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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

REGIONAL

Trinidad and Tobago

T&T Chamber happy with proposals
The Trinidad and Tobago Chamber of Industry and Commerce has agreed with Finance Minister Colm Imbert's announcement that it can no longer be business as usual and there was an urgent need for fundamental transformation at this critical time.

Economist: Finance Minister did best with what he had
Finance Minister Colm Imbert did the best he could with what he had.

Business Chambers weigh in on 2018 Budget
A number of business chambers across the country have weighed in on yesterday's Budget presentation by Finance Minister Colm Imbert.

Jamaica

Bartlett says Jamaica can cash in on heritage tourism market
MINISTER of Tourism Edmund Bartlett says the growth in heritage tourism offers tremendous opportunity for Jamaica and the wider Caribbean.

Housing agency to partner with private sector to build over 15,000 homes
The National Housing Trust (NHT) says it will be partnering with more private developers to significantly increase the number of affordable homes as the Jamaica government announced plans to ahead with legislation to protect property values in gated communities.

Barbados

Don't ignore S&P, regional economist warns
In the wake of the latest economic downgrade, a regional economist is warning the Freundel Stuart administration to take the latest Standard & Poor's (S&P) warning seriously.

Barbados launches banknote app
The Central Bank of Barbados (CBB) yesterday said it had launched a currency application as part of its efforts to combat counterfeiting.

The Bahamas

Imf: Bahamas Bank Fees Rise Up To 186%
Bahamian banks have increased fees for cross-border transactions by as much as 186 per cent over the last five years, due to growing pressure on their international ties.

Oil Explorer's Boost For 'Faster' Farm-In Partner Conclusion
A Bahamas-based oil explorer's push for a "faster" conclusion to its joint venture partner search has been boosted by industry developments impacting the Caribbean.

Hotel Corp Bids To 'Aggressively Sell' Last Resort Property
The Hotel Corporation is moving "to aggressively sell" its last-remaining resort property, and complete the 25-year process to cease Government ownership in the hotel industry.

St. Kitts and Nevis

Rising oil prices and wider current account and fiscal deficits predicted in ECCU economies
BASSETERRE, St Kitts — Rising oil prices and the end of the PetroCaribe programme will result in wider current account and fiscal deficits in the economies of St Kitts and Nevis and the other member states of the Eastern Caribbean Currency Union (ECCU).

Dominica

ECCB Disburses Grants to Governments of Commonwealth of Dominica and St. Kitts and Nevis
The Eastern Caribbean Central Bank (ECCB) Monetary Council has approved the disbursement grants of EC$1 million to the Government of the Commonwealth of Dominica and EC$0.25 million to the Government of St Kitts and Nevis to assist with emergency relief in the aftermath of Hurricane Maria.

Antigua & Barbuda

Support for the rebuilding of Barbuda's agriculture sector
The Food and Agriculture Organization (FAO) and other international donor agencies are working with all stakeholders in Barbuda to rebuild its agriculture sector.

Other Regional

Caricom Launches On Line Platforms To Facilitate Trade, Business In The Region
The Caricom Secretariat based in Guyana says the bloc's single market and economy initiative, the CSME, has been given a boost with the launch of four new online platforms aimed at promoting trade and improving the ease of doing business.

INTERNATIONAL

United States

Futures higher as focus shifts to earnings
U.S. stock index futures were slightly higher on Tuesday, a day after all the three main indexes hit new all-time highs, with investors turning their attention to the upcoming third-quarter corporate earnings.

Dollar hits 1-1/2-mth peak on better U.S. economic outlook, Aussie slips
The dollar struck a 1-1/2-month high on Tuesday as Treasury yields rose after a strong reading for U.S. manufacturing activity hardened expectations for U.S. interest rates to rise by the year-end.

United Kingdom

Sterling slips on weak UK construction numbers
Britain's pound slipped on Tuesday after numbers showed activity in the construction sector unexpectedly slowed to a 14-month low in September, suffering the sharpest fall since just after last year's Brexit vote on concerns over the economic outlook.

Bank of England sees Brexit risks to EU bank lending in UK and clearing
Brexit poses risks to the ability of British companies to borrow from European banks and to some clearing activity which might have to relocate from London once Britain leaves the EU, the Bank of England said on Tuesday.

Brexit uncertainty prompts shock British construction contraction
Britain's construction companies in September reported the sharpest fall in activity since just after June 2016's Brexit vote, as clients put projects on hold due to uncertainty over the economy.

United Kingdom Cont'd

Britain's FTSE clings to four-week high after Wall Street's new records

UK shares were flat in morning trading on Tuesday but clung to the previous session's four-week highs, alongside their European peers, after bourses in Asia took heart from fresh new record closes on Wall Street.

Europe

ECB to ask banks to increase provisions on bad debt: draft document

The European Central Bank plans to ask euro zone banks to set aside enough cash to cover 100 percent of their non-performing loans over the next several years, a draft document of its new guidelines seen by Reuters showed on Tuesday.

Euro bounce deceptive as divergence trades bloom

The euro bounced from a six-week low on Tuesday as markets consolidated positions after a selloff, though investors grew cautious about the single currency's outlook in the coming months on rising political uncertainty in Europe.

Japan

Benefits of sales tax hike in Japan outweigh negatives: Moody's

The benefits of raising Japan's sales tax again outweigh the negatives, even if Prime Minister Shinzo Abe diverts some of the additional revenue to education and welfare, an official at ratings agency Moody's Investors Service said on Tuesday.

BOJ tankan corporate inflation expectations flagging

Japanese companies' inflation expectations eased slightly in September from three months ago in a worrying sign the economy continues to struggle with a deflationary mindset.

India

Indian shares head for 3rd session of gains; automakers jump on Sept sales

Indian shares rose over 1 percent on Tuesday and were headed for a third consecutive session of gains, as automakers such as Tata Motors Ltd surged after posting strong monthly sales, while Dr. Reddy's Laboratories jumped on the launch of a drug in its key U.S. market.

Global

Oil prices ease as speculators grow impatient

Oil edged lower on Tuesday, as speculators took profits on some large positions that have built up in the last couple of weeks, but the prospect of gradually ebbing oversupply lent support.

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FULL ARTICLES

T&T Chamber happy with proposals

Tuesday 3rd September, 2017 – Trinidad and Tobago Guardian

The Trinidad and Tobago Chamber of Industry and Commerce has agreed with Finance Minister Colm Imbert's announcement that it can no longer be business as usual and there was an urgent need for fundamental transformation at this critical time.

In its immediate budget response, the Chamber said Imbert had made some laudable first steps towards incentivizing the desired outcomes in areas such as small business development, startups, agriculture and housing.

While they were disappointed that expenditure was not addressed as aggressively as they had hoped, the Chamber said, "At the same time, while the tax base will be broadened somewhat with the implementation of the T&T Revenue Authority, the Government continues to increase taxes on those already compliant to make up the budget shortfall."

"Unfortunately, the budget did not appear to adequately address the current mismatch between supply and demand for foreign exchange."

Acknowledging certain sectors would be given preferred access, they accepted that measures have been put in place because of the anticipated continuation in foreign exchange shortages.

The Chamber said some effort was made to treat with the existing unsustainable level of transfers and subsidies, and while a modern T&T demanded efficient government services, "No long-term strategy was clearly identified towards achieving this objective."

<< Back to news headlines >>

Economist: Finance Minister did best with what he had

Tuesday 3rd September, 2017 – Trinidad and Tobago Guardian

Finance Minister Colm Imbert did the best he could with what he had.

These were the sentiments expressed by Economist Dr. Marlene Attzs who stated she was cautiously optimistic yesterday following the offerings outlined by Imbert in the 2018 budget presentation.

She said while the revenue shortfalls were not a secret, Imbert had explored ways of increasing revenues from other sources rather than just the oil and gas sectors.

Attzs offered, "The Minister has essentially imposed some structural adjustments by spreading it around so the burden is not going to be felt on the most vulnerable."

Regarding the increase in diesel and super gasoline, Attzs said previous price increases had resulted in almost immediate increases in transportation, food and groceries.

However, Attzs said, "It would be interesting to see how they respond to this additional rolling back of the fuel subsidies."

She added, "I don't think personally that another price increase in public transportation is warranted at this time but it is left to be seen what will happen."

Heartened about the proposal to realign CEPEP workers into the area of agriculture - which was one of her pre-budget proposals - Attzs was unsure what informed government's decision to award the largest slice of the budget to the Ministry of Education.

Attzs also welcomed the increase of taxes on tyres as she said it now posed a health hazard to the population when they were not properly disposed off.

<< Back to news headlines >>

Business Chambers weigh in on 2018 Budget

Tuesday 3rd September, 2017 – Trinidad and Tobago Guardian

A number of business chambers across the country have weighed in on yesterday's Budget presentation by Finance Minister Colm Imbert.

Dr Dax Driver, President of the Energy Chamber said the Government is still working on details of the proposed 12.5 per cent royalty charge on all oil and gas extraction.

"On the 12.5 per cent royalty for oil and gas production, it is a bit difficult for us to say too much about it. We have to look at it in the context of the overall proposed changes for the entire oil and gas fiscal regime. It is still a work in progress," he told the Guardian yesterday.

He said the International Monetary Fund (IMF) has had some consultations with the Minister of Finance about it.

Daphne Bartlett, President of the San Fernando Business Association told the Guardian that the budget has "good intentions" and she would rate it 6.5 on the scale of one to ten.

