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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

Rowley chides forex hoarders at TTMA Awards
Prime Minister Dr. Keith Rowley called on citizens who hoard foreign exchange to stop it and release it back to the market.

West lobbies business community for TTRA support
Minister in the Ministry of Finance, Allyson West says government intends to establish the T&T Revenue Authority (TTRA) in 2018.

Jamaica

'B-Fix It' Slows Slide Of J'can Dollar, Says Wynter
Declaring that the Jamaican dollar has depreciated by only 1.0 per cent for the 12-month period up to October 2 this year, Bank of Jamaica (BoJ) Governor Brian Wynter said that the central bank is reaping positive results from its "B-fix it intervention and trading tool".

Coffee Sector In Turmoil - Beans Going To Waste, MPs Upstage Press Conference
Ripe coffee is dropping off trees in the Jamaica Blue Mountains with only one of 18 processors now purchasing supplies from farmers.

Barbados

Barbados' sustainable recovery plan will be practical
The Barbados Sustainable Recovery Plan 2017 will be "bold, practical and implementable".

The Bahamas

Tourism Softness: Nassau/Pi Room Revenues Off 7%
Hotel room revenues on Nassau/Paradise Island fell by 7 per cent year-over-year to end-July 2017, amid warnings of "sustained softness in tourism".

Haiti

Update on Tax and Customs Measures

Tuesday Ronald Grey Décembre, the Secretary of State for Finance, Jean Jorel Janvier the General Director of Customs (AGD) and Miradin Morlan, Director General of the Directorate General of Taxes (DGI) took stock at a press conference of tax and customs measures for the financial year 2017-2018 which began on 1 October.

St. Kitts and Nevis

Monetary Council trip to Canada "highly successful" says Prime Minister Harris

Prime Minister Dr. the Honourable Timothy Harris has described the recent visit to Toronto, Canada by the Organisation of Eastern Caribbean States (OECS) Monetary Council as "highly successful". The prime minister was a member of the monetary council delegation which also comprised Prime Minister of St. Lucia, the Honourable Allen Chastanet and Governor of the Eastern Caribbean Central Bank (ECCB), Timothy Antoine.

Government remains committed to granting duty free concession on building materials for homes damaged by Hurricanes Irma and Maria

Prime Minister, Dr the Honourable Timothy Harris has echoed his government's commitment to grant citizens and residents duty free concessions to those persons who reported damages to their homes following the passage of Hurricanes Irma and Maria in September.

Hurricane Relief Fund not undercutting any sub-regional CBI programmes says PM Harris

Prime Minister and Minister of Finance, Dr the Hon Timothy Harris, commenting on the Hurricane Relief Fund (HRF) has said that it is a third option offered by the country's Citizenship by Investment Unit, and it is not undercutting any CBI programme in the sub-region.

Guyana

DDL embarks on US$50M expansion

Prime Minister Moses Nagamootoo and Minister of Business, Dominic Gaskin, yesterday conducted a tour of the Demerara Distiller Limited (DDL), Manufacturing Facility, Diamond Plantation Branch.

Other Regional

Remittances To The Caribbean Recover Modestly After Two-Year Decline
The World Bank says remittances to Latin America and the Caribbean are expected to increase by 6.9 per cent to US$79 billion this year.

INTERNATIONAL

United States

U.S. budget deficit could obstruct Trump's tax cut plan
The U.S. budget deficit is proving to be a major obstacle to the tax reform plan being offered by President Donald Trump and top congressional Republicans, with one leading Senate hawk saying a week after the plan was introduced that any enlarging of the fiscal gap could kill his support.

Wall Street rally on pause, but more gains seen in 2018: Reuters poll
A more than eight-year bull market on Wall Street will simmer for the rest of 2017 before picking up again next year, said strategists in a Reuters poll who were optimistic about corporate profits but concerned about slow tax reform progress.

United Kingdom

Political uncertainty prods sterling to three-week lows
Britain’s pound skidded half a percent to three-week lows against the dollar and euro on Thursday, as investors worried about Prime Minister Theresa May’s ability to cling onto power after a poorly-received speech the previous day.

Europe

ECB weighed trade-off between QE extension scenarios in September: minutes
European Central Bank policymakers meeting last month discussed various scenarios to extend asset purchases into next year and also expressed widespread concern about the euro’s rapid rise, accounts of the meeting showed on Thursday.

Europe Cont'd

ECB lowers emergency funding cap for Greek banks to 32.6 bln euros
The European Central Bank lowered the cap on emergency liquidity assistance (ELA) Greek banks draw from the domestic central bank by 1 billion euros to 32.6 billion euros ($38.37 billion), the Bank of Greece said on Thursday.

Euro ministers to mull developing bailout fund into Europe's Monetary Fund
Euro zone finance ministers will discuss on Monday ideas for a European Monetary Fund that would eliminate the need to involve the International Monetary Fund or the European Central Bank in future euro zone crises.

Japan

Bank of Japan's Nakaso sees 'true dawn' in inflation push
The Bank of Japan's policies are finally nearing a "true dawn", Deputy Governor Hiroshi Nakaso said on Thursday as he predicted a long-awaited build-up of inflation pressures in an economy long haunted by deflation.

India

India cbank panel pushes new rules so lenders pass on rate cuts more quickly
A panel created by the Reserve Bank of India (RBI) said lenders are not sticking to rules that determine how much they can charge for loans, and proposed new requirements that could force banks to pass on interest rate moves to customers more quickly.

India SBI's new boss puts bad debt under microscope, but also eyes growth
Tackling bad debts will be the priority for State Bank of India, its newly appointed Chairman Rajnish Kumar said on Thursday, but India's largest bank will not shy away from opportunities to grow, including in infrastructure lending.

Global

Oil steady as talk of new OPEC deal balances U.S. exports
Oil prices steadied on Thursday on expectations that Saudi Arabia and Russia would extend production cuts, although record U.S. exports and the return of supply from a Libyan oilfield dragged on the market.

Global

Saudi says oil deal with Russia helping market, demand healthy

World energy markets can handle supplies of U.S. shale oil next year as demand is rising and deals between Russia and Saudi Arabia have helped stabilize crude prices, Saudi Arabia said on Thursday, suggesting confidence about the outlook.

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FULL ARTICLES

Rowley chides forex hoarders at TTMA Awards

Thursday 5th October, 2017 – Trinidad and Tobago Guardian

Prime Minister Dr. Keith Rowley called on citizens who hoard foreign exchange to stop it and release it back to the market.

“That foreign exchange story is not a simple, straightforward story. There are some shenanigans going on as well and they better face up to that. There are some people who are holding on to foreign exchange expecting a devaluation. That is not going to help us. You might have to wait a lot longer to realise your earnings from the expectation of an instant increase or you put it to work or put it back into the market place. For those of you who are earning foreign exchange it might be useful to bring the surplus back into T&T.”

Rowley spoke on Tuesday night at the Trinidad and Tobago Manufacturing Associations Award Ceremony held at the Hyatt Regency Hotel, Port-of-Spain.

He said that he is happy that he is not the Minister of Finance who has heavy responsibility which drew laughter from the audience.

“I am glad that I am not the Minister of Finance. I give few instructions to the Minister of Finance because I do not want to take much of the blame. A Minister of Finance in T&T today pulling all this together and delivering that budget, must have done one hell of a job.”

Speaking about the challenges the country faces, he added that the “burden must be shared across the board.”

“If we do that then we stand a very good chance of choosing the best options available to us.”

He said the challenge for the Government is to build an economy that can grow sustainably outside of the energy sector.

“Not ignoring the energy sector as that is the lifeblood and will be so for quite some time. If that sector ails and was not here then we would be in a much more difficult situation.”

He urged manufacturers to look beyond T&T's markets as the local population was too small to sustain the kind of growth needed for businesses.

He also called for greater innovation in how products are made and designed.

"Last week I was at a small fair in my constituency. I came face to face with a product that had me stumped. It was beautifully packaged. It was bread fruit flour, made in Carenage from Breadfruit grown in Tobago. I was impressed."

He also asked the local business community not to let the language barrier stop them from entering the Latin American markets.

" A market of 20 million or 30 million, it could be attractive if we get five percent of that or if we get one percent of it. Let T&T be punching above our weight."

