

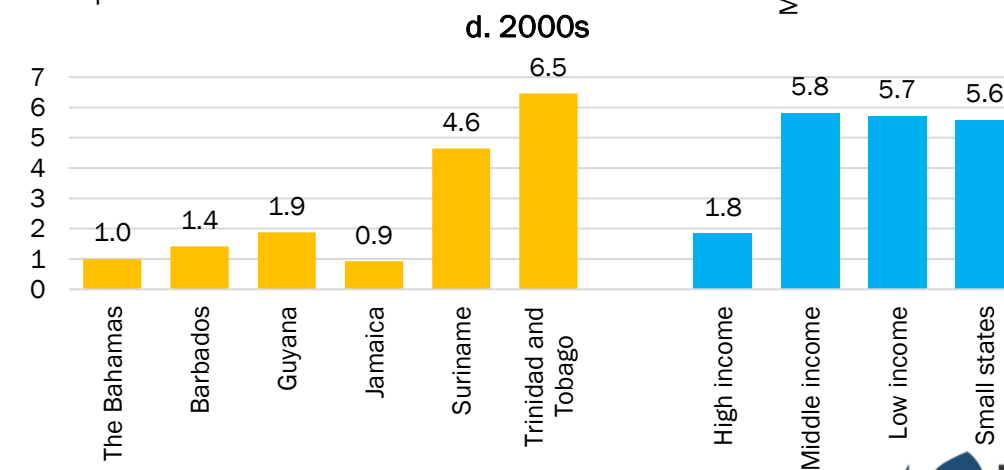
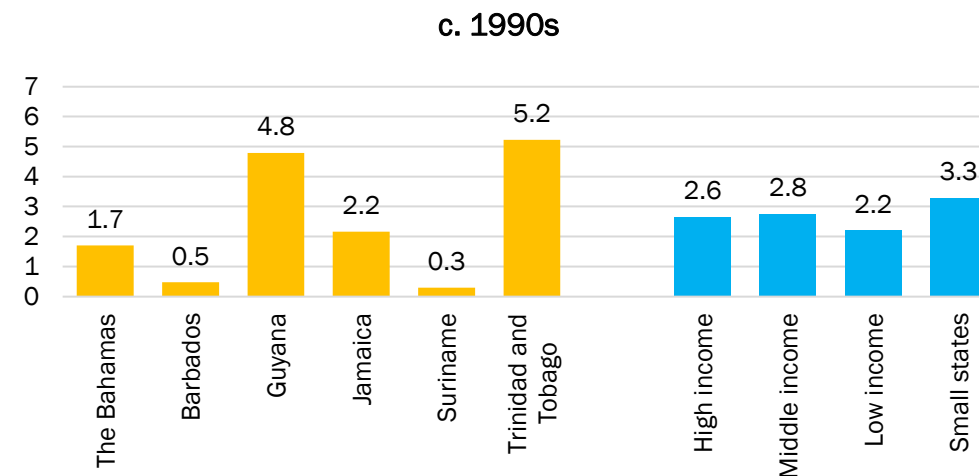
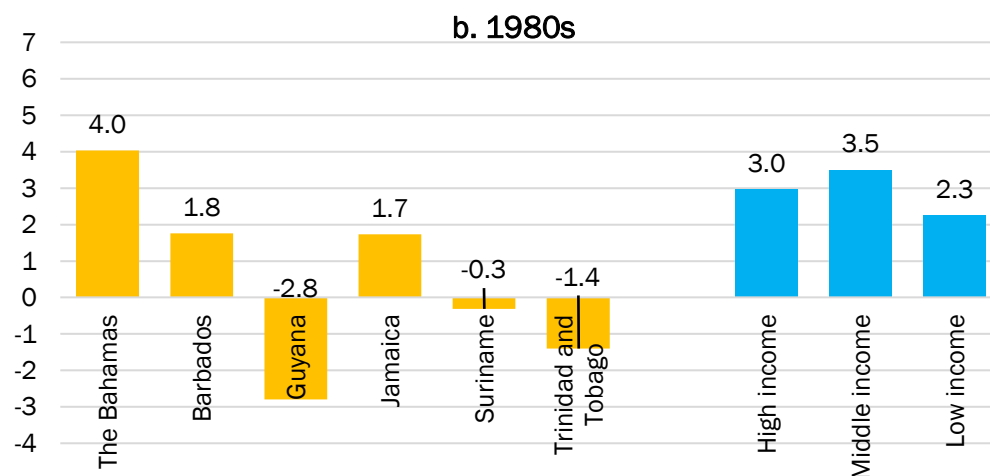
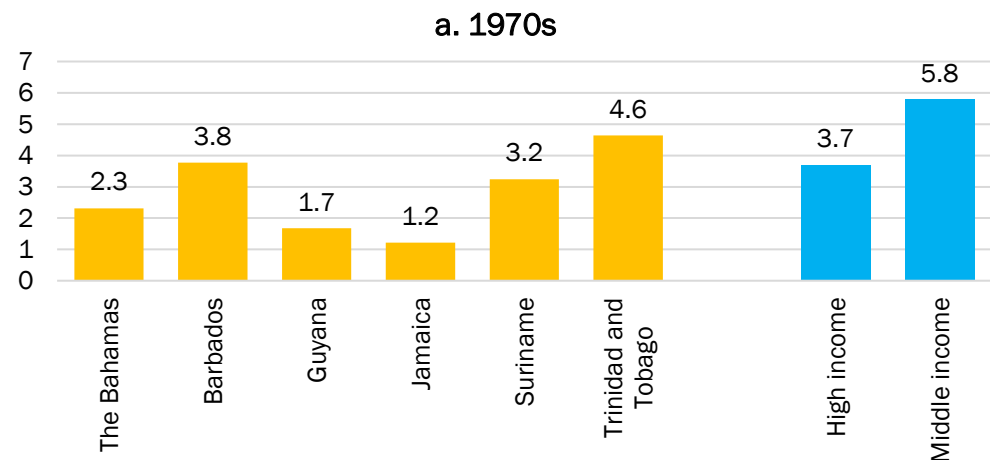
IDB Caribbean Economics: **The Fragile Path to Recovery**

