" that NCL's letter amounts to 'restraint of trade' and anti-competitive practices that have left Bahamian companies earning mere "crumbs" for years.

The Minister yesterday noted that destinations such as Aruba and St Marten were generating cruise passenger spend in the range of $180-$190 per person.

"They somehow have it in their head that they get better deals in those places, so maybe I have to speak to the Minister of Finance about removing duty on clothes and electronics, which seem to be a heavy buy for them when they get to the southern Caribbean," Mr D'Aguilar said.

On other issues, the Minister said the Government was "in kind of a dilemma" over its fiscal position "because we use government to create employment".

He added: "There is a desire to make that change. The problem is the political will. This government understands that we have slipped considerably in the ease of doing business. It's a frustrating barrier; a whole lot of government is into job preservation and job growth."

<< Back to news headlines >>

Ag: Bahamas 'In Danger' Over Money Launder Flaws

Friday 29th September, 2017 – Tribune 242

The Attorney General yesterday slammed deficiencies in this nation's anti-money laundering regime as "entirely unacceptable", warning they had put the Bahamas "in great danger".

Carl Bethel told Tribune Business he had been so alarmed by the Caribbean Financial Action Task Force's (CFATF) draft report on the Bahamas that he instructed his staff to begin work on addressing the flaws from early June 2017.

Emphasising that corrective action was "absolutely critical" to protect the Bahamian financial services industry's reputation and competitiveness, Mr Bethel blasted the former Christie administration for failing to tackle known weaknesses with the necessary urgency.

He added that the Minnis administration was preparing new Proceeds of Crime and Financial Transaction Reporting Acts to deal with the most pressing concerns, which he described as the Bahamas' 'low' effectiveness in six out of 11 anti-money laundering/counter terrorism financing categories.

Tribune Business revealed on Monday how the CFATF's July 2017 Mutual Evaluation Report (MER), an assessment of this nation's defences against financial crime, identified numerous legal and practical deficiencies in the regime.

Mr Bethel yesterday acknowledged the potential jeopardy facing the financial services industry and wider economy if these gaps were not closed immediately, especially since the CFATF is the regional affiliate of the body that 'blacklisted' the Bahamas in 2000.

"I don't need to get a negative Mutual Evaluation Report to see the danger," the Attorney General told Tribune Business. "As soon as I saw the initial report, I and all my staff saw the great danger it could put the Bahamas in if not addressed.

"From my point of view, as I told my officials, we in the Bahamas, we don't slunk, we don't drag our feet; we do what has to be done to preserve the name of the jurisdiction, preserve its integrity, and preserve its ability to compete. Because so long as we can compete, we will win. Let's do what has to be done to fix this mess bequeathed to us, if you will."

Mr Bethel acknowledged that "a bit of work was ongoing before I came in", prior to the May 10 general election, but he argued that the former Christie administration had failed to give the necessary reforms due priority and attention.

Disclosing that he had the "impression things were just plodding along", he told Tribune Business: "I don't want to criticise others. but I think more urgency was needed. I hope to give it that urgency. In my view, it was not being pushed as well as it should have been.

"My colleagues in Cabinet are concerned; we all are. We are intent on doing what needs to be done to defend the Bahamas' status as an international financial services provider,."

The Attorney General said that when he saw the CFATF's initial report, he asked Attorney General's Office staff: "What have you been doing for five years?

"It was entirely unacceptable for me for the Bahamas to be rated non-compliant in many of its international obligations. When I read the initial report, I said it was unacceptable and is not going to be allowed to continue. I said there's absolutely no way I'm going to accept it.

"I started [work] before the report was published, and will not stop until we are fully compliant in all our international obligations. We take our responsibilities very seriously."

Mr Bethel said he and his office had begun work on legislative amendments to correct the deficiencies in the first week of June, less than a month after taking office.

"We are addressing them systematically, point by point," he said of the CFATF's findings. The Attorney General said priority focus was being given to the six categories where the Bahamas' anti-money laundering/counter terror financing regime was rated as having 'low' effectiveness.

The CFATF, in summarising its findings on the Bahamas, said: "The main deficiencies in technical compliance are in targeted financial sanctions for terrorist financing and financing of proliferation; understanding and assessing national money laundering/terror financing risks; and developing anti-money laundering/counter terror financing national strategies, and transparency and beneficial ownership of legal persons and arrangements.

"Significant weaknesses in effectiveness are in the areas of money laundering/terror financing confiscations, investigations, prosecutions and convictions; the identification of national money laundering/terror financing risks; and development of appropriate anti-money laundering/counter terror financing strategies and proliferation financing financial sanctions."

The chief corrective tool is "the whole new Proceeds of Crime Act that we're about to table", Mr Bethel said, suggesting that the legislation just required Cabinet approval before it moved forward.

"We met a draft at the bottom of the file, with large areas blacked out, and large areas 'subject to policy' that had not been addressed in eight months," he said of what the former government had left.

"I took that, went with it and, in a matter of weeks, had finished it. The Proceeds of Crime Act is ready to go. We have to discuss it in Cabinet, go through the Bill, so we're all aware of it. That process will take place in a week or so."

The Government is also preparing a revised Financial Transactions Reporting Act, which Mr Bethel described as "a cutting edge Bill" that attempts to place the Bahamas 'ahead of the curve' by addressing the international community's existing - and future - concerns.

With cyber crime, human trafficking and nuclear weapons proliferation all set to come within the definition of money laundering/terror financing offences, Mr Bethel said the Bill had "set a new category" by identifying these risks and addressing them ahead of evolving global standards.

Mr Bethel said the new Financial Transactions Reporting Act's passage through Parliament would take longer, as it had to be sent out to the financial services industry and other private sector players for consultation.

"There are changes foreshadowed that might affect portions of industries that prior to this might not have been a focus for money laundering and terrorism financing," he explained.

Mr Bethel said a risk-based approach to dealing with money laundering, terror financing and other forms of financial crime was also being demanded from the Bahamas.

“What they wanted from the Bahamas, and are not seeing internationally, is a mandate for risk-based financial supervision,” Mr Bethel told Tribune Business. “They want the regulators to educate licensees and providers in methods to assess accounts or transactions that may be suspicious on a risk basis.

“You look at a particular transaction: Is it a high risk money laundering situation, or does it have the potential for terrorism financing? Does it fit patterns that we’ve seen elsewhere, rather than say: ‘That’s John, someone’s given him $10 million. We know him, and can just wave it off’.