<< Back to news headlines >>

West lobbies business community for TTRA support

Thursday 5th October, 2017 – Trinidad and Tobago Guardian

Minister in the Ministry of Finance, Allyson West says government intends to establish the T&T Revenue Authority (TTRA) in 2018.

Delivering the feature address at a post-budget forum by the American Chamber of Commerce of T&T (AMCHAM T&T) at the Hilton yesterday, West said they were committed to transforming T&T's revenue collection process.

Hoping to avoid the issues which prevented the successful implementation of the TTRA in the past, West revealed Attorney General Faris Al-Rawi was in the process of seeking legal advice as government would need the support of the Opposition.

Government would need a two-thirds majority for the initiative and according to West, "To the extent we can avoid it, we will."

"To the extent we cannot avoid it, we will need to rely on the support of the business and the rest of the community to apply the necessary pressure as you did with respect to the FATCA legislation to get us where we need to get to."

Responding immediately, AMCHAM T&T's President Mitchell De Silva indicated his Chamber's willingness to ensure the TTRA was set up in the shortest time possible as he said, "We understand why this needs to happen. It is not if it can happen, it has to and should happen and we will do what is necessary to get the actors that are needed to pass the legislation to do what has to be done. We don't have a choice and that is our reality."

West said a team was already working on the TTRA's set-up and she is confident it would be completed within the stipulated time frame.

Asked how the TTRA would capture revenue from the informal sector, West said, "The TTRA already has at its disposal quite a wealth of information or the ability to collect a wealth of information to identify the non-compliant."

The informal sector includes food vendors, doctors, attorneys, insurance professionals, taxi drivers, carnival band producers, entertainers and sportsmen.

West was unable to say how much revenue could be garnished from the informal sector which would also include persons engaged in the illegal sale of narcotics, prostitution, arms and ammunition trafficking, and PH drivers.

Asked how these persons would be categorised in the national tax bracket, West said, "The tax legislation does not distinguish between legal and illegal activity. It can tax both. The challenge would be identifying those people to bring them on the tax regime."

Asked about the calls by stakeholders in the Gaming Industry for government to reconsider increasing the taxes across the sector as it would result in massive job losses, West said no.

She said, "Government has been concerned for quite some time about the fact that as a general rule, persons involved in this sector do not contribute in any significant way to the public coffers."

"While we get to the place of introducing the Gaming Commission and the proper systems are put in place, I think the provisions announced by the minister are going to go forward."

<< Back to news headlines >>

'B-Fix It' Slows Slide Of J'can Dollar, Says Wynter

Thursday 5th October, 2017 – Trinidad and Tobago Guardian

Declaring that the Jamaican dollar has depreciated by only 1.0 per cent for the 12-month period up to October 2 this year, Bank of Jamaica (BoJ) Governor Brian Wynter said that the central bank is reaping positive results from its "B-fix it intervention and trading tool".

In a presentation to the Public Administration and Appropriations Committee (PAAC) of Parliament yesterday, Wynter said that the 1.0 per cent depreciation of the dollar up to early October compares with 7.6 per cent for the similar period last year.

According to the central bank governor, 'B-fix it' is a rules-based competitive multiple price mechanism used by the BoJ to buy from and sell to authorised foreign exchange dealers and cambios.

He said that this arrangement does not directly affect transactions by members of the public with their authorised dealers or cambios, which continues as before.

"Significantly, we have at last moved from the one-way market - the slide in the dollar - to a two-way market. The dollar goes up and it goes down. This can occur, and is occurring, when the exchange rate is in the zone of what we would call fairly valued," said Wynter.

Arguing that the exchange rate is fairly valued, the BoJ boss said that the Jamaican dollar appreciated on 66 separate days over the first half of this fiscal year, while depreciating on 60 separate days in the first half of this year.

He said for the similar period in 2016-2017, the dollar appreciated on just 25 days during that year, while depreciating 104 separate days over the period.

Wynter suggested that the macroeconomic stability in the economy is a contributory factor to the stability in the exchange rate.

He said that the BoJ has seen an increase in the volumes of foreign exchange being traded since the introduction of 'B-fix it' and other reforms accompanying it.

<< Back to news headlines >>

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Remittances To The Caribbean Recover Modestly After Two-Year Decline

Wednesday 4th October, 2017 – Jamaica Gleaner

The World Bank says remittances to Latin America and the Caribbean are expected to increase by 6.9 per cent to US$79 billion this year.

In the latest edition of the Bank's Migration and Development Brief, the Washington-based institution noted that "economic growth and improvement in the labour market in the United States is having a positive impact on the outlook for remittance flows".

Dilip Ratha, the lead author of the brief said "remittances are a lifeline for developing countries; this is particularly true following natural disasters, such as the recent earthquakes in Mexico and the storms devastating the Caribbean.

"It is imperative for the global community to reduce the cost of remitting money, by eliminating exclusivity contracts, especially in the high-income OECD countries. There is also an urgent need to address de-risking behaviour of global banks," he added.

However, the report notes growth in remittances to the region will moderate in 2018 to US$82 billion.

The World Bank estimates that officially recorded remittances to developing countries on a whole are expected to grow by 4.8 per cent to US$450 billion for 2017.

It said global remittances, which include flows to high-income countries, are projected to grow by 3.9 per cent to US$596 billion and that the recovery in remittance flows is driven by relatively stronger growth in the European Union, Russian Federation, and the United States.

The Bank says those regions likely to see the strongest growth in remittance inflows this year are Sub-Saharan Africa, Europe and Central Asia, and Latin America and the Caribbean.

It said in keeping with an improving global economy, remittances to low- and middle-income countries are expected to grow modestly by 3.5 per cent in 2018, to US$466 billion, adding that global remittances will grow by 3.4 per cent to US$616 billion in 2018.

The bank noted that the global average cost of sending US$200 remained stagnant at 7.2 per cent in the third quarter of 2017, adding that this was significantly higher than the United Nations' Sustainable Development Goal (SDG) target of three per cent.

The brief presents the results of a survey, conducted by the International Labour Organisation and the Global Knowledge Partnership on Migration and Development, or KNOMAD, on recruitment costs paid by low-skilled migrant workers.

Reducing recruitment costs is a part of the SDG of promoting safe, regular and orderly migration. Such costs can be exorbitantly high in some corridors, the brief noted.

<< Back to news headlines >>

Coffee Sector In Turmoil - Beans Going To Waste, MPs Upstage Press Conference

Wednesday 4th October, 2017 – Jamaica Gleaner

Ripe coffee is dropping off trees in the Jamaica Blue Mountains with only one of 18 processors now purchasing supplies from farmers.

And that one buyer, Mavis Bank Coffee Factory, has reduced its purchases to once a week from the usual five days.

It led three Government parliamentarians on Tuesday to upstage a Ministry of Industry, Commerce & Agriculture press conference to clamour for stabilised pricing for their coffee-farming constituents.

"I am leaving here very uncertain as to the future of the industry. We are very happy about the Government assistance but we are very concerned," said MP for Western Portland Daryl Vaz.

"It doesn't make sense that I call the farmers in my constituency because of the uncertainty. I have nothing to tell them," said Juliet Holness, MP for East Rural St Andrew.

"And I am now being told that coffee is being bought only once a week now," said Juliet Cuthbert-Flynn, MP for West Rural St Andrew.

Large coffee processors came back from Japan in late September without finalised deals from their main market. That doesn't normally happen. But conditions are changing due to heavy supplies of Blue Mountain coffee, (JBM), already in Japan, and a steady supply of the crop in Jamaica.

JBM prices jumped from US$25 per kilogram four years ago to US$60 now, resulting in a pullback by Japanese consumers.

Essentially, the Japanese big buyers aren't selling the JBM beans fast enough and won't place new orders until next March, Gleaner Business understands. The domino effect is that few local processors want to buy beans from farmers.

"We are in a crisis but it is not a reason to panic. If we handle this in a mature way then we will get through this," said chairman of the Jamaica Coffee Exporters Association, Jason Sharp.

At the press conference, Industry Minister Karl Samuda announced an $80-million worth of fertiliser assistance to farmers and an extension of the coffee import cess to include roasted coffee brought into Jamaica.

The new cess will hit such companies as NestlÈ Jamaica, new entrant Starbucks, Folgers and other importers. Imported green beans already incur a charge.

