The region is no stranger to crises that impact in a direct way the economy.

Our location:
We are located in the hurricane belt and therefore are at the mercy of the hurricane season from July to November each year. Hurricanes threaten our infrastructure and by extension our economy. Such was our experience with Hurricane Hugo 1989, Hurricane George 1998, and Hurricane Ivan 2004, just to name a few.

The structure of our economies
- **Open economies** - Our economies are import intensive; dependent on the external environment for basic commodities including food and oil. As such, we are directly impacted by price volatilities on the international market.

Price increases on basic commodities translate into higher cost for basic staples like flour, rice, corn, and gas at the pump, resulting in a general rise in the cost of living. This was the crisis the region faced in 2008.

Consider however, that this industry is seasonal; externally driven; and is classified as a luxury good (not a need) hence it is a good that “consumers manage to do without during periods of below average income and falling consumer confidence.” The industry is also adversely impacted by hurricanes, terrorism, increases in air transportation, air-borne diseases, and ever-changing consumer preferences.

Added to this, is our growing indebtedness which not only creates financial imbalances but also robs us of the financial space required to address the many crises that are inevitable.

So here we are once again at a crossroad, confronting another crisis, which serves to highlight, just as those that have gone before, our vulnerabilities. The questions to be answered are as follows:

1. Are we going to let this crisis go to waste or are we going to see it as an opportunity to do those
critical things that we have always needed to do in the past and still need to do now?

1. Are we going to take the drastic steps that would allow us to surmount the inevitable crises that will continue to visit our shores?

This economic downturn provides us with the opportunity to put things right:

- to force a restructuring of our finances at the household and country levels;
- to better our collective understanding of risk, redefine our risk management parameters, and put measures in place to mitigate the exposure of our finances and our economic system to those risks;
- to be actively engaged in discussions, as all good citizens should, on issues related to government income, expenditure and debt.

Our **Must Do List** should revolve around the following issues:

- **We have to practice** responsible spending. We cannot indulge without limits. Now is the time to eliminate wastage of money and other resources.

- **We have to establish** financial reserves so that we can improve our financial capacity to be able to respond to crisis and have resources available for our long term security.

- **Prioritise!** We can’t have everything **NOW**. We have to weigh the opportunity costs and focus on our needs.

- **We have to increase** our skills so that we can diversify into other industries.

- **We have to strengthen** our risk management and governance systems.

- **We have to practice** conservation and seek to exploit the potential of renewable energy resources available in our region.

- **We have to craft** a cohesive, proactive and rapid response mechanism to address inevitable economic crises.

This is how we will be able to be one step ahead of possible adverse eventualities. Crises will always be a part of our economic landscape, the issue is for us to always be prepared. Are you? **SLW**

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One of the best ways to learn is at a time of adversity. Remember the old saying “No Pain, No Gain.”

What separates successful people from those who fail to succeed is that successful people find the motivation to keep going. They find strength in adversity and every problem life throws at them, makes them stronger and stronger.

You have to decide that you can master your environment and solve your current problems. No one else can solve your problems. The solutions reside with you. Focus on finding them.
Jamaica’s key tourism industry, while
Moody’s Investors said the recession
order of 10 percent of GDP,” she
opting instead to run high primary
significant fiscal challenges. “The
strong for a country facing such
“Jamaica’s willingness to honor its
government’s revenue and 16 per
cent of the central
government’s fiscal consolidation
keep the negative outlook on the island
following the resignation of the
central bank governor.
Moody’s Investors put the local and
foreign currency bond ratings two
notches lower at “Caa1,” with a
negative outlook, warning that
further downgrades are not out of
the question.
“Even though an IMF programme
would probably give some much-
nEEDED breathing room to the fiscal
position, the size of the public debt is
such that Jamaica is unlikely to
restore debt sustainability in the
medium-term without some sort of
meaningful debt restructuring at
some point,” said credit analyst
Alessandra Alecci.
She said debt-servicing costs account
for over 55 percent of the central
government’s revenue and 16 per
cent of its gross domestic product
(GDP).
“Jamaica’s willingness to honor its
obligations has remained unusually
strong for a country facing such
significant fiscal challenges. “The
government has never defaulted,
opting instead to run high primary
surpluses in recent years, some in the
order of 10 percent of GDP,” she
added.
Moody’s Investors said the recession
has dealt a “major setback” to
Jamaica’s key tourism industry, while
the country’s bauxite-alumina sector has
grappled with sagging industrial demand.
But the ratings firm warned that even an
IMF pact would likely be just a “temporary
fix.”
The decision by Moody’s Investors
follows a similar move earlier this month
by another major international credit
rating agency, Standard & Poor’s Ratings
Services. The Wall Street firm had
downgraded Jamaica one notch to “CCC,”
keeping the negative outlook on the island
credit following the resignation of the
central bank governor.
Earlier this month S&P revised its
outlook on Barbados for the second
time this year, to negative from stable,
and at the same time affirmed the
‘BBB’ long-term foreign and ‘BBB+’
long-term local sovereign credit ratings.
The short-term ratings remain at ‘A-3’
for foreign currency and ‘A-2’ for local
currency, while the transfer and
convertibility assessment for Barbados
is ‘BBB+’.
S&P Credit Analyst, Olga Kalinina said
the outlook revision on Barbados to
negative “is due to our view that the
timeliness and magnitude of the
government’s fiscal consolidation
necessary to preserve Barbados’ credit
 fundamentals at the current ‘BBB’
level, is uncertain because of a
worse-than-anticipated economic
recession in the country.”
Persaud said while Barbados’ current
economic challenges were influenced
by international circumstances “that
doesn’t remove any responsibility on us
trying to mitigate the impact of that…
The situation is very difficult indeed,
but our economic destiny is still in our
hands and we have responsibility for
how it looks today and how it develops
in the future. So yes the news is not
good, but it’s our responsibility and
ours alone to change it,” he noted….
Let’s Keep The Conversation Going in 2010

YOUR FINANCES ……YOUR FUTURE

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