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Caribbean Information &
Credit Rating Services Limited



CariCRIS is the Caribbean's regional credit rating agency. It is a unique market-driven initiative aimed at fostering and supporting the development of regional debt markets in the Caribbean.

Daily Newswire



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Caribbean Information & Credit Rating Services Limited

CariCRIS is the Caribbean's first credit rating agency. Established in 2004 by the major financial institutions, central banks and multilateral development institutions in the region, CariCRIS provides to bond issuers, investors and financial market regulators, national as well as regional scale credit ratings which measure the relative creditworthiness of entities in individual countries as well as in the region as a whole.

CariCRIS' products and services include:

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- Mutual Fund Gradings
- Independent pricing of regional fixed income securities
- Independent risk assessment of investment and loan portfolios
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- Industry research

CariCRIS' credit ratings facilitate:

- Easy and direct comparison of credit quality within Caribbean countries and across the region based on independent and objective rating methodologies
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- Determination of capital requirements for insurance companies, banks and financial institutions
- Lowering of debt cost when borrowing directly from the capital market or negotiating loans from banks
- Significant improvement of overall market efficiency through increased information and transparency



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Regional

Jamaica

AGI's share value could be listed below its capital base

Advantage General Insurance Company (AGI) may value its shares at \$1 for each dollar of capital it holds in its upcoming initial public offering, unless it pays out a big dividend before going public.

Jamaica needs many more Barclay Ewarts to drive a manufacturing renaissance

IN his tribute to Barclay Ewart, his friend, legendary entrepreneur Danny Williams, described the young Barclay Ewart as a modest person, who, despite his outstanding achievements in the field of sports, never let it go to his head. He was however "determined to achieve his goals and worked assiduously at them, but was never unduly aggressive or vulgar in his efforts to do so".

'Get dressed up and corporate mingle'

With over 12 per cent of the population unemployed and the economy static, it's understandable that a "Corporate Mingle", aimed at putting job-hunters and employers together, would be a hit in Jamaica.

Cargo airline expands operations from Miami to Montego Bay

AIRFREIGHT company Exec Direct Aviation Services (EDA) on Friday launched services from the Miami International Airport (MIA) to Sangster International Airport in Montego Bay.

McNeill confident in new Jamaica Tourist Board

TOURISM MINISTER Dr Wykeham McNeill has expressed confidence that the team he has put in place to lead the Jamaica Tourist Board will help to ensure continued growth in the sector.

Paulwell sets up energy council

Minister Phillip Paulwell has announced plans to set up a bipartisan energy council tasked with achieving up to 62 per cent reduction in energy costs paid by households and businesses.

Jamaica National life insurance business to launch later this year

Jamaica National Building Society (JNBS) says its new life insurance company will open for business in the second half of the year. The financial services group was granted a licence by the Financial Services Commission (FSC) back in August.

GK sets up one-stop financial centre downtown

GraceKennedy Financial Group (GKFG) is investing about J\$120 million in a one-stop financial centre to expand its banking network, investment and insurance services to downtown Kingston.

Salada Foods focuses on expanding exports

Jamaica's largest coffee processing firm, Salada Foods Limited, will be primarily focusing on increasing exports of its products as part of the strategy to take the company forward, according to Managing Director Julian Rodney.

International hotel group urged to consider Jamaica as a viable option

Jamaica's ambassador to the United States, in the latest bid to help boost her country's hotel room offerings, has approached the Marriott International chairman and CEO to consider Jamaica as a viable option for some of its high-end hotels.

Barbados

Done deal

CLICO INTERNATIONAL General Insurance has been purchased by Sandridge Limited.

'Holding its own'

"All is not lost!"

Business Monday: BCCI 'Meet the Minister' meeting to tackle issue of cost of living

MEMBERS of the local business community will have an opportunity to meet on Wednesday with Minister of Commerce and Trade, Senator Haynesley Benn.

Business Monday: BICO looking to boost business

FOR the second straight year, shareholders of BICO Limited might have to do without a dividend. Meanwhile, the icecream manufacturer is on the hunt for a strategic partner to boost its business.

Business Monday: Government enforces commitment to greener economy

THE government of Barbados has ensured its commitment still remains to seeing the country continue to lead the regional drive towards sustainability so that a space could be created where its citizens could enjoy a higher quality of life.

Business Monday: ICAB President says risk of downgrade cause for concern

PRESIDENT of the Institute of Chartered Accountants of Barbados (ICAB), Reginald Farley says the 33 per cent risk of a further credit rating downgrade by international rating agency Standard and Poors is a cause for significant concern.

Trinidad & Tobago

IMF concludes mission to Trinidad and Tobago

An International Monetary Fund (IMF) team visited Trinidad and Tobago during February 1-10, 2012, to conduct the 2011 Article IV consultation. The team met with senior government and central bank officials, a broad range of private sector representatives, and political and business leaders, and discussed recent macroeconomic and financial developments, medium-term prospects, and policy challenges.

Tobago gets late flights

Forty million dollars allocated to the Airport Authority ten years ago for the development of the ANR Robinson Airport in Tobago has never been used, leading to the airport falling into a state of disrepair.

Brace for gas shortage

THE country has been warned to brace for a disruption of petroleum supplies as the Oilfields Workers Trade Union, [OWTU], has signalled its intention to serve legal strike notice on State-owned oil company Petrotrin next Tuesday.

Guyana

President Ramotar reports to Parliament on state of economy

ADDRESSING the official opening of the 10th Parliament, President Donald Ramotar emphasised the importance of continued prudence and good management of the economy.

Commonwealth team to assist in development of natural resources sector

MINISTER of Natural Resources and the Environment, Robert Persaud, and senior officials of the Ministry and the Guyana Geology and Mines Commission, yesterday met with Head of the Economic and Legal Division of the Commonwealth Secretariat, Daniel Dumas, and the Canadian High Commissioner, David Devine, for initial discussions on strategies to further develop Guyana's extractive industries.

Dominican Republic

US\$200.0M Central Mountain highways; one starts, another opens

Public Works Minister Victor Diaz Rúa Sunday announced the start of construction on one highway and the ribbon cutting of another in the next few days, both across the Central Mountain Range.

IDB to approve US\$1.9 billion for Central America and DR in 2012

The Inter-American Development Bank (IDB) expects to approve \$1.9 billion in projects with sovereign guarantees in 2012, in sectors such as infrastructure, energy, transportation and rural development.

Dominican industry leaders explore business opportunities in Haiti

Dominican industry leaders met with Thierry Mayard-Paul, Haiti's minister of Interior and Local Authorities, to explore business opportunities existing in Haiti. According to Jaime Malla, the president of Productos Quimicos Industriales, the meeting was very productive. "I think it's like a platform, these steps are highly significant."

All fuels remain unchanged, except propane gas

The Industry and Commerce Ministry on Friday announced that all fuel prices, except propane gas, will again remain the same for the week from February 11 to 17, when premium gasoline will cost RD\$222.60, per gallon and regular will still cost RD\$206.50.

St. Kitts & Nevis

St Kitts-Nevis reports double digit decrease in serious crimes

Police in St Kitts and Nevis are reporting a significant decrease in the total number of reported incidences of crime in 2011 compared with the previous year. Police Commissioner C. G. Walwyn said statistics revealed that there was a 14.3 percent reduction of serious crimes recorded.

Haiti

Haiti signs contract to refurbish main hydro plant

The government of Haiti on Friday signed a contract with the French consortium Alstom-Comelex to restore the Péligre hydroelectric plant, the country's principal renewable energy source.

Haiti explores regional best practices to strengthen national development

In an effort to identify best practices in democratic governance, Haiti's Minister of the Interior, Thierry Mayard-Paul, initiated a series of information-gathering sessions on successful government programs implemented by Latin America and Caribbean countries.

Grenada

Grenada government trying to solve airport financial issues

The Ministry of Tourism and Civil Aviation in Grenada is working with other government departments, particularly the Attorney General's Chambers and the Ministry of Finance, to arrive at a solution to the current financial difficulties being experienced by the Grenada Airports Authority.

Dominica

Plans to restructure CLICO on stream

Court appointed Judicial Manager for the Colonial Life Insurance Company (CLICO) Oliver Jordan says he is optimistic that the company will soon find an investor to purchase the troubled company.

Dominica to stay away from the sucre

While hoping to tap into trade arrangements being explored by the Venezuelan-led Bolivarian Alliance known as ALBA, Dominica and the other two OECS countries (Antigua and Barbuda and St Vincent and the Grenadines) with membership in that organization, have said they'll stay away from the sucre, ALBA's currency of choice for trading among its member states.

Dominica to receive Euro millions over next 2 years

Dominica expects to receive between 14 and 15.5 million Euros during 2012 and 2013, from the 190 million Euros allocated to the African Caribbean Pacific (ACP) nations through the European Commission's BAM (Banana Accompanying Measures) programme.

OECS officials lament low inter-island trade

Trade between the Organisation of Eastern Caribbean States (OECS) states themselves is practically non-existent, with most sub-regional exports going to markets outside of the grouping.

Bahamas

WSC TO SPEND \$10M ON FOUR NEW WATER TREATMENT PLANTS

THE Water and Sewerage Corporation (WSC) plans to spend about \$10 million on four waste water treatment plants as well as several disposal wells in New Providence, the corporation's general manager Glen Laville told Tribune Business yesterday.

Other – Regional

Business Monday: UK dealing with its own fiscal deficit

Facing its own budgetary issues, the UK is firm on its position that the Air Passenger Duty will remain in place.

IDB strengthens partnership with Caribbean

The Inter-American Development Bank (IDB) has strengthened its historic partnership with member countries of the English-speaking Caribbean and Suriname.

International

United States

Bernanke's Labor Pessimism at Odds With U.S. Growth

In his six years as Federal Reserve Chairman, Ben S. Bernanke has sometimes proved too sanguine about the U.S. economy, declaring the impact of bad subprime mortgages on the financial markets “contained” in 2007 and being too optimistic about growth last year.

Bond Buyers Endorsing Bernanke's Caution Unfazed by \$100 Oil

The market for U.S. Treasuries is embracing Federal Reserve Chairman Ben S. Bernanke's view that signs of improving growth mask threats to the nation's economy, keeping inflation in check.

Obama Budget Proves Unique With No Similar Source for \$3 Trillion Spending

President Barack Obama's budget today will outline his ideas for how the government may spend more than \$3 trillion in the next fiscal year, starting Oct. 1. There's no similar document accounting for where taxpayers' money actually goes.

United Kingdom

London January Home Rents Fall From September High as City Jobs Disappear

Home rents in central London fell in January from the month before because of job losses and cutbacks in London's financial services industry, Knight Frank LLP said.

U.K. Economy to Avoid Recession, Gain Momentum in 2012, CBI Says

The U.K. economy will avoid a technical recession and the recovery will gain momentum this year, avoiding the need for more quantitative easing by the Bank of England, the Confederation of British Industry said.