"Some of the things are quite good. They are looking at growths in exports and are looking at incentives like the intention to open Exim Bank where people can access foreign exchange and if someone has earned 30 per cent of your exports and it is repatriated to T&T you will get foreign exchange for your purchases. He also spoke about simulation of SME's which will provide employment and export products."

Speaking about the increase in fuel prices from $3.58 to $3.97 for Super and $2.30 to $3.41 for Diesel, she said that will impact on the standard of living across the board.

"Everyone knows that once the fuel price is touched, it affects the price of all goods and services in the country. Everything will go up exponentially just because of that $1.11 increase."

Nalini Maharaj, President, Tunapuna Business Chamber welcomed the initiative by the Government to inject $100 million into the Exim Bank for the purpose of foreign exchange.

The Chamber also supports the taxes on the gaming industry.

She expressed her disappointment about the amount of money allocated to the agriculture sector of just over half billion.

"The Minister spoke about diversifying, however if not much is allocated to the agro sector how can we go further and diversify and move away from being energy reliant," she asked.

"We did not expect diesel prices to go up by 50 percent and that will impact on the goods and services industry. It will have a negative impact on the economy in terms of cost of living. People will have less disposable income."

Liquat Ali, President, Point Lisas Business Chamber welcomed some of the revenue collection initiatives rolled out in the budget but did note some concerns.

He said he had a "problem" with the increase in diesel and super gas prices.

"This is extremely high and I do not think the business sector will absorb that cost and we have been absorbing that cost in fuel increases over the last couple years. This one is extremely high," he said.

<< Back to news headlines >>

Caricom Launches On Line Platforms To Facilitate Trade, Business In The Region

Tuesday 3rd September, 2017 – Jamaica Gleaner

The Caricom Secretariat based in Guyana says the bloc's single market and economy initiative, the CSME, has been given a boost with the launch of four new online platforms aimed at promoting trade and improving the ease of doing business.

With the support from the European Union, the trading bloc has launched the Caricom Online Companies Registries; Labour Market Information System; Community Public Procurement Notice Board; and the CARREX Platform and Online Public Portal.

It said the Caricom Online Companies Registries provide a region-wide electronic platform for online name searches and name reservation, business and company registration, public access to records, e-payments and e-signatures, among other features.

It will also facilitate a better overview of the prevailing business climate in the region, helping for example, to identify areas of saturation, those with growth potential, and even the role of the informal economy.

Dr Stephen Boyce of the European Union said at least one recent high profile example illustrates the critical importance of the platform.

"A few years ago, the in-flight magazine on LIAT was rebranded as LIME. This was just a few weeks before a telecommunications giant in the region acquired a similar moniker. The result was a further rebranding to Zing to avoid any confusion. A regional register would have avoided this," Boyce said.

The secretariat said that the development of the platform for registries required automating more than half of the national company registries in Caricom, which were still paper based, upgrading those already automated, and providing a functioning web software or application.

The Labour Market Information Systems provides a central depository for data on the labour markets in participating Caricom member states.

"This allows for better matching of skills with available positions at the regional level, and will thus facilitate movement of skills in the region and better management of labour migration within the Single Market and Economy, CSME."

Additionally, the system can guide the education system, helping it to meet market demands through academic, technical and professional development programmes designed to build and repurpose the skills of persons already in the workforce and those about to enter.

The Community Public Procurement Notice Board is meant for both the private sector and governments to facilitate the exchange of information on procurement opportunities and contract awards, both in the local space as well as in the region.

The platform can also facilitate the capture of statistics on specs, pricing and other areas which can be used for future tenders and budgeting, the Caricom Secretariat said.

The Caricom rapid alert system for dangerous, non-food consumer goods, CARREX-Online Public Portal, will serve as a source of public information on consumer goods that pose serious risks to the health and safety of consumers.

<< Back to news headlines >>

Bartlett says Jamaica can cash in on heritage tourism market
Tuesday 3rd September, 2017 – Jamaica Observer

MINISTER of Tourism Edmund Bartlett says the growth in heritage tourism offers tremendous opportunity for Jamaica and the wider Caribbean.

In an interview with JIS News, Bartlett noted that recent international tourism trends have pointed to a shift from the traditional 'sun, sea and sand' phenomenon towards a more interactive, experiential form of tourism.

"Over the last decade or so, there has been a dramatic increase in the number of tourists who travel exclusively for the experience of partaking in new, exhilarating, and exotic cultures in faraway shores," he pointed out.

"According to the Caribbean Tourism Organization, the heritage tourism segment represents one of the highest-yield tourism groups, ahead of both traditional mass markets and other niche tourism audiences such as arts," he noted.

He said that heritage tourists spend 38 per cent more per day, and stay 34 per cent longer than traditional tourists.

"From the standpoint of the Caribbean, recent research estimates that up to 75 per cent of adults who visit the region engage in some form of cultural activity or event," he pointed out.

"We believe that Jamaica and other islands in the Caribbean and other exotic regions can be positioned as premier destinations for cultural tourism," he added.

"Indeed, Jamaica, like most other Caribbean islands, is widely known for its myriad spices and herbs, its native food preparation techniques and dishes, its many exotic fruits and grains, its music, its dance forms, its language, and other aspects of its exotic culture," he said.

Bartlett said the exotic, exhilarating culture of the islands holds tremendous potential to promote sustainable tourism development in the region by aligning the tourism sector with cultural preservation and infusing more of the cultural element in tourism packages.

"This will ensure that tourists visiting these islands will not only get an opportunity to partake in local culture and heritage but will also develop a profound appreciation and respect for the cultures of others," he further highlighted.

He said that ordinary citizens will also benefit as they will get increased opportunities to showcase and market their cultural and creative products and services through craft vending, street food establishments, island tours, food festivals, musical and cultural concerts, art exhibitions, and visits to museums, galleries and heritage sites.

"The impact of promoting cultural tourism will thus be educational, social and as well as economic," Bartlett added.

<< Back to news headlines >>

Housing agency to partner with private sector to build over 15,000 homes

Tuesday 3rd September, 2017 – The Daily Observer

The National Housing Trust (NHT) says it will be partnering with more private developers to significantly increase the number of affordable homes as the Jamaica government announced plans to ahead with legislation to protect property values in gated communities.

NHT chairman, Dr. Nigel Clarke, said that at least seven parcels of land totalling 3,000 acres have already been identified for the private developers' programme that this is intended to provide in excess of the15,000 homes by 2020, as well as other units thereafter.

Clarke said this is consistent with the mandate of Prime Minister Andrew Holness that the agency builds more affordable homes for Jamaicans.

Clarke, speaking at the recent ground-breaking ceremony for the NHT's J$4.1 billion (One Jamaica dollar=US$0.008 cents) Ruthven Towers apartment complex in St. Andrew, said that advertisements were placed locally and internationally during August, inviting submissions from interested parties of which 10 have to date been received.

He said the NHT will continue to accept submissions until the end of October and, thereafter, pre-qualify the participants by the end of November.

"We are going to shortlist (them) and invite proposals for each parcel of land according to our criteria, so that construction can begin sometime in 2018/19; the vast majority of houses to be developed under this programme would be (in the range of) J$5 million. This will allow us to move beyond the target of 15,000 homes.

"Once we get this programme (going) and…the private sector moving in tandem with the public sector, we expect to break the bottleneck of housing demand and delivery and address the market (needs) that currently exists…particularly at the low-income segment."

Clarke said he was looking beyond the 15,000 houses noting "if we unleash the energy of private enterprise, we believe that we can do much more as far as affordable housing is concerned."

"So the NHT (is putting) in place this arrangement in order to engender significant acceleration in the number of houses brought to market and, at the same time, a significant reduction in the time it takes from conceptualization to delivery," he added.

Clarke said the open invitation is aimed at generating competition among local and international developers "ensuring that we have an efficient market and, at the end of the day, our contributors get the best value for money".

Meanwhile, Prime Minister Holness said his administration is moving ahead with legislation to protect property values in gated communities.

"We are now developing the gated community legislation," he said, noting that it will be similar to the Act governing strata corporations.

The law empowers the corporations to enforce the payment of maintenance fees. It also addresses disputes between parties and general communal living issues in order to maintain orderly community existence.

The Prime Minister noted that too many persons cause the value of communities to diminish by erecting structures and doing other things that are not in accordance with the purchase agreement.

Addressing the handing over of keys to beneficiaries of the NHT housing development in Spanish Town, over the last weekend, Holness urged the residents to ensure that the houses remain valuable "by the way they organise the community.

"Do everything in your power to protect the value of this property in which you have invested," he said, urging them to form a citizen's association, and that "this government is going to give such association the legitimate authority to act."

The J$906 million Berkshire Court development comprises 44-two bedroom town houses.

<< Back to news headlines >>

Support for the rebuilding of Barbuda's agriculture sector

Tuesday 3rd September, 2017 – The Daily Observer

The Food and Agriculture Organization (FAO) and other international donor agencies are working with all stakeholders in Barbuda to rebuild its agriculture sector.

A preliminary assessment, conducted in Barbuda last week, indicates that Hurricane Irma destroyed standing crops, agricultural infrastructure, machinery, a processing facility and equipment.

Jedidiah Maxim, director of agriculture, said a six-member team from the ministry visited the island last week to get a first-hand view of the devastation.