The ministry has not yet decided when the roasted coffee cess will take effect.

The various stakeholders attending the press conference parliamentarians, farmers and processors welcomed the Government assistance and cess.

However, there was an eruption following remarks by Mavis Bank managing director Norman Grant on prices paid to farmers. Grant said Mavis Bank would seek to pay farmers at a fair price, at around $6,000 per box. That is less than the $8,000 farmers were reportedly paid last year at this stage of the crop.

NEGOTIATIONS CONTINUE

"Even at $6,000 a box, that price is not a viable price but we are trying to make it work," Grant said.

That resulted in Holness questioning the expected rate of price declines. Grant indicated that negotiations with major Japanese buyers continued and as such he could not give a definitive figure.

Vaz asked for a timeline on concluding negotiations with the Japanese, saying the uncertainty would keep the industry in "limbo".

"If it continues for much longer then we will resort to a two-payment system," Grant responded.

In that system, farmers would get a portion of the funds up front and the remainder of the payment later in the coffee year, once the price is known.

The farmers indicated that it's raining daily, which apparently quickens the ripening of the coffee, but no one is buying.

"The coffee is dropping off the trees. Only one of the 18 processors is buying," said farmer Odia Bruce during the press conference.

"Where's the market?," asked another farmer, Will Frazer. "They want us to produce more but if we cannot sell 40 boxes now, then how are we going to sell 140 boxes?" he demanded.

The island has a positive coffee trade balance. But attorney Jennifer Housen who represented the Jamaica Coffee Growers Association at the meeting indicated that on a tonnage basis, there's an imbalance. Coffee imports amount to 600,000 pounds while exports amount to 200,000 pounds.

This produces farming opportunity, according to Samuda, who wants the sector to increase productivity in order to offset the reduced unit price. He said the average coffee farm yields 20 boxes per acre, but the Government wants that to move towards 80 boxes.

<< Back to news headlines >>

Barbados' sustainable recovery plan will be practical

Wednesday 4th October, 2017 – Nation News

The Barbados Sustainable Recovery Plan 2017 will be "bold, practical and implementable".

This disclosure came today from Minister of Finance, Christopher Sinckler, after he chaired a near four-hour meeting at the Grande Salle, Tom Adams Financial Centre, to discuss the draft plan which is currently being developed.

Sinckler told the Barbados Government Information Service: "A number of the suggestions are practical and they will cause some radical shifts in how we do business in Barbados across all sectors – social and economic."

The Minister had promised in this year's Financial Statement and Budgetary Proposals to begin the process for a Barbados sustainable recovery programme, which would cover the fiscal, growth and social sectors. After the full Social Partnership meeting in August, three working groups with officials from public agencies and private sector stakeholders were established to cover the thematic areas of Fiscal Reform, Growth and Sustainability and Social Responsibility.

Those working groups met over the last few weeks and produced a draft report, which was sent to Cabinet. "Cabinet noted it and gave its concurrence for the process to continue and in finalisation of that document, we had the first technical meeting here today with the social partners," he explained.

Describing today's meeting as "excellent", Sinckler said the contributions were frank, honest, open and critical. "Everybody seemed to have agreed that what has been produced so far is definitely a document that we can work with and now we look forward to the further intense work of pulling out the concrete implementable measures that will be taken by the Government going forward," he stated.

Sinckler added that the three groups would now identify any loopholes or vacuums within the recommendations and a blueprint should be completed by early November. He stressed that the public would be given an opportunity to examine and comment on the final draft before it was taken to Parliament for debate.

Underscoring the importance of the recovery plan, he said: "This document is very critical because we have to have a road map; everybody is saying we need to have fiscal reform, a balanced budget, fiscal consolidation, debt reduction, economic growth, and so on. There are a lot of ideas out there, and the issue is how do you bring those in, and tighten them up into a solid, core implementable package over the short, medium and longer term.

"This is not going to be like a budgetary exercise where you have a budget and you pronounce a few measures. This is going to be the complete package that addresses all issues in debt, financing, fiscal, state-owned entities reform, doing business and implementation."

Over 120 critical technical partners from the Social Partnership across the private sector, the labour movement and Government, as well as other national and regional institutions that work with Government, participated in today's meeting.

<< Back to news headlines >>

DDL embarks on US$50M expansion

Thursday 5th October, 2017 – Kaieteur News Online

Prime Minister Moses Nagamootoo and Minister of Business, Dominic Gaskin, yesterday conducted a tour of the Demerara Distiller Limited (DDL), Manufacturing Facility, Diamond Plantation Branch.

The company, makers of the world-renowned, award-winning El Dorado rums and which the franchise on Pepsi, announced a programme of development that would see it investing $10B (US$50M) over the next three years.

During the tour, Chairman of DDL, Komal Samaroo, and other staff members explained the processes for a number of their products, according to a Government release.

The Prime Minister and Minister Gaskin also visited the juice facility and the rum plant, where they were briefed on the procurement of fruits from local farmers for DDL's production.

While there, the government officials spoke with two farmers who were there to sell their cherries to the company. The Prime Minister remarked, "Today we see that DDL is willing and ready to receive fruits from local Guyanese farmers because the juices that they produce, by whatever name they have them, are local juices and these are the juices that we want our families and our kids to use."

He noted that as Guyana continues to develop, local content is very crucial to production in the country. "Local juices, biscuits, sweets drinks of all types".

Following the tour of the facility, the Prime Minister said, "Those who say that the sugar industry is dead or will be dead, they should take a tour of DDL bond and production factories.

There is an abundant need for molasses. (There is also) an unending need for liquor, rum, and vodka. So, I don't see today the death of the sugar industry, Guyana will continue to produce sugar once there is a need for molasses."

Chairman of DDL, Komal Samaroo, announced that the company is about to embark on significant investments in Guyana over the next three years. Through these, the company will be looking to increase its export earnings and diversify its income base not only in alcohol but other products such as non-alcoholic beverages.

Samaroo also disclosed that the investment programme will earn the company approximately $10B. One of the projects due for implementation is a new blending department. However, there are several others at various stages of planning.

Additionally, Minister of Business, Dominic Gaskin observed that the beverage company is one of the largest value-added producers in the country, and the administration remains committed to the production of value-added products such as the Indigenous and Agricultural Products.
"We the government stands ready to give support wherever possible to the company and to value-added industries on a whole," Minister Gaskin said.

Samaroo said that the investments over the next three years "are in pursuance of DDL's strategic goals to increase its export earnings [and], to diversify its income base; not only in alcohol but other things like food processing and other non-alcoholic beverages."

The new DDL expansion programme includes some projects that have already started, some projects that are ready to go, and some projects that are in various stages of the planning process.

Projects that have already started include the new warehouse for storing aging rums. Projects that are ready to go include the new blending department and the new DSL warehouse.

<< Back to news headlines >>

Tourism Softness: Nassau/Pi Room Revenues Off 7%

Wednesday 4th September, 2017 – Tribune 242

Hotel room revenues on Nassau/Paradise Island fell by 7 per cent year-over-year to end-July 2017, amid warnings of "sustained softness in tourism".

The Central Bank of the Bahamas, in its monthly economic report for August, said data from a group of major New Providence hotels showed "earnings weakness" in line with a drop in higher-spending stopover visitors.

"On a monthly basis, the value of room sales decreased by 3 per cent in July, amid a 6.5 percentage point reduction in the average occupancy rate to 77.3 per cent," the Central Bank said, "which overshadowed the 2.4 per cent gain in the average daily rate (ADR) to $253.67.

"In addition, over the first seven months of 2017, total room revenue declined by 7 per cent relative to the same period last year. This outturn reflected a fall in the average hotel occupancy rate by 5.5 percentage points to 70.7 per cent, combined with a 2.4 per cent ($6.06) decrease in the ADR to $247.36."

The Central Bank figures are especially troubling given that New Providence's inventory is set to expand by a net 2,300 rooms come March/April 2018 when Baha Mar comes fully on stream.

It is unclear whether Baha Mar's discounting impacted rates, but the relative pricing, occupancy and demand softness is again likely to renew fears about the $4.2 billion Cable Beach 'mega resort' splitting or cannibalising the high-end visitor market with Atlantis and other properties, rather than growing it.