“The idea is to develop a risk-based process, so that when 2 + 2 comes across the desk, it makes 4.”

<< Back to news headlines >>

Bahamas' Gdp Grows 27.6% To $10.7bn

Friday 29th September, 2017 – Tribune 242

The level of Gross Domestic Product in the Bahamas increased by 27.6 per cent from 2012 to now, the National Accounts Section of the Department of Statistics announced Friday.

The GDP level in 2012 was $8.4bn and now stands at $10.7bn, officials said.

Clarice Turnquest Assistant Director with responsibility for the Establishment Section and National Council in the Department of Statistics said a number of sectors contributed to this growth.

She said: "The level in 2012 was $8.4bn and is now &10.7bn, a 27.6 per cent increase. This higher level will affect a wide range of indicators where it is used as a reference point. For example, trends in public expenditure, revenue and public debt are typically analysed in terms of their ratios to nominal GDP.

"The preliminary results reveal that the Gross Domestic Product in constant prices for 2016 had a growth, in real terms of 0.2 per cent. The industry growth at constant prices was due mainly to increases in the industries of construction, 24 per cent, wholesale/retail trade – seven per cent and business services of professional and technical nature six per cent."

She said the sectors that contributed mostly at constant prices were consumption by households and government consumption. These grew by 1.9 per cent and 5.2 per cent respectively.

Gross Fixed Capital Formation also grew by 3.4 per cent, due to mainly ongoing capital works, as well as major repairs from Hurricane Matthew, Ms Turnquest said.

"The import of goods and services sector, which normally has a dampening affect on GDP growth, increased by 3.4 per cent led by growth in imported services of 21 per cent.

"Consistent with the department's revision calendar of GDP series GDP for 2012 to 2016 will be subject to further review and any revisions will be included in the 2017 National Accounts Report in April of next year."

The changes in GDP incorporate the introduction and revision of major data sources; implementation of the revised United Nations System of National Accounts-SNA 2008, which is a shift to using the double deflation method in the constant price series and the use of a new benchmark 2012 Supply and Use table (SUT).

This SUT is the third compiled by the department, with previous released in 2002 and 2007.

It is a comprehensive matrix, which tracks the supply of goods and services available in the Bahamian economy and corresponds with consumption and production by business, households and government.

Inputs for the SUT used by officials were the 2012 Household Expenditure Survey (HES), aggregated data from Value Added Tax, results from the expended Business Establishment Surveys and other data from the Central Bank of the Bahamas and tourist expenditure measures.

<< Back to news headlines >>

FLOW launches new LTE Service in St. Kitts and Nevis

Friday 29th September, 2017 – SKN Vibes

ST. KITTS AND NEVIS has joined the rest of the world with its upgraded mobile internet system, when telecommunications giant FLOW launched the country's first LTE Service.

The Long-Term Evolution (LTE) is an upgrade over the 4g service that Flow has provided for many years.

At a simple but significant ceremony at Happy End in Nevis this morning (Sept. 29), the company's representatives explained that they have only rolled out the service in selected areas of the islands, but declared that the entire Federation would be covered in phases.

Customers can access the service in Basseterre, St. Peter's and Bird Rock in St. Kitts, while those on Nevis can access it in Charlestown.

Customers with upgraded hand-held devices bought this year, and those with sim cards recently distributed are likely see the changes.

According to General Manager David Lake, the company has invested millions of dollars to develop the new LTE network, and more has been earmarked to "ensure our Federation is equipped with one of the best LTE networks in the entire Caribbean."

"4G LTE is to mobile connectivity what broadband internet was to dial up," Lake said. "It would give our customers a mobile data experience. It would be as if you are connected to a fixed broadband line with download speeds approaching of 50 megs and upload speeds over 10 megs. In other words, it would be as if your smart phone or tablet was at home with dedicated broadband connections – but you are on the go".

Despite the system only being rolled out in certain areas, concerns were raised over consistent connectivity with them being in high traffic areas. However, technicians at the telecommunications company stated they have taken that into consideration and the system could handle the load - similar to the resilience shown during Hurricanes Irma and Maria.

Lake noted that in order for customers to enjoy the full effects of the new system, they must have a compatible device which would open them to numerous opportunities at their fingertips.

To give customers the opportunity to enjoy the data-rich service, the company has put together four packages that cater to the needs of all their clients.

According to Flow reps, they have the Extra Large Package which provides customers with 3,000 local calls, 24 gigs of internet, unlimited sms and 300 international call minutes for only $349 per month (post-paid).

The Small Package provides 1,000 local minutes to either network, three gigabites of internet, unlimited sms and 100 international minutes for only $139 per month (post-paid).

All packages, Small, Medium, Large and Extra Large are available in prepaid and post-paid services.

However, customers are reminded that their LTE service would only be available in the areas outlined, as the company continues to upgrade its system in other areas.

It was highlighted that individuals travelling outside of the LTE area would be bounced over to 4G.

<< Back to news headlines >>

CariCRIS
Caribbean Information & Credit Rating Services Limited

BTL to pay out $9.4 million in dividends

Saturday 30th September, 2017 – Amandala

Belize Telemedia Limited (BTL) held its annual general meeting last night. At the meeting, the company declared that it would pay dividends of 19 cents per share, for a total payout of $9.4 million, of which the Government of Belize, the largest shareholder, is to receive roughly $5 million.

This was reported to us by BTL's Chief Financial Officer, Ivan Tesecum, who said that the dividend payout amounts to roughly 46% of net income. He said that last year, the company paid 28 cents per share or $13.8 million.

The company will begin to make the dividend payments for the last financial year, ending March 2017, on October 16, Tesecum said.

Apart from the declaration of dividend payments to shareholders, another major item on last night's agenda was the creation of 48.5 million preference shares at $1.00 each.

BTL chairman, Nestor Vasquez, told shareholders at the AGM that the issuance of the new preference shares, to be acquired by the Government of Belize, is good for shareholders and good for the company, because it eliminates the liability which the company held with the government. This is in relation to the Belize Bank/BCB Holdings loan which the Government of Belize took over at the 2009 nationalization, since the company's assets were held as collateral for the loan.

According to Vasquez, BTL will pay 4% per annum to the Government for the preference shares to be acquired by the Government of Belize. He also explained that the law requires that the company amends its Articles of Association to create the preference shares.