They were accompanied by a consultant from the FAO as well as a representative from the Inter-American Institute for Cooperation on Agriculture (IICA).

"Agriculture in Barbuda was devastated. Even though it was a small sector, we were in the process of implementing some serious developmental plans for the sector. Those plans are well underway regarding what we had in mind," Maxim said.

He explained that the ministry will use the opportunity to rebuild the sector, adopting mitigation measures in the event of another disaster.

"We will revisit our plans to make certain that, whatever we are doing, we will take the kind of measures which will ensure that the impact of a disaster will be reduced if we should experience another hurricane."

The ministry will have to work to reconstruct the roof from the agricultural station in Barbuda and conduct repairs at several other facilities.

<< Back to news headlines >>

ECCB Disburses Grants to Governments of Commonwealth of Dominica and St. Kitts and Nevis

Tuesday 3rd September, 2017 – Dominica News Online

The Eastern Caribbean Central Bank (ECCB) Monetary Council has approved the disbursement grants of EC$1 million to the Government of the Commonwealth of Dominica and EC$0.25 million to the Government of St Kitts and Nevis to assist with emergency relief in the aftermath of Hurricane Maria.

Earlier this month, the ECCB Monetary Council also approved grants of EC$1 million each to the Governments of Anguilla and Antigua and Barbuda.

As the ECCB continues to extend support to its member countries that have been impacted by Hurricanes Irma and Maria, Governor, Timothy N. J. Antoine will lead a delegation from the Bank to the Commonwealth of Dominica on Friday, 29 September. The Governor and his team will meet with the Honourable Prime Minister, Roosevelt Skerrit, tour the island to get a first-hand assessment of the damage, and distribute relief supplies.

Governor Antoine has also established a Relief Committee within the ECCB to coordinate assistance and make recommendations for providing urgent assistance to the Governments and people of Anguilla, Antigua and Barbuda and the Commonwealth of Dominica.

<< Back to news headlines >>

Don't ignore S&P, regional economist warns

Monday 2nd September, 2017 – Barbados Today

In the wake of the latest economic downgrade, a regional economist is warning the Freundel Stuart administration to take the latest Standard & Poor's (S&P) warning seriously.

"With reserves currently in the vicinity of US$317 million in June 2017, according to S&P, it is clear how vulnerable Barbados is to a balance of payments crisis, unless the net outflow of USD [United States currency] is arrested as a matter of utmost urgency, which is contingent upon a balanced fiscal position," said Marla Dukharan, the chief economist at the Barbados-based financial technology company Bitt.com.

"I think this S&P report in its entirety, should be read by every responsible citizen of Barbados. It is as loud and clear a warning as I have ever seen for the authorities, and for the nation as a whole," she told Barbados TODAY.

In its report released last week, the New York-based ratings agency announced it was lowering its long-term local currency sovereign credit rating on the island from 'CCC+' to 'CCC', while maintaining its long-term foreign currency rating at 'CCC+.

However, it said the outlook for both long-term ratings was negative while warning that the decline in international reserves reduced Barbados' capacity to defend its currency peg and increased the risk of a balance of payments crisis.

While noting that there were no external commercial maturities until 2019, S&P estimated a debt service of around US$200 million per year between 2017 and 2018.

The international ratings agency also warned of the possibility of another downgrade of Barbados over the next 12 months, while urging the Stuart Government to take the necessary steps to lower the country's high fiscal deficit, shore up the reserves, lower its debt and strengthen its external liquidity.

Dukharan said the negative outlook meant that the country's overall rating was likely to be lowered, which would take it to 'CC' or "currently highly vulnerable to nonpayment.

"The 'CC' rating is used when a default has not yet occurred, but S&P expects default to be a virtual certainty, regardless of the anticipated time to default," she explained.

Zooming in on the debt situation and negative outlook, Dukharan said the ratings suggested that local currency debt was at greater risk of default than foreign currency debt, pointing out that Barbados was the only S&P rated Caribbean country in which that was the case.

The S&P report acknowledged that "the liability management operations being considered by the Government do not include foreign-currency-denominated debt".

"Typically, the foreign currency rating carries an equal or lower rating than the local currency rating, because presumably (unless you are a member of a currency union) the authorities can just print money to honour local currency obligations, but they have to earn or borrow foreign exchange to honour their foreign currency debt, which is usually more challenging," Dukharan explained.

However, in a statement issued at the weekend Senior Lecturer in Management and Dean of the Faculty of Social Sciences at the Cave Hill campus of the University of the West Indies, Dr Justin Robinson cautioned that while ratings could affect Government's ability to borrow and the terms and conditions it can borrow under, they do not "pronounce on the overall health or well-being of the economy, or the nature of Government's economic policies".

Robinson, who is the current Chairman of the National Insurance Scheme and also sits on the board of the Central Bank of Barbados, however acknowledged that "the [main] artery is now blocked in Barbados and needs to be unclogged, either through the financing and credibility that comes with an International Monetary Fund programme "with the bitter conditionalities of course"; a policy mix and/or dialogue that brings the commercial banks back on board since the recent attempt to balance the Budget does seem to have moved the banks; or through Government finding some new source of reliable financing.

He added that “the major cause of the decline in the foreign reserves is the fact that we have not been able to roll over foreign debts when they have matured and we have been unable to attract new foreign financing”.

<< Back to news headlines >>

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Barbados launches banknote app

Tuesday 3rd September, 2017 – Jamaica Observer

The Central Bank of Barbados (CBB) yesterday said it had launched a currency application as part of its efforts to combat counterfeiting.

The CBB said the mobile application known as "Barbadian Banknotes: Are Yours Real?" can be downloaded free from Google Play or iTunes.

"With this app, Barbadians have the information they need to authenticate their money right at their fingertips," said Octavia Gibson, deputy director, currency at the CBB.

"We've always stressed the importance of checking your notes as soon as you receive them, and this is an on-the-spot counterfeit detection guide."

Gibson said the application works by choosing the denomination the individual intends to examine "and it not only shows you where the security features are on that note, but also how they work.

"So if you're looking at the BDS$100 note, you can select the hologram and it will show you it changing colour. With this app you know exactly what you should be looking for on your notes."

The new app was created in collaboration with Barbados' banknote printer, De La Rue, which also helped produce Bank of England's currency app. Several other international central banks, including Switzerland's, Pakistan's and Australia's have also introduced similar apps.

"This is only the latest resource available in our fight against counterfeiting. We continue to have a wealth of information on our website, we still have printed materials available free of charge for those who want them, and we also offer free training sessions to companies and groups upon request," Gibson said.

"What's unique about this is the convenience. I encourage everyone to download the app and to use it to protect themselves," she added.

<< Back to news headlines >>

Oil prices ease as speculators grow impatient

Tuesday 3rd October, 2017 – Reuters

Oil edged lower on Tuesday, as speculators took profits on some large positions that have built up in the last couple of weeks, but the prospect of gradually ebbing oversupply lent support.

December Brent crude futures LCOc1 were down 7 cents at $58.05 a barrel at 1045 GMT, having lost almost 2.5 percent on Monday. U.S. crude CLc1 futures were down 7 cents at $50.51.

Brent notched up a third-quarter gain of about 20 percent, the biggest increase for that quarter since 2004, and traded as high as $59.49 last week, but has since fallen about 6 percent.

Money managers have pushed their bullish bets on the Brent crude market to a record high in the last week, encouraged by signs of rebalancing between supply and demand.

But when positioning becomes too stretched, this can lead to abrupt shifts in the price.

"It's always problematic when you have this amount of speculative length in the market," Petromatrix Strategist Olivier Jakob said.

"The price action ... for me is all about positions and potentially profit-taking on some of those speculative positions."

Oil prices climbed last week on tension in Iraqi Kurdistan after the region's independence vote, with Turkey threatening to close a pipeline that brings oil from the region in northern Iraq to the Mediterranean.

Turkey has not carried out the threat, analysts said.

The recent rally had also been driven by signs that a three-year crude glut is easing, helped by a production-cutting deal among global producers led by OPEC.

However, Middle Eastern oil producers are concerned the price rise will 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.

"The fourth quarter is not too kind to the price of oil, as we switch from summer demand to expectations of winter demand," said Jonathan Barratt, chief investment officer at Ayers Alliance in Sydney.

"A lot of (refinery) maintenance occurs at this time so feeder demand is not there."

Offering a small boost was the expected drop in supply next month of the four largest North Sea crude grades that underpin the dated Brent benchmark.

Output of Brent, Forties, Oseberg and Ekofisk will average 800,000 barrels per day (bpd) next month, down from 870,000 bpd in October, and down 10 percent year-on-year.

(Reporting by Amanda Cooper; Editing by Dale Hudson)

<< Back to news headlines >>

Futures higher as focus shifts to earnings

Tuesday 3rd October, 2017 – Reuters

U.S. stock index futures were slightly higher on Tuesday, a day after all the three main indexes hit new all-time highs, with investors turning their attention to the upcoming third-quarter corporate earnings.

Third-quarter earnings for S&P 500 companies are expected to increase 6.2 percent from a year earlier, according to Thomson Reuters research, after rising a better-than-expected 12.3 percent in the second quarter.

U.S. stocks started the fourth quarter on a strong note on Monday after data pointed to underlying strength in the economy.

The encouraging data helped world shares touch their latest record highs on Tuesday, while lifting the dollar to its loftiest in 1-1/2 months.

Gold fell to its lowest in seven weeks on Tuesday after the data reinforced expectations of another interest rate rise in the United States this year.