With 400,000 extra airline seats needed into Nassau annually to fill Baha Mar's extra capacity, the Ministry of Tourism, promotion Boards and individual properties will need to redouble their marketing efforts.

The Central Bank added of the hotel data: "These trends were reinforced by data from the Nassau Airport Development Company (NAD), which showed a 0.3 per cent softening in international departures from the country's largest airport during the month of August, vis-a-vis a marginal 0.9 per cent gain in the prior year.

"In terms of the components, the volume of non-US international passengers fell by 6.9 per cent, after a 0.3 per cent decline a year earlier, while growth in the dominant US segment slowed to 0.6 per cent from 1 per cent in 2016."

The Central Bank said construction industry activity, driven by foreign direct investment (FDI) projects and hurricane rebuilding, was helping to compensate for the reduced activity in the Bahamas' leading industry.

It added, though, that Baha Mar's full opening and the diversion of tourists from the hurricane-hit southern Caribbean meant the tourism sector's medium-term prospects were better, Freeport and the still-closed Grand Lucayan notwithstanding.

"Domestic economic activity is expected to remain relatively mild over the remainder of the year, with tourism output constrained by ongoing weakness in the country's second largest market, and the short-term disruption to travel itineraries - caused by the two major storms - on several key source markets," the Central Bank said.

"However, this effect is likely to be balanced by the potential shift in visitors from destinations severely affected by the hurricanes, and the further increase in room inventory resulting from the phased opening of the Baha Mar resort."

The Central Bank added that the Government's fiscal consolidation efforts were likely to be "dampened" by infrastructure repair costs in the southern Bahamas in Hurricane Irma's wake.

However, it added that the reduction in commercial bank non-performing loans (NPLs) "should be maintained" throughout 2017, largely due to Bank of the Bahamas disposing of $166 million worth of toxic credit to Bahamas Resolve.

"Reflecting mainly the sale of a second tranche of Bank of the Bahamas' non-performing commercial loans to Resolve Ltd, total private sector loan arrears contracted by $79.4 million (7.7 per cent) to $951.2 million, while the corresponding ratio of arrears to total private sector loans decreased by 1.2 percentage points to 16.3 per cent," the Central Bank said.

Adding that the full impact of the Bahamas Resolve transaction would be seen in September, the regulator added: "In particular, non-performing loans (NPLs) fell by $84.5 million (11.6 per cent) to $646.5 million, resulting in the attendant ratio receding by 1.3 percentage points to 11.1 per cent. In contrast, the short-term (31-90 day) segment rose by $5.1 million (1.7 per cent) to $304.6 million, with the arrears rate firming by 15 basis points to 5.2 per cent of total loans.

"By loan type, the improvement in asset quality mainly reflected a $79.1 million (33.2 per cent) reduction in commercial delinquencies to $159 million, as the non-accrual segment contracted by $70.6 million (35.3 per cent), while short-term arrears decreased by $8.5 million (22.2 per cent).

"Similarly, the consumer segment fell by $3.1 million (1.2 per cent) to $263.3 million, as the $9.9 million (5.8 per cent) falloff in the NPL category eclipsed the $6.8 million (7.1 per cent) uptick in the short-term segment. In contrast, mortgage delinquencies firmed by $2.8 million (0.5 per cent) to $528.9 million, as the $6.8 million (4.1 per cent) increase in the short-term segment negated the $4 million (1.1 per cent) decrease in NPLs."

The Central Bank continued: "The sale of the non-performing portfolio allowed BOB to reduce its provisions for loan losses significantly, and as a consequence the aggregate provisions for the sector fell by $53.6 million (10.6 per cent) to $454.7 million.

"Reflecting mainly the asset sale to Resolve Ltd, the delinquency rate for commercial loans plunged by 8.2 percentage points, while the corresponding mortgage rate fell by 2.6 percentage points. However, the consumer loan rate firmed slightly by 19 basis points."

<< Back to news headlines >>

Update on Tax and Customs Measures

Wednesday 4th October, 2017 – Haiti Libre

Tuesday Ronald Grey Décembre, the Secretary of State for Finance, Jean Jorel Janvier the General Director of Customs (AGD) and Miradin Morlan, Director General of the Directorate General of Taxes (DGI) took stock at a press conference of tax and customs measures for the financial year 2017-2018 which began on 1 October.

The Secretary of State Décembre, aid that the fiscal measures in the 2017-2018 Budget were aimed at "improving the conditions of the most disadvantaged strata". As an example, "a measure in favor of the middle classes concerns the acquisition of" property, or the rental of a public domain. The new budget measures will allow citizens occupying the land of the State to comply."

He also mentioned that, through the new budget, the Government had adjusted the scale of the rental tax, which poses a problem of application, stressing that it is up to the town halls to identify the taxable houses. The idea was clarified "is to make people understand the need to pay their taxes."

As an incentive, he announced that the State intended to institute a tax lottery with 3 national prizes and 10 departmental prizes without further details.

Concerning the passports, Miradin Morlan reminded that to limit the gatherings in front of the offices the period of validity had been increased to 10 years, emphasizing that the amount claimed by the State for the passport of 10 years (6,000 Gourdes instead of 1,500 Gdes for 5 years) http://www.haitilibre.com/en/news-22241-haiti-news-zapping.html

Jean Jorel Janvier of the AGD said the government had implemented measures to protect local industry and had focused on renewable energy by removing taxes on solar panels and other materials related to green energy. He recalled that since 2 October, the DGI was in the process of applying the Law in relation to the new measures, practicing tax fairness. Noting that "the statutes have not been changed but that the rates have been adjusted" and that it is the Act that provides for provisions that must be applied....

<< Back to news headlines >>

Monetary Council trip to Canada "highly successful" says Prime Minister Harris

Wednesday 4th September, 2017 – SKN Vibes

Prime Minister Dr. the Honourable Timothy Harris has described the recent visit to Toronto, Canada by the Organisation of Eastern Caribbean States (OECS) Monetary Council as "highly successful". The prime minister was a member of the monetary council delegation which also comprised Prime Minister of St. Lucia, the Honourable Allen Chastanet and Governor of the Eastern Caribbean Central Bank (ECCB), Timothy Antoine.

While there, the delegation met with senior executives of the Canadian banks operating in member states of the OECS, namely, the Bank of Nova Scotia, Royal Bank of Canada and the Canadian Imperial Bank of Commerce (CIBC).

"These three banks are important entities in our sub-regional financial space. They bring to the OECS a mix of international banks of high repute and strong credibility. The Canadian banks emerged from the global financial crisis with the strongest balance sheets. Their presence, then, in our region brings confidence in our financial space and the service of strong correspondent banks to our region," Dr. Harris said.

De-risking and withdrawal of correspondent banking relations were among areas of concern for the monetary council. The prime minister said that it was determined that all matters raised were the subjects for ongoing discussions and would be "put to technical teams from both sides to pursue and establish protocols for resolution of the issues". He added that the meetings represented a productive and very auspicious start to constructive engagement with the foreign banking sector.

"Prime Minister Allen Chastanet and I held consultations with Prime Minister Justin Trudeau of Canada. The issues here were broader than those discussed with the Canadian Banks, although those subjects were addressed and we urged Prime Minister Trudeau to use his good office to assist us. Our delegation explored the role of Canada in the region and how we can forge a mutually beneficial relationship," said Prime Minister Harris.

According to the prime minister, among the wide ranging issues discussed with Prime Minister Trudeau were Canada's leadership of the upcoming Group of seven (G-7) meeting, its role in the Commonwealth and how it can become the voice of advocacy and support for Small Island Developing States (SIDS).

<< Back to news headlines >>

Government remains committed to granting duty free concession on building materials for homes damaged by Hurricanes Irma and Maria

Tuesday 3rd October, 2017 – SKN Vibes

Prime Minister, Dr the Honourable Timothy Harris has echoed his government's commitment to grant citizens and residents duty free concessions to those persons who reported damages to their homes following the passage of Hurricanes Irma and Maria in September.

Speaking at his monthly press conference on Tuesday, October 03, Prime Minister Harris updated the media and the general public on the progress to date and noted that "regarding the duty free concessions on building materials for the victims of the hurricanes, the Ministry of Finance has reported that over 300 applications have been collected and the Ministry of Finance is awaiting their return for formal processing."