Europe

Greece Bailout Faces European Finance Chiefs

European finance chiefs get the second chance in a week to pull Greece back from the brink of collapse after lawmakers in Athens approved the austerity measures demanded for a financial lifeline.

European Stocks Rise on Greek Plan Approval

European (SXXP) stocks advanced for the second time in three days after Greek lawmakers approved austerity measures needed to get the financial rescue the nation seeks. U.S. index futures and Asian shares also rose.

Draghi \$158B Free Lunch Boosts Bank Profits

Banks are benefiting from a European Central Bank subsidy that could reach 120 billion euros (\$158 billion), enough to pay every bonus at financial firms in London for the next 24 years at today's levels.

Japan

Japan's GDP Shrinks More Than Estimated as Yen Undermines Exports: Economy

Japan's economy shrank an annualized 2.3 percent in the fourth quarter, more than economists estimated, as slumping exports undermine a recovery from last year's record earthquake.

China

China Should Fine-Tune Economic Policy as Early as This Quarter, Wen Says

Chinese Premier Wen Jiabao said the nation needs to start "fine-tuning" economic policies this quarter, the first indication of a timeframe for an adjustment he has pledged since October.

India

State Bank of India Shares Decline as Bad Loans Increase: Mumbai Mover

State Bank of India, the nation's largest lender, dropped in Mumbai trading as bad loans expanded and capital buffers shrank in the third quarter.

Australia

ANZ Bank to Cut 1,000 Jobs This Year, Freeze Most Senior Executives' Pay

Australia & New Zealand Banking Group Ltd., the third-largest bank in Australia, plans to eliminate about 1,000 jobs and reiterated a pay freeze for most senior executives as it combats a slump in lending growth.

Denmark

Danske CEO Says Housing Hurts Retail Portfolio

The fallout of Denmark's house price collapse is spreading through Danske Bank A/S (DANSKE)'s loan book as the country's biggest lender watches losses grow at its retail unit, said outgoing Chief Executive Officer Peter Straarup.

Other - International

EU Will Keep Airline-Emissions Levies

The European Union will press ahead with emissions levies for international airlines, putting the bloc on course for a trade spat with countries including China, India and the U.S.

Europe Job Losses Accelerating With AstraZeneca-to-PepsiCo Cuts

Global companies from NEC Corp. (6701) to PepsiCo Inc. (PEP) and AstraZeneca Plc (AZN) are chopping jobs more than three times faster than in 2011 as they brace for recession in Europe and a slowdown in China.



*** FULL ARTICLES ***



President Ramotar reports to Parliament on state of economy

Monday 13th February 2012 – Guyana Chronicle

ADDRESSING the official opening of the 10th Parliament, President Donald Ramotar emphasised the importance of continued prudence and good management of the economy.

“Without a doubt, our economy and country have come a far way from the time that our country was forced to enter an IMF agreement in 1989.

At that time, our country was a Heavily Indebted Poor Country (HIPC) where almost nothing worked,” the Guyanese leader told the House.

According to him, Guyana has now grown from a US\$317 million economy in 1991 to a US\$2.261 billion economy in 2010. The per capita income has moved from US\$304 to US\$2,533 in 2010.

In the same period, loans to the private sector increased from Gy\$7 billion to Gy\$112 billion, while interest rates tumbled from a height of 35% to now within a range of between 5% and 11%.

The Guyanese Head of State also reported that Guyana has succeeded in slashing the country’s external debt from US\$2.1 billion to just above US\$1 billion today. External reserves have grown from US\$123 million to US\$780 million, the highest it has ever been; while inflation has been sharply reduced to single digits for more than a decade. “Guyana is now poised for a rapid take-off”, the President explained, but for this to be realised, the existing issues that can slow down the country must be tackled.

He pointed to the acquisition of cheap and clean power, which he believes is very important. According to Ramotar, cheaper, cleaner, and more reliable energy sources will encourage a stronger and more modern economy which will allow greater manufacturing, agro-processing and added value to the country’s minerals.

In the process, many well paying jobs will be created, and the fuel import bill would be slashed, thereby producing significant resources to enhance the efficiency of the productive sectors.

Maintaining and improving the productive sectors -- sugar, rice and bauxite -- is critical to development. Agriculture has a very important role in the future development of Guyana, the President said.

He further explained that with the UN’s declaration that the world’s population is growing rapidly, the world already has seven billion mouths to feed; and by the end of the first half of this century, another billion mouths will be added.

“Clearly, with the pressure on lands, food prices will rise, as is already happening,” he said.

With regard to mining, it will be extremely important to the rapid development of Guyana, and the two bauxite companies operating here are expected to increase production beginning from this year, the President reported to the House. He expressed confidence that increased production would create new jobs for workers in the bauxite belt and in transportation as well.

A bauxite mine is expected to be constructed shortly.

Increased investments in gold mining is also employing growing numbers of workers currently.

“There is also high optimism that we are on the verge of discovering petroleum,” President Ramotar added. Some experts have listed Guyana as becoming the world’s major player in the sector. He said Guyana has to prepare for such eventuality and carefully plan for possibly serious negative effects on the traditional sectors. In addition, he believes that “we must learn from the experiences of other countries which have passed through that stage already.”

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Commonwealth team to assist in development of natural resources sector

Monday 13th February 2012 – Guyana Chronicle

MINISTER of Natural Resources and the Environment, Robert Persaud, and senior officials of the Ministry and the Guyana Geology and Mines Commission, yesterday met with Head of the Economic and Legal Division of the Commonwealth Secretariat, Daniel Dumas, and the Canadian High Commissioner, David Devine, for initial discussions on strategies to further develop Guyana's extractive industries.

Over the next three days, Dumas and his team will be meeting with some of the key agencies within the natural resources and environmental sectors, including the GGMC, to review the institutions' systems. Focus will be placed on how Guyana can improve the entire mining sector with new emphasis on the potential oil and gas sectors.

Some other issues which the Commonwealth team will address include the systems and practices for the development of the mining industry, the upgrading of laws and policies, and the methodologies that will be developed to improve the overall framework for the mining sector.

Minister Persaud noted that an effective vehicle must be developed to move the natural resources sector and must take into account the laws, the policies and institutional arrangements. In addition, the ministry has started the development of a strategic plan for the natural resources and the environmental sectors. This will be in line with the other developmental guidelines that facilitate Guyana's growth.

The ministry is also engaging in discussions with the Extractive Industries Transparency Initiative to further enhance the integrity and transparency of the sector.

During the discussions, Minister Persaud emphasised the need for international support to effectively manage the sectors particularly, as it relates to mining and oil and gas. There are three pillars to improving development of the sectors, which are the frameworks, institutional arrangements, and governance. Dumas noted that most countries look to share environmental and production-sharing agreements with the benefits of royalties.

A country should receive its fair share of the wealth from the extractive industry. As such, the tax systems in place must be attractive for private companies. Thus, a proper framework will ensure proper institutions are in place for effective governance.

The workings of the Commonwealth team will be in two phases: policy and legislation will be on the oil and gas sectors, and institutional improvements will be on the general functions of GGMC.

The Commonwealth team has already noted that there should be a review of the petroleum law to ensure that it is modernised to reflect the workings of the new era in energy development. Given that Guyana is on the horizon for a sustainable oils and gas

industry, the review of the current system is of paramount importance for the country to manage its wealth effectively.

When a natural resource is very profitable for the private investor, the country should be compensated accordingly. In the mining sector, there is more room for negotiation, but for oil and gas, the areas for negotiations can vary.

The meeting was also attended by the Commissioner of the Guyana Geology and Mines Commission, Mrs. Karen Livan; Deputy Commissioners, Mr. Kampta Persaud and Mr. Rickford Vieira; and the Head of the Petroleum Division, Mr. Noel Dennison. Other senior staff of the Ministry of Natural Resources and the Environment was also present at the meeting.

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IMF concludes mission to Trinidad and Tobago

Monday 13th February 2012 – Caribbean News Now

An International Monetary Fund (IMF) team visited Trinidad and Tobago during February 1-10, 2012, to conduct the 2011 Article IV consultation. The team met with senior government and central bank officials, a broad range of private sector representatives, and political and business leaders, and discussed recent macroeconomic and financial developments, medium-term prospects, and policy challenges.

At the end of the visit, Judith Gold, head of the IMF mission to Trinidad and Tobago, issued the following statement in Port of Spain:

“There is concrete evidence that the economy is turning the corner and that economic growth will resume in 2012 notwithstanding the ongoing technical disruptions in the energy sector. Real economic activity is projected to increase by 1.7 percent in 2012 as private sector credit expansion gains momentum, the resolution of a large failed insurance company (CLICO) proceeds, the faster pace of government investment continues and energy production returns to normal as the maintenance work is completed while energy prices remain high. Still, there are downside risks to the forecast stemming from the global economic environment, uncertainty in gas prices, and possible delays in the implementation of the public sector investment program.

“The economic slowdown that began with the global financial crisis has been more profound and lasted longer than anticipated. The economy is estimated to have contracted by 1.3 percent in 2011, after recording no growth in 2010 and a significant decline in 2009. Ample buffers, including savings in the Heritage and Stabilization Fund, low public debt, and high international reserves, have cushioned the impact of the crisis, including the failure of CLICO. While unemployment has increased during this period, it remains low at 5.8 percent. Inflation, despite its recent resurgence due to volatility in food prices, also remains moderate at 5.3 percent.

“The 2011/12 budget seeks to provide further support to the economic recovery by maintaining the high level of public capital expenditure, strengthening the business environment, and enhancing the social safety net. The mission agrees that the near-term focus of fiscal policy should be on reviving economic activity, and the timely implementation of the investment program should be a priority. The completion of the restructuring of CLICO claims will also be important to defuse remaining uncertainties. Over the longer term, a shift in the fiscal trajectory will be needed to continue building net savings for future generations while maintaining public investment to support diversification and growth of the non-energy sector. Such a strategy would focus on containing increases in transfers and subsidies while better targeting social benefits to vulnerable groups. It would also include a strengthening of the tax effort through ongoing improvement of tax and customs administration and a broadening of the tax base.

“The financial system has not been immune to the prolonged economic downturn.

Although commercial banks remain well capitalized, profitable, and liquid, the banking system's non-performing loans (NPLs) have increased and provisioning has declined. Given financial vulnerabilities, the mission agrees that continued intensified monitoring and surveillance of the financial system is warranted and urges accelerating the strengthening of the regulatory and supervisory framework, including the enactment of legislation on insurance, credit unions, and securities. The mission concurs with the central bank's accommodative monetary stance to support the revival of private sector credit.