Oil steadied on Tuesday, as speculators took profits on some large positions that have built up in the last couple of weeks.

Automakers are likely to take the center stage as they report their monthly sales data. Analysts expect September auto sales to be highest in 2017, largely due to Americans in hurricane-ravaged cities replacing their damaged vehicles.

A retiree armed with multiple assault rifles strafed an outdoor country music festival in Las Vegas from a high-rise hotel window on Sunday, slaughtering at least 59 people before killing himself in the deadliest mass shooting in modern U.S. history.

Shares of Tesla (TSLA.O) were down 2 percent after the luxury electric vehicle maker said “production bottlenecks” had left the company behind its planned ramp-up for the new Model 3 mass-market sedan.

Lennar Corp’s (LEN.N) shares were up about 3 percent after the No.2 U.S. homebuilder reported a higher-than-expected quarterly profit.

Shares of micro-cap drug developer Endocyte (ECYT.O) jumped for the second straight day after inking a licensing deal for its prostate cancer drug.

Tile Shop Holding shares (TTS.O) plunged 30 percent premarket after the natural stone retailer scrapped its 2017 forecast.

Federal Reserve Board Governor Jerome Powell scheduled to speak on “Regulatory Reform” at a Reuters Conversation on U.S. Financial Regulation in Washington.

Dallas Fed President Robert Kaplan said on Monday that there is no need to wait for inflation to actually get to, or even begin to rise back to, the Fed’s 2-percent target before the central bank raises rates again.

Futures snapshot at 6:56 a.m. EDT:

Dow e-minis 1YMc1 were up 32 points, or 0.14 percent, with 17,661 contracts changing hands.

S&P 500 e-minis ESc1 were up 1.75 points, or 0.07 percent, with 75,503 contracts traded.

Nasdaq 100 e-minis NQc1 were up 6.25 points, or 0.1 percent, on volume of 18,144 contracts.

(Reporting by Ankur Banerjee in Bengaluru; Editing by Sriraj Kalluvila)

<< Back to news headlines >>

ECB to ask banks to increase provisions on bad debt: draft document

Tuesday 3rd October, 2017 – Reuters

The European Central Bank plans to ask euro zone banks to set aside enough cash to cover 100 percent of their non-performing loans over the next several years, a draft document of its new guidelines seen by Reuters showed on Tuesday.

Euro zone banks are sitting on nearly 1 trillion euros' worth of bad debt, clogging up their balance sheets and holding back lending - a headache for the ECB as weak credit growth offsets the stimulus it is trying to provide through low interest rates.

The central bank has struggled for years to force lenders to rid their books of non-performing exposures, or NPEs, mostly built up during the course of Europe's debt crisis, and the new rules are part of a broader push. From Jan. 1, the ECB will give banks two years to set aside money to cover 100 percent of the value of their non-performing unsecured debt and seven years to cover all of their secured debt, the guidelines show.

"The application of the backstops should not result in cliff edge effects but should rather be implemented in a suitable gradual way by banks from the moment of NPE classification until the moment when 100 percent prudential provisioning is expected," the draft showed.

"For the secured backstop, banks should therefore assume at least a linear path for the backstop building up to 100 percent over the seven years," the ECB wrote in the draft. The ECB declined to comment on the draft, which is dated Sept. 1. It plans to release the guidelines on Wednesday.

Across the euro zone, banks had on average set aside enough money to cover 45 percent of all non-performing exposures in the first quarter. The new rules may hurt Greece, Italy and Cyprus the most, as their banks hold the biggest portion of non-performing debt. In the draft, the ECB said that while the guidelines are non-binding, banks are expected to explain any deviations and should report their compliance to supervisors.

(Additional reporting and writing by Balazs Koranyi; Editing by Hugh Lawson)

<< Back to news headlines >>

Sterling slips on weak UK construction numbers

Tuesday 3rd October, 2017 – Reuters

Britain's pound slipped on Tuesday after numbers showed activity in the construction sector unexpectedly slowed to a 14-month low in September, suffering the sharpest fall since just after last year's Brexit vote on concerns over the economic outlook.

Data last week showed speculators had turned positive on the pound for the first time in almost two years in the week up to last Tuesday, with expectations for a Bank of England interest rate hike as well as optimism around Brexit negotiations driving investors to buy back into the currency.

But it has fallen almost 2 percent against a stronger dollar in the week since then, hit by worries over Britain's economic health as well as divisions in the ruling Conservative party, whose annual conference is being held in Manchester.

Sterling slipped to as low as $1.3245 after the construction purchasing managers' index (PMI), which at 48.1 was far below all forecasts in a Reuters poll of economists. That left the pound trading down 0.3 percent on the day, having been trading around $1.3278 before the data release.

It also weakened to the day's low of 88.64 pence per euro.

"You'd need a clearer pattern of economic weakness to take (sterling) dramatically lower or to get the basic trend to be different," said Kit Juckes, macro strategist at Societe Generale in London.

"(But) the press reflects a view that there's no unity for a stable leadership in this government... We don't need political uncertainty to add to economic uncertainty to add to Brexit uncertainty."

Besides her own diminished authority and Brexit, Prime Minister Theresa May has been forced to contend with her ambitious foreign minister, Boris Johnson, in Manchester. And reports have also emerged that Home Secretary Amber Rudd is considering a leadership bid.

Tuesday's weakness in the currency marked the third straight day of falls for the pound. It slipped on Monday on the back of a weak reading from the equivalent PMI survey of the manufacturing sector, and on Friday after UK growth numbers were revised down.

"All eyes will now be on tomorrow's all-important services data – and if today's numbers are anything to go by, they may not spell good news," said OFX currency analyst Hamish Muress.

The PMI survey for the services sector is due at 0830 GMT on Wednesday.

(Reporting by Jemima Kelly; Editing by Keith Weir)

<< Back to news headlines >>

Bank of England sees Brexit risks to EU bank lending in UK and clearing

Tuesday 3rd October, 2017 – Reuters

Brexit poses risks to the ability of British companies to borrow from European banks and to some clearing activity which might have to relocate from London once Britain leaves the EU, the Bank of England said on Tuesday.

Banks from the bloc and other associated countries accounted for around 10 percent of lending to British companies, the BoE's Financial Policy Committee (FPC) said in a summary of its most recent meeting held on Sept. 20.

Currently, those banks can operate as branches but they might have to upgrade to fully fledged subsidiaries after Brexit, a process that could take many months.

"The risk of disruption to wholesale UK banking services appeared to be slightly higher than previously thought, given that a number of EEA (European Economic Area) firms branching into the UK were not sufficiently focused on addressing this issue," the FPC said in a statement.

The BoE's Prudential Regulation Authority was "engaging firms to improve the state of their contingency planning."

PRA Chief Executive Sam Woods told Reuters last week that he expected 130 license applications from branches.

"Firms would need to start seeking authorizations in 2018 Q1," the FPC said.

The FPC also said there was a "substantial risk" of disruption to cross-border clearing operations in financial services, such as derivatives used by companies to hedge themselves against potential financial market swings.

The EU has published a draft law that would require clearing of euro-denominated transactions in some cases to be shifted from London to cities in the bloc after Brexit, a proposal resisted by Britain.

The FPC said clearing houses were examining contingency options "including the potential to relocate some clearing activity from the UK in order to continue to provide services to EU clients."

But this option was not available in segments of the market "where the complexity and cost of any migration was significant".

"In the event of access restrictions to those markets, EU firms would therefore have to move their activity to another CCP (clearing house), which was likely to be difficult to achieve before the point of EU withdrawal," the FPC said.

LCH, a unit of the London Stock Exchange (LSE.L) and which dominates clearing in euro-denominated swaps, said it could not comment on any contingency plans.

Banks have said it would be costly and cumbersome to shift their derivatives positions to LCH's Paris unit or to another clearer like Eurex (DB1Gn.DE) in Frankfurt.

(Reporting by Huw Jones and William Schomberg; Editing by Catherine Evans)

<< Back to news headlines >>

Brexit uncertainty prompts shock British construction contraction

Tuesday 3rd October, 2017 – Reuters

Britain's construction companies in September reported the sharpest fall in activity since just after June 2016's Brexit vote, as clients put projects on hold due to uncertainty over the economy.

Although construction makes up just 6 percent of Britain's economy, the survey suggested it was likely to drag on official third-quarter growth figures, just as the Bank of England gets ready to raise interest rates.

The IHS Markit/CIPS construction purchasing managers' index (PMI) sank to 48.1 in September from August's reading of 51.1, its lowest since July 2016 and far below all forecasts in a Reuters poll of economists.

Anything below 50 is considered a contraction.

Sterling weakened by around a quarter of a cent against the dollar and fell to a day's low against the euro after the data.

"The construction sector is entering its own recession," Samuel Tombs of Pantheon Macroeconomics said. "The government's shift to a more accommodating stance in Brexit talks has done little to convince builders that clients will sanction delayed projects soon."

IHS Markit said the prospect that the BoE will raise rates next month for the first time in a decade was also a factor behind slower house building.

Business investment overall has grown since the Brexit vote, but many business leaders say the government is not making enough progress in Brexit talks with the European Union.

Construction - which has long lead times for projects, and relies heavily on labour from the EU - has been particularly hurt.

Official data last month showed construction orders fell more than 12 percent year-on-year in the three months to June, and the PMI has shown lower orders for the past three months.