Shareholders voted by ballot and although a "yes" vote from holders of at least 75% of the company's stock was required to carry the vote, voters holding 84.6% carried the vote. There were only a few shareholders who dissented, and the remainder, which included absentees, did not vote.

Vasquez said that another meeting of shareholders to confirm what was passed at this meeting would be held at the end of October or early November.

<< Back to news headlines >>

Imports exceeded $1 billion up to August

Saturday 30th September, 2017 – Amandala

The gap between what Belize imports and what it exports continues to be high, with imports more than tripling exports for the first eight months of the year.

According to information just released by the Statistical Institute of Belize (SIB), merchandise imports for the eight months January to August 2017 totaled $1.2 billion, representing a 5.8% or $74 million decrease from the same period last year.

The SIB said that imports declined markedly across five categories over the period by a combined $115.2 million. They include 'Machinery and Transport Equipment', 'Commercial Free Zones', 'Food and Live Animals', 'Export Processing Zones' and 'Other Manufactures'.

Imports in the 'Machinery and Transport Equipment' category saw the biggest decline—by $74 million—from $318.7 million to $244.5 million, during the eight-month period.

The decrease was partially offset by increased spending on 'Mineral Fuels and Lubricants', 'Chemical Products' and 'Manufactured Goods'—which together grew by over $39 million.

On the export side, Belize earned $327.4 million for the period January to August 2017, up 1.9 percent, or $6.2 million from the $321.2 million recorded during the same period last year.

"Three of the five major exports saw increases during the eight-month period, contributing positively to the overall growth in export earnings," the SIB said.

Most notable among them was sugar, for which exports rose from $102.1 million in 2016 to $109.8 million in 2017. Meanwhile, banana sales went up from $50.2 million to $53.5 million.

Citrus, Belize's second largest export revenue earner, saw earnings decrease by approximately $14 million, from $80.8 million in 2016 to $66.8 million in 2017.

Meanwhile, "There was virtually no change in crude petroleum exports over the period, with earnings declining by a negligible $0.7 million in comparison to the same eight months of 2016," the SIB said.

<< Back to news headlines >>

Dollar surges as Fed talk boosts Treasury yields

Monday 2nd October, 2017 – Reuters

The dollar soared on Monday as U.S. Treasury yields hit their highest level since mid-July, while Spanish borrowing costs rose and stocks fell as a violent police crackdown on an independence vote in Catalonia rattled investors.

Other European bourses rose and Wall Street looked set to open up 0.2 percent, according to index futures.

Firming expectations the U.S. Federal Reserve will raise interest rates for a third time this year and talk of a potentially more hawkish successor to Fed Chair Janet Yellen combined to push Treasury yields higher.

Ten-year yields topped 2.37 percent, up 4 basis points on the day, pushing the dollar half a percent higher against a basket of currencies.

"The dollar is stronger on higher Treasuries, and the market is seeming to play the idea that the Fed might become more hawkish when we look at the possible candidates for the board of directors," said Antje Praefcke, FX strategist at Commerzbank.

Treasury yields later pulled back - the 10-year yield last stood at 2.34 percent, up just 1.3 basis points on the day, but the dollar index retained most of its gains.

The euro fell 0.7 percent to $1.1733, though traders said the Catalan referendum had only a limited impact on the single currency.

But in Spain, the IBEX stocks index fell 1.4 percent, underperforming the pan-European STOXX 600 index, which rose 0.3 percent.

The two biggest fallers on the IBEX index were Catalonia-based Banco de Sabadell and Caixabank, down 5.3 and 4.1 percent respectively.

Spanish 10-year government bond yields rose more than 7 basis points to 1.69 percent, taking the gap between them and German benchmarks to its widest in nearly four months.

The cost of insuring Spanish debt, as measured by five-year credit default swaps, rose to its highest in a month.

Catalan officials said 90 percent of voters in Sunday's ballot favored secession, raising the possibility of a unilateral declaration of independence in the wealthy region.

"This issue is likely to complicate policy-making at a national level as opposition parties seek to gain political capital from what is arguably a gross PR error on the part of PM Rajoy's government," said Richard McGuire, head of rates strategy at Rabobank in London.

However, mainstream parties largely back Premier Mariano Rajoy's opposition to Catalan independence, even though he faces criticism over his handling of the issue.

Asian shares rose after upbeat economic data from China and Japan. MSCI's broadest index of Asia-Pacific shares outside Japan added 0.2 percent.

Japan's Nikkei closed up 0.2 percent after a survey showed the mood among big manufacturers was its best in a decade.

China's manufacturing activity grew at its fastest pace since 2012 last month. The official Purchasing Managers' Index released on Saturday rose to 52.4 from 51.7 in August.

Chinese markets were closed for a week-long holiday.

The Japanese yen fell half a percent to 113.02 per dollar while sterling fell 0.6 percent to $1.3325.

The dollar has been on a roll since Fed chief Yellen said last week it would be "imprudent" to keep monetary policy on hold until U.S. inflation picked up to 2 percent.

HAWKISH

Speculation President Donald Trump might choose former Fed Governor Kevin Warsh, who is considered more hawkish than Yellen, to replace her as head of the central bank also boosted the dollar.

The dollar notched up its best weekly performance of 2017 last week, lifted also by a revival of the "Trumpflation" trade on expectations Trump would deliver a stalled tax reform plan.

Oil prices fell after a Reuters survey found output from the Organization of the Petroleum Exporting Countries (OPEC) rose by 50,000 barrels a day last month.

Brent crude, the international benchmark, fell 91 cents a barrel to $55.88.

The strong dollar helped drag gold down to its lowest in almost seven weeks. The precious metal fell to as low as $1,270 an ounce before edging back up to $1,274, down 0.4 percent on the day.

(Additional reporting by Wayne Cole in Sydney, Jemima Kelly, John Geddie and Claire Milhench in London; Editing by Matthew Mpoke Bigg)

<< Back to news headlines >>

Oil falls to below $56 on signs of higher output

Monday 2nd October, 2017 – Reuters

Oil fell more than $1 a barrel to below $56 on Monday as a rise in U.S. drilling and higher OPEC output put the brakes on a rally that saw prices score their biggest third-quarter gain in 13 years.

U.S. energy companies added oil rigs for the first week in seven and Iraq announced its exports rose slightly in September when OPEC overall boosted output according to a Reuters survey.