“Key challenges in the energy sector are the projected depletion of oil and gas reserves and the uncertainty in the gas market as a result of the shale gas production in the United States. The industry has been successful in redirecting its exports to new markets in view of the falling gas prices in the United States. Looking forward, adapting the sector's investment framework and the fiscal regime to ensure its competitiveness will be essential. Just as critical will be the continued effort to diversify the economy. The mission welcomes the government's focus on improving the regulatory and administrative framework for private sector activity, and fostering investment, including the planned divestment and public/private partnership programs. It will also be important to strengthen public administration and the public service, to ensure effective and efficient delivery of public goods and services.

“The mission wishes to express its gratitude for the exceptional collaboration of many government and non-government representatives, and for their kind hospitality.”

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[Tobago gets late flights](#)

Monday 13th February 2012 – T&T Newsday

Forty million dollars allocated to the Airport Authority ten years ago for the development of the ANR Robinson Airport in Tobago has never been used, leading to the airport falling into a state of disrepair.

Minister of Transport, Devant Maharaj revealed yesterday during a ceremony to commemorate additional late night flights to Tobago by state-owned carrier, Caribbean Airlines Limited (CAL).

The ceremony was held at the Piarco International Airport.

CAL chairman George Nicholas III yesterday said a 10.30 pm and a 12.30 am flight have been added to its schedule following the 24-hour opening of the ANR Robinson airport.

For the first time ever CAL also commissioned a Boeing 747 airplane to its fleet for a two-week period. The aircraft landed at Piarco yesterday with a load of 437 passengers from New York — 417 in economy and 20 in Business Class.

Adamant to become the premier intra-Caribbean carrier, CAL also launched a daily service to St Lucia out of Port-of-Spain yesterday. The route will be operated by the airline's new state-of-the-art ATR-72-600 turbo prop aircraft with a 68-seat capacity.

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Brace for gas shortage

Monday 13th February 2012 – T&T Newsday

THE country has been warned to brace for a disruption of petroleum supplies as the Oilfields Workers Trade Union, [OWTU], has signalled its intention to serve legal strike notice on State-owned oil company Petrotrin next Tuesday.

OWTU officials announced the strike action yesterday following the breakdown of conciliation discussions between the union and Petrotrin officials at the Ministry of Labour's St James Street, San Fernando office.

Addressing scores of blue-shirt clad union members, an OWTU official said, "Tuesday morning, we want the biggest gathering of workers at the Pointe a Pierre roundabout (in Marabella) when at exactly 8 am, we

will serve intention to strike...a legal strike notice.

"We would serve them with the notice which would allow us to withhold our labour for 90 days," the official thundered.

Another official said, Labour Minister Errol McLeod could yet still intervene in the stalled negotiations saying there was a seven day window by which the Ministry could issue an unresolved certificate, which would witness the issue being taken before the Industrial Court.

"The minister still has a chance over the weekend, between now and then," the official said.

And recounting the events which led to the breakdown of negotiations, the OWTU official said that following the stalemate, the minister had been contacted but had asked that both parties sign an extension to continue negotiations.

"We said, contact the Minister because this thing is urgent and he has between now and midnight to play his part.

"The minister didn't come. He requested that we sign an extension and the company sign an extension until he makes an intervention Thursday, next week, Thursday," the official said.

OWTU head Ancil Roget reiterated the union's position that they would not be prepared to accept "any five percent" and that "we are not prepared to go back into a new collective agreement period with the same terms and conditions and they must go and come back with an adjusted proposal worthy of the union's consideration."

Officials said the talks had stalled after the company was unable to state whether it would

be able to go above five percent. During the talks, the officials told Petrotrin management that at this point, no further purpose can be served by having discussions.

The OWTU workers then embarked on a march along St James Street in San Fernando to the sounds of tassa and drums. Several of them held aloft placards which read, among other words, “No gas, no mas” and “no 5 percent”.

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Bernanke's Labor Pessimism at Odds With U.S. Growth

Sunday 12th February, 2012 - Bloomberg

In his six years as Federal Reserve Chairman, Ben S. Bernanke has sometimes proved too sanguine about the U.S. economy, declaring the impact of bad subprime mortgages on the financial markets “contained” in 2007 and being too optimistic about growth last year. Now that employment is accelerating, economists wonder if the central bank again will prove to be mistaken, this time by being pessimistic about the outlook.

An improving job market, stepped-up U.S. bank lending and resurgent financial markets all could combine to boost demand. The jobless rate fell to the lowest level in three years in January, while consumer credit racked up its biggest two-month gain in a decade at the end of 2011. The stock market had its best January in 15 years, with the Standard & Poor's 500 Index now up 6.8 percent since the start of 2012.

“The turn in the economy right now is very positive,” said Allen Sinai, president of Decision Economics Inc. in New York, who forecasts growth of 2.5 percent to 3 percent this year and a year-end jobless rate of 7.7 percent, compared with 8.3 percent last month. “We're going to have a better year than a lot of people thought.”

Stock prices will continue to rise, as the strengthening economy boosts confidence among companies, consumers and investors that expansion is sustainable, said James Paulsen, who helps oversee about \$333 billion as chief investment strategist in Minneapolis for Wells Capital Management.

Paulsen, who forecasts economic growth of 3 percent to 3.25 percent in 2012, predicts the S&P 500 will climb to 1,500 sometime this year, compared with 1,342.64 at 4 p.m. in New York on Feb. 10.

‘Room to Run’

“We believe markets are still pricing in a more negative economic backdrop than what we are predicting,” Bob Doll, chief equity strategist at BlackRock Inc., the world's biggest asset manager, wrote in a Feb. 6 commentary. That suggests stocks “have further room to run.”

Faster growth also would benefit President Barack Obama in his bid to win a second four-year term in November. Former Massachusetts Governor Mitt Romney, the most-likely Republican presidential nominee, has attacked Obama for his handling of the economy, charging that his policies have held back the recovery.

Texas Instruments Inc. (TXN), the second-largest U.S. chipmaker, is among companies rebuilding inventories and taking on workers ahead of an anticipated increase in orders.

“You see us already starting some level of hiring in the manufacturing operations,” Ron Slaymaker, vice president at the Dallas-based company, said at a Feb. 7 conference. “When demand returns, we’ll be able to start factories up pretty quickly.”

Investors More Confident

Corporate borrowers are selling bonds at the fastest pace ever, as evidence mounts that the U.S. economy is gaining strength and investors grow more confident that Europe is edging toward a solution to its sovereign crisis. Petroleo Brasileiro SA (PETR4) and AT&T Inc. (T) led \$137.8 billion of offerings this month through Feb. 8, the best start to a month on record, according to data compiled by Bloomberg.

Even so, many economists are waiting for more proof before raising their forecasts. The U.S. will grow just 2.2 percent this year, according to the median estimate of private economists surveyed by Bloomberg this month. They project unemployment will average 8.1 percent in the final quarter.

Bernanke and his fellow policy makers also are more guarded than analysts such as Paulsen. The central bankers foresee growth in 2012 of 2.2 percent to 2.7 percent, on a fourth-quarter-over-fourth-quarter basis, and an average jobless rate of 8.2 percent to 8.5 percent in the last three months of the year, according to the central tendency of their January forecasts.

‘Sluggish’ Expansion

Bernanke called the economic expansion “sluggish” in testimony last week before the Senate Budget Committee in Washington and told lawmakers the decline in the unemployment rate veils weaknesses in the labor market.

The Fed has pledged to keep short-term interest rates “exceptionally low” at least through late 2014, provided inflation remains subdued and unemployment stays high. It reduced its target for the federal funds rate that banks charge each other on overnight loans to a range of zero to 0.25 percent in December 2008 and has held it there ever since.

Joseph LaVorgna, chief U.S. economist for Deutsche Bank Securities in New York, said policy makers will have to raise rates sooner because the economy will expand faster and joblessness will fall further than they project. The first increase will come in the second half of 2013, after GDP grows 3 percent this year and unemployment drops to 7.8 percent by the end of 2012, he predicted.

‘Embarrassing Episode’

“The Fed has expressed insufficient confidence in the U.S. economy,” said Maury Harris, chief economist at UBS Securities LLC in New York, who reckons policy makers will begin raising rates by late 2013. “This could end up being an embarrassing episode in terms of their credibility.”

Sinai, who also sees the central bank raising rates by the end of next year, defended the Fed's stance.

"It shows how seriously Bernanke takes the Fed's mandate to achieve full employment," he said.

Sinai credited easy monetary policy for the strengthening of the recovery he foresees, saying activity finally is responding to the "happy dust" the central bank dumped on the economy.

"If we're going to err, we need to err on the side of providing too much support to the economy than too little," added Mark Zandi, chief economist at Moody's Analytics Inc. in West Chester, Pennsylvania.

Series of Shocks

At the start of last year, the economy also looked as if it was taking off, with payrolls rising by 827,000 in the first four months of 2011. It then was hit by a series of shocks: higher oil prices triggered by the Arab Spring uprisings, an earthquake in Japan, continued turmoil in the euro region and the debt ceiling standoff in the U.S.

GDP ended up rising 1.7 percent in 2011, below the 3.1 percent median forecast of private economists surveyed by Bloomberg at the start of last year and 3 percent in 2010.

Fed policy makers also proved to be too optimistic. In January 2011, they were looking for growth of 3.4 percent to 3.9 percent for the year. Bernanke in November blamed the shortfall in part on "some elements of bad luck."

The risk is the U.S. could suffer a similar fate this year. The escalation of tensions with Iran over the Mideast nation's nuclear program probably has added a premium of about \$5 to \$10 a barrel to oil prices, according to Robert McNally, a former White House official under President George W. Bush and president of the Rapidan Group in Bethesda, Maryland.

Higher Oil Prices

That could go higher, McNally said in a report last month for the Council on Foreign Relations in New York. Crude for March delivery settled at \$98.67 a barrel on Feb. 10 on the New York Mercantile Exchange.

Meanwhile, European policy makers struggle to contain the region's sovereign-debt crisis, and U.S. lawmakers remain at odds over fiscal policy. The economy would suffer a "significant blow" if Congress fails to extend a payroll-tax cut and unemployment assistance that are scheduled to expire on Feb. 29, Zandi said.

“I would be very enthusiastic about recent economic data if we hadn’t had last year’s experience,” he said.

Still, the U.S. may be better positioned than it was in 2011 to cope with surprises.

“Economic shocks and headwinds are always a risk, but we have over an additional two million private-payroll workers on the job, and it is their spending that cushions the blow from any unforeseen event,” said Chris Rupkey, chief financial economist at Bank of Tokyo-Mitsubishi UFJ Ltd. in New York.

Lifting Confidence

Improving employment prospects are lifting confidence. The Bloomberg Consumer Comfort Index climbed in the week ending Feb. 5 to a one-year high, according to the latest figures.

Households also are benefiting from increased credit. Consumer borrowing rose \$19.3 billion in December to \$2.5 trillion, after a \$20.4 billion advance the prior month, according to the Fed, the biggest back-to-back gain since 2001. While much of the boost came in the form of student loans, credit-card debt and car loans also rose.