**Henry Mooney, Economics Advisor
Inter-American Development Bank
February 10, 2022**

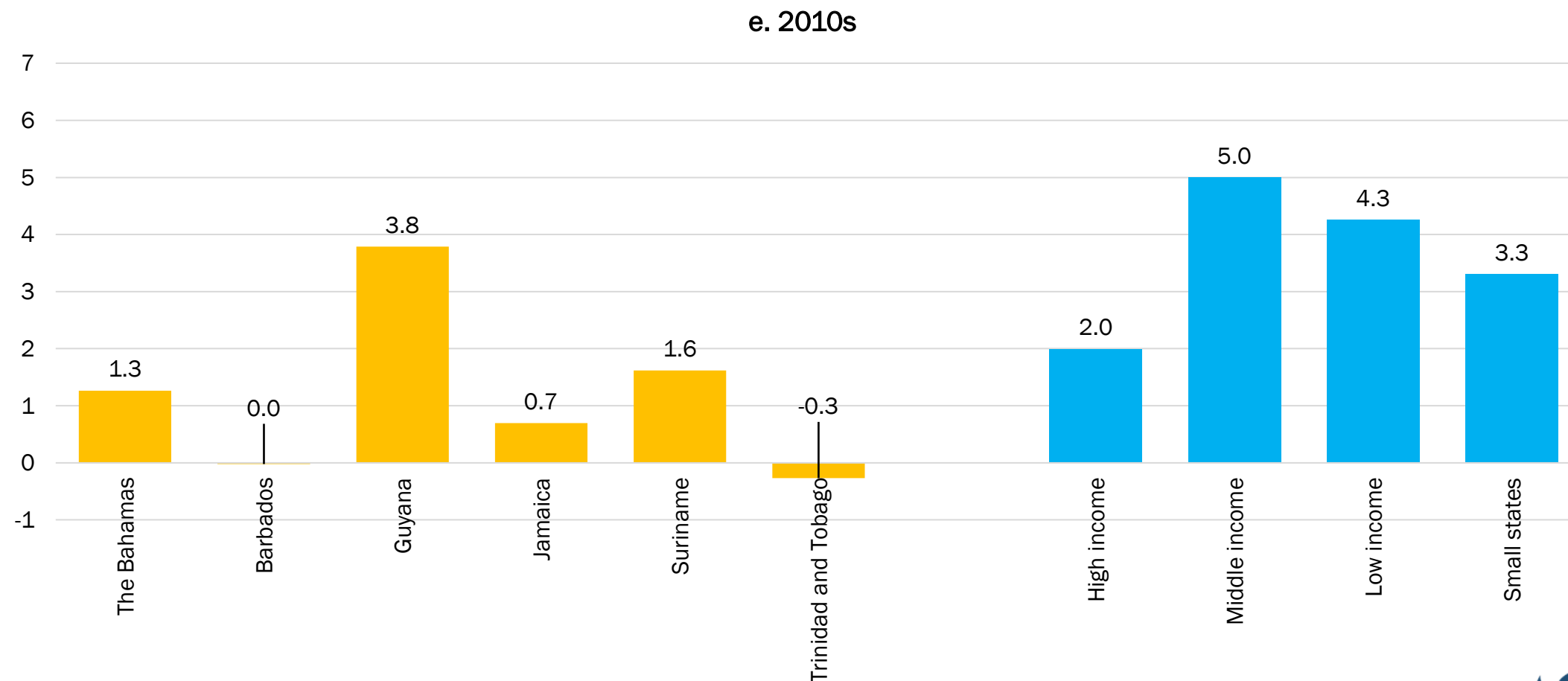
The Backdrop: Growth & Development

PRE-CRISIS CONTEXT

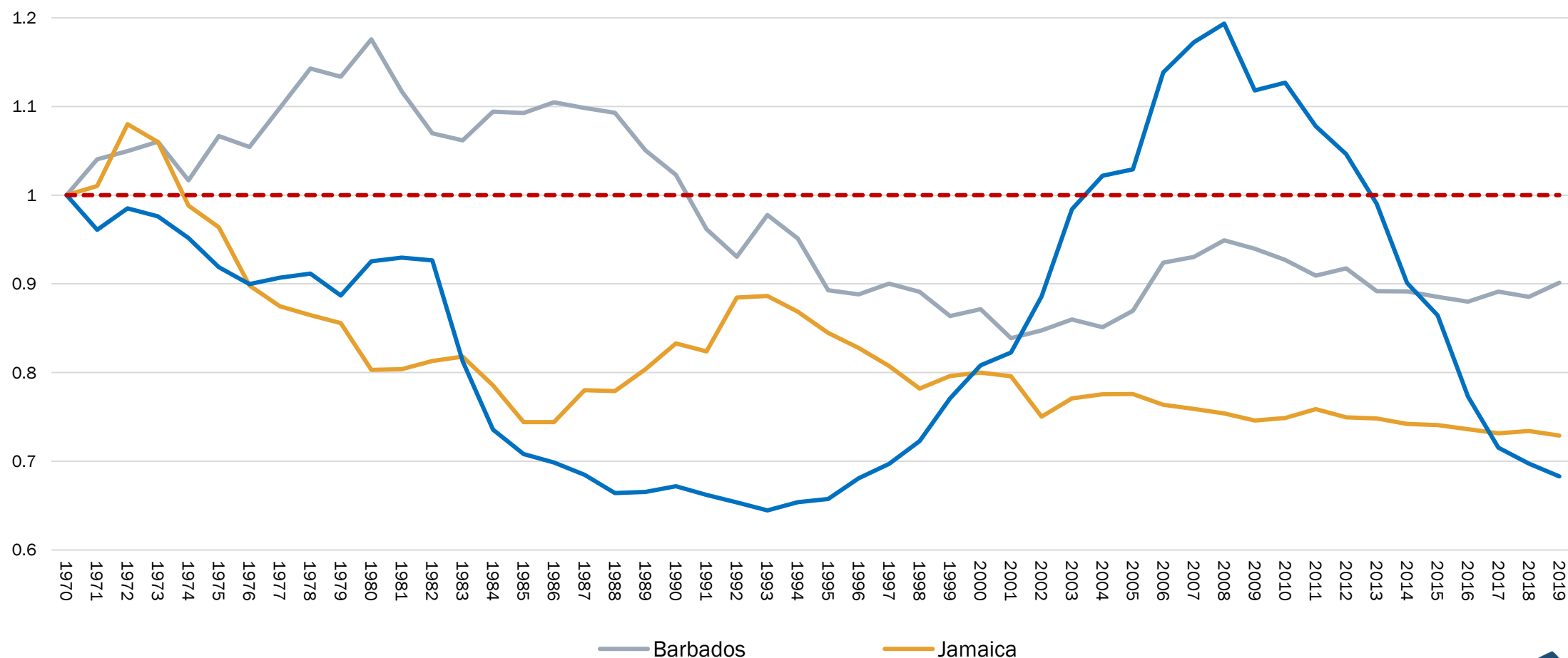
Caribbean real GDP growth has been volatile, and lagged comparable economies...