Brent crude, the global benchmark, was down $1.03 at $55.76 a barrel at 1140 GMT. It notched up a third-quarter gain of around 20 percent, the biggest third-quarter increase since 2004 and traded as high as $59.49 last week.

“I think it’s going to be a struggle to move above $60 Brent,” said Olivier Jakob, Oil Analyst at Petromatrix.

U.S. crude was down $1.07 at $50.60. The U.S. benchmark posted its strongest quarterly gain since the second quarter of 2016.

The rally was driven by mounting signs a three-year supply glut is easing, helped by a production cut deal by global producers led by the Organization of the Petroleum Exporting Countries.

“Brent crude oil prices have gone from strength to strength as surplus oil stocks are being depleted,” Bank of America Merrill Lynch said in a report. “Importantly, this rally is supported by a tighter physical market, providing a fundamental backbone that was not present before.”

But a Reuters survey on Friday found OPEC oil output rose last month, gaining mostly because of higher supplies from Iraq and also from Libya, an OPEC member exempt from cutting output.

The Libyan gain appears short-lived, however. The country’s largest oilfield, Sharara, has been closed since Sunday, an engineer at the field and a Libyan oil source said.

Middle Eastern oil producers are concerned the price rise will only stir U.S. shale producers into more drilling and push prices lower again. Key OPEC producers consider a price above $60 as encouraging too much shale output.

In February, oil industry sources said Saudi Arabia would like to see oil around that $60 level.

Technical charts suggest the rally may be running out of steam. Jakob of Petromatrix said Brent's weekly chart had formed a "shooting star," a pattern seen as indicating a market has reached a top.

(Additional reporting by Aaron Sheldrick; Editing by Edmund Blair and Mark Potter)

<< Back to news headlines >>

Caribbean Information & Credit Rating Services Limited

UK factory growth slows, price pressures rocket again: Markit PMI

Monday 2nd October, 2017 – Reuters

British manufacturing growth cooled last month as cost pressures lurched higher, according to a survey that could put the Bank of England a step closer to raising interest rates, despite a murky outlook ahead of Brexit.

Monday's IHS Markit/CIPS UK Manufacturing Purchasing Managers' Index (PMI) fell to 55.9 from a downwardly revised 56.7 in August, undershooting the consensus of 56.4 in a Reuters poll of economists.

By contrast, euro zone factories had their best month since early 2011.

While the PMI survey signaled solid expansion at British factories, helped by robust exports, softer growth in new orders and a slowdown among producers of investment goods raised concern about the months ahead.

Britain's economy initially withstood the shock of the June 2016 vote to leave the European Union. But growth began to slow sharply this year as inflation rose following the pound's post-Brexit vote plunge, hitting households.

Against that background, the BoE surprised investors last month when its officials said they were likely to raise interest rates soon, citing a reduced tolerance for above-target inflation.

Analysts said Monday's survey - which showed a resurgence of price pressures - would do little to alter this judgment.

"While the weaker economic backdrop is unlikely to deter the Bank from hiking in November, it does mean that the chances of a series of rate hikes after that are low," said James Smith, economist at ING.

Costs paid by factories for goods shot up at the fastest pace since March, the PMI showed, spurred in part by an increase in commodity prices and capacity constraints in the supply chain.

"Emerging problems in the supply chain, signaled by lengthening lead times, are likely related to the subdued investment performance of the past few quarters," said Lee Hopley, Economist at Manufacturing Association EEF.

IHS Markit, which compiles the survey, said this would probably exert further upward pressure on prices, dent profitability and potentially disrupt production schedules in coming months - boosting the case for higher rates.

The PMI’s gauge of British manufacturing export orders slowed for a second month. While still much stronger than its historical average, it lagged the euro zone’s by some distance.

A majority of economists polled by Reuters last week expect the BoE will raise interest rates in November, although most also thought it would be a mistake to hike now.

Official economic growth figures published last week showed manufacturing output contracted 0.3 percent in the second quarter compared with the first quarter.

PMIs for the construction industry and all-important service sector are due to be published on Tuesday and Wednesday.

(Editing by Janet Lawrence)

<< Back to news headlines >>

Sterling sinks to three-week low on economy, Tory conference

Monday 2nd October, 2017 – Reuters

Sterling slipped to a near three-week low against the dollar on Monday as investors focused on underlying weakness in the British economy and the governing Conservatives gathered for what could be a fraught party conference.

Data on Friday showed gross domestic product growth slowed to 1.5 percent year on year in the second quarter while the current account deficit increased more than expectations.

"Sterling has come off its highs with the current Tory Party conference the focus of investors," Morgan Stanley strategists wrote in a daily note saying the pound was a sell due to political risks and weak UK economic balance sheets.

Apologising for losing her party's majority at a snap election in June, Prime Minister Theresa May said on Sunday she had the right strategy to lead Britain and win a Brexit deal.

Sterling posted its biggest monthly rise in more than two years in September, gaining more than 1.6 percent against the dollar after the Bank of England signalled a rate increase in the coming months.

The Bank has come under pressure in recent weeks as doubts emerged whether the struggling economy could stomach a rate hike.

On Monday, sterling fell half a percent to a near three-week low of $1.3323 against the dollar, its lowest level since Sept. 14, according to Thomson Reuters data.

Against the euro, hit by Sunday's violence-marred independence referendum in the Spanish region of Catalonia, sterling was little changed at 88.09 cents per euro.

The dollar started the month on a high on Monday, underpinned by higher U.S. yields with an index tracking its performance against a trade-weighted basket of currencies rising half a percent to 93.53.

(Reporting by Saikat Chatterjee; editing by John Stonestreet)

<< Back to news headlines >>

OECD oil stocks set for 'substantial' 2017 draw, but may rise in 2018: IEA

Monday 2nd October, 2017 – Reuters

Forecasts for U.S. shale oil growth and uncertainty around China's crude imports may see oil stocks building again next year after OPEC and non-OPEC cuts contributed to "substantial" draws this year, the International Energy Agency (IEA) said.

"Assuming OPEC production remains constant, we don't really see a big draw in OECD (Organization for Economic Cooperation and Development) crude inventories over the next 6-9 months," Olivier Lejeune, IEA Oil Storage Market Analyst, said on Friday.