Expectations for the future were at their second-lowest level since 2013, Tuesday's survey also showed.

However, shares in housebuilders have gained in recent days after Britain's ruling Conservative Party announced plans to revive a 10 billion pound ($13.25 billion) house-building subsidy.

The manufacturing PMI published on Monday showed a slowdown in growth although it remained solid, and a survey of Britain's huge services industry due on Wednesday will give a clearer idea of third-quarter growth.

"Following on from a softer manufacturing survey for September, the weak construction survey fuels concern that an already lacklustre UK economy could be faltering," said Howard Archer, chief economist at consultancy EY ITEM Club.

Britain's economy has suffered its weakest growth so far this year since 2012. Consumer demand has borne the brunt of a rise in inflation to its highest in nearly five years, which is largely due to the pound's tumble after the Brexit vote.

The PMI data showed the cost of building supplies rose at its fastest rate in seven months in September.

$1 = 0.7545 pounds

(Reporting by David Milliken Editing by Jeremy Gaunt)

<< Back to news headlines >>

Britain's FTSE clings to four-week high after Wall Street's new records

Tuesday 3rd October, 2017 – Reuters

UK shares were flat in morning trading on Tuesday but clung to the previous session's four-week highs, alongside their European peers, after bourses in Asia took heart from fresh new record closes on Wall Street.

While Germany was closed for holiday, the blue chip FTSE 100 index was up 0.04 percent at 7,441.82 points by 0840 GMT, slightly underperforming a broadly positive European market.

Heating and plumbing product supplier's Ferguson was the top gainer on both the UK index and the STOXX 600 with a 2.8 rise after it reported a rise in trading profit and announced a share buyback plan.

With a strengthened dollar, miners added the most points to the index with Anglo American, Rio Tinto and Glencore up between 1 and 2.3 percent.

Financial shares also lifted the FTSE 100 with HSBC, Standard Chartered and Barclays rising between 0.3 and 1.3 percent.

EasyJet was up 1 percent after JP Morgan rose its target price for the stock and rival Ryanair said it saw September traffic grow by 10 percent.

Both airlines and Lufthansa were among last session's top gainers after Monarch Airlines went bust.

British baker Greggs added 0.7 percent after like-for-like sales rose 5 percent in the 13 weeks to the end of September, keeping it on track to meet expectations for the year despite higher ingredient costs.

Outside the index, semiconductor maker Electrocomponents touched a 16-year high after a strong trading update.

Advertising giant WPP posted the worst performance with a 2 percent fall after Morgan Stanley sold 22.5 million shares in an accelerated book-build offering. WPP shares are down nearly 25 percent since the beginning of the year.

Bae Systems was also among the top losers, retreating 1.4 percent following a downgrade by Berenberg.

“This follows a management sales briefing, reassessment of the likelihood and timing of key export wins, and our expectation of no organic revenue growth and modest earnings progression in the next two years,” the broker said.

British soft drinks group Britvic Plc, which said it would close its Norwich manufacturing site, was down 0.6 percent.

(Reporting by Julien Ponthus; editing by Mark Heinrich)

<< Back to news headlines >>

Euro bounce deceptive as divergence trades bloom

Tuesday 3rd October, 2017 – Reuters

The euro bounced from a six-week low on Tuesday as markets consolidated positions after a selloff, though investors grew cautious about the single currency's outlook in the coming months on rising political uncertainty in Europe.

The unexpected outcome of the German election on Sept. 24 and Sunday's violence-marred independence referendum in the Spanish region of Catalonia has put the brakes on euro-bullish trades, with markets increasingly looking for the single currency to test the July lows of around $1.15.

"I think there's a possibility, given what's going on in Spain right now and given the fact Germany still doesn't have a government and isn't likely to get a government anytime soon, the political uncertainty is going weight on the euro," said Michael Hewson, chief market strategist at CMC Markets.

A pro-independence protest in Catalonia on Tuesday kept tensions between the wealthy Spanish region and the central government in Madrid in the spotlight though Spain's bond market calmed following heavy selling the previous day. Sunday's independence vote was marred by police violence.

Still, the euro was partially supported by large option expiries on Tuesday that put a floor under the single currency. About $4 billion worth of currency options was expiring between the 1.1750 to 1.18 levels on Tuesday. TGM2369

The euro bounced a quarter of a percent to $1.1758 and was trading above a $1.16955, a level it last hit on Aug. 18.

Currency markets were also looking to add bets on possible divergence between the monetary policy outlooks in the United States and Europe, with expectations growing that the European Central Bank will adopt a more cautious stance.

"I don't think the market is pricing how cautious they are likely to continue to be and that will be reiterated by (European Central Bank chief) Mario Draghi on Wednesday," said Martin Arnold, a macro-strategist at ETF Securities in London who expects the euro to weaken against the dollar.

Meanwhile, the dollar climbed for a second consecutive day as a strong reading for U.S. manufacturing activity pushed bond yields higher, prompting investors to trim some of their extreme short bets against the greenback.

As anticipation of a U.S. rate increase spread to more than 71 percent by December from 42 percent a month earlier, according to the CME's Fedwatch indicator, the dollar has rallied more than 3 percent over the last month.

The dollar climbed 0.2 percent to 93.74 .DXY against a broad basket of currencies, its highest level since Aug. 17. Despite its recent gains, the dollar is down more than 8 percent this year, on track for its biggest annual decline in a decade.

The dollar's surge put the pressure on carry trade currency favorites such as the Aussie AUD= and the New Zealand dollar NZD=, which were down by more than 0.3 percent each.

The Australian dollar fell to its lowest in more than two months after the Reserve Bank of Australia left interest rates unchanged and gave a cautious assessment of the local economy.

(Reporting by Saikat Chatterjee and Fanny Potkin; editing by Mark Heinrich)

<< Back to news headlines >>

Indian shares head for 3rd session of gains; automakers jump on Sept sales

Tuesday 3rd October, 2017 – Reuters

Indian shares rose over 1 percent on Tuesday and were headed for a third consecutive session of gains, as automakers such as Tata Motors Ltd surged after posting strong monthly sales, while Dr. Reddy’s Laboratories jumped on the launch of a drug in its key U.S. market.

Investors also keenly await the Reserve Bank of India’s policy meeting on Wednesday, with the central bank expected to keep rates on hold despite a sharp slowdown in economic growth after inflation surged to a five-month high.

In more encouraging news, Indian manufacturing activity expanded for a second straight month in September, with the Nikkei/Markit Manufacturing Purchasing Managers’ Index steady at August’s 51.2.

But worries about the economy remain with domestic shares falling for a second consecutive month in September, hurt by a slew of negative global and domestic factors, including expectations of further rate hikes by the U.S. Federal Reserve.

“The markets are up today on strong auto sales but the caution among investors is still prevalent,” said Vinod Nair, head of research at Geojit Financial Services.

“I do not expect RBI to cut the rates quickly.”

The broader NSE index was up 0.82 percent at 9,869.10 as of 0553 GMT, while the benchmark BSE index was 0.87 percent higher at 31,555.32. Both indexes climbed as much as 1.1 percent earlier in the session.

The markets were closed on Monday for a public holiday.

The Nifty Auto index rose as much as 2.4 percent on the back of higher vehicle sales in September, with Bajaj Auto Ltd gaining as much as 3.3 percent to a record high.

Tata Motors jumped as much as 6.6 percent after the carmaker received an order from the Indian government for electric cars. The company also reported a 25 percent rise in September domestic vehicle sales.

Dr. Reddy's Laboratories jumped as much as 3.7 percent after the drugmaker announced the launch of Sevelamer Carbonate tablets, which are used to treat kidney diseases, in the United States.

Shares of SBI Life Insurance Co Ltd rose as much as 5.7 percent on their trading debut after the company's initial public offering raised $1.3 billion, as investors bet on the sector's growth potential.

Meanwhile, Reliance Communications Ltd tumbled as much as 7.8 percent to an all-time low after the company said on Sunday that a merger with Aircel had been called off due to regulatory delays and legal uncertainties.

(Reporting by Vishal Sridhar in Bengaluru; Editing by Subhranshu Sahu)

<< Back to news headlines >>

Benefits of sales tax hike in Japan outweigh negatives: Moody's
Tuesday 3rd October, 2017 – Reuters

The benefits of raising Japan's sales tax again outweigh the negatives, even if Prime Minister Shinzo Abe diverts some of the additional revenue to education and welfare, an official at ratings agency Moody's Investors Service said on Tuesday.

The exact timing of when Japan achieves a primary budget surplus is not that important as long as the government is committed to fiscal reform in the medium term, Christian de Guzman, a vice president of sovereign ratings at Moody's, told Reuters in an interview.

The comments could ease concerns about Japan's fiscal discipline after Abe called for a snap election on Oct. 22 with promises to spend more on education, and welfare to appeal to voters.

"Before parliament was dissolved, there was a bit of uncertainty that the tax hike would go through," de Guzman said.

"The benefits (of Abe's plan) outweigh the negatives."

Moody's rating on Japan is A1, which is four notches below its top rating. Its outlook for Japan is stable.

A central plank of Abe's campaign is that he wants to go ahead with a sales tax hike to 10 percent from 8 percent in October 2019 and use some of the funds to subsidize education for pre-schoolers instead of paying down debt.

The tax hike would generate around 5 trillion yen ($44.22 billion) in revenue, but Abe plans to earmark only around 2 trillion yen for education and welfare, which is supportive of fiscal policy, de Guzman said.

