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## **EXEMPLARY APPROACHES IN ECONOMIC UNDERPINNING – COVID-19 CONTEXT**

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# IMPACT OF COVID 19 IN THE CARIBBEAN

## EXTERNAL ECONOMIC CHALLENGES

- Shut down of global economies
- Disruption in supply chains
- Contraction of commodity prices
- Sharp decline in air/sea travel
- Remittance's contraction
- Risk aversion for external investors and financial turbulence

## REGIONAL ECONOMIC CHALLENGES

- Shut down of national borders
- Sharp rise in unemployment
- Closure of businesses and all economic machineries
- School and church closure
- Poverty and indigence increase
- Financial system stress





# TRADE AND TOURISM:

## Tourism dependency

**Table 1. Tourism Dependence of Caribbean Countries**

	Contribution to GDP*		Share of Employment*		Tourism Receipts*		Tourism Arrivals**		
	Direct	Total	Direct	Total	Share of Exports		Total Arrivals	Air	Cruise
	(Percent)		(Percent of total employment)		(Percent of total)	Percent of GDP)	(Number)	(Percent of arrivals)	(Percent of arrivals)
The Bahamas	19.2	48.3	26.5	56.2	77.2	27.2	6,622,015	23.5	76.5
Barbados	13.1	41.2	13.7	41.3	52.1	21.9	839,845	80.9	19.1
Guyana	2.7	7.0	2.9	7.4	1.8	0.7	287,000	100.0	na
Jamaica	10.5	33.7	9.4	30.5	53.4	19.7	4,330,239	57.4	42.6
Suriname	1.3	2.8	1.2	2.7	3.2	2.0	278,000***	100.0	na
Trinidad and Tobago	2.8	7.8	3.7	9.9	4.9	2.3	466,889****	80.3	19.7

Source: Authors' calculations based on data from The Bahamas: Tourism Today Report; Barbados: Department of Statistics; Jamaica: Central Bank of Jamaica and Jamaica Tourist Board; World Bank/World Travel and Tourism Council; and Caribbean central banks.

Notes: na: not available. \* Data for 2018 or 2019. \*\* Includes foreign nationals and non-residents. \*\*\* Data for 2017. \*\*\*\* Only 2018.

# TRADE AND TOURISM: Comparison

**Table 8. Policy Options in Caribbean Countries**

(Red implies policies already announced and/or being implemented as of April 6, 2020)

Fiscal Policy Option	The Bahamas	Barbados	Guyana	Jamaica	Suriname	Trinidad and Tobago
Tax relief for affected sectors	X			X		X
Targeted increase in social spending	X	X	X	X	X	X
Seek lower cost financing from IFIs	X	X	X	X	X	X
Reinforce prioritization of capital spending (avoid blanket cuts)	X	X	X	X	X	X
Financial support for SMEs	X	X	X	X	X	X
Escape clause of existing fiscal rule/Emergency Fund			X	X		X
<b>Fiscal Policy Constraints</b>						
Limited fiscal space	X	X		X	X	
Political cycle			X	X	X	X
Buffers needed for potential natural disasters	X	X	X	X	X	X

Monetary Policy Options	The Bahamas	Barbados	Guyana	Jamaica	Suriname	Trinidad and Tobago
"Follow the Fed": Lower policy rates		X		X		X
Lower reserve requirements	X	X		X	X	X
<b>Monetary Policy Constraints</b>						
Fixed exchange rate limits policy maneuverability	X	X	X		X	
High level of non-performing loans limit policy transmission			X		X	
Low level of international reserves					X	
Zero lower bound				X		

Source: IDB Caribbean Department.

Notes: IFIs: international financial institutions; SMEs: small and medium-sized enterprises.

# ECONOMIC IMPACT

- Unemployment rates expected increase in 2020 after falling by 2.9 percentage points over the last five years
- Persistently high debt levels standing at 67.6% of GDP as of 2019 are expected to increase a
- Caribbean GDP growth projected to decline to -6.9% (excluding Guyana)
- Fiscal deficits in 2019 (expanded to 2.7% of GDP in 2019 relative to 2.1% of GDP in 2018) are expected to expand further in 2020

# ECONOMIC RELIEF

- Unemployment benefits (US\$ 434 million)
- Payroll support (US\$ 343 million)
- Other forms of relief e.g. on utility bills (US\$ 124 million)
- Business stimulus (US\$ 167 million)
- Public assistance for those in the informal sector (US\$ 151 million)
- Energy - expected to be 5.8% (TT) and 11% (Guyana)

# GOING FORWARD BETTER

- New model education
- Food security and safety
- Inclusion – develop a model for ensuring full participation of population
- New models of productivity and business
- Digital equality
- Gender equity
- Genuine intra-regional collaboration
- Improve resilience of people and communities



# RESOURCES

Labour Overview in times of COVID-19 Impact on the labour market and income in Latin America and the Caribbean1 | Second Edition September 2020

**<https://unctad.org/news/caribbean-leaders-urged-diversify-creative-economy-post-covid>**

**Caribbean economies in the time of the coronavirus Caribbean Economies in the time of Coronavirus - IDB**

**Authors: David Rosenblatt, Henry Mooney and María Alejandra Zegarra**

**<https://www.statista.com/statistics/1131739/coronavirus-impact-tourism-gdp-caribbean/>**

**<https://today.caricom.org/2020/08/27/st-kitts-government-reports-millions-of-dollars-in-lost-revenue-as-a-result-of-covid/>**

**<https://www.cnrs-univ-arizona.net/menu-en/covid-am/covid-19-on-the-outer-banks-of-france-martinique-guadeloupe-and-french-guiana/>**