He stated that persons have been selected to assist individuals with applying for the duty free concessions, as there might be persons who are not able to do so on their own.

"Contact persons have been identified at the Inland Revenue Department, the Accountant General Department, Customs and Excise Department, National Emergency Management Agency (NEMA) and the Office of the Prime Minister to assist in completing their forms should such assistance be required by anyone," said Dr. Harris. "So you have the form, you are having difficulties filling them in, we have set up if you will, help desk and identified persons in each of the relevant departments who will provide assistance in getting the form filled in."

Prime Minister Harris said that the government is aware of the importance of its people and against this backdrop will do all in its power to ensure that they are taken care of first and foremost.

"My Government has given priority to restore our people's lives to normalcy. In this regard, the Ministry of Finance working with the Ministry of Sustainable Development will recruit persons on a temporary basis to help with the estimates of the repairs to correct the damage should such assistance be required," he said. "In other words, we want to put that on a fast track. And there may be elderly persons or persons otherwise unable to take care of the estimates and we therefore will have private parties who will be engaged by the relevant ministry to conduct this exercise with a view to fast tracking it."

He explained that the preliminary estimates will go through a verification process by another group of government employees before the final signing off.

Application forms are available and can be collected at the Ministry of Finance, the Treasury Department, Inland Revenue Department, NEMA, or downloaded from the Ministry of Finance's website at www.mof.gov.kn.

<< Back to news headlines >>

Hurricane Relief Fund not undercutting any sub-regional CBI programmes says PM Harris

Wednesday 4th October, 2017 – SKN Vibes

Prime Minister and Minister of Finance, Dr the Hon Timothy Harris, commenting on the Hurricane Relief Fund (HRF) has said that it is a third option offered by the country's Citizenship by Investment Unit, and it is not undercutting any CBI programme in the sub-region.

Addressing his monthly press conference in the Parliamentary Lounge at Government Headquarters in Basseterre on Tuesday October 3, Dr Harris pointed out that the Hurricane Relief Fund is a new unique product not offered by any other country. It will compete in the marketplace along with the two original products of the CBI, the real estate option, and the SIDF option.

He advised that the cost of the first two options has not changed and that they remain at US$400,000 for the Real Estate option, and at US$250,000 for the Sugar Industry Diversification Fund (SIDF) option.

"Relying on our ingenuity and industry, the Cabinet accepted a proposal from Les Khan, the CEO of our Citizenship by Investment Unit to introduce a Hurricane Relief Fund as a third new offering under our Citizenship by Investment Programme at a price pegged at US$150,000," said Prime Minister Harris.

"This price point is 50 per cent higher than the US$100,000 set by Dominica and St. Lucia for their donation options." He added: "This offer is for a limited short timeframe of six months."

The three products will compete in the marketplace, carrying the St. Kitts and Nevis Brand, and advised that rumours about reduction and price undercutting is purely Opposition-manufactured mischief.

According to Dr Harris, the recommendation by Mr Khan came after the passage of Hurricane Irma that had inflicted damage to the country. It was however delayed until after the battering by Hurricane Maria on September 19 and 20, in which the damages sustained were more severe. In total St. Kitts and Nevis suffered damages evaluated by the competent authorities as nearing EC$150 million in the public sector alone.

“The hysteria by the Leader of the Opposition about undermining Dominica’s recovery is not rooted in truth, nor altruism,” revealed Dr Harris. “Dominica has its own product offering which it has always priced below ours. Its donation option, for example, has been for some period of time pegged at US$100,000. Our Hurricane Relief Fund is 50 per cent higher at US$150,000.”

According to the Honourable Prime Minister, his Cabinet’s responsibly is to first and foremost look after the interests of the people of the Federation and he reaffirmed that the Cabinet will always fulfil that most sacred responsibility.

“The Hurricane Relief Fund is now fully operational with the proper constitutional and legal framework, and we will never have it otherwise,” advised Dr Harris. “Always we will act within the ambit of the law and restrict our actions within the confines of what is permissible and available in the four walls of the Constitution. Our Hurricane Relief Fund is ready for legitimate business.”

St. Kitts and Nevis pioneered the Citizenship by Investment Programme in 1984, and every other country that joined the market took the sovereign decision to enter at price points lower than St. Kitts and Nevis and that is their sovereign right to do, pointed out Prime Minister Harris.

“We never condemned anyone for doing what they considered necessary for their country, or for seeking to consolidate their position in the market,” noted Dr Harris. “There is no OPEC-type arrangement for example among countries providing citizenship as an incentive to attract foreign investment, jobs, etc. that binds us to a common price or even to consultation over pricing.”

He reaffirmed that St. Kitts and Nevis beckons a future of greater harmonising and commonality across the CBI programmes. The Federation held the first OECS Conference towards that goal as far back as 2015 as one of the first outreach activities by its government to reposition, restructure, and reorganise a CBI programme that it had inherited a loss of trust by the international community.

"We have always been in the forefront, and it is no accident that even as I speak now the person who chairs the sub-regional grouping of Heads of Citizenship by Investment Programme is our own CEO Les Khan," advised the Prime Minister. "We have always been in the lead. We have always promoted a clear path in relation to harmonisation and developing jointly some structures with relation to the CBI Programmes."

Mr Khan who was present at the press conference advised: "It should be recognised that even as we stand, when an individual decides to make a decision on real estate, he has already taken the consideration that Dominica is US$100,000 and if he wanted citizenship there he could have gone there. If he wanted St. Lucia at US$100,000 he could have gone to St. Lucia."

He noted that the St. Kitts and Nevis real estate market is a robust and solid market, and has for the last year been branded as a Platinum Brand, the result of which the country has seen an increase in real estate investment. Since the announcement of Hurricane Relief Fund programme, Mr Khan said he had been meeting a number of agents and clients on the island who are looking at the real estate option, and they have not changed their mind from their decision which has been to buy real estate.

Mr Khan concluded: "I think it is a fallacy if somebody says that the real estate option is going to suffer as a result of this. It is not true because the educated client has already made that decision and we continue to see an increase in our real estate applications."

<< Back to news headlines >>

[ECB weighed trade-off between QE extension scenarios in September: minutes]

Thursday 5th October, 2017 – Reuters

European Central Bank policymakers meeting last month discussed various scenarios to extend asset purchases into next year and also expressed widespread concern about the euro's rapid rise, accounts of the meeting showed on Thursday.

Policymakers from the 19 euro zone countries discussed several scenarios to prolong asset purchases, weighing any trade-off between the size and duration of purchases, with some arguing that any final decision should include a cut in asset buys.

With bond purchases due to expire at the end of the year, time for a decision is running out and markets now expect buys to be cut by a third to 40 billion euros a month and for the program to be extended by six or nine months.

"Members also discussed some general trade-offs inherent in various scenarios for the future recalibration of the asset purchase program and, in particular, the choice between the pace and the intended duration," the ECB said, describing the discussion as preliminary.

"Within the framework of the Governing Council's forward guidance, the benefits from a longer indented purchase horizon, combined with a greater reduction in the pace, were compared with those from a shorter period of purchases and larger monthly volumes," the minutes said.

Rate-setters also noted that any change should apply to its entire policy package and should not be limited to any particular component, especially the size or duration of asset buys.

While policymakers expressed increased confidence about the path of inflation, some argued that the negative impact of the euro's rally may have been underestimated, creating downside risks for some inflation projections. Indeed, Chief Economist Peter Praet called for "close monitoring" of the exchange rate, a stronger phrase than was eventually accepted when policymakers opted for only "monitoring".

(Reporting by Balazs Koranyi; Editing by Gareth Jones)

<< Back to news headlines >>

Oil steady as talk of new OPEC deal balances U.S. exports

Thursday 5th October, 2017 – Reuters

Oil prices steadied on Thursday on expectations that Saudi Arabia and Russia would extend production cuts, although record U.S. exports and the return of supply from a Libyan oilfield dragged on the market.

"OPEC and Russia are talking about extending production limits, but there's still plenty of supply with U.S. crude exports up sharply," said Carsten Fritsch, commodities analyst at Commerzbank in Frankfurt.

Brent crude was up 35 cents at $56.15 a barrel by 1000 GMT. U.S. light crude was up 10 cents at $50.08.

Both crude benchmarks have fallen more than 5 percent over the last week as investors have booked profits after almost three months of gains.