Applications to refinance mortgages climbed 9.4 percent in the week ended Feb. 3 to the highest since November 2010, according to an index compiled by the Mortgage Bankers Association.

“Consumers are loosening their belts as mortgage refinancing is putting more money in their pockets” and “the labor market is improving,” Sherry Cooper, chief economist at BMO Capital Markets in Toronto, wrote in a Feb. 9 note.

Accelerating Vehicle Sales

Automakers sold new cars and trucks in January at the fastest pace since the 2009 “cash for clunkers” program, without having to resort to profit-sapping discounts. U.S. light-vehicle sales accelerated to a 14.2 million seasonally adjusted annualized rate from 13.6 million in December, according to AutoData Corp. in Woodcliff, New Jersey.

“We’re looking at 2012 with some degree of optimism,” Sergio Marchionne, chief executive officer of Chrysler Group LLC and Fiat SpA, said on a Feb. 1 conference call.

More consumers were favorably disposed to buying a vehicle in early February than at any time during the past year, according to a Thomson Reuters/University of Michigan survey released Feb. 10, with more citing easy credit and low interest rates as reasons than at any time since 2005.

The surge in the stock market also is playing a role, Sinai said, boosting the asset side of household balance sheets and encouraging consumers to take on more debt. That's helping to feed the cycle of increased spending and hiring, he added.

“If we have a little bit of luck and if policy makers don't misstep, it feels like the dynamics of the economy are turning very positive,” Zandi said.

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Bond Buyers Endorsing Bernanke's Caution Unfazed by \$100 Oil

Monday 13th February, 2012 - Bloomberg

The market for U.S. Treasuries is embracing Federal Reserve Chairman Ben S. Bernanke's view that signs of improving growth mask threats to the nation's economy, keeping inflation in check.

Traders are betting that government debt yields will remain subdued in the years ahead, even with oil prices stuck at around \$100 a barrel. The cost to exchange fixed- for floating-rate payments in a decade has averaged 3.38 percent this year. The so-called forward 10-year swap rate, which has fallen from last year's peak of 5.47 percent in February, is trading at the same levels as early 2009.

While the U.S. jobless rate fell to a three-year low last month and manufacturing picked up, investors have kept yields on Treasuries near record lows as the Fed lowered forecasts for economic growth and inflation. Bill Gross, who manages the world's largest bond fund at Newport Beach, California-based Pacific Investment Management Co., has boosted his holdings of U.S. government debt to the highest level since July 2010.

"The market is just not buying that the recent improvement will be sustained," said Ruslan Bikbov, a fixed-income strategist in New York at Bank of America Corp. "Expectations for lower growth ahead, a shortage of riskless assets and upcoming U.S. fiscal tightening are combining with the fact the Fed is on hold through late 2014 to push forward rates lower."

Lower Forecasts

Economists are lowering their yield forecasts. The median end of 2012 estimate for 10-year Treasury yields has fallen to 2.48 percent from 2.72 percent in November, according to a survey of 74 economists and strategists surveyed by Bloomberg News. Bank of America sees them at 2.4 percent.

Ten-year Treasury yields rose three basis points, or 0.03 percentage point, to 2.02 percent at 9:41 a.m. in London, according to Bloomberg Bond Trader prices. The benchmark 2 percent note maturing in February 2022 dropped to 99 26/32. A rise to levels forecast in the survey would still leave yields below the average of 5.28 percent since 1990.

"There is still some benefit to holding long-term Treasuries," Gregory Whiteley, a money manager focusing on U.S. government debt at Los Angeles-based DoubleLine Capital LP, which oversees \$25 billion, said in a Feb. 7 interview. The firm's Core Fixed Income Fund (DBLFX) has returned 12 percent over the past year, beating 99 percent of its peers, according to data compiled by Bloomberg.

Avoiding Bonds

A growing economy combined with record low interest rates has many big investors staying away from bonds. Investors should be 100 percent in equities because of depressed stock valuations and the Fed's pledge to keep rates low, Laurence D. Fink, chief executive officer of New York-based BlackRock Inc., the world's largest money manager, said in an interview with Bloomberg Television in Hong Kong on Feb. 8.

The Standard & Poor's 500 Index has gained 7 percent this year while the S&P GSCI Total Return Index (SPGSCITR) of raw materials has added 3.9 percent.

Warren Buffett, the billionaire chairman of Berkshire Hathaway Inc., said low interest rates and inflation should dissuade investors from buying bonds and other holdings tied to currencies. "They are among the most dangerous of assets," Buffett said in an adaptation of his annual letter to shareholders that appeared Feb. 9 on Fortune magazine's website.

Treasuries, except for 30-year bonds, have negative yields after taking inflation into account. Ten-year notes yield about 1 percentage point less than the consumer price index.

Growth, Employment

Gross domestic product is forecast to expand 2.2 percent this year, according to the median estimate of more than 80 economists surveyed by Bloomberg News. While that's up from 1.8 percent in 2011, it's below the average of 3.1 percent in 2004 through 2006, before the start of the biggest financial crisis since the Great Depression.

And while the U.S. unemployment rate in January was 8.3 percent, the lowest since February 2009, the percentage of unemployed who have remained without work for 27 weeks or more rose to 42.9 percent from 42.5 percent in December, the Labor Department said Feb. 3.

"It is very important to look not just at the unemployment rate, which reflects only people who are actively seeking work," Bernanke said at a Feb. 7 hearing before the Senate Budget Committee in Washington. "There are also a lot of people who are either out of the labor force because they don't think they can find work" or in part-time jobs.

'Structural Headwinds'

U.S. average hourly earnings rose 1.9 percent in January from a year earlier, the smallest increase since April, and down from 3.2 percent in 2008 and 3.7 percent in January 2009, the Labor Department said Feb. 3.

Slow wage growth combined with still depressed real estate values is making it difficult for Americans to boost their spending, which would contribute to inflation. The

government will say this week that the CPI rose 2.8 percent in January from a year earlier, the smallest increase since March, according to the median estimate of 32 economists surveyed by Bloomberg News.

A deficit reduction law passed last year requires \$1 trillion in discretionary spending cuts spread over 10 years. The reductions would start in January 2013 if Congress and the administration can't agree on an alternative plan.

"There are many structural headwinds ahead in terms our economic future," Pimco's Gross said in a Feb. 3 radio interview on "Bloomberg Surveillance" with Tom Keene and Ken Prewitt.

Swap Rate Moves

Gross boosted U.S. government and related debt to 38 percent of assets in Pimco's \$250 billion Total Return Fund (PTTRX) in January, from 30 percent in December, according to a report on the company's website Feb. 9. A year ago, Gross had a net bet against Treasuries, and the fund gained 4.16 percent, beaten by 69 percent of similar funds.

The 10-year forward swap rate plunged to as low as 2.56 percent three months after Lehman Brothers Holdings Inc. went bankrupt in September 2008. It reached 5.47 percent in February before moving lower through most of the rest of 2011. It ended last week at 3.47 percent amid concern that Europe's debt crisis would plunge the world economy back into recession.

Fed policy makers said last month they saw enough signs of weakness in the economy to warrant keeping their target rate for overnight loans between banks between zero and 0.25 percent through 2014, more than a year later than planned.

Fed Wariness

Christopher Low, chief economist at FTN Financial in New York and the only one of 70 analysts in a Bloomberg survey who predicted the 10-year Treasury yield would fall to 2 percent by the end of last year, says the Fed is correct in being wary about the recovery.

"You can make the case that the hiring we are seeing today is a reaction to faster-than-expected growth in the fourth quarter, but it's also probably not sustainable growth" as much of it came from inventory gains, Low said during an interview with Kathleen Hays and Vonnie Quinn on "The Hays Advantage" on Bloomberg Radio Feb. 7.

Rather than adding to inflation, traders see oil prices hovering at about \$100 a barrel, almost 60 percent above the average price of \$64 for the past decade, as being a drag on the economy. An extended \$10 rise in oil cuts 0.5 percentage point off U.S. growth over two years, according to Deutsche Bank AG.

A measure of traders' inflation expectations that the Fed uses to help guide monetary policy is at 2.6 percent, down from as high as 3.23 percent last year. The five-year, five-year forward breakeven rate, which projects annualize price increases over a five-year period beginning in 2017, is below its 2.68 percent average since January 2000.

“There doesn't seem to be any inflation to worry about now,” DoubleLine's Whiteley said.

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Obama Budget Proves Unique With No Similar Source for \$3 Trillion Spending

Sunday 12th February, 2012 - Bloomberg

President Barack Obama's budget today will outline his ideas for how the government may spend more than \$3 trillion in the next fiscal year, starting Oct. 1. There's no similar document accounting for where taxpayers' money actually goes.

At least three federal sources tally spending, each following its own rules to produce a different total. For the 15 Cabinet-level agencies and Social Security, the White House Office of Management and Budget put expenses at \$3.18 trillion in fiscal 2010, the last year for which data are complete. Ask the Census Bureau, and the amount rises by \$13.1 billion to \$3.19 trillion. USA Spending.gov, a website Obama championed as a senator, accounts for \$2.23 trillion of spending.

The nation's budget has more than doubled in the past decade, pushing the annual deficit to more than \$1 trillion and the national debt to \$15.2 trillion. Spending dominates the political agenda, with at least three presidential candidates advocating the elimination of entire Cabinet agencies, while billionaires and street protesters debate raising taxes on the wealthy. Yet government institutions that track expenses differ in their estimates by billions of dollars, making the budget process less transparent to taxpayers.

'Bad Spending Decisions'

"If the public can't easily find and understand quality spending information, they can't use that information to make their opinions heard by Congress," said Sam Rosen-Amy, a federal fiscal policy analyst at the Washington-based nonprofit research group OMB Watch, in an e-mail. "Since insiders are the only ones who know what's going on, Congress ends up listening to them, and our representatives make bad spending decisions."

So how much does the U.S. spend? It depends on where you look.

Consider the Department of Health and Human Services, which spends more than any other government agency and pays for the health care of one in four Americans through the Medicare and Medicaid programs for the elderly, poor and disabled. In fiscal 2010, HHS paid out either \$854 billion, according to the OMB, or \$944 billion, according to the Census. The \$90 billion difference is almost half the value of Johnson & Johnson, the world's biggest supplier of health-care products by market capitalization.

Analyzing Spending Accounts

"To Washington, these are rounding errors," said Pete Sepp, executive director of the Alexandria, Virginia-based National Taxpayers Union, in a telephone interview. "To the rest of America, this is real money that could help real people with real problems."

Bloomberg examined publicly available spending accounts from the Census Bureau, the White House's OMB and USASpending.gov. The first contained 4.3 million records in the Consolidated Federal Funds Report, an annual Census survey of government spending since 1993. The White House Public Budget Database compiles estimated federal spending in 4,800 separate accounts dating back to 1962.