Abe's ruling Liberal Democratic Party also has omitted the deadline by which it aims to return to a primary budget surplus from its campaign platform. Originally, the government said it would achieve this goal in fiscal 2020.

The original timeframe was unrealistic, so there is little reason to be concerned that the LDP has abandoned it, he said.

De Guzman's assessment is based on the assumption that the LDP and its coalition partner retain their majority in the lower house, but this scenario is less certain than it once was.

Abe's approval ratings have been falling since he called the election. A new political party formed by Yuriko Koike, the popular mayor of Tokyo, is gaining momentum and could pose a serious challenge to the LDP.

Koike's party wants to delay the sales tax hike, which could be negative for fiscal policy, but it is still uncertain if her party will be able to form a government.

De Guzman said uncertainty about fiscal policy and threats posed by North Korea could have negative implications for Japan, but on the positive side, export demand has been supportive of growth, so the risks to Japan's sovereign rating remain balanced.

A sales tax increase in 2014 helped tip the economy back into recession.

(Reporting by Stanley White and Takashi Umekawa; Editing by Chris Gallagher and Kim Coghill)

<< Back to news headlines >>

Caribbean Information & Credit Rating Services Limited

Dollar hits 1-1/2-mth peak on better U.S. economic outlook, Aussie slips

Tuesday 3rd October, 2017 – Reuters

The dollar struck a 1-1/2-month high on Tuesday as Treasury yields rose after a strong reading for U.S. manufacturing activity hardened expectations for U.S. interest rates to rise by the year-end.

The Australian dollar slipped to its lowest in more than two months after the Reserve Bank of Australia left interest rates unchanged and gave a somewhat cautious assessment of the local economy.

The dollar index against a basket of six major currencies was up 0.3 percent at 93.848 after touching 93.891, its highest since Aug. 17.

On track for its third straight day of rises, the benchmark 10-year Treasury yield edged up to 2.351 percent after briefly touching a three-month high of 2.371 percent overnight.

Debt yields and equities rose - Wall Street shares reached record highs - after a measure of U.S. manufacturing activity for September released on Monday showed a surge to a 13-1/2-year high.

"The dollar is drawing support from familiar themes. The Fed continues to sound hawkish, U.S. indicators are good and price indicators are rising," said Bart Wakabayashi, Tokyo Branch Manager of State Street Bank.

"All these factors are cementing the prospect of a December rate hike by the Fed."

The euro was down 0.2 percent at $1.1708 after brushing $1.1702, its weakest since Aug. 17. The common currency had already slid 0.7 percent overnight against a data-boosted dollar.

The euro also took a knock on Monday as Spain faced its biggest constitutional crisis in decades after Sunday's independence referendum in Catalonia.

"The impact on the euro from the Catalonia vote is likely to fade. Other euro zone markets, like those in Germany, have taken the vote in their stride. Wanting independence and actually achieving it are also two different matters," said Yukio Ishizuki, Senior Currency Strategist at Daiwa Securities.

The dollar, which initially fell to 112.660 yen early in the session, was up 0.35 percent at 113.150 yen. A rise above 113.260 would take the greenback to its highest since mid-July.

Still, some saw the dollar facing turbulence against the yen in the coming sessions as traders considered the implications of Japan's snap general election later in the month.

Ishizuki at Daiwa Securities pointed out that one-month dollar/yen risk reversals showed dollar puts are more popular.

"What this means is that participants, particularly foreigners, are wary of the upcoming elections and its possible negative impact on Abenomics," Ishizuki said.

Market participants try to hedge against currency risk and volatility through the use of risk reversals, in which "puts" give them the option to sell.

Japanese Prime Minister Shinzo Abe last week dissolved the parliament's lower house and called a snap election for Oct. 22.

Abe's ruling Liberal Democratic Party (LDP) was initially expected to win the election with relative ease. An easy win, however, is looking less assured with popular Tokyo governor Yuriko Koike forging an alliance of opposition parties to challenge the LDP.

The Australian dollar fell 0.4 percent to $0.7792, its lowest since July 18, after the RBA's policy decision on Tuesday.

The RBA kept interest rates on hold at a record low of 1.5 percent as widely expected while noting that a stronger local currency would slow the economy and restrain price pressures.

The central bank said local economic growth was expected to pick up gradually in the coming years. But it also noted that slow wage growth and high household debt are likely to constrain spending and growth.

(Editing by Simon Cameron-Moore and Sam Holmes)

<< Back to news headlines >>

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Caribbean Information & Credit Rating Services Limited

BOJ tankan corporate inflation expectations flagging

Tuesday 3rd October, 2017 – Reuters

Japanese companies' inflation expectations eased slightly in September from three months ago in a worrying sign the economy continues to struggle with a deflationary mindset.

Companies surveyed by the Bank of Japan expect consumer prices to rise 0.7 percent a year from now, lower than their projection for a 0.8 percent increase three months ago.

Firms also expect consumer prices to rise an annual 1.1 percent three years from now, unchanged from the previous survey.

Japan's economy has grown at a healthy pace this year, but consumer prices have eked out only small gains, which could hasten calls for the BOJ to either expand monetary easing or overhaul its approach to reflating the economy.

"Companies are more optimistic about overseas economies and don't expect domestic retail prices to rise that much," said Shuji Tonouchi, senior market economist at Mitsubishi UFJ Morgan Stanley Securities.

"We won't see an immediate change in the BOJ's policy, but this does show that monetary easing will have to remain in place for a long time."

The data come one day after the BOJ's tankan survey on corporate sentiment showed big manufactures are the most confident in a decade as global demand adds momentum to the economic recovery.

The tankan survey also showed companies expect the economy to lose a little momentum in the next three months.

Core consumer prices, which include oil products but excludes fresh food prices, rose 0.7 percent in August from a year earlier, marking the eighth straight month of gains but still well below the BOJ's 2 percent inflation target.

One BOJ policymaker called for expanding monetary stimulus at a policy meeting in September, raising concerns that the board could become divided.

The central bank next meets on Oct. 30-31, where it will update its forecasts for consumer prices. A lowering of the forecasts would put pressure on the central bank to take further steps.

The BOJ started the survey on corporate price expectations from the tankan in March 2014 to gather more information on inflation expectations, key to its current stimulus programme.

(Reporting by Stanley White; Editing by Shri Navaratnam)

<< Back to news headlines >>

Imf: Bahamas Bank Fees Rise Up To 186%

Monday 2nd October, 2017 – tribune 242

Bahamian banks have increased fees for cross-border transactions by as much as 186 per cent over the last five years, due to growing pressure on their international ties.

A recently-published International Monetary Fund (IMF) working paper further exposes the impact correspondent banking 'de-risking' is having on Bahamas-based institutions and their clients, with wire transfer fees alone having increased by 20 per cent since 2012.

It reveals how the fee increases, and extra time spent on compliance and administrative work, have negatively impacted the financial services industry and a wider Bahamian economy that is primarily based on international trade and services exports.

The IMF paper warned that besides further depressing growth and jobs in the financial services industry, 'de-risking' was also "complicating efforts to diversify the economy", with many institutions "vulnerable" to further reductions in the number of relationships they hold with foreign correspondents.

It acknowledged, though, that the decision by some global banks to terminate relationships with their Bahamian counterparts was driven, at least in part, by their "discomfort" in providing services to institutions that do business with the web shops.

Drawing on the Central Bank of the Bahamas' correspondent 'de-risking' survey from August 2016, the IMF paper revealed that fees charged by Bahamian banks to their customers for correspondent banking-related services had increased by between 8 per cent to 186 per cent over the last five years.

This represents the highest increase in the Caribbean, although both the IMF and Central Bank rated the 'de-risking' impact on the Bahamas to-date as 'low' when compared to other nations in the region.

"Based on a recent survey by the Central Bank of the Bahamas, a total of 14 institutions (about 25 per cent of survey respondents), comprising three domestic commercial banks, one money transmission service provider, and 10 international banks, have been affected or impacted by the withdrawal of correspondent banking relationships," the IMF paper said.

"Thus far, there is no evidence of significant impact on the domestic financial system as a whole, or on financial intermediation in the domestic economy. This reflects the dominant role of Canadian-owned banks, which hold almost 70 per cent of total banking system assets and have not lost any correspondent banking relationships. Financial institutions that were not able to replace lost correspondent banking relationships, continued to rely on existing correspondent banking relationships or their parent companies for correspondent banking services."

Instead, the IMF paper said the private sector and individual Bahamians had felt the impact in higher transaction fees, with banks incurring increased time and compliance costs in a bid to maintain their relationships with US and other industrialised-world institutions.

"Banks report higher investment and staffing costs stemming from additional reporting requirements and scrutiny; disruptions in services to money service providers; impact on cheque clearing, trade finance, international wire transfers, and cash management transactions; as well as sometimes sizeable increases in customer fees," the IMF paper said.

"Fees for wire transfers have increased about 20 per cent on average over the last five years. A majority of financial institutions rely on few (one to four) correspondent banking relationships, suggesting vulnerability to further losses."

Banking fees, and real or perceived increases in them, are an especially sore and sensitive issue for many Bahamians. A senior Royal Bank of Canada (RBC) executive said last week that fees had increased in line with the drop in loan interest income, as banks bid to cover their costs in a depressed economic environment. International pressures, though, are clearly another factor.