Relative performance fell further behind during the past decade...



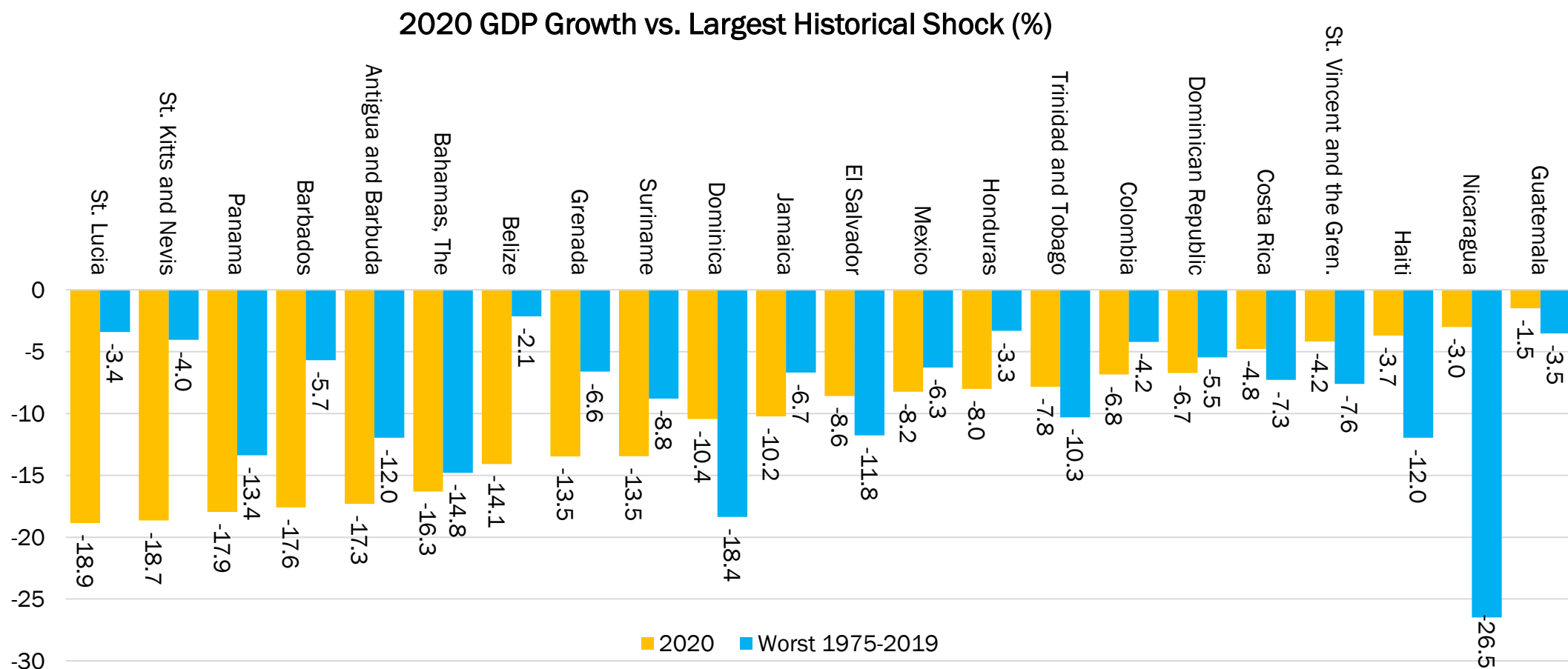
Productivity (TFP) in decline since the 1970s—now below levels of 50 years ago...



COVID-19: Extreme Outlier for Caribbean

UNPRECEDENTED SHOCK TO GROWTH

COVID-19 Shock to Growth (2020): Unprecedented for many, even beyond Caribbean...



Growth Accounting: the consumption side.

$$Y = C_{p,g} + I_{p,g} + (X - M)$$

where:

Y = total output

C = consumption

I = investment

X = exports

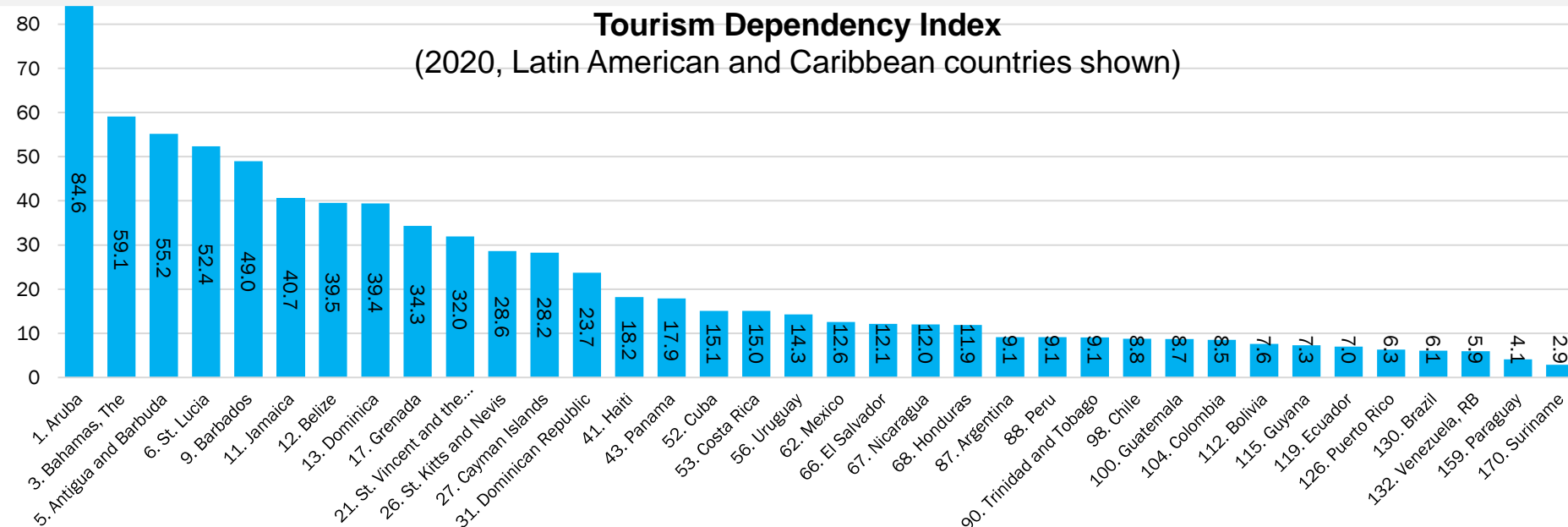
M = imports

p , g = private / government.

Tourism: Caribbean World's Most Dependent Region

COVID SHOCK HIGHLIGHTS TOURISM DEPENDENCE...

COVID-19 Shock to Growth (2020): Unprecedented for many, even beyond Caribbean...

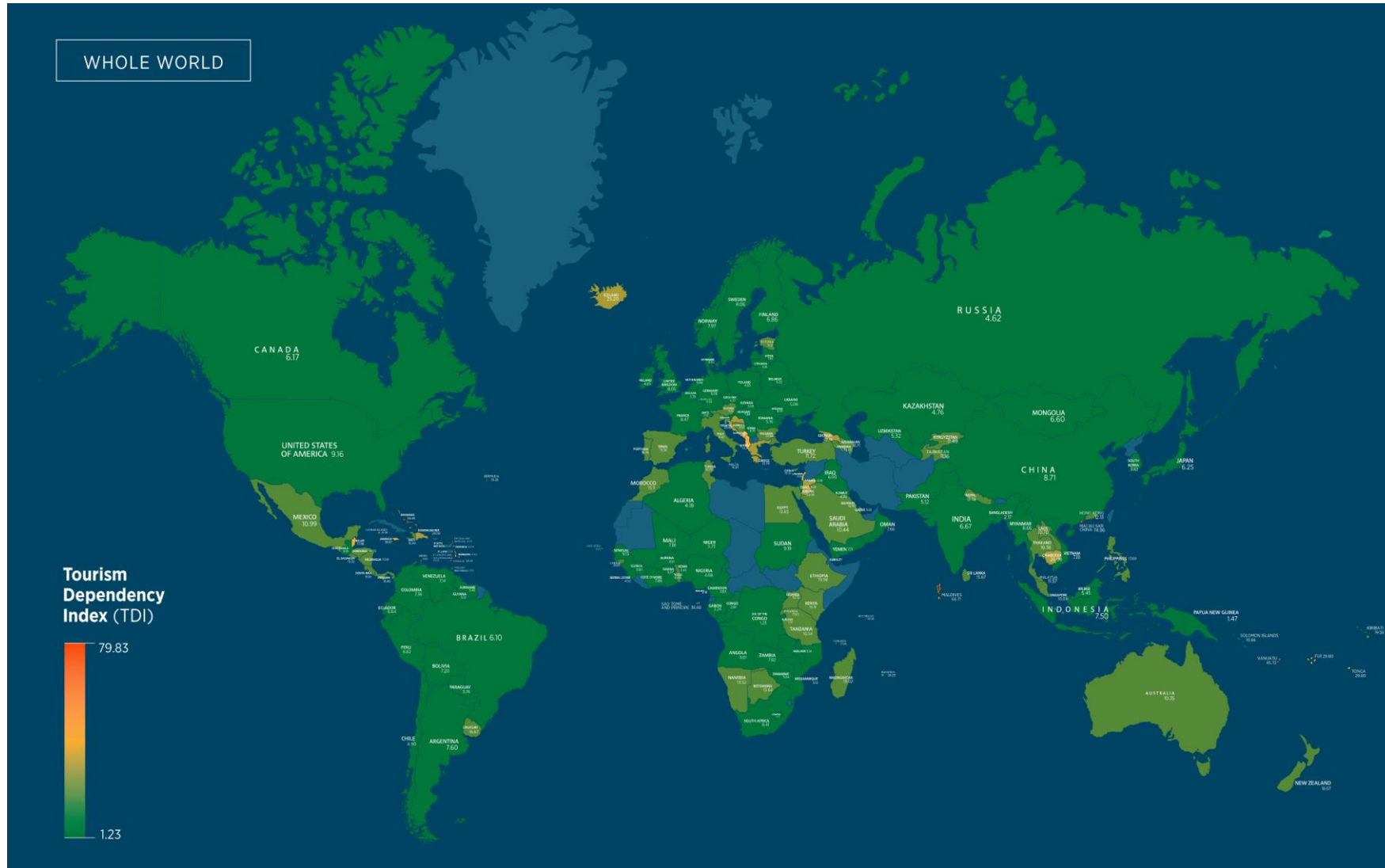


Country	Country and Rank	Rank (/175)	Average Contribution to GDP, 2015–2019 (percent of total GDP)	Average Contribution to Employment, 2015–2019 (percent share of total employment)	Average Contribution to Exports, 2015–2019 (percent of exports)	Tourism Dependency Index (TDI), 2020
Aruba	1. Aruba	1	87.5	88.3	78.0	84.6
Bahamas, The	3. Bahamas, The	3	48.2	56.1	73.0	59.1
Antigua and Barbuda	5. Antigua and Barbuda	5	53.7	47.8	64.1	55.2
St. Lucia	6. St. Lucia	6	41.6	50.4	65.1	52.4
Barbados	9. Barbados	9	40.0	39.9	67.0	49.0
Jamaica	11. Jamaica	11	32.5	29.5	60.0	40.7

Notes: The Tourism Dependency Index (TDI) is calculated using 5-year averages (2015–2019) for the total contribution of tourism to export receipts, GDP, and employment for each country. The range is from zero to 100, with 100 representing total dependence on the sector. TDI for 35 countries in Latin America and the Caribbean for which data was available displayed. The digit preceding the country name represents its rank out of 175 countries around the world for which data was available.