USASpending.gov, operated by the White House budget office, includes outlays via federal grants and direct payments, as well as details on the almost 1 million contracts the government awards each year.

One reason for the discrepancies is that the White House database accounts for foreign and domestic spending, while the Census limits its analysis to payments in the U.S. and its territories. The institutions also account for funding transfers between agencies differently.

Accounting Challenges

For example, HHS spends about \$500 million a year running health programs for employees of other government agencies, according to Bill Hall, a Health and Human Services spokesman. The other departments then reimburse HHS for the costs. The White House budget office does a better job of accounting for these inter-agency transfers, Hall said in an e-mail.

Labor Department figures pose a different set of accounting challenges. Labor administers federal unemployment programs, and its spending surged in fiscal 2009 and 2010 to the fourth-highest in the government, behind HHS, Social Security and Defense.

A February 2009 Labor Department document shows the Obama administration requesting \$13.3 billion from Congress for fiscal 2010. What the three-page "funding highlights" proposal doesn't say is that an additional \$91.2 billion in spending was required by law for programs such as unemployment insurance.

By the Numbers

Congress set the department's spending authority at \$178.4 billion, and actual spending that year totaled \$172.2 billion, according to Geoff Kenyon, director of Labor's budget center. The Census report showed the agency spending \$91.9 billion, in part because Labor didn't fully report the cost of unemployment benefits to the bureau, Kenyon said.

USASpending.gov accounts for no more than \$14 billion in Labor Department spending that year, a figure Kenyon said he couldn't explain. The site was developed to comply with the 2006 Federal Funding Accountability and Transparency Act sponsored by Obama, then a Democratic senator from Illinois, and Oklahoma Republican Senator Tom Coburn.

Some federal spending on contracts, salaries and awards of less than \$25,000 isn't captured by the site, said Moira Mack, a spokeswoman for OMB. The office is still adding information to USASpending, she said.

The president's budget proposal is the starting point for a plan that is ultimately set by Congress. More than half of spending is dictated by existing law or is required interest payments on government debt, according to the Congressional Budget Office.

Discretionary Spending

Social Security and Medicare, which provide income and health benefits to the elderly and the disabled, are examples of fixed, or mandatory, spending programs that account for hundreds of billions of dollars that can't be cut without legislation.

The actual amount on the table during the congressional appropriations process is known as discretionary spending, which agencies request for programs. Examples include Pentagon weapons systems and most federal assistance to schools.

Congress typically disputes less than 10 percent of the discretionary requests in the president's budget, according to Washington-based Taxpayers for Common Sense, which promotes government transparency and advocates more efficient spending.

"Congress doesn't have the resources or the time to do much more than tweak the margins," said Steve Ellis, vice president of the group. "Of course, when you're talking about a trillion-dollar discretionary budget, the margins are still potentially in the tens of billions of dollars."

No Definite Way

From fiscal 2000 through fiscal 2010, federal spending totaled \$24.6 trillion for Cabinet-level departments and Social Security, according to the White House's OMB. The Census Bureau put the amount at \$24.98 trillion.

The Washington-based Sunlight Foundation has compiled annual reports on the OMB's USASpending.gov website for the past three years. For fiscal 2010, it found that information related to 95 percent, or \$1.31 trillion, of government grant obligations was incomplete, based on a review of 18 required data points.

Obama signed an executive order in June creating the Government Accountability and Transparency Board to implement guidelines for collecting and displaying spending data. In December, the board recommended creating an independent panel as well as a single framework for presenting information.

Representative Darrell Issa, a California Republican, and Senator Mark Warner, a Virginia Democrat, have their own ideas, laid out in the proposed Digital Accountability and Transparency Act. It would create an oversight board and a new website for

disseminating federal spending data. The Congressional Budget Office in September estimated their plan would cost \$575 million over five years.

Meanwhile, the Census Bureau is discontinuing its annual spending report to save \$700,000, said Robert Bernstein, an agency spokesman, in an e-mail. The government maintains at least 14 websites dedicated to different segments of federal spending, and none provide a definitive way to track cash flows.

“It all depends on where you’re sitting, who you’re talking to, and when you’re talking to them,” said the Taxpayers Union’s Sepp.

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[China Should Fine-Tune Economic Policy as Early as This Quarter, Wen Says](#)

Sunday 12th February, 2012 - Bloomberg

Chinese Premier Wen Jiabao said the nation needs to start “fine-tuning” economic policies this quarter, the first indication of a timeframe for an adjustment he has pledged since October.

Economic circumstances in January and the first quarter deserve attention, Wen told business executives last week in Beijing as he sought opinions on a government report, the official Xinhua News Agency reported yesterday. “We have to make a proper judgment as early as possible when things happen and take quick action,” Wen was cited as saying by Xinhua.

Wen’s remarks may fuel speculation that the government will soon ease policy further to preserve growth in the world’s second-biggest economy after weaker exports and slower lending last month. The nation’s expansion may be cut almost in half if Europe’s debt crisis worsens, a scenario that would warrant “significant” fiscal stimulus from the government, the International Monetary Fund said in a Feb. 6 report.

“It seems like Wen is getting ready to offer some stimulus to the economy after weaker data for January,” said Dariusz Kowalczyk, a senior economist at Credit Agricole CIB in Hong Kong. “It may suggest a high likelihood of a policy move in February or March. We expect a reserve ratio cut to be one of the measures announced soon.”

Kowalczyk said officials may also enact additional pro- growth measures such as boosting lending and government spending and lowering taxes.

Refraining from Cut

The central bank has refrained from lowering the reserve ratio since a cut in December, by 50 basis points to 21 percent, that was the first reduction in three years.

Tim Condon, chief Asia economist at ING Financial Markets in Singapore, said he’s surprised there haven’t been any more reserve ratio cuts this year, and he still forecasts reductions of 200 basis points for 2012. “Monetary policy has turned more accommodative at the end of 2011 and that appears to be persisting in 2012,” he said.

The Ministry of Commerce is studying measures for stabilizing foreign trade growth through easing funding pressures on companies, boosting fiscal-policy support and keeping the local currency’s exchange rate stable, Minister Chen Deming said during a trip to eastern Anhui province, according to a statement on the ministry’s website yesterday. Chen said last week in a written response to questions from Bloomberg News that January exports “cannot make us optimistic.”

Exports, Imports Drop

China's exports and imports fell for the first time in two years in January and new lending last month was the lowest for a January in five years, government reports showed last week, adding to signs growth is weakening.

Overseas shipments fell 0.5 percent and imports declined a more-than-forecast 15.3 percent from a year earlier in a month that had four fewer working days than January 2011 because of the Chinese New Year holiday, the customs bureau said Feb. 10. Banks extended a lower-than-estimated 738.1 billion yuan (\$117 billion) of new yuan-denominated loans last month.

China won't waver on its real-estate curbs, which aim to bring home prices to a "reasonable level," Wen said without elaborating. Although market mechanisms should play a fundamental role in the property market, the government will maintain restrictions to ensure fairness and stability, he said.

The eastern city of Wuhu yesterday said it will suspend a decision to ease property curbs, three days after its announcement. The People's Bank of China last week pledged to ensure first-home buyers can get loans as a crackdown on speculation threatens to trigger a slump in the property market.

To cope with economic hardships this year, the government will "offer support to the real economy," especially the development of small and micro companies, Wen said, according to the Xinhua report. It will also relax restrictions on private capital and support private enterprises, Wen said.

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EU Will Keep Airline-Emissions Levies

Monday 13th February, 2012 - Bloomberg

The European Union will press ahead with emissions levies for international airlines, putting the bloc on course for a trade spat with countries including China, India and the U.S.

“The EU will not suspend the legislation,” Siim Kallas, the European Commission’s vice president for transport, said today in Singapore at an airline conference. “It’s a very high-profile environmental issue.”

At least 27 countries are due to meet next week in Moscow to discuss laying new charges on European airlines as they protest the EU’s addition of aviation to a carbon-emissions trading system last month. The governments say the move extends EU regulations beyond the bloc’s border.

“What started out as a solution for environment has become a source of potential trade conflict,” Tom Enders, chief executive officer of Airbus SAS, said in Singapore today. “That should be a worry for all of us.”

China and India have already asked airlines to rebuff mandatory requests from the EU for data needed to fix emissions payments. Carriers will have to hand over permits for 2012 carbon production by April 30, 2013. They will receive about 85 percent for free and will need to buy the rest in the market.

IATA Appeal

The International Air Transport Association, the main global trade body for airlines, has called on the EU to halt the emissions cap while a global system is developed. The EU has said that carriers can be exempted for its carbon system if their home government introduces a similar program.

Chinese airlines are in an “intolerable” position because of the spat between the country and the EU over the levies, Tony Tyler, the head of IATA, said yesterday in a Bloomberg TV interview. The industry needs a solution to the impasse, he said.

Last week, China barred carriers from taking part in the EU emissions-trading system because of concerns it will raise costs and impinge on non-European governments’ sovereignty. The China Air Transport Association asked its government to oppose the EU levies and it is working on a legal challenge to be filed in Germany, Vice President Chai Haibo said Feb. 6.

Voicing Objections

“They are sovereign countries and have the right to voice any objections they have,” said Qatar Airways Ltd. Chief Executive Officer Akbar Al Baker. “Qatar Airways is abiding by the rule, but we’re not happy.”

China hopes to reach an “acceptable solution” and will consider “appropriate responses,” Foreign Ministry spokesman Liu Weimin said Feb. 7.

The EU added flights to its cap-and-trade carbon program on Jan. 1. Under the system, which is designed to pare pollution, airlines must monitor and report their emissions on all flights into and out of Europe each year, and purchase carbon permits to cover these discharges.

Carriers will be given about 85 percent of their permits free of charge in 2012. One permit is equivalent to one metric ton of carbon dioxide.

“The issue here is that the EU is charging based on the whole journey and whether they should be imposing anything out of the European airspace,” said Goh Choon Phong, chief executive officer of Singapore Airlines Ltd. (SIA) “The whole principle doesn’t make sense.”

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Greece Bailout Faces European Finance Chiefs

Monday 13th February, 2012 - Bloomberg

European finance chiefs get the second chance in a week to pull Greece back from the brink of collapse after lawmakers in Athens approved the austerity measures demanded for a financial lifeline.

Greece “will be saved in one way or another,” German Finance Minister Wolfgang Schaeuble told newspaper Welt am Sonntag yesterday, though the country must “do its homework.”

Euro-area finance ministers will convene in Brussels on Feb. 15 for an extraordinary meeting called after they declined to ratify the 130 billion-euro (\$172 billion) package in a special session on Feb. 9. Frustrated after two years of missed budget targets, the European authorities demanded Greek officials put their verbal commitments into law.