Correspondent banks are those that allow Bahamian financial institutions to provide services in their home countries, using their physical and electronic banking infrastructure. They give Bahamian banks, and their clients, access to the international capital markets and financial system, enabling transactions to clear and be settled on a timely basis, and foreign currency deposits to be taken.

Banks in major industrialised countries have embarked on an increasing trend of severing correspondent relationships with foreign banks, and the Caribbean region is among those that have been most heavily impacted.

The move is being driven by the 'risk/reward' analysis, with developed country banks perceiving correspondent relationships with their Caribbean counterparts as too 'high risk' when measured by the financial rewards.

They are particularly concerned that Caribbean banks are susceptible to financial abuses, such as money laundering and terror financing, which could lead to financial sanctions being imposed on themselves by home country regulators.

Correspondent bank 'de-risking' has potentially major ramifications for the wider Bahamian economy, given that this nation's model is that of an international business and financial services provider, which also imports the majority of what it consumes.

Bahamian banks rely on foreign correspondents to clear foreign currency transactions and payments on behalf of their clients, and increased de-risking threatens to cut off local businesses from international finance, trade and commerce, undermining the economy's very existence.

The Bahamas' 'trade openness' was said to be equivalent to 100 per cent of GDP between 2011 and 2015, due largely to tourism receipts standing at 27 per cent of economic output - the highest in the Caribbean. Net foreign direct investment inflows averaged around 11 per cent of GDP over the same period, the third highest in the Caribbean.

While the value of Bahamian bank cross-border operations had dropped by between 25-30 per cent between 2011 and 2015, the third-highest drop in the Caribbean, the volume had increased by 28 per cent - the second biggest jump. This, the IMF paper said, implied a near-50 per cent drop in average transaction value.

The IMF paper said "the largest fallout" from correspondent banking 'de-risking' had been felt in the Bahamas' international financial services sector, which "has been shrinking" due to uncertainty associated with global regulatory initiatives and decline in clients' risk appetite.

"Global trends of withdrawal of correspondent banking have led to even more scrutiny, further reducing the sector's contribution to growth and employment, and thus complicating efforts to diversify the economy," it warned.

Foreign banks' risk perceptions were identified as a major factor behind Bahamian banks losing correspondent relationships. The IMF paper adds: "Anecdotal evidence suggests that international correspondent banks are uncomfortable providing services to domestic banks that do business with either money transmission businesses (MTBs) or online gaming operators (so called web shops), which are perceived as a higher anti-money laundering/counter terror financing risk.

"Smaller, standalone financial institutions with fewer international transactions, in both domestic and international sectors, have been more vulnerable. The general view is that in several cases the costs of anti-money laundering/counter terror financing compliance outweigh the profits generated by correspondent banking services, making it particularly difficult for smaller local institutions with fewer international transactions to maintain their correspondent banking relationships."

To tackle the problem, the IMF paper urged the Bahamas to swiftly tackle deficiencies in its anti-money laundering/counter terror financing regime that were identified in the July 2017 Caribbean Financial Action Task Force (CFATF) report.

"Looking forward, authorities should ensure strong compliance and take a proactive approach to strengthening implementation," the IMF paper said. "Continued evaluation of the supervisory and regulatory framework for both banks and non-banks to proactively identify and address risks in a timely and assertive manner is critical."

<< Back to news headlines >>

Oil Explorer's Boost For 'Faster' Farm-In Partner Conclusion

Monday 2nd October, 2017 – Tribune 242

A Bahamas-based oil explorer's push for a "faster" conclusion to its joint venture partner search has been boosted by industry developments impacting the Caribbean.

Simon Potter, Bahamas Petroleum Company's (BPC) chief executive, told Tribune Business that its search for a 'farm-in' partner to share the burden of a first exploratory well in Bahamian waters was "dictated" by market forces "outside our control".

He added, though, that interest in BPC's prospects appeared to be heating up, with five groups having completed or scheduled visits to conduct due diligence on its database during the 2017 second half.

With the global oil industry having seemingly accepted $50 per barrel as the 'new norm', Mr Potter said the renewed interest in BPC's Bahamian licenses had been given further impetus by a recent oil discovery off Guyana and a successful offshore licensing round for acreage off Mexico's Gulf coast.

"There's a broad kind of interest in the prospects in our region, so things are progressing," the BPC chief told Tribune Business of the farm-in partner search. "This review process [by potential partners] takes quite a long time, and with the oil price stabilised at $50, it's obviously a bit lower than it used to be at $100 per barrel.

"Companies are a lot more careful, and there's a lot more due diligence and governance rules in the process. We'd like it faster, but it is what it is. It's a market. We don't dictate it; it's dictated to us, but we're progressing."

The 12-month extension granted to BPC's license last March gave the company until April 2018 to spud, or drill, its first exploratory well in waters south-west of Andros near the maritime border with Cuba.

The oil exploration firm has always wanted to secure a joint venture partner to share the financial, and technical, burden of that first exploratory well, with the search now lasting several years.

With the April 2018 deadline fast approaching, and now just seven months away, Mr Potter refused to be drawn on whether BPC would seek another license extension should it be unable to seal a joint venture partnership in time.

He reaffirmed, though, that BPC was determined to fulfill its obligations to both the Bahamas and its shareholders.

"We clearly, on behalf of the shareholders, want to see a well as soon as possible," Mr Potter told Tribune Business. "That has always been a target, and will always be a target. The timing of that we don't control ourselves."

BPC, in unveiling its 2017 half-year results on Friday, said many potential joint venture partners had "undertaken substantial technical and commercial due diligence" on seismic and other seabed data indicating the likelihood of finding commercial quantities of oil in Bahamian waters.

"We have continued to progress our efforts to secure a partner, despite the European summer holidays in August and the considerable disruptions to regional business activity caused by Hurricanes Harvey (which largely affected Houston) and Irma (affecting most of the Caribbean)," BPC told shareholders.

"This has included executing several new Non-Disclosure Agreements with parties interested in reviewing the investment opportunity, five new parties undertaking or scheduling due diligence visits to assess the company's technical database, and commencement of dialogue with various industry intermediaries to broaden the scope and reach of the company's efforts."

BPC continued: "At the same time, discussions have continued with those parties that had already undertaken substantial technical and commercial due diligence......, our hope being to progress one or more party to the next stage of the process (non-binding term sheets) in the next couple of months."

Securing a joint venture partner is now critical to BPC's efforts to move its exploration efforts forward, and Mr Potter told Tribune Business that recent industry developments - globally and regionally - had provided new hope.

Apart from global oil prices stabilising at a level the industry has become accustomed to, Mr Potter said there had also been exploration success via recent discoveries in Guyana and West Africa.

He added that this, together with recent successful exploration licensing rounds, especially in the Mexican Gulf, had renewed exploration enthusiasm worldwide and, particularly, in the Caribbean.

"What it's done is create quite an interest around the broader Caribbean region, so certainly that broader region of which we're part is quite buoyant from an exploration standpoint," Mr Potter said.

BPC's half-year results statement was not slow to emphasise the potential benefits of a successful oil discovery to the Bahamian government's fiscal position, given the potential royalties and other payments that would become due.

"The immediate focus of the new government is to address a number of urgent issues facing the nation," BPC said. "A current year fiscal deficit of over $600 million; $7 billion in existing government debt (rated at junk level by two out of the three major rating agencies); increasing levels of wealth inequality; ballooning fuel prices; and the exposure of infrastructure to weather damage, as highlighted recently by the devastating impact of hurricane Irma across the Caribbean.

Over the last few months the company has met with representatives of the new administration, our goal being to ensure that the company's activities - and the significant potential economic and social benefits the company's project offers to the Bahamas - are fully understood and supported. Developing a successful oil and gas industry remains a tenet of energy policy for the new government, and we believe that the positive economic impact our project could have is well appreciated."

Mr Potter reiterated to Tribune Business: "In the event of success, we could make a considerable difference to the economy of the Bahamas." He added that BPC was "encouraged by the nature of the talks" held with the Minnis administration to-date.

BPC has been speaking to specialist investment banks to broaden the range of potential joint venture partners, as well as engaged external expects to perform an audit of its data to verify - and add credibility to - its estimates of recoverable commercial oil quantities in the Bahamas.

The company raised an additional $3.5 million in cash, via a share placement, in June-July 2017 to ensure it has the necessary financial resources to cover operations for the next 12 months.

"The operating loss for the period to 30 June, 2017, was down 23 per cent on the comparative six-month period, and 14 per cent on the prior year result (on an annualised basis)," BPC said.

"This result, combined with the 16 per cent reduction in employee benefit expense compared with the prior interim period, demonstrates the effects of continued cost restraint at all levels of the business."

<< Back to news headlines >>

Hotel Corp Bids To 'Aggressively Sell' Last Resort Property

Monday 2nd October, 2017 – Tribune 242

The Hotel Corporation is moving "to aggressively sell" its last-remaining resort property, and complete the 25-year process to cease Government ownership in the hotel industry.

Dionisio D'Aguilar, minister of tourism, told Tribune Business that the Government was hoping for "an all-cash deal" for the Lighthouse Yacht Club and Marina, having kick-started a formal sales process for the 20-room Andros resort last week.

Bids are due by October 31, and Mr D'Aguilar said the Minnis administration was seeking offers from groups "with the wherewithal" to develop the 11-acre property rather than 'buy and hold'.