"Our balances imply a build for 2018," Lejeune added, again assuming constant OPEC production.

A key reason for slowing stock draws next year is an expected increase in non-OPEC production, led by shale producers in the United States where the IEA expects production to rise by an "enormous" 1.1 million bpd (bpd), Lejeune said.

Adding to this is uncertainty around Chinese crude imports.

The lack of firm inventory data in China limits the ability to estimate its future demand but the scale of its imports this year implies a fairly large build in its commercial and strategic reserves which have to some extent offset inventory draws elsewhere.

"The big caveat to (forecasts for OECD stock draws) is that China is probably building," Lejeune said.

Assuming constant OPEC production, the agency, which coordinates energy policies of industrial nations, estimates an average 200,000 bpd draw this year, a lot of which has already taken place in the second quarter, he said.

In its most recent monthly oil market report the IEA said OECD commercial stocks were unchanged in July at 3.016 billion barrels, when they normally increase, but they remained 190 million barrels above their five-year average.

OPEC and non-OPEC members led by Russia decided in May to extend oil output cuts by nine months to March 2018 to tackle a global oil glut that halved oil prices over the previous three years, leading to a sharp drop in revenues.

Lejeune said rising production from OPEC-members Libya and Nigeria may also scupper the group's effort to rebalance the market.

Oil prices this month reached a near 26-month high, amid signs that the market was well on its way towards rebalancing.

But to keep up momentum in market rebalancing, industry participants have said OPEC and non-OPEC producers will have to extend output cuts beyond next March.

(Reporting by Roslan Khasawneh; additional reporting Ahmad Ghaddar in London; Editing by Richard Pullin)

<< Back to news headlines >>

CariCRIS
Caribbean Information & Credit Rating Services Limited

Euro zone September factory PMI hits highest since Feb 2011 as new orders accelerate

Monday 2nd October, 2017 – Reuters

Factories across the euro zone enjoyed their most productive month since early 2011 in September, and the momentum looks set to continue into October as new order growth accelerated, a survey showed on Monday.

That increase in demand and activity came despite firms raising prices at the fastest rate in five months, in welcome news for policymakers at the European Central Bank, which look set to announce a reduction of its asset-buying programme soon.

ECILT/EU

IHS Markit's final manufacturing Purchasing Managers' Index climbed to 58.1 from August's 57.4, just missing a flash estimate of 58.2 but its highest level since February 2011. Any reading above 50 indicates growth.

An output index that feeds into a composite PMI due on Wednesday rose to 59.2 from 58.3, its highest since April 2011.

"The euro zone manufacturing boom kicked into an even higher gear in September. The recovery is also looking increasingly broad-based, with rising demand across the region lifting all boats," said Chris Williamson, chief business economist at HIS Markit.

"Surging order book growth has encouraged manufacturers to take on extra staff at a rate never previously seen in the 20-year history of the PMI survey."

Suggesting October will also be a busy month for factories, a sub-index measuring new orders rose to 58.5 from 58.3. It has only been higher once since early 2011, in June of this year.

Firms also built up backlogs of work - a good sign for future output - at the second-fastest rate in the 15 years it has been monitored while also raising prices.

Inflation in the bloc undershot expectations in September, official Eurostat data showed on Friday, highlighting price growth remained week and supporting the ECB's case for only gradual removal of stimulus.

Prices haven't risen as fast as the central bank would like. A Reuters poll last month suggested the ECB will announce at its Oct. 26 policy review a six-month extension to its asset purchase programme but cut its monthly spend to 40 billion euros from January.

<< Back to news headlines >>

Fitch: Sweet Spot for World Economy Won't Last Beyond 2018

Monday 2nd October, 2017 – Reuters

The global economy has improved markedly this year and is on course to record its fastest expansion since 2010, but the current favourable mix of strong growth and highly-accommodative macro policies could be as good as it gets, says Fitch Ratings in its latest Global Economic Outlook (GEO).

"Our forecasts imply something of a 'sweet spot' for the global economy in 2017 and 2018 with above-trend growth and still highly accommodative global monetary policies. However, this is not a pattern we expect to persist into 2019 and beyond as output gaps close in advanced economies and monetary policy support is withdrawn," said Brian Coulton, Fitch's Chief Economist. Fifteen of the 20 countries covered in our GEO saw better-than-expected GDP outturns in 2Q17 and in several cases - including Canada, Russia, Turkey and Poland - the positive surprises were large at over 0.5% (not annualised).

Forecasts for 2017 growth have been upgraded for 13 countries and seven countries have seen an increase in 2018 growth forecasts. Global growth has been upgraded to 3.1% in 2017 from 2.9% in June, and 2018 growth has been upgraded to 3.2% from 3.1%. "Following another forecast upgrade in this GEO we now see the euro zone growing at its strongest rate for a decade in 2017," added Coulton. The advanced economies are benefitting from improving labour markets and supportive macroeconomic policies, while growth in emerging markets (EM) is returning to a four-year high following a pick-up in China and demand recovery in many large commodity-producing countries.

Simultaneous improvements across most of the major economic regions are being amplified by positive spill-overs from trade linkages. The upturn in Chinese import growth from mid-2016 has been an important factor behind the rise in world trade growth to a six-year high of 5%. This buoyant picture should be maintained through 2018. The US private investment cycle looks set to improve further and while prospects for tax reform are uncertain, a modest fiscal boost to US growth in 2018 still looks likely. The slowdown we are expecting in China in the near term is relatively modest and all the while China's weight in global GDP is rising - adding to its global growth contribution. Barring a renewed commodity price slump there is space for demand to recover further in EM commodity producers. However, caution is still warranted on the medium-term growth outlook.

Supply-side growth potential in the advanced economies will be dampened by deteriorating demographics and sluggish productivity growth. Current rates of GDP growth are well above Fitch estimates of potential across most major advanced economies. This implies that spare capacity is diminishing and has implications for policy support as current expansionary settings will become harder and harder to justify. And while credit growth in China has recently slowed, it continues to outpace nominal GDP.

The process of stabilising debt in China is likely to take a toll on growth in the medium term. "With the Fed having now announced the start of the process of unwinding quantitative easing and the ECB likely to phase out asset purchases by the middle of next year, central banks in other advanced countries are also now contributing to a shift in the mood music surrounding global monetary policy," said Coulton.