Source: Mooney and Zegarra 2020 (<https://voxeu.org/content/covid-19-developing-economies>)

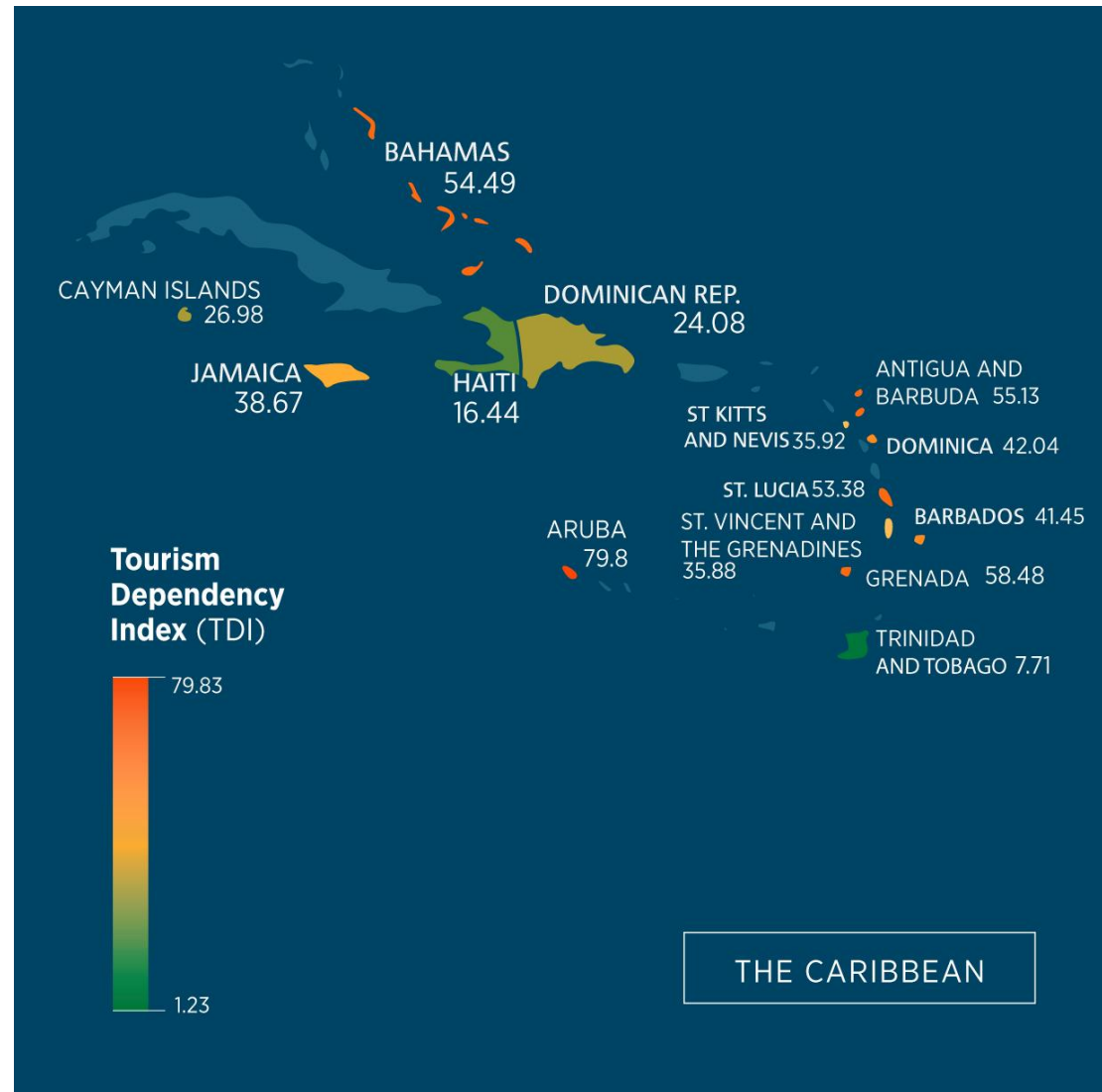
Inter-American Development Bank



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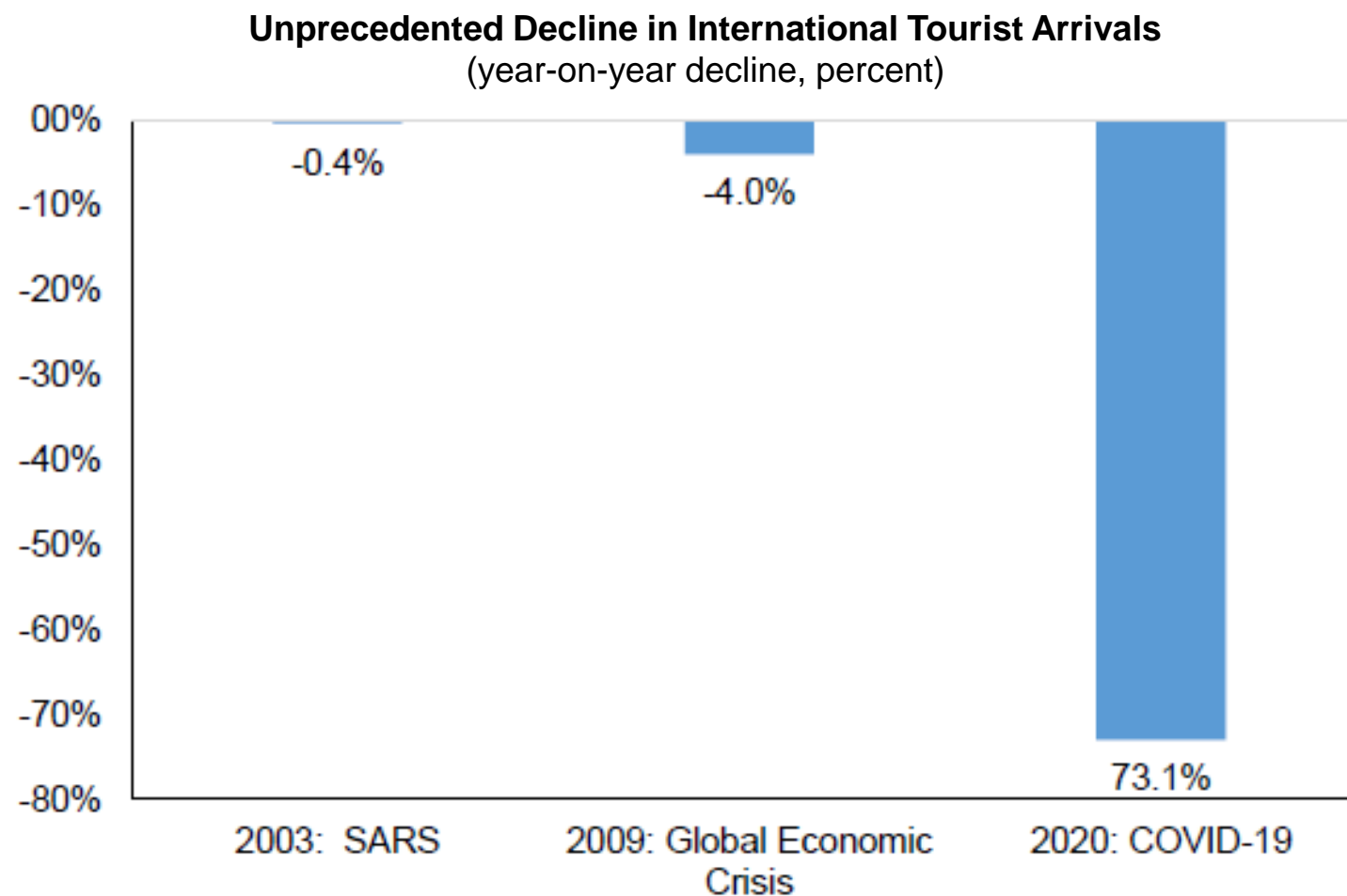