Russian President Vladimir Putin said this week that a pledge by the Organization of the Petroleum Exporting Countries and other producers, including Russia, to cut oil output to boost prices could be extended to the end of 2018, instead of expiring in March 2018.

Russian Energy Minister Alexander Novak said on Thursday that Moscow would support new countries joining the agreement to restrict oil supply.

The statement came as Saudi Arabia's King Salman visited Moscow.

"Putin and Salman will most likely reach, but not announce, an agreement to extend the OPEC/non-OPEC production deal, though with a commitment to taper the cuts," said Eurasia Group.

The pact on cutting output by about 1.8 million barrels per day (bpd) took effect in January this year.

Despite this, other factors weighed on oil prices, including the return to production of Libya's Sharara oilfield after an armed brigade forced a two-day shutdown.

Higher U.S. oil exports also dampened market sentiment.

U.S. crude oil exports jumped to 1.98 million bpd last week, surpassing the 1.5 million bpd record set the previous week, the Energy Information Administration said.

The increase followed a widening of the discount for U.S. crude against Brent, making U.S. oil attractive on world markets.

Beyond short-term market drivers, analysts at Barclays said future oil demand could be undermined by improving fuel-efficiency and the rise of electric vehicles (EV).

“EV uptake and increased fleet fuel-efficiency could cut oil demand by around 3.5 million bpd in 2025,” the bank said. That is almost as much as major OPEC member Iran produces.

If the uptake of EVs rose to one-third of new cars by 2040, as many industry analysts expect, up from just 1 percent now, that could “affect oil demand by around 9 million bpd”, Barclays said.

(Additional reporting by Henning Gloystein in Singapore; Editing by David Evans)

<< Back to news headlines >>

Saudi says oil deal with Russia helping market, demand healthy

Thursday 5th October, 2017 – Reuters

World energy markets can handle supplies of U.S. shale oil next year as demand is rising and deals between Russia and Saudi Arabia have helped stabilize crude prices, Saudi Arabia said on Thursday, suggesting confidence about the outlook.

Saudi Arabia and Russia, the world's biggest producers of crude, helped secure a deal between OPEC and 10 rival suppliers to cut output until the end of March 2018 in an effort to reduce a price-sapping glut.

Saudi Energy Minister Khalid al-Falih, whose country is the de facto leader of the 14-member Organization of the Petroleum Exporting Countries, said he welcomed the contribution of U.S. shale oil supplies as global demand for crude was on the rise.

"Shale coming in and happening again in 2018 doesn't bother me at all. The market can absorb it," Falih said, speaking alongside Russian Energy Minister Alexander Novak as part of a panel discussion at an energy forum in Moscow.

"We have seen a steady reduction in inventories. We see as we enter the fourth quarter that supply is less than demand and inventories are declining around the world," Falih said.

The comments came a day after Russian President Vladimir Putin said the supply-cutting deal could be extended to the end of 2018, a longer timeframe than others have suggested.

Oil rose above $56 a barrel on Thursday, supported by expectations Saudi Arabia and non-OPEC member Russia would extend the curbs.

The Saudi minister, who said in July that an extension of the agreement would most likely be needed into the second quarter of 2018 as a minimum, did not comment on the issue on Thursday.

Novak said Moscow would support the possible participation of additional countries in the output deal, and that he was satisfied with current oil prices.

Falih said Saudi Arabia wants to develop ties with Russia further, particularly in the private sector.

“I see huge opportunities in front of our countries and for the business sector in both nations,” Falih said.

The visit of Saudi Arabia’s King Salman to Russia this week shows the high degree of mutual trust between Russia and Saudi Arabia, Falih said.

King Salman is in Russia as part of a state visit, the first to Moscow by a reigning Saudi monarch.

A slew of investment agreements are due to be signed during King Salman’s trip and plans for a $1 billion fund to invest in energy projects are likely to be finalised, as part of efforts to expand cooperation.

“This historic visit will witness the signing of memoranda of understanding (MoUs) in several fields that are important to both countries,” Falih said.

He said MoUs would be signed with Russia’s state nuclear agency Rosatom for the peaceful use of nuclear energy as well as other agreements for military industries and marine development.

State oil giant Saudi Aramco will sign several non-binding MoUs on Thursday with Russian companies Gazprom, Gazprom Neft, Sibur and Litasco.

The Russian Direct Investment Fund will also sign an MoU with Aramco and Saudi’s Public Investment Fund for investments in energy services and manufacturing.

Saudi Aramco [IPO-ARMO.SE] is discussing several investment opportunities with Russian firms, Aramco Chief Executive Amin Nasser told reporters earlier on Thursday.

Nasser told the Arabiya television channel in Moscow that he sees the oil market stabilising as demand growth continues and global oil inventories decline.

(Additional reporting by Vladimir Soldatkin; Writing by Rania El Gamal and Alex Lawler; Editing by Dale Hudson)

<< Back to news headlines >>

Political uncertainty prods sterling to three-week lows

Thursday 5th October, 2017 – Reuters

Britain's pound skidded half a percent to three-week lows against the dollar and euro on Thursday, as investors worried about Prime Minister Theresa May's ability to cling onto power after a poorly-received speech the previous day.

May had wanted to use the annual Conservative party conference to pitch herself as the only person able to deliver Brexit, despite interventions by her foreign minister Boris Johnson, and to keep opposition Labour leader Jeremy Corbyn out of power.

Instead, the prime minister's bid to reassert her dwindling authority was marred by a keynote speech that was interrupted by repeated coughing fits, a prankster and even letters of her slogan falling off the stage.

"The speech has been received poorly, which will heighten speculation over a potential leadership challenge in the near term. This additional uncertainty could weigh modestly on the pound," wrote MUFG currency economist Lee Hardman, in London.

Hardman added, though, that economic data suggested growth was solid enough for the Bank of England to raise interest rates at its next policy meeting next month, which would provide support for the pound.

ING Currency Strategist Viraj Patel said political uncertainty could limit any boost for sterling from a rate hike.

"More confusion over the government's Brexit transition deal strategy...and ongoing questions over May's leadership... may limit the effects of any BoE policy-driven upside in the near-term," Patel said.

Having reached its highest levels against the dollar since the results of last year's vote for Brexit on expectations that the BoE will indeed move in November, sterling has fallen back more than 3 percent in the last two weeks on worries over a lack of unity in government, and worries about Brexit and its effect on the economy.

On Thursday the pound fell half a percent on the day to $1.3175, the pound's weakest since Sept. 14. It also weakened half a percent to 89.34 pence per euro.

It had been knocked on Wednesday by comments from ratings agency Standard & Poor's, which said it was "a bit sceptical" that Britain's economy needed an interest rate increase soon, and that hawkish comments from the BoE were designed to push up sterling and cool inflation.

"The immediate problem facing (BoE Governor) Carney is that if credibility dictates that the BoE must now raise rates in November, it risks compounding the present slowdown just as the Brexit negotiations reach a critical stage – thereby raising the prospect of a reversal of policy at some point," wrote BNY Mellon currency strategists in a note to clients.

Later in the day, BoE Chief Economist Andy Haldane and fellow policymaker Ian McAfferty - who has been voting to raise rates immediately - will be closely watched for clues on monetary policy.

Investors are also watching out for the release of the latest minutes from the European Central Bank.

(Reporting by Jemima Kelly; Editing by Toby Chopra)

<< Back to news headlines >>

[ECB lowers emergency funding cap for Greek banks to 32.6 bln euros](#)

Thursday 5th October, 2017 – Reuters

The European Central Bank lowered the cap on emergency liquidity assistance (ELA) Greek banks draw from the domestic central bank by 1 billion euros to 32.6 billion euros ($38.37 billion), the Bank of Greece said on Thursday.

The move reflected improved liquidity conditions, taking into account private sector deposit flows, it said. The ELA ceiling is valid up to Oct. 26.

Greek banks have relied on emergency liquidity assistance (ELA) since February 2015 after being cut off from the ECB's funding window. Emergency funding is more costly than borrowing directly from the ECB.

In June last year the ECB reinstated Greek banks' access to its cheap funding operations, allowing lenders to reduce their dependence on the emergency liquidity lifeline.

ELA funding to Greek lenders dropped by 3.7 billion euros, or 11 percent, to 30.9 billion euros in August compared to the previous month.