The Bank of Canada has recently raised interest rates twice in rapid succession despite inflation remaining quite low, while the Bank of England has signalled that last years' rate cut could be reversed in coming months if the economy evolves as expected. Even the Bank of Japan looks in practice to be scaling down its rate of purchases somewhat from the official target of JPY80 trillion of government bonds per year. Geopolitics has re-emerged as a noteworthy risk.

The implications of North Korea tensions will be important to monitor, including for US-China relations in the context of the US administration's concerns about the US-China bilateral trade deficit. Eurozone fragmentation risks have fallen since the beginning of the year but forthcoming Italian elections could see eurosceptic arguments regaining prominence and a further sustained escalation in tensions between the Catalonian and Spanish government could imply some downside risks for Spain's recent impressive growth performance. A strong recovery in the dollar could also adversely affect EM capital flows.

<< Back to news headlines >>

Japan FSA finds smaller banks lag in money laundering fight -sources

Monday 2nd October, 2017 – Reuters

Japan's smaller banks are behind in taking steps against money-laundering and terrorism financing, Japan's financial regulator has found, according to people familiar with the matter and documents seen by Reuters.

A survey by the Financial Services Agency uncovered deficiencies among Japan's regional banks and credit associations, and the regulator has begun onsite probes of lenders to prod them into compliance, the sources said.

The Paris-based Financial Action Task Force (FATF), a 37-nation group set up by the Group of Seven industrial powers to fight illicit finance, is to evaluate Japan's performance in 2019.

But an FSA survey, seen by Reuters, found that many of Japan's smaller lenders have inadequate risk management and little buy-in from senior management.

The regulator launched the survey early this year, concerned about patchy measures for fighting criminal abuse of the financial system and worried that without an appropriate response international trust in the system could be shaken.

In the worst case, Japanese banks with inadequate controls could face such penalties as losing their correspondent bank relations with overseas banks in areas such as foreign exchange, the sources said.

As a result of the survey, the FSA has begun onsite inspections and plans stricter monitoring as well as compliance seminars to improve banks' measures to curb illicit finance, the sources said.

An FSA spokesman declined to comment on the survey or any follow-up measures.

The Regional Banks Association of Japan declined to comment on the FSA survey as it has not been announced, but an association official said, "Measures against money laundering are an important undertaking from the perspective of crime prevention, so we would like to proactively support our members in improving their practices."

The National Association of Shinkin Banks also would not comment on the probe, but an official said, "We would like to respond appropriately, while watching the movements of the authorities."

The FSA survey found that 20 percent of regional banks hadn't completed risk evaluations of their transaction counterparties to check for potential money laundering or terror finance, as required by Japan's Act on Prevention of Transfer of Criminal Proceeds.

Among local credit unions, 50 percent haven't compiled the assessments, while the number reaches 60 percent for community-focused "shinkin" lenders.

Elsewhere in the Asia-Pacific region, a slew of scandals has dented the reputation of Australian banks as simple, reliable lenders at the forefront in the battle against financial crime, while Indonesia last month issued expanded regulations against money laundering and terror finance.

(Reporting by Sumio Ito; Assitional reporting by Takahiko Wada; Writing by Junko Fujita; Editing by William Mallard & Simon Cameron-Moore)

<< Back to news headlines >>

Japan's business mood hits decade-high, labor shortage bites: BOJ tankan

Monday 2nd October, 2017 – Reuters

Big manufacturers have more confidence in Japan's business conditions than they have had for a decade as a weak yen and robust global demand add momentum to the economic recovery, a closely watched central bank survey showed on Monday.

In a sign the recovery was broadening, small manufacturers' business confidence also hit a decade-high and the ratio of companies complaining of labor shortages was at a 25-year high, according to the Bank of Japan's "tankan" quarterly survey.

The upbeat data could help Premier Shinzo Abe as he tries to convince voters in an Oct. 22 election that his "Abenomics" stimulus policies have improved their livelihoods.

It also supports Bank of Japan (BOJ) policymakers' hopes that a sustained economic recovery will boost wages and household spending, though many analysts expect inflation to remain distant from the central bank's 2 percent target.

"Big manufacturers' sentiment was probably driven by a weaker yen and hefty corporate profits," said Yuichiro Nagai, Economist at Barclays Securities Japan.

"The tankan results were in line with or even stronger than the BOJ's scenario. But the price trend remains weak," he said, adding he expects the central bank to cut its inflation forecasts again at a rate review this month.

The headline index for big manufacturers' sentiment stood at plus 22 in September, handily exceeding a median market forecast of plus 18 to mark the highest level since September 2007. It was higher than plus 17 seen in the previous survey in June, posting a fourth straight quarter of improvement, the tankan survey showed.

The big non-manufacturers' sentiment index stood at plus 23, unchanged from June and matching a median market forecast. Both big manufacturers and non-manufacturers expect business conditions to deteriorate in the next three months, the survey found, reflecting their concerns about uncertain outlook.

But big firms expect to increase capital expenditure by 7.7 percent in the current fiscal year ending in March 2018, roughly unchanged from their plans in June.

"The tankan shows that capital expenditure plans are on solid footing," said Norio Miyagawa, Senior Economist at Mizuho Securities. "A lot of firms are upgrading equipment or investing in labor-saving technology."

WEAK PRICES

The survey will be among data the BOJ board will scrutinize when it issues fresh long-term economic and price forecasts at a rate review on Oct. 30-31.

With inflation stubbornly low, some central bankers fret the BOJ may need to slash its price forecasts for the year ending in March 2018, say sources familiar with its thinking.

Japan's economy expanded at an annualized 2.5 percent in the second quarter on robust consumer and corporate spending, heightening hopes of a sustained recovery.

While slowing down from the second quarter's exceptionally fast growth, the economy is likely to have expanded 1.1 percent in the July-September period, according to a Reuters poll.

A separate survey showed Japanese manufacturing activity in September expanded at the fastest pace in four months, as domestic and export orders picked up.

But price and wage growth remain weak with firms still wary of passing more of their profits to employees, forcing the BOJ to push back the timing for reaching its price target six times since deploying a massive stimulus program in 2013.

The BOJ now expects inflation to hit 2 percent in the fiscal year ending in March 2020, arguing that a tightening job market and solid economic growth will gradually push up prices.

An index gauging firms' views of the job market showed that those complaining of labor shortages, rather than excess staff, were at the highest since 1992, the tankan showed.