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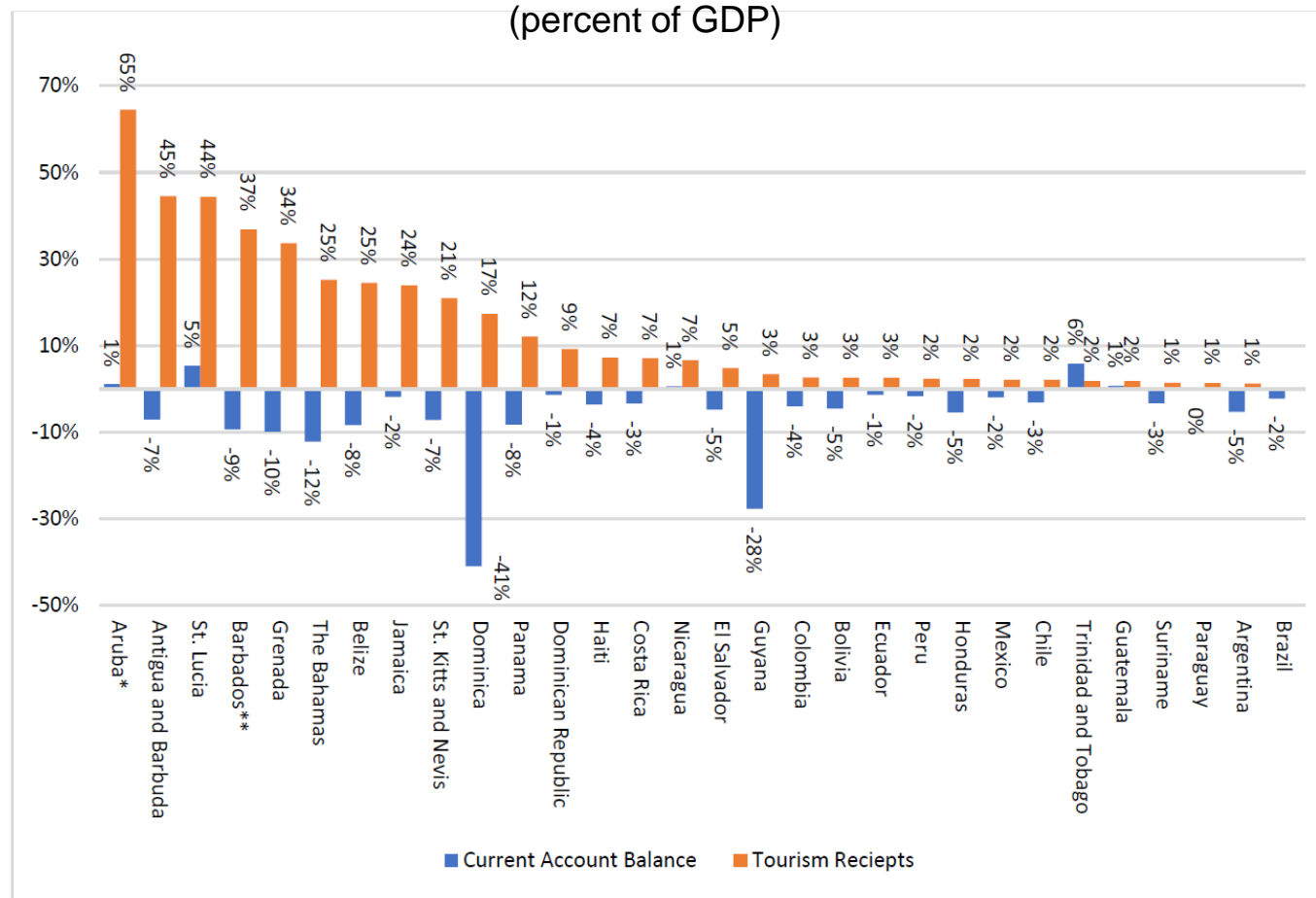
Source: Mooney and Zegarra 2020 (<https://voxeu.org/content/covid-19-developing-economies>)

COVID-19 Shock to Tourism: An extreme outlier...