(Reporting by Renee Maltezou)

<< Back to news headlines >>

CariCRIS
Caribbean Information & Credit Rating Services Limited

Euro ministers to mull developing bailout fund into Europe's Monetary Fund

Wednesday 4th October, 2017 – Reuters

Euro zone finance ministers will discuss on Monday ideas for a European Monetary Fund that would eliminate the need to involve the International Monetary Fund or the European Central Bank in future euro zone crises.

The discussion will revolve around expanding the role of the euro zone bailout fund, the European Stability Mechanism (ESM), an idea clearly backed by Germany, France and the European Commission.

The talks in Luxembourg will be part of a broader discussion among finance ministers from the 19 countries sharing the euro on how to better organize the single currency area and integrate it more deeply after Britain leaves the European Union in 2019.

Other ideas include setting up a euro zone budget, appointing a euro zone finance minister and creating a euro zone subgroup in the European Parliament.

“So far, the IMF has always contributed to the ESM rescue programmes in Europe, but a consensus is now growing that it will not play that same role again in a future crisis,” Klaus Regling, the Head of the ESM, said in a speech in September. “The ESM could take over that role, as well as other tasks.”

Euro zone officials involved in managing the debt crisis of 2010-2012 said the ECB, which took part in teams overseeing reforms in bailed-out countries, would rather not do that again.

“The outcome of this can only be that we vamp up the existing ESM framework, maybe with new tools, and adapt it to a situation where ECB and IMF are no longer on board,” said one euro zone official, who asked not to be named.

That would leave the ESM and the European Commission to handle whatever new trouble might occur in euro zone economies.

Some officials speculate that, were an EMF to be created, its financial aid could be made conditional on a country observing EU budget rules. Ignoring those helped trigger the debt crisis.

But the division of labor between a future EMF and the European Commission would be tricky. The policy monitoring and economic surveillance the IMF does for its members is clearly assigned to the Commission in EU treaties.

Also, the Commission employs thousands of experts - energy, trade, fiscal policy, pensions, the labor market - needed to design reforms that would be demanded in exchange for loans. Duplicating that expertise would not make sense, officials said.

Other functions that the ESM, and, by extension, the EMF, could take on, are the financial backstop for the euro zone's Single Resolution Fund for banks and the yet-to-be-agreed European Deposit Insurance Scheme.

The Eurogroup discussion will be the first of several leading to a summit of EU leaders in December and probably throughout the first half of 2018.

(Reporting by Jan Strupczewski, editing by Larry King)

<< Back to news headlines >>

India cbank panel pushes new rules so lenders pass on rate cuts more quickly

Thursday 5th October, 2017 – Reuters

A panel created by the Reserve Bank of India (RBI) said lenders are not sticking to rules that determine how much they can charge for loans, and proposed new requirements that could force banks to pass on interest rate moves to customers more quickly.

The panel, set up to look into why commercial banks were not passing on the central bank's rate cuts, said in a report that banks "deviated in an ad hoc manner from the specified methodologies" for calculating their lending rates to avoid fully following the RBI's rate moves.

The RBI has cut its policy rate by a total of 200 basis points from January 2015 to August 2017 to support economic growth, but to its frustration banks have lowered their lending rates by only about 120 bps.

The panel proposed to remove some of the leeway that banks have enjoyed, including allowing lenders to use only one of three benchmarks to set their lending rates: the policy repo rate, Treasury bill rates or certificate of deposit rates.

Currently, banks can use multiple market rates and each one is free to set its own benchmark.

The five-member panel also proposed in the report late on Wednesday that the banks adjust the key criteria used to set their lending rates once a quarter, rather than the current once a year.

If the RBI adopts the full proposals in the 108-page report, it could mark a tougher line against banks that fail to pass on its rate cuts, though bankers said they would still have some latitude.

Much would also depend on how vigorously the central bank is willing to enforce the rules.

The panel's report was released on the same day as an RBI policy decision in which it held interest rates steady but reduced the amount of bonds lenders must keep with the central bank in order to spur more loans.

A sudden spike in inflation is seen limiting the RBI's ability to cut policy rates further in coming months.

"This (the new proposals) will be an automated process where the lending rate will be determined by how, say a treasury bill, moves rather than be based on each bank's discretion," said a senior banker at a private bank, declining to be identified as he was not authorised to speak to media.

The RBI last year unveiled the so-called marginal cost of funds-based lending rates (MCLR), which sought to remove much of the discretion commercial banks have to set lending rates and force them to base borrowing costs on prevailing money market rates.

Banks were instructed to follow a specific formula in setting lending rates, although the RBI has since made some tweaks.

Indian banks are struggling with a record $140 billion in stressed assets, and have sought to protect their margins by trying to avoid lowering their lending rates.

(Additional reporting by Devidutta Tripathy; Editing by Rafael Nam and Kim Coghill)

<< Back to news headlines >>

India SBI's new boss puts bad debt under microscope, but also eyes growth

Thursday 5th October, 2017 – Reuters

Tackling bad debts will be the priority for State Bank of India, its newly appointed Chairman Rajnish Kumar said on Thursday, but India's largest bank will not shy away from opportunities to grow, including in infrastructure lending.

India's state-run banks have been battered by soured loans, a $140 billion problem which has choked off new credit and dampened economic growth. SBI, which accounts for more than a fifth of India's banking assets, saw stressed assets rise after it absorbed five subsidiary banks earlier this year.

Analysts and investors alike have pointed to bad debt as Kumar's number one headache as he takes the top job at SBI - replacing Arundhati Bhattacharya, who became one of India's highest profile executives during her four years at the helm.

A veteran banker regarded by investors and colleagues as an astute operator, Kumar, 59, also put sour loans at the top of his agenda - but said SBI had tackled the debt issues that came as a result of absorbing the smaller lenders. Asset quality would "look much, much better" in future, he said.

SBI, which had soured loans of $35 billion, or 12 percent of its loan book at end-June, is due to report quarterly earnings in the coming weeks.

"We are already in discussions on how we revive credit growth, how we resolve the (non-performing assets). That discussion, we will try to bring it to a conclusion very quickly. And you will see some changes," he told reporters at SBI's Mumbai headquarters.

The bank is also, however, considering how to juggle the debt conundrum with the need to grow - including infrastructure where Kumar described lending opportunities as 'unlimited'.

As a whole, Asia has a huge infrastructure funding gap, and India has a chronic need to overhaul everything from creaking railways to roads and overcrowded ports.

Kumar said the bank would consider having separate senior executives dealing with stressed assets and loan growth, to avoid having too many top managers focused only on bad debts.

GROWTH ON HORIZON?

SBI, which has more than 400 million customers, was propelled into the list of the world's largest banks as a result of its latest deal, part of a government effort to slowly clean up the cluttered state-owned banking sector. But it is not about growth at all costs, Kumar said, and he dismissed concerns the bank could be forced into some lending as the economy slows.

Infrastructure lending, for example, has been highly problematic for Indian banks - biggest chunk of bad loans are from the infrastructure and metals sector - and he said the bank would tread carefully. "There is definitely a change in the underwriting standards... We will be much more cautious," he said.

"Sometimes people equate it with risk aversion - but let me tell you it is not risk aversion. We are still looking for opportunities in financing good infrastructure projects."

Last month, Fitch Ratings estimated Indian banks need $65 billion to meet all of global Basel III banking rules by March 2019 - well above the $11 billion budgeted by the government. But Kumar said the bank was "well poised" and did not expect SBI to need more capital from the government before March 2019. "At this juncture, a quick resolution of the (non-performing assets) should be his priority," said Aalok Shah, Analyst at Centrum Broking.

"The unfortunate thing for (state-run) banks has been frequent change of senior management team. It's comforting that he was a part of the senior management team and a part of all the discussions, so he's not new to the system." Kumar, whose predecessor was paid a salary of roughly $44,500 last year, takes over on Oct. 7.

(Reporting by Devidutta Tripathy in Mumbai; Additional reporting by Krishna Kurup, Tanvi Mehta and Vishal Sridhar in Bengaluru and Swati Bhat in Mumbai; Writing by Clara Ferreira Marques; Editing by Muralikumar Anantharaman)

<< Back to news headlines >>

Bank of Japan's Nakaso sees 'true dawn' in inflation push

Thursday 5th October, 2017 – Reuters

The Bank of Japan's policies are finally nearing a "true dawn", Deputy Governor Hiroshi Nakaso said on Thursday as he predicted a long-awaited build-up of inflation pressures in an economy long haunted by deflation.