Japan’s jobless rate stood at a 23-year low of 2.8 percent in August, reflecting a strengthening economy and shrinking working-age population in a rapidly aging society.

Wary of increasing fixed costs, many firms make up for the shortage by hiring more temporary workers instead of raising salaries for their higher-earning permanent employees - a trend that has kept overall wage growth subdued.

“The economy is doing well. But our labor force is shrinking, so the shortage of workers that companies experience will get worse,” said Miyagawa at Mizuho Securities.

“Companies know that wages aren’t rising that much, so they are reluctant to raise prices. In this situation, the BOJ cannot exit from quantitative easing.”

(Reporting by Leika Kihara and Tetsushi Kajimoto; Additional reporting by Stanley White; Editing by Eric Meijer)

<< Back to news headlines >>

China makes targeted reserve requirement rate cut to boost lending to small firms

Saturday 30th September, 2017 – Reuters

China's central bank on Saturday cut the amount of cash that some banks must hold as reserves for the first time since February 2016 in a bid to encourage more lending to struggling smaller firms and energize its lacklustre private sector.

The People's Bank of China (PBOC) said on its website that it would cut the reserve requirement ratio (RRR) for some banks that meet certain requirements for lending to small business and the agricultural sector.

The PBOC said that the vast majority of China's banks would be eligible for at least a 50 basis point cut to their required reserve ratio as most met the minimum requirements to qualify.

"The size of the cut is big, it covers all big banks, and 90 percent of small and mid-sized banks. Conservatively we estimate 700 billion yuan in liquidity could be freed up," analysts at Lianxun Securities said in a note.

The PBOC said the move was made to support the development of "inclusive" financial services and will be available to all medium and large-sized banks that meet requirements starting in 2018.

Analysts said the cut was different from previous changes to RRR in that it was a "delayed" cut that will not go into effect until next year.

"Clearly, the market will be disappointed as this cut will not help ease the liquidity conditions in the onshore banking system in the short term," Zhou Hao, a Singapore-based analyst at Commerzbank, wrote in a note after the announcement.

The PBOC said the reserve requirement rate will be cut by 50 bps - or 0.5 percent - for banks whose loans to the targeted groups account for 1.5 percent of their outstanding loan balance or their newly added loans for the previous year.

A much higher bar is set for a further 100 bps cut: 10 percent of loans must be to the designated "inclusive finance" groups, the PBOC said. Banks that meet the 10 percent requirement will see their RRR cut by 150 bps.

FLAGGED

China's cabinet had recently flagged a possible move, saying the government would take a number of measures, including tax exemptions and targeted reserve requirement ratio cuts to encourage banks to support small businesses.

The PBOC said the move was made to encourage more small loans - those under 5 million yuan - to small firms, loans to individual proprietors and lending that supports agricultural production, innovation, the poor and education.

The move is in line with existing policy to encourage more targeted lending to more vulnerable sectors of the economy, even as the government tries to cut down on speculative investment in the financial sector and property and rein in a rapid build-up in overall corporate debt.

But in the last two years, the central bank has preferred using new policy tools such as short- and medium-term lending facilities for a similar purpose. Most economists polled by Reuters had not expected an RRR move before 2018.

The PBOC said in a statement that the targeted RRR cut did not constitute a change to its prudent and neutral monetary policy.

RRR is the amount of cash as a percentage of deposits that banks must park at the central bank as reserves. The current rate for major banks was set at 17.0 percent after the last general RRR cut that took effect in March 2016.

Lianxun Securities said the RRR cut would help to offset negative impacts to smaller firms from strict environmental protection measures and capacity cuts, while also offering some liquidity relief to small and mid-sized financial firms.

The central bank in February extended a preferential programme that allows financial institutions that support rural finance and small enterprises to apply for a lower required level of cash reserves.

But despite still-strong credit growth nationwide, many small businesses and farmers remain in desperate need of funds and do not have easy access to ample cheap credit that state-run firms enjoy.

Also on Saturday, the central bank said it will maintain prudent and neutral monetary policy and use multiple monetary policy tools to keep liquidity basically stable.

The statement, which came after the third quarter meeting of the PBOC's monetary policy committee, said China will continue with interest rate and exchange rate reform while keeping the yuan basically stable.

China's economy grew 6.9 percent in the first half of the year, bolstered by a hot property market and a government infrastructure spending spree.

But business activity surveys have repeatedly shown large companies are reaping the benefits more than smaller ones.

(Reporting by Elias Glenn, Ben Blanchard and Coco Li; Editing by Andrew Bolton)

<< Back to news headlines >>

[China's factories grow at fastest pace in over 5 years as prices surge]
Saturday 30th September, 2017 – Reuters

China's manufacturing activity grew at the fastest pace since 2012 in September as factories cranked up output to take advantage of strong demand and high prices, easing worries of a slowdown before a key political meeting next month.

Production, total new orders and output prices all improved to the highest level in at least a year, while a pick-up in a reading for the construction sector indicated a building boom is undiminished.

The official Purchasing Managers' Index (PMI) released on Saturday rose to 52.4 in September, from 51.7 in August and well above the 50-point mark that separates growth from contraction on a monthly basis.

It marked the 14th straight month of expansion for China's massive manufacturing industry and the highest reading since April 2012. Analysts surveyed by Reuters had forecast the reading would ease slightly.

The data comes ahead of the Communist Party Congress in mid-October, a once-every-five-years meeting where new leaders are appointed and the government's key political and economic initiatives are laid out, though details are usually not announced until much later.

China's manufacturers are reporting their best profits in years, fuelled by government-led infrastructure spending, a strong housing market, higher factory-gate prices and a recovery in exports.

"Over the short term, we believe the resilient demand growth and disciplined balance sheet expansion ... will point to further improvement in manufacturing profitability and investment returns," analysts at China International Capital Corporation said in a note after the data.

But cost pressures from high raw materials prices and continued underperformance of smaller firms mean some manufacturers are still struggling.

"Mid- and downstream industries are worried about a further increase in cost pressures," National Bureau of Statistics official Zhao Qinghe wrote in comments published with the data.

INPUT PRICES CLIMB

The latest survey showed input prices continued to rise at a solid clip, with the reading at 68.4 compared with 65.3 in August, benefiting upstream producers such as miners, smelters and oil refiners.

Indexes for raw materials prices in the paper, wood processing and furniture, and chemical products manufacturing industries were all above 75.0, said Zhao, indicating large price increases.