The Greek parliament passed the legislation in the early morning hours today as rioters battled police and set fire to buildings in downtown Athens. Still, Schaeuble told German lawmakers on Feb. 10 that Greece was set to miss deficit goals, suggesting that the measures may fall short.

“I’m really wondering now whether so much damage has been done that this marriage no longer can be rescued,” Erik Nielsen, chief global economist at UniCredit SpA (UCG) in London, wrote in a note to clients. He predicted that the measures would be approved and that Greece will be able to make a 14.5 billion- euro bond payment on March 20.

Euro Gains

Global stocks and the euro rose after the vote in Athens. The euro gained 0.5 percent to \$1.3262 at 10:21 a.m. in Berlin, edging back up toward a two-month high against the U.S. dollar that it lost on Feb. 10 after the finance ministers’ decision.

European finance ministers ended their meeting last week with Luxembourg’s Jean-Claude Juncker saying Greece must turn budget cuts into law, flesh out 325 million euros in reductions and have major party leaders sign up to the program so they don’t retreat after elections as soon as April.

Chancellor Angela Merkel plans to ask German lawmakers to vote on the next bailout on Feb. 27, pending the terms for securing aid being met by Greece. Other euro governments including the Netherlands and Finland have yet to schedule a date for parliamentary votes.

Schaeuble told legislators that current plans would leave Greece’s debt as high as 136 percent of GDP by 2020, according to two people in the meeting. That compares with the 120 percent foreseen in the second bailout, down from about 160 percent last year.

Schaeuble was briefing on estimates from the so-called troika of international creditor assessing Greece's program.

Awaiting Troika

Germany, as the largest contributor to euro-area bailouts, wants to see the latest report on Greece's record of implementing measures compiled by the troika of the European Commission, European Central Bank and International Monetary Fund before a majority can be mustered in parliament, Economy Minister Philipp Roesler said today on ARD television.

The Greek vote "was a necessary condition but implementation of these measures is what counts," Roesler said. "We're waiting for the troika report on what progress Greece has made."

More than two years after the debt crisis emerged in Greece, European leaders face international pressure to do more to tackle the source of contagion that threatens to drag down the global economy. Group of 20 nations have signaled they won't reach a consensus on crisis aid for Europe via the International Monetary Fund at a Feb. 24-26 meeting of G-20 finance chiefs until Europe increases the size of its firewall.

'Critical Juncture'

The sovereign debt crisis is at a "critical juncture," Chinese Foreign Ministry spokesman Liu Weimin said at a briefing in Beijing today, urging Europe to move beyond contingency measures. The European Union needs to "take active measures to respond to the European debt issue," Liu said.

In Athens yesterday, Greek Finance Minister Evangelos Venizelos yesterday urged lawmakers to "choose the bad to avoid the worst" after Greek party leaders over the weekend backed the measures to secure the 130 billion-euro package and avoid a disorderly default.

Before the final debate started, Prime Minister Lucas Papademos appealed to Greeks to support new measures, including a 22 percent reduction in the minimum wage, smaller pensions and immediate job cuts for as many as 15,000 state workers.

"We are looking the Greek people straight in the eye with full knowledge of our historical responsibility," he said in a televised address. "The social costs that come with these measures are contained in comparison to the economic and social catastrophe that will follow if we don't adopt them."

Debt-Swap Deadline

Part of the rescue included a bond swap intended to slice Greece's debt load. The swap for new 30-year bonds with an average coupon of as low as 3.6 percent would cut 100

billion euros off more than 200 billion euros of privately held debt. Venizelos said the country needs to make a formal offer to private bondholders for a debt swap by Feb. 17.

The ECB also came under pressure to extend relief. President Mario Draghi last week left open the possibility of passing up profit on Greek debt held by the central bank, though he rejected selling it to the European bailout fund at a loss.

Greece has stumbled over the last two years in meeting reform targets in return for aid, citing a deepening recession now set to worsen. Unemployment climbed to 20.9 percent in November, as industrial production falls.

Joachim Fels, chief economist at Morgan Stanley, in a note to clients repeated his assessment that policy makers shouldn't rule out the "really, really bad scenario" of Greece leaving the monetary union.

"I'm more than unhappy with the political cliffhanger taking place in Greece over the past few weeks," German Foreign Minister Guido Westerwelle told this week's edition of Der Spiegel magazine.

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European Stocks Rise on Greek Plan Approval

Monday 13th February, 2012 - Bloomberg

European (SXXP) stocks advanced for the second time in three days after Greek lawmakers approved austerity measures needed to get the financial rescue the nation seeks. U.S. index futures and Asian shares also rose.

Mining shares led the rally. Cable & Wireless Worldwide Plc surged 29 percent after Vodafone Group Plc (VOD), the world's largest mobile-phone company, said it is considering an offer for the company. European (SXXP) banks climbed, with Commerzbank AG (CBK) and UBS AG (UBSN) adding at least 2 percent.

The Stoxx Europe 600 Index gained 0.7 percent to 263.10 at 9:52 a.m. in London. The benchmark measure made the "Golden Cross (SXXP)," with its 50-day moving average rising above the 200-day average for the first time since Sept. 3, 2010, a signal for further increases according to some technical analysts. Standard & Poor's 500 Index futures expiring in March rose 0.6 percent today. The MSCI Asia Pacific Index added 0.7 percent.

"The market is relieved that things moved forward in Greece," said Peter Braendle, who helps manage \$60 billion at Swisscanto Asset Management AG in Zurich. "It shows that political solutions can be found in Europe, albeit in the last minute."

The Stoxx 600 has advanced 7.6 percent this year amid optimism that the euro area will contain the debt crisis and as most U.S. economic data beat forecasts.

Greek Approval

Greek Prime Minister Lucas Papademos won parliamentary approval for the spending cuts after rioters protesting the measures battled police and set fire to buildings in downtown Athens. A total of 199 lawmakers voted for and 74 against the austerity plans. The bill's passage puts the spotlight on a meeting of euro-area finance ministers on Feb. 15 that must decide whether to approve a second aid package.

The European Financial Stability Facility, the region's bailout fund, will supply a "significant" portion of the aid needed for Greece's rescue, WirtschaftsWoche reported, citing EFSF Deputy Chief Executive Officer Christophe Frankel.

Italy will today sell as much as 12 billion euros (\$16 billion) of bills, while Germany will auction 4 billion euros of six-month bills.

A gauge of mining shares rallied 1.8 percent for the best performance on the Stoxx 600 as copper rebounded from the biggest drop in a month.

Rio Tinto Group and BHP Billiton Ltd. (BHP), the world's biggest mining companies, added 1.9 percent to 3,843 pence and 1.6 percent to 2,090 pence, respectively. Anglo American Plc (AAL) added 2.7 percent to 2,821 pence.

Vodafone's Offer

Cable & Wireless Worldwide surged 29 percent to 25.6 pence after Vodafone said it is in an early stage of evaluating a potential bid for the company. An offer, if made, may be in cash, Vodafone said.

Vodafone may offer 700 million pounds (\$1.1 billion) for C&W Worldwide, Sunday Times of London reported yesterday, without saying where it got the information.

A gauge of European banks was among the best performers of the 19 industry groups in the Stoxx 600.

National Bank of Greece jumped 11 percent to 2.98 euros, extending its gains this year to 84 percent. Commerzbank AG, Germany's second-largest lender, climbed 3.8 percent to 2.14 euros. Societe Generale (GLE) SA added 1.6 percent to 23.63 euros. UBS AG, Switzerland's biggest bank, rose 2.1 percent to 13 Swiss francs.

Areva SA, the French maker of nuclear reactors and fuel, advanced 4.1 percent to 19.15 euros. Areva will supply Electricite de France SA with as much as 20,000 metric tons of uranium over the period 2014 through 2030, the companies said. EDF may also help finance a new mining project with Areva, according to the statement.

Nexans SA (NEX), the world's second-largest maker of cables and wires, rose 2.7 percent to 52.42 euros after it said it has agreed to buy AmerCable Holdings Inc. for \$275 million. The purchase will be funded from cash reserves, Nexans said.

Outotec Oyj, the Finnish supplier of technology and services to mining companies, added 3.3 percent to 42.87 euros after Carnegie ASA raised the stock to "buy" from "hold."

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[Draghi \\$158B Free Lunch Boosts Bank Profits](#)

Monday 13th February, 2012 - Bloomberg

Banks are benefiting from a European Central Bank subsidy that could reach 120 billion euros (\$158 billion), enough to pay every bonus at financial firms in London for the next 24 years at today's levels.

Royal Bank of Scotland Group Plc, BNP Paribas SA (BNP) and Societe Generale SA are among more than 500 banks that took 489 billion euros of three-year loans from the Frankfurt-based ECB at a December auction. The loans currently carry a 1 percent annual interest rate, less than a quarter of the 4.3 percent average yield on euro-denominated senior unsecured bank debt of all maturities in the past year, according to Commerzbank AG.

With borrowing estimated to hit a record 1.2 trillion euros after a second auction later this month, banks may save 120 billion euros over three years. That could boost 2012 profit by about 10 percent for lenders in Italy and Spain, according to estimates by Morgan Stanley.

"This is very much a free lunch," said Arnd Schaefer, an economist at WestLB AG in Dusseldorf, Germany. "Banks can get money for just 1 percent and then lend it on for much more. That's pretty good."

The ECB is flooding the banking system with cheap money in a bid to avert a credit crunch after the market for unsecured bank debt seized up last year and funding from U.S. money markets disappeared. Any bank in the region can borrow an unlimited amount, provided it pledges eligible collateral. Lenders won't face curbs on bonuses or dividends.

'Cheap Money'

"The central bank has pumped the market with unbelievably cheap money because wholesale markets are closed," said Richard Reid, director of research at lobby group International Centre for Financial Regulation in London and a former managing director at Citigroup Inc. "Stronger banks will inevitably profit, but that is a secondary issue for the ECB."

Niels Buenemann, an ECB spokesman, declined to comment.

The Bloomberg Europe Banks and Financial Services Index rose 1.4 percent to 86.81 by 10:30 a.m. in London. RBS rose 1.7 percent to 28.39 pence, while BNP Paribas slid 0.7 percent to 34.8 euros. The benchmark has rallied 20 percent since the ECB announced the first round of loans on Dec. 8.

Banks are required under rules approved by the Basel Committee on Banking Supervision to hold capital against any assets they pledge as collateral in exchange for the

ECB loans, pushing the cost of participating above 1 percent, Guy Mandy, a London-based Nomura Holdings Inc. analyst, said in a Jan. 24 note. Assets are subject to so-called haircuts depending on how risky they're perceived to be. That affects how much cash lenders will receive against the value of the assets.

Second Auction

A bank that pledges a book of loans with a five-year maturity subject to a 29 percent reduction in value would face an "all-in" cost of about 2.5 percent a year, Mandy said.