"It's always been on the market," the Minister said of the Lighthouse Club, "but now the Hotel Corporation is aggressively trying to sell it. It's the only hotel left.

"It was significantly damaged in Hurricane Matthew, and it's really not the intention of the Government to be in the business of running hotels. The Government is not the best-suited entity to run that hotel, so we're opening it up to whoever's interested in buying it. We'll consider all bids."

A successful sale of the Lighthouse Club would seemingly mark the end of a 25-year process, begun under the first Ingraham administration in 1992, with the sales to Sandals and SuperClubs Breezes, to extricate the Government from the business of hotel ownership.

Mr D'Aguilar, though, replied: "I wouldn't say that too quickly" - seemingly a reference to the fact that the Government may, through the Hotel Corporation, take a partial equity ownership stake in the Grand Lucayan to ensure that property rapidly re-opens for the benefit of Freeport's economy.

"We want to get it income producing, we want to get it employing people," the Minister added of the Lighthouse Club. "We just don't believe the Government should be performing that function.

"We want to sell it as quickly as possible. The quicker it gets sold the people purchasing it can do something with it and get people employed again. A number of parties had approached us previously, and we would hope for an all-cash deal.

"People are interested, wondering what we're going to do with it, and are interested in acquiring it," Mr D'Aguilar continued. "We'd like to sell it to someone who's going to do something with it, and create employment for Andros. The preferred purchaser would be someone with the wherewithal to do something with it, not just buy it and let it sit there."

Numerous attempts to sell the Fresh Creek-based property, which also includes a 30-slip marina, pool and tennis court on 11 acres of beachfront land, have been made before with little seeming success.

The last Ingraham administration was trying to negotiate a sale to Illinois-based Scheck Industries when it left office in May 2012, in a bid to end financial bleeding that was costing the Hotel Corporation $500,000 per year.

Under the proposed agreement with the then-Ingraham administration, land and investment incentives would have been released to Scheck in accordance with "timeframes and milestones for development".

The company had proposed a $15 million investment in the first phase, and construction and full-time jobs of 50-plus, but nothing further was heard of Scheck once the Christie administration took office.

Tribune Business then revealed in 2014 that rival Bahamian-led bids with strong Andros connections were battling to acquire the Lighthouse Club. Prescott Smith, owner of Stafford Creek Lodge, confirmed he was heading one group, while Vanlock Fowler, owner of Nassau-based All Purpose Steel Company, confirmed he was part of another.

Again, though, no deal was closed. The property remains shuttered, with the Matthew-related damage not repaired, resulting in the assets being offered on an 'as is' basis.

Rev Frederick McAlpine, the Hotel Corporation's chairman, told Tribune Business that there was likely "more value in the land" than the buildings at the Lighthouse Club.

"We're interested in selling it to anyone who wants to do something in Andros that will be an economic blessing for the people of Andros," he said. "We're looking for a very quick sale and a reasonable sale."

Both Mr D'Aguilar and Rev McAlpine said a sale closing would not result in the Hotel Corporation's winding-up, as its remaining assets include about 3,200 acres of undeveloped land in Eleuthera, in the area of Winding Bay and Half Sound.

They suggested it would instead be "redefined" as a Tourism Development Corporation, something that has been planned since the 2002-2007 Christie administration.

"We've got some other ideas for the Hotel Corporation once we get out of this business," Mr D'Aguilar told Tribune Business. "We're exploring the idea of a Tourism Development Corporation.

"It has to be fleshed out, and we have to see how it will be constituted and what will be its purpose. We have to think about that and come to a conclusion."

Rev McAlpine added: "I think the future of the Hotel Corporation is to convert ourselves into a Tourism Development Corporation, being able to be a catalyst in the affairs of tourism in the Commonwealth of the Bahamas and trying to bring people to the table and even be a partner in tourism ventures.

"It would also put the Hotel Corporation in a better position to have more teeth to do something and redefine ourselves."

<< Back to news headlines >>

Rising oil prices and wider current account and fiscal deficits predicted in ECCU economies

Monday 2nd October, 2017 – Caribbean News Now

BASSETERRE, St Kitts — Rising oil prices and the end of the PetroCaribe programme will result in wider current account and fiscal deficits in the economies of St Kitts and Nevis and the other member states of the Eastern Caribbean Currency Union (ECCU).

This is according to the British-based Latin America Monitor, a leading publisher of specialist business information on global emerging and frontier markets.

In its October analysis, released prior to the devastation of Anguilla, Barbuda and Dominica by Hurricanes Irma and Maria, Latin America Monitor said, while it views it as unlikely, it cannot rule out a balance of payments crisis in the region or a devaluation of the pegged East Caribbean dollar.

"The economies of the Eastern Caribbean Currency Union (ECCU) member states will come under pressure from rising fuel prices and the end of the PetroCaribe programme in the years ahead. We expect to see a deterioration of current account and fiscal balances across the union over the next several years due to increasingly expensive fuel imports. This will raise the risk of balance of payments crises by member states and a devaluation of the East Caribbean dollar (XCD), although these are not part of our core view for the region," Latin America Monitor said.

"Additionally, we note that while this piece focuses on the ECCU, the end of PetroCaribe poses risks to all members of the alliance. We highlight Cuba and Nicaragua as other countries that are particularly vulnerable to the end of the programme," it said.

It stated that, given their small size and limited natural resource bases, the countries of the Caribbean are heavily reliant on fuel imports, primarily for electricity generation. This is particularly true for the ECCU, which includes some of the smallest economies in the Americas that have virtually no domestic fuel production.

Latin America Monitor disclosed that between 2010 and 2016, fuel imports accounted for an average of 18.9% of total imports in the ECCU, reaching as high as 29.8% in Montserrat.

"Our Oil & Gas team forecasts the price of Brent to average USD54.0/barrel (/bbl) in 2017 compared to USD45.1/bbl in 2016, before gradually trending higher in subsequent years, which will place upside pressure on the import bill in these economies. Moreover, rising oil prices will be compounded by an end to heavily subsidised fuel imports from Venezuela to the majority of the ECCU as part of the PetroCaribe programme. Years of cheap fuel have masked external vulnerabilities in the ECCU," said Latin America Monitor, which added that "the ongoing political and economic crisis in Venezuela has seen a sharp decline in shipments to the Caribbean and we see little chance that crude exports will recover to previous levels in the foreseeable future."

The spike in energy costs, amid falling support from Venezuela, will challenge ECCU countries' fiscal and external account positions, potentially pushing the most vulnerable countries towards a crisis point. Specifically, increased prices will have two major effects, larger current account deficits and deteriorating fiscal positions.

Rising fuel import prices will see current account deficits widen across the union. The balance of payments positions of most member states are already precarious: members of the ECCU averaged a current account deficit of 9.5% of GDP in 2016, with Anguilla's 30.4% deficit the largest. Moreover, despite low global oil prices over 2015 and 2016, these countries' deficits grew by an average of 3.9 percentage points over the two-year period.

"As such, we expect current account deficits to continue widening in the years ahead in tandem with oil prices. This dynamic could call into question the ability of the ECCU to maintain the East Caribbean Dollar (XCD) peg, which is currently at XCD2.70/USD. Use of the peg has made external adjustments more challenging, exposing the region to the sudden shock of a sharp rise in fuel costs," Latin America Monitor stated.

It added however that "we do not expect that the ECCB will be forced to devalue the currency in the near future, barring a much sharper rise in oil prices than we currently expect. In real effective terms, the unit has steadily weakened over recent quarters, and the ECCU maintains an average 4.0 months of import cover, both of which suggest that there is no imminent need to devalue the XCD.

“Moreover, despite a history of wide deficits, the ECCU has historically been able to finance these deficits with substantial inflows into the tourism and financial services sectors. As the bulk of these inflows are in the form of direct investment, the risk of capital flight is relatively low. That said, we note that average reserves are down slightly from 4.3 months in 2014, a pace of decline which may accelerate if current account deficits sharply increase.”

According to Latin America Monitor, the end of Venezuelan support will also result in wider budget deficits in the ECCU, noting that in addition to subsidised oil, PetroCaribe effectively provides financial assistance to member governments, which is typically put towards various social development programmes.

“Recipients often re-export Venezuelan oil at market prices, using the difference to fund their budgets, or use the oil to provide subsidised electricity. Such spending will become more difficult to sustain given our relatively subdued growth outlook for the region and high debt burdens, possibly requiring governments to either acquire outside financing or make cuts to politically popular programmes, such as St Lucia’s recent cuts to capital expenditures. We also see a significant chance that electricity prices will rise in member states, reducing consumers’ disposable incomes.”

Latin America Monitor has identified two dynamics that are likely to mitigate the impact of rising fuel import prices moving forward.

“First, we hold a positive outlook on tourism in the Caribbean in the years ahead due to robust growth in the region’s primary source markets as well as fading concerns about the zika virus. Foreign arrivals provide a source of hard currency for the countries of the ECCU, with total visitor expenditures typically amounting to roughly one quarter of GDP. This will offset some of the impact of higher fuel costs on the countries’ external accounts.

“Second, over the long term, a greater reliance on renewable sources of energy, as well as liquefied natural gas (LNG), has the potential to reduce the union’s reliance on imported oil to meet domestic energy needs. While both renewable and LNG currently play a minor role in the energy mix of member countries, further development of these power sources would substantially reduce the ECCU’s exposure to oil price shocks,” Latin America Monitor said.

<< Back to news headlines >>

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