Nakaso also said in a speech in London that he expected a substantial improvement in productivity, boosted by a tight labor market and government policies.

Recent business surveys have painted an upbeat picture of activity in Japan's economy, bolstering hopes at the Bank of Japan (BOJ) that a sustained economic recovery will boost wages and household spending.

Still, many analysts expect inflation to remain short of the central bank's 2 percent target.

"Looking back at the policy responses, although there were successes, I have to admit that there were also shortfalls, as well as a couple of false dawns," Nakaso said.

"But we have learned some lessons. This time around, there seem to be more reasons to believe that the true dawn is near."

"There is a good prospect of inflation building up, he added.

Nakaso said a very tight labor market with full employment, as well as accommodative monetary conditions, should help to counter costs to the economy from necessary structural reforms.

In answer to a question from the audience after his speech, Nakaso said the BOJ's yield curve control policy - a pledge to guide 10-year government bond yields around zero percent - ought to continue for a while yet.

(Reporting by Jemima Kelly and Andy Bruce; Editing by William Schomberg)

<< Back to news headlines >>

U.S. budget deficit could obstruct Trump's tax cut plan

Wednesday 4th October, 2017 – Reuters

The U.S. budget deficit is proving to be a major obstacle to the tax reform plan being offered by President Donald Trump and top congressional Republicans, with one leading Senate hawk saying a week after the plan was introduced that any enlarging of the fiscal gap could kill his support.

From proposed infrastructure enhancements to a military build-up, the deficit long ago put the brakes on major new federal spending programs; now Trump’s tax-cut proposal is threatened.

“It looks to me like the administration’s already running for the hills. It looks to me like some of the tax-writing chairmen are already running for the hills ... I’m disheartened by the lack of intestinal fortitude I’m seeing,” Sen. Bob Corker said.

The main problem is that the federal government is swimming in red ink with an annual deficit of $550 billion and a national debt -- the accumulation of past deficits and interest due to lenders to the U.S. Treasury -- exceeding $20 trillion.

The Republican tax plan unveiled last week calls for as much as $6 trillion in tax cuts that would sharply reduce federal revenues. No commensurate spending cuts have been proposed. So, on their own, the tax cuts being sought by Trump would hugely expand the deficit and add to the debt.

The administration has said two things must happen for the revenue losses to be offset. One is for economic growth to generate new tax revenues. Forecasts for that vary, with Republicans projecting much stronger economic growth and unusually large revenue gains resulting from tax cuts.

“While policymakers are gearing up to address tax reform this fall, some have advocated for abandoning true reform and instead focusing solely on tax cuts. To combat arguments that such cuts will balloon the national debt, tax cut advocates have argued that the cuts could pay for themselves, largely through faster economic growth,” said the Committee for a Responsible Federal Budget, a Washington balanced-budget advocacy group.

“However, this claim is false,” the group said in a statement.

The other way to prevent expanding the deficit is for the U.S. Congress to find new revenues for the government by closing certain tax breaks to offset Trump's proposed deep tax cuts for corporations, small businesses and wealthy Americans. At least $4 trillion in new revenue needs to be raised this way, said lawmakers, but every tax break on the federal books has a special interest protecting it and that is a challenge.

For example, Republicans proposed ending or limiting the individual tax deduction for state and local income taxes paid. Closing the tax break would bring in $1.3 trillion in revenues.

But high-tax states would be hit harder than low-tax states by such a move. Lawmakers in New York and California, which have among the highest state tax levels in the country, were resisting the proposal to repeal the deduction, eroding support for the plan, even among Republicans, said lawmakers and aides.

Corker has vowed that he will not support a tax plan that adds to the federal deficit. As a result, he is firm about what needs to be done to win his support for tax cuts.

"There's no way to do permanent tax reform, no way, without … loophole closing," said the Tennessee Republican, who announced recently that he will not run for re-election in November 2018.

Analysts said the $20 trillion national debt is already on an unsustainable upward path as the government pays for the medical and retirement costs of the aging Baby Boom generation.

That would worsen if rising government debt undermined future economic growth by pushing interest rates higher and choking off private sector access to credit, they said. An administration official said the White House is inclined to let Congress lead on the state and local tax deduction.

House and Senate Republicans need to agree on a budget resolution if they intend to pass a tax bill before January and without broad bipartisan support from Democrats. The House was set to vote on its version of a budget resolution on Thursday.

(Editing by Kevin Drawbaugh; Editing by Alden Bentley)

<< Back to news headlines >>

Wall Street rally on pause, but more gains seen in 2018: Reuters poll

Thursday 5th October, 2017 – Reuters

A more than eight-year bull market on Wall Street will simmer for the rest of 2017 before picking up again next year, said strategists in a Reuters poll who were optimistic about corporate profits but concerned about slow tax reform progress.

The benchmark S&P 500 .SPX is likely to finish this year at 2,525, about 13 percent above 2016's end, but 0.4 percent down from Tuesday's close of 2,534.58, based on the median forecast of 47 strategists polled by Reuters.

After strong third-quarter gains fueled in part by U.S. President Donald Trump's recent proposals for the biggest federal tax overhaul in three decades, the index is trading at a record, already above the median forecast from a June Reuters poll of 2,460.

The median S&P 500 forecast in the poll for end-2018 was 2,675.

"The economy and earnings are pretty good, and they're the building blocks. That's what's given us the good year-to-date (gains) and could continue to cause those of us who think stocks are OK but not great to be too cautious," said Robert Doll, chief equity strategist at Nuveen Asset Management in Princeton, New Jersey. He has a 2,550 year-end target for the S&P 500.

Recent hurricanes in the United States curbed some consumer spending in August but accounted somewhat for a surge in a measure of U.S. manufacturing activity to a near 13-1/2-year high in September.

Other data showed new orders for U.S.-made capital goods increased more than expected in August.

How long the bull run lasts will depend also on the Federal Reserve, whose accommodative monetary policy has helped fuel the market's rally in recent years, and whether the U.S. economy can keep growing as the Fed hikes U.S. interest rates further.

Last month the Fed signaled it expects one more rate hike by the end of the year but said it was closely watching inflation. If inflation stays low, that could mean a less aggressive Fed, analysts said.

Investors also face the prospect of a new Fed chief early next year. Chair Janet Yellen, whose term expires in February, is among several under consideration for the job.

While investors have cheered Trump's proposed tax reform, the plan is only in its early stages, and already has prompted criticism, including that it could add trillions of dollars to the deficit.

"There are a lot of details that need to be worked out," said Scott Wren, senior global equity strategist at Wells Fargo Investment Institute in St. Louis, Missouri. Wells Fargo has a 2017 target of 2,350 for the S&P 500 and a 2018 target of 2,500.

Republicans so far have been unable to produce any major legislative successes since Trump took office in January, despite controlling the White House and both Houses of Congress.

Strategists expect companies' profit growth to help justify lofty valuations and sustain gains in stocks. Analysts forecast a year-over-year earnings gain of 11.5 percent for the S&P 500 in 2017 and growth of another 11.1 percent in 2018, Thomson Reuters data shows.

The S&P 500 is trading at about 18 times expected earnings over the next year, well above its long-term average of about 15.

Among sectors, technology remains a favorite pick for many strategists. The S&P 500 technology index .SPLRCT has far outpaced gains in the broader market, and as of Tuesday was up about 26 percent for the year so far.

Many strategists in the poll said they expected the market's recent lack of volatility to continue for at least the near term. They largely did not see the CBOE Volatility index .VIX rising to historically normal levels for at least another three to six months. The poll also showed the Dow Jones Industrial Average .DJI ending 2017 at 23,000, slightly above Tuesday's close of 22,641.67. The index is forecast to end 2018 24,420.

(Additional reporting by Noel Randewich in San Francisco and Sinead Carew, Chuck Mikolajczak, Lewis Krauskopf and Rodrigo Campos in New York; Additional polling by Indradip Ghosh and Sujith Pai in Bengaluru; Editing by Nick Zieminski)

<< Back to news headlines >>

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