Lenders could take 680 billion euros of loans at the second auction on Feb. 29, according to a Goldman Sachs Group Inc. survey of investors published last week. That would raise total borrowings from the ECB's longer-term refinancing operation, or LTRO, to a record 1.2 trillion euros, surpassing the \$1.2 trillion in peak lending by the Federal Reserve to U.S. banks after Lehman Brothers Holdings Inc.'s 2008 collapse.

Banks including Morgan Stanley, JPMorgan Chase & Co. and Goldman Sachs reaped an estimated \$13 billion by borrowing cheaply from the Fed and lending at a higher rate, according to data compiled by Bloomberg from central bank records of transactions obtained by court order and under the Freedom of Information Act. That figure, based on the lending margins of 190 banks that borrowed from the Fed, isn't comparable to the estimate of the ECB subsidy.

'Money-Making Opportunity'

"You are certainly going to get banks that don't need the funds profiting," said Richard Werner, an economist at the University of Southampton, England. "It would be much cheaper to target support for the 20 or so banks that need it, but politically the central bank wants to be seen to be neutral. It is a massive money-making opportunity for those who don't need it to play the yield curve."

European lenders are being encouraged by policy makers to use the ECB cash to purchase domestic sovereign debt, pushing down borrowing costs for governments and reducing the risk that one or more countries in the region default.

An Italian bank could borrow 1 billion euros from the ECB at 1 percent and use the proceeds to purchase three-year Italian bonds yielding about 3.60 percent. That so-called carry trade could boost income by 26 million euros a year.

'A Masterstroke'

Short-dated securities issued by southern European countries have rallied since the ECB announced the offer Dec. 8. Yields on two-year Spanish notes have fallen 227 basis points to 2.70 percent, while their Italian equivalents dropped 314 basis points to 3.01 percent. A basis point is 0.01 percentage point.

Longer-dated securities underperformed shorter-duration notes on concern that austerity plans won't plug deficits and reduce Europe's debt load. Ten-year Spanish bond yields have fallen 90 basis points to 5.22 percent, while their Italian counterparts have dropped 141 basis points to 5.51 percent.

"In many ways this has been a masterstroke," said Charles Goodhart, a London School of Economics professor and a former Bank of England policy maker. "People have been asking the ECB to implement quantitative easing on a large scale without invoking the wrath of the Germans and provoking statements about helping undeserving southern Europeans. This is it."

Some banks, rather than heed calls by politicians to boost lending to companies and consumers, are choosing to deposit the money in the ECB's overnight facility at a rate of 0.25 percent until they need it to refinance maturing debt. While that's costing them 0.75 percent, it's still a saving on the potential expense of issuing bonds to private investors.

Refinancing Debt

Euro-area banks need to refinance more than 600 billion euros of debt maturing in 2012, the Bank of England said in its December financial-stability report.

Just 4 percent of investors polled by Goldman Sachs said they thought the proceeds would be used to increase lending to customers, compared with 56 percent who said it would be used to refinance maturing debt and 26 percent who said it would be invested in sovereign bonds.

Deposits with the central bank rose to a record 528 billion euros on Jan. 17 and were at 508 billion euros at the end of last week, according to ECB data released today. European lenders deposited an average of about 280 million euros with the ECB in the eight years before Lehman's collapse.

Capital Reserve

Banks also are cutting lending outside their home markets, data compiled by the Bank for International Settlements show. Euro-area banks reduced lending to Asia by 9 percent and to central and Eastern Europe by 8 percent in the third quarter.

"Since the LTRO is an ECB operation, it is reasonable to expect the funds created to be used in a way that benefits the public," Greg Ford, a London-based spokesman for lobby group Finance Watch, said in an e-mail. "One way to ensure this is to insist that banks retain the profits they make from the LTRO carry trade to build higher capital reserves."

The 489 billion euros borrowed from the ECB in December exceeded economists' median estimate by 66 percent. Demand may be higher at the second auction because any stigma associated with using the facility has dissipated and the list of assets banks can

pledge as collateral for the loans has widened, according to William Porter, an analyst for Credit Suisse Group AG in London.

'No Stigma'

The ECB is encouraging all banks to participate in the second auction.

"There is no stigma whatsoever on these facilities," ECB President Mario Draghi said in Frankfurt on Feb. 9. "The use of these proceeds is a business decision. Our primary interest is in lending to the real economy."

If total borrowing from the two auctions hits 1.2 trillion euros, banks will pay about 12 billion euros a year in interest at the current benchmark rate of 1 percent. The same amount borrowed in the senior unsecured bond market would cost about 52 billion euros a year, based on Commerzbank data showing a 4.3 percent average yield on such debt over the past 12 months. That represents a saving of 120 billion euros over three years.

Bank bonuses in the City of London will be about 5.1 billion euros for 2011, according to the Centre for Economic and Business Research.

The ECB can't limit the loans to particular banks because that would risk violating European Union state-aid rules, said Neil Smith, an analyst at WestLB.

"If the ECB started singling out individual banks for special treatment, you could be getting into complicated competitive distortion issues," Smith said.

Boosting Profit

RBS (RBS), which received 45.5 billion pounds (\$72 billion) in a U.K. government rescue at the height of the financial crisis, borrowed 5 billion pounds from the ECB in December, a person with knowledge of the matter said. It will pay interest of 50 million pounds a year compared with 215 million pounds if it had borrowed at the average yield on senior unsecured bank debt denominated in euros in the past year. That represents a saving of 495 million pounds over the three-year life of the loan.

Linda Harper, a banks spokeswoman, declined to comment.

Intesa Sanpaolo SpA (ISP), Italy's second-biggest bank, took 12 billion euros from the ECB in December and expects to participate in the February auction, Chief Executive Officer Enrico Tommaso Cucchiani, 61, told reporters in Milan on Feb. 7. The loans were "essential for some banks" and "useful for other banks, including Intesa," Cucchiani said.

Spanish Banks

UniCredit SpA (UCG), Italy's biggest bank, borrowed 12.5 billion euros from the ECB, while Banca Monte dei Paschi di Siena SpA got 10 billion euros, according to a Jan. 18

Morgan Stanley note based on conversations with the lenders. The ECB funds may increase Italian banks' earnings by as much as 10 percent this year and 30 percent in 2013, according to Morgan Stanley.

Banco Bilbao Vizcaya Argentaria SA (BBVA), Spain's second-biggest lender, said it borrowed 11 billion euros in December. No decision has been reached on whether it will participate in the February auction, Paul Tobin, a spokesman for the bank, said.

Bankinter SA (BKT) took 5 billion euros and Banco Popular Espanol SA 6.5 billion euros, according to Morgan Stanley. Both banks are based in Madrid.

The loans could boost operating profit before provisions at Spanish lenders by 6 percent to 12 percent, Morgan Stanley said.

French banks didn't disclose how much they borrowed in the first auction. The LTRO will enable Societe Generale (GLE), BNP Paribas and Credit Agricole SA (ACA) to cover their borrowing needs for 2012 -- a combined 47 billion euros -- and boost profit, according to a Jan. 27 note from Delphine Lee, an analyst at JPMorgan in Paris.
Intesa, Lloyds

Spokesmen for Credit Agricole, Societe Generale, BNP Paribas and UniCredit declined to comment. Bankinter, Banco Popular Espanol and Banca Monte dei Paschi didn't return calls seeking comment.

Since the ECB announced its long-term lending program, yields on European bank debt have tumbled and the market for senior unsecured debt has reopened. BBVA sold 2 billion euros of 18-month notes on Feb. 7 yielding 3.1 percent or 193 basis points more than the mid-swap rate.

Intesa sold 1.5 billion euros of 18-month senior unsecured bonds last month with a yield of about 4.1 percent or 295 basis points more than the mid-swap rate. Lloyds Banking Group Plc (LLOY), based in London, raised 1.5 billion euros from a five-year offering Jan. 26. It priced the bonds to yield 4.1 percent or 305 basis points more than the benchmark swap rate.

"This is an attempt to solve a crisis and bring about financial stability." Goodhart said. "If one of the side effects is some jam on top for a handful of well-run firms, that is a small price to pay."

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[London January Home Rents Fall From September High as City Jobs Disappear](#)

Monday 13th February, 2012 - Bloomberg

Home rents in central London fell in January from the month before because of job losses and cutbacks in London's financial services industry, Knight Frank LLP said.

Residential rents declined 0.2 percent in January from December and 0.6 percent from an all-time peak in September, according to an index compiled by the real estate broker. January rents were 7 percent higher than a year earlier, Knight Frank said.

“With the banking sector expected to deliver much lower bonuses in the first quarter of 2012 compared to last year, tenants who are building deposits for eventual entry to the housing market are looking to reduce their rental costs,” Liam Bailey, head of residential research at Knight Frank, said in a statement. “Our view looking ahead is that rents will begin to rise slightly from the spring onwards.”

U.K. financial-services firms eliminated 58,000 jobs last year, more than any other country in the world, as London is squeezed by both the European sovereign-debt crisis and politicians who blame financiers for the global credit crunch. The cost of renting, which slid 20 percent from March 2008 to June 2009, jumped 27 percent in the two years to September, reaching the highest level ever, Bailey said.

“At best, disposable income even in central London, only rose by around 8 percent over the same period,” he said. “Landlords are having to accept that continually rising rents are not a fixture of the market.”

Companies cut their rent budgets by as much as 15 percent over the last 12 months for employees relocated to London, the report said.

Knight Frank doesn't anticipate “significant rises from here,” Bailey said.

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Danske CEO Says Housing Hurts Retail Portfolio

Sunday 12th February, 2012 - Bloomberg

The fallout of Denmark's house price collapse is spreading through Danske Bank A/S (DANSKE)'s loan book as the country's biggest lender watches losses grow at its retail unit, said outgoing Chief Executive Officer Peter Straarup.

"The bank had been sheltered by the crisis because it hit mostly small and medium-sized businesses," Straarup said in an interview in Copenhagen. "We're now seeing more retail clients" affected, he said.

Denmark's housing bubble, which burst in 2007, is still wreaking havoc in Scandinavia's worst-performing economy. The foreclosure rate rose in December to the highest since June 2010, while house prices slumped an annual 8.5 percent in November and will have collapsed 25 percent by 2013, the government-backed Economic Council estimates.

Loan losses at Danske Bank's mortgage unit, Realkredit Danmark A/S, rose 8.3 percent to 1.06 billion kroner (\$188 million) last year, the bank said Feb. 9. The share of losses related to private mortgages jumped to 50 percent of the total, compared with 26 percent a year earlier, the bank said.

Denmark's housing slump has fueled a regional banking crisis. More than two dozen small and medium-sized Danish lenders have either failed, received state bailouts or been taken over since 2008, succumbing to bad loans to real estate or farming.