COVID-19 Shock to Exports: Balance of payments and exchange rates were a concern...

Tourism Receipts vs. Current Account Balances in LAC
(percent of GDP)

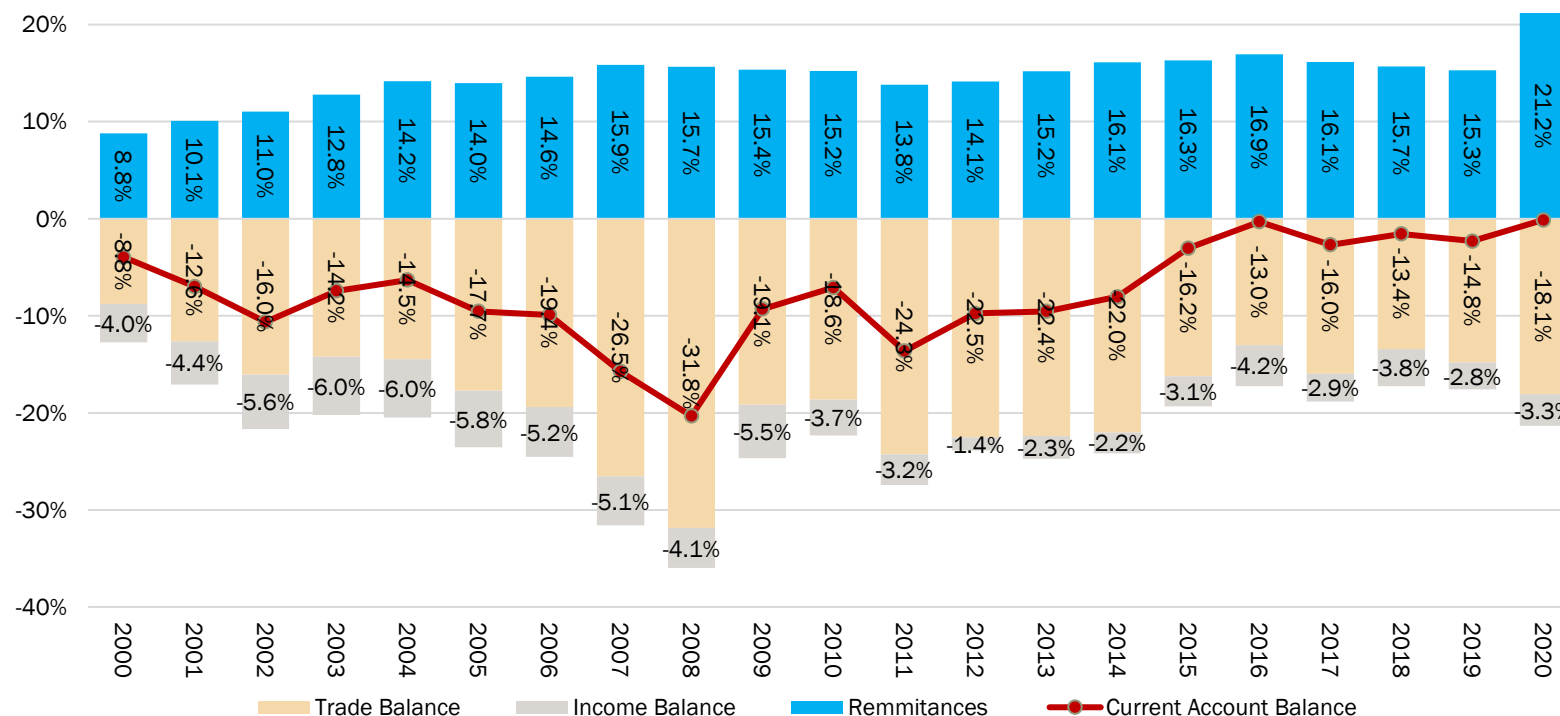


Notes: (*) Data for 2017 for Aruba, and (**) 2016 for Barbados, and 2018 for all other countries.

Source: Authors' calculations based on data from World Bank Development Indicators, IMF, and World Travel and Tourism Council databases.

COVID-19 Shock BOP and Exchange Rates: Unexpected resilience...

Example: Jamaica: Current Account Components (%GDP)