Output prices also rose but at a slower pace, pointing to lower profit margins for companies further along the supply chain who are unable to pass on all of the price increases to their customers.

A separate PMI on the steel industry fell to 53.7 in September from 57.2 in August but remained in solid expansion territory, as the industry faces production restrictions aimed at reducing choking air pollution over the winter.

Analysts at China Merchants Securities said stricter production limits related to efforts to improve air quality and supply-side adjustments from capacity cuts had helped to improve the supply-demand balance, with new orders rising faster than production in September for the first time since 2012.

For the manufacturing sector overall, inventories of raw materials and finished goods continued to decline in September, providing little indication that factories were stocking up in preparation for winter production cuts.

Big firms saw the strongest improvement in September, with a large firms sub-index rising to 53.8, while one for small firms improved slightly but was still in contraction territory at 49.4.

China’s cabinet on Wednesday said that China will take a number of measures, including tax exemptions and targeted reserve requirement ratio cuts, to encourage banks to support small businesses.

The impressive performance for China’s manufacturers comes despite a government push to shutter outdated industrial capacity and clean up polluting industries, though some analysts say official claims of massive capacity cuts are misleading as overall production is still rising.

Chinese authorities are also in the midst of a campaign to reduce the risks from a rapid build-up in debt produced by years of credit-fuelled stimulus, and the continued strength of the industrial sector could give policymakers confidence to stick to the push for deleveraging.

PRIVATE SURVEY SHOWS SLOWER GROWTH

A separate private survey may temper some of the enthusiasm, as it showed growth slowed in September amid high pricing pressure and slower new order growth.

The Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) fell to 51.0 in September, compared with 51.6 in August, as new export order growth slipped.

So far, the regulatory clampdown has focused on the financial sector, particularly interbank and shadow banking activity, and the pass-through to the real economy appears to be limited.

But S&P last week downgraded China's sovereign credit rating, saying the government's deleveraging drive has progressed slower than expected, leading to higher economic and financial risks.

An official survey on the services sector published Saturday rose at the fastest pace since 2014, though gains in that sector were also driven by higher input prices.

A sub-reading for the construction sector rose to 61.1 in September from 58.0 in August.

The official data showed firms in both the manufacturing and services sector continued to shed workers.

(Reporting by Elias Glenn; Editing by Richard Pullin)

<< Back to news headlines >>

Asian factories rev up in September ahead of year-end spending spree

Monday 2nd October, 2017 – Reuters

Factories in Asia's largest economies cranked up activity in September as a synchronized upswing in growth globally pointed to solid consumption of manufactured goods heading into the lucrative end-of-year shopping season.

However, pockets of weakness in regional economies are likely to keep Asian central banks slanted toward more accommodative monetary policy, even as their Western counterparts move to scale back stimulus.

China's central bank on Saturday cut the amount of cash that some banks must hold as reserves for the first time since February 2016 in a bid to encourage more lending to struggling smaller firms and energize its lackluster private sector.

The world's second-largest economy has defied expectations for a slowdown this year, growing at a strong clip in the first half thanks to a construction boom. Beijing's latest easing comes ahead of a key party gathering this month.

"It's a solid backdrop for manufacturing in the region as we head toward the big shopping season," said Rob Carnell, Asia's head of research at ING.

That sentiment was backed by an official Purchasing Managers' Index from China's vast manufacturing sector, which showed activity last month grew at the fastest clip since 2012 on solid demand.

But cost pressures from high raw materials prices and continued underperformance of smaller firms mean some manufacturers are still struggling, which was reflected in a separate private survey of Chinese factories showing growth slowed in September.

In Japan, factory activity grew the fastest in four months, thanks to robust exports growth and underpinned improving economic momentum even though inflation remained tepid. Meanwhile, a closely watched Bank of Japan survey showed big manufacturers have more confidence in business conditions than they have had for a decade, thanks to a weaker yen and robust global demand.

In South Korea, manufacturing activity expanded at the fastest pace in almost two years.

Indonesia, Southeast Asia's biggest economy, also showed an improvement in factory growth but the pace was tepid and production contracted slightly. Indonesia has cut interest rates twice this year in a bid to boost stubbornly weak domestic consumption, while India slashed rates once in August to spur growth and inflation.

Those moves, along with the BOJ's commitment to maintain its ultra-low rates for the foreseeable future, marked a contrast to the West's shift toward tighter policy, although analysts expect the extent of stimulus in Asia to be measured.

"I would characterize some of the easings (in Asia) as a bit of fine-tuning really and not a major divergence in policy with the West," ING's Carnell said.

"The regional economies continue to grow at a decent pace."

GLOBAL UPSWING

Indeed, a synchronized upswing in the global economy has been a boon to manufacturers from China to Britain and the United States, with export-reliant Asia enjoying a spurt in growth led by an upsurge in sales of electronics.

A raft of European PMIs scheduled for publication later on Monday are expected to paint a picture of robust manufacturing momentum globally.

Shipments from Japan and South Korea - two major exporters - remained robust with the boom helping their economies grow at a decent clip. In Taiwan, another export-bellwether, factories continued to expand at a steady pace on higher global demand.

In South Korea, higher memory chip and steel product sales lifted exports by 35 percent year-on-year in the longest stretch of expansion since 2011.

Full-year growth in China is widely expected to handily meet the government's target of 6.5 percent, after stronger-than-forecast growth of 6.9 percent in the first half, driven by a year-long building boom and solid exports.

That augured well for Asia's manufacturers for the rest of the year.

"Looking ahead, we expect conditions in the region's manufacturing sectors to remain fairly healthy over the coming months, helped by a combination of loose domestic monetary policy as well as firmer global growth," said Shilan Shah, Economist at Capital Economics.

And given price pressures are largely contained in places like China and Japan as well as smaller economies including Singapore and Indonesia, policymakers will have headroom to boost stimulus if the need arises.

"The big picture is that inflation in most of these economies is set to stay benign, giving their central banks scope to keep interest rates low to support growth," Shah said.

(Editing by Sam Holmes)

<< Back to news headlines >>

CariCRIS

Caribbean Information &
Credit Rating Services Limited

3rd Floor Furness House,
90 Independence Square, Port of Spain, Trinidad

Tel: (868) 627-8879 | Email: info@caricris.com | Website: www.caricris.com