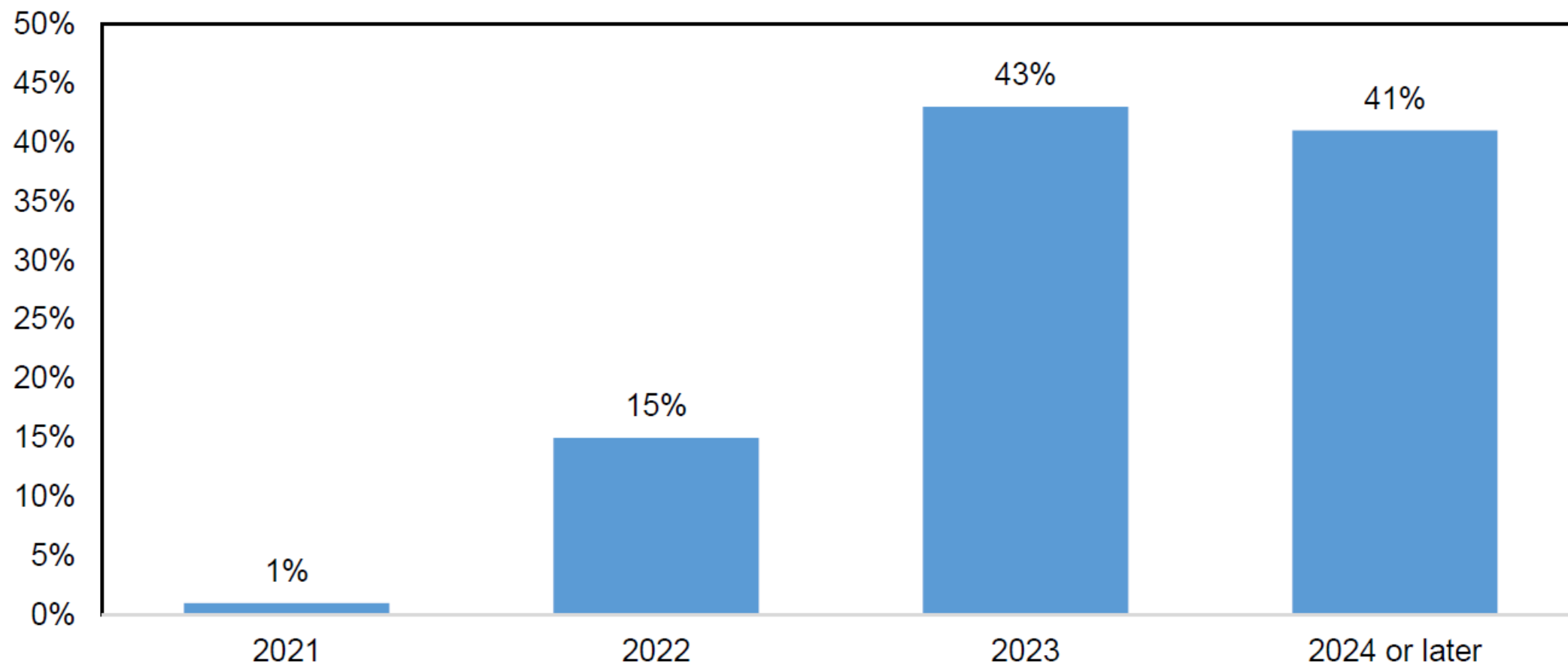


percent of GDP	2016	2017	2018	2019	2020	Change 2019-2020
Imports	44.3%	49.0%	50.4%	52.6%	42.2%	-10.4%
Exports	31.2%	33.0%	37.0%	37.8%	24.1%	-13.7%
Remittances	16.9%	16.1%	15.7%	15.3%	21.2%	5.7%
Current Account Balance	-0.3%	-2.7%	-1.6%	-2.3%	-0.1%	2.2%

Looking Forward: What to expect?

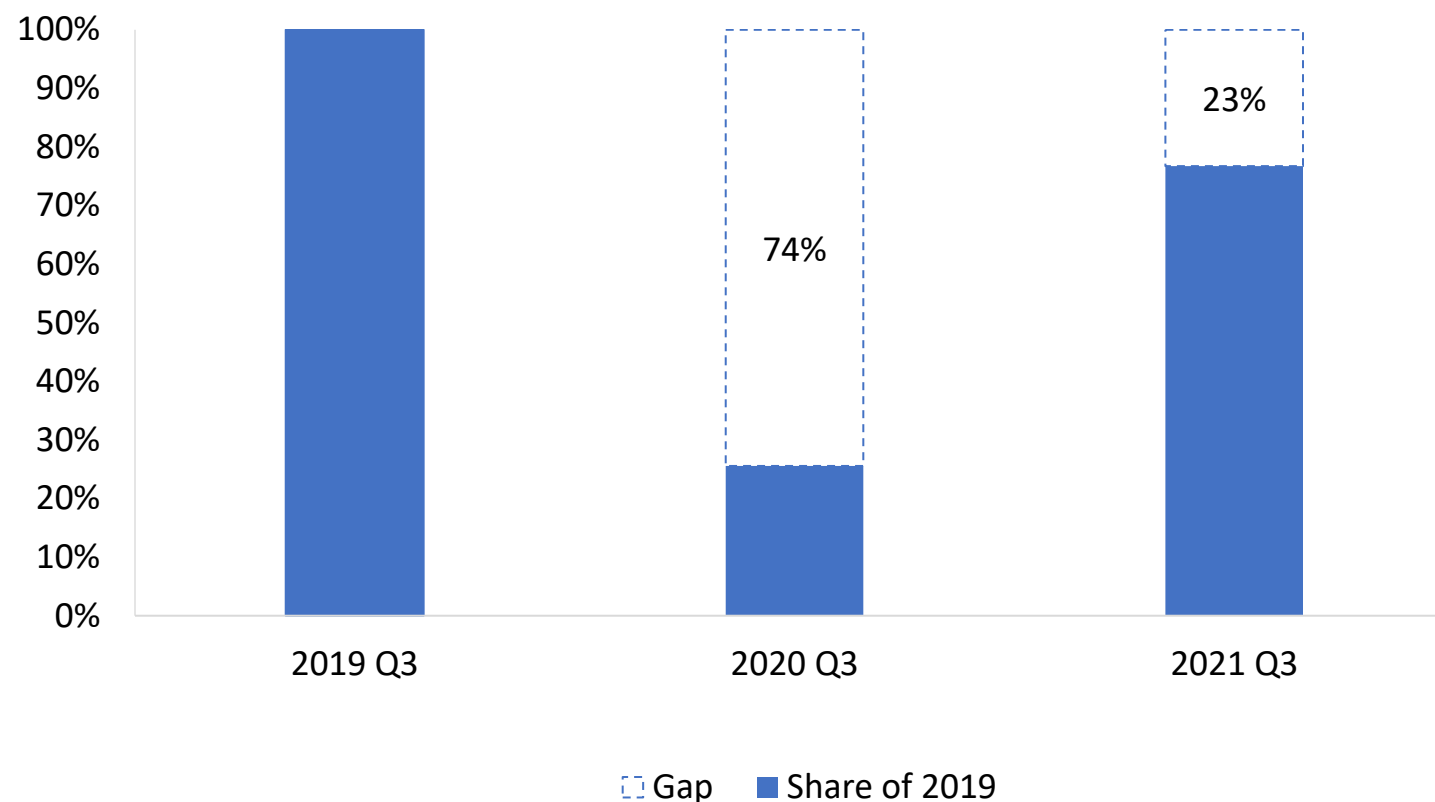
EXTERNAL DEMAND AND TOURISM RECOVERY WILL BE KEY...

When will tourism normalize? Open question, and fluid environment...



2021 data encouraging... but time will tell how durable. Caribbean may be well placed...

Visitors to the Caribbean (2019=100%)



Source: Mooney and Rosenblatt (forthcoming). Calculations based on reports from the Caribbean Tourism Organization (CTO).

Note: Figures include country members of the CTO, including Puerto Rico and Dominican Republic.



Thank you!

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