More banks may collapse this year, Financial Supervisory Authority Director General Ulrik Noedgaard said in an interview in January. He estimates about 3 percent of the country's financial industry is at risk of insolvency.

Rate Dilemma

The twin housing and banking crises have also taken their toll on Denmark's labor market. Survey unemployment will rise to 7.4 percent this year, compared with 3.2 percent in 2008, the Organization for Economic Cooperation and Development estimates.

Continued declines in property values and rising unemployment will probably trigger wider loan losses at Danske Bank, Straarup said.

Home owners have been spared bigger losses thanks to record-low interest rates. Denmark's central bank cut its benchmark lending rate to a record low 0.7 percent in December, to maintain the krone's peg to the euro.

Retail mortgage losses remain "very limited as rates have been at record lows," Straarup said. "Low rates are good for the bank's credit quality but not for earnings."

Danske's net income dropped 81 percent drop in the fourth quarter, missing analyst estimates as loan losses swelled. It was the last earnings report to be delivered by Straarup as he steps down this week to be replaced by Eivind Kolding, the former CEO of A.P. Moeller-Maersk A/S's container unit and Danske Bank chairman.

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Japan's GDP Shrinks More Than Estimated as Yen Undermines Exports: Economy

Monday 13th February, 2012 - Bloomberg

Japan's economy shrank an annualized 2.3 percent in the fourth quarter, more than economists estimated, as slumping exports undermine a recovery from last year's record earthquake.

The contraction compared with the median forecast for a 1.3 percent decline in a Bloomberg News survey of 26 economists. Growth was a revised 7 percent in the previous quarter, the Cabinet Office said today in Tokyo.

Today's report underscores pressure on Bank of Japan officials meeting today and tomorrow to consider more monetary easing as gains in the yen worsen losses for companies from Sony Corp. (6758) to Panasonic Corp. (6752). At the same time, the world's third-biggest economy may get a boost this quarter from more reconstruction work, fading disruptions from floods in Thailand, and signs of improvements in the U.S.

"The drop was mainly due to weak exports exacerbated by slowing global demand and the impact of the Thai floods," Yoshimasa Maruyama, chief economist at Itochu Corp. (8001), said in Tokyo today. The central bank may reserve more easing for any "excessive yen gains and a deterioration in overseas economies," Maruyama said.

In Hong Kong, Financial Secretary John Tsang said the city's economy may shrink if exports fail to improve this quarter, according to a transcript posted on a government website yesterday. In China, Premier Wen Jiabao said economic "fine-tuning" may be needed as early as this quarter, according to a Xinhua News Agency report yesterday.

Asian Stocks Climb

In Australia, home-loan approvals jumped by the most in seven months in December after interest-rate reductions, a statistics bureau report showed.

Asian stocks advanced, after Greek lawmakers approved austerity measures to secure bailout funds. The MSCI Asia Pacific Index rose 0.7 percent as of 1:08 p.m. in Tokyo. The yen traded at 77.58 per dollar, compared with a postwar record of 75.35 per dollar on Oct. 31.

In other economic reports due today, Germany will release wholesale price data, Switzerland gives producer and import prices, and Mexico may report that industrial production grew 0.5 percent in December from the previous month after a 0.1 percent gain in November.

In Japan, analyst Junko Nishioka at RBS Securities Japan Ltd. forecasts that GDP will expand 1.6 percent this quarter and Masamichi Adachi, senior economist at JP Morgan Securities in Tokyo, forecasts 1.8 percent growth.

'Gradual Recovery'

Economy Minister Motoshi Furukawa cited the Thai floods and a "weak overseas recovery" for the fourth-quarter contraction, adding that the economy will "continue recovering slowly" and is on an upward swing. "We expect a steady increase in exports on a gradual recovery in the global economy," Furukawa said.

Net exports, or overseas shipments less imports, subtracted 2.6 percentage points from annualized GDP, today's report showed.

Fuel shipments are swelling the import bill after nuclear plant shutdowns because of the earthquake and tsunami last March. Japan's government today agreed to \$8.9 billion of aid for Tokyo Electric Power Co., the owner of the crippled Fukushima plant.

Capital investment rose 7.9 percent, the first increase in five quarters, and consumer spending rose 1.2 percent, the third straight advance.

Shirakawa, Furukawa

Bank of Japan Governor Masaaki Shirakawa said last week that the economy is in a "severe" condition because of deflation and gains in the yen. The GDP deflator, a gauge of price trends, fell 1.6 percent in the fourth quarter from a year earlier. In nominal terms, GDP contracted an annualized 3.1 percent from the previous quarter.

Furukawa said yesterday on television that the central bank may need to improve communication of its stance on prices, after the Wall Street Journal cited an unnamed person as saying that the topic would be considered by officials. So far, the BOJ has avoided setting an explicit inflation target.

Panasonic, the world's largest maker of plasma televisions, said on Feb. 3 that it almost doubled its annual loss forecast to a record 780 billion yen because of the Thailand floods and slowing demand for TVs.

Sony, Japan's largest consumer-electronics exporter, said on Feb. 2 that it widened its full-year net loss forecast to 220 billion yen from the 90 billion-yen loss predicted in November.

Earthquake Reconstruction

First-quarter growth may get a boost as earthquake reconstruction work kicks in, said Masayuki Kichikawa at Merrill Lynch Japan Securities Co.

Parliament last week passed Prime Minister Yoshihiko Noda's 2.5 trillion yen (\$32 billion) recovery package from the earthquake and tsunami, the fourth supplementary budget since the disaster. The government will allocate 300 billion yen for the eco-friendly car subsidies as part of its fourth extra budget.

“If exports stop falling as the impact of the flooding in Thailand winds down, overall GDP is likely to return to growth,” Kichikawa said before the report.

The International Monetary Fund estimates that Japan’s economy will grow 1.7 percent in 2012, compared with a likely 1.8 percent expansion for the U.S. and an estimated 0.5 percent contraction for the euro area.

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[U.K. Economy to Avoid Recession, Gain Momentum in 2012, CBI Says](#)

Sunday 12th February, 2012 - Bloomberg

The U.K. economy will avoid a technical recession and the recovery will gain momentum this year, avoiding the need for more quantitative easing by the Bank of England, the Confederation of British Industry said.

“After a pretty stagnant winter where we flatlined, we think growth is starting again because we’ve got tentative signs of optimism,” CBI Director-General John Cridland said in an interview in London on Feb. 10. “There will be marginal growth” this quarter and “we’re not assuming in our growth forecasts that there will be a further package of QE.”

The Bank of England announced its latest 50 billion-pound (\$79 billion) round of bond purchases on Feb. 9 after gross domestic product fell 0.2 percent in the last three months of 2011, bringing Britain to the edge of a recession. While GDP will rise less this year than previously forecast due to the fourth-quarter slump, growth has restarted and “will pick up” during 2012, Cridland said.

“I would support what the Bank of England did” last week, he said. However, “clearly, the next step will be tightening” as stimulus “brings risks, risks of inflation, and the stronger the economy is, the less need there is for QE.”

The pound rose 0.4 percent against the dollar and was trading at \$1.5820 as of 9:03 a.m. in London. The yield on the 10-year government bond climbed 5 basis points to 2.16 percent.

Cridland said the central bank is unlikely to begin raising interest rates “while the economy and economic growth are as fragile as they currently are,” though it may begin to “normalize” policy “toward the second half of 2013.”

Growth Outlook

Britain’s economy will expand 0.9 percent this year and 2 percent in 2013, the CBI, the U.K.’s largest business lobby group, said in a statement today. That compares with November forecasts of 1.2 percent and 2.2 percent, respectively.

Sentiment among CBI member companies has picked up in the past few months after the European Central Bank increased liquidity to the banking system in the euro area, Britain’s largest export market, and the U.S. and German economies showed signs of improvement, Cridland said.

ECB President Mario Draghi signaled last week that the economic outlook for the euro region had strengthened, saying recent data shows signs of “stabilization” amid Europe’s debt crisis.

In a separate report today, accountancy firm BDO LLP said its business optimism index rose to 94.1 in January from 91.5 in December, the largest increase in 11 months. The index forecasts business confidence two quarters ahead, suggesting the economy could begin to recover in the second half of 2012, London-based BDO said in an e-mailed statement.

“Back in November, we had reached rock bottom,” Cridland said. “A couple of months on, I think the storm clouds are not as black as they were. There are tentative signs of optimism, particularly for those who can take advantage of growth outside Europe, elsewhere in the world.”

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Europe Job Losses Accelerating With AstraZeneca-to-PepsiCo Cuts

Monday 13th February, 2012 - Bloomberg

Global companies from NEC Corp. (6701) to PepsiCo Inc. (PEP) and AstraZeneca Plc (AZN) are chopping jobs more than three times faster than in 2011 as they brace for recession in Europe and a slowdown in China.

Announced workforce reductions surged to 94,369 through Feb. 10 from 26,561 a year earlier, according to data compiled by Bloomberg. Employers based in Western Europe accounted for the biggest group of job-cut disclosures, threatening to add to unemployment in the euro area already running at a 13-year high.

Such firings are now running at the quickest pace to start a year since a 2009 peak, when the European and U.S. economies shrank amid the deepest slump since World War II. Now, Europe's debt crises may help spur a 0.5 percent contraction in the euro-area economy in 2012, based on economists' estimates.

"The problems that the European Union has to deal with suggest that any recovery will be slow in coming and weak," said Allen Sinai, chief global economist at Decision Economics Inc. in New York. "Businesses have started to change their commitments in terms of their workforce in light of all the uncertainty."

Slowing economies in Europe and some developing markets were cited by NEC President Nobuhiro Endo on Jan. 26 when the Tokyo-based maker of mobile phones and computers lopped 10,000 jobs. London-based drugmaker AstraZeneca's Feb. 2 plan for 7,300 firings follows the elimination of 21,600 positions since 2007.

U.S. Strength

Europe's weakness contrasts with a U.S. labor market in which economists project more job creation this year than at any time since 2006. Even with PepsiCo joining 26 other companies in North America in disclosing cuts in 2012, fewer than 25 percent of the 8,700 jobs being trimmed at the Purchase, New York-based company will be in the U.S.

Joblessness in the U.S. slid to 8.3 percent in January amid the fastest growth in nonfarm payrolls in nine months. December's unemployment rate in the euro area reached 10.4 percent, the highest since June 1998.

"We look at the same data as everybody else," said Michael Lamach, chief executive officer of Swords, Ireland-based Ingersoll Rand Plc. (IR) "But the part that we probably interpret less positively is Europe."

Europe revenue may fall as much as 12 percent in 2012 at the maker of Trane air conditioners as business dwindles and the euro weakens, Lamach said. Ingersoll Rand expects \$50 million in unspecified European restructuring costs, possibly including job cuts.

Europe Outlook

Gross domestic product in the euro area probably fell 0.4 percent in the final three months of 2011, based on the average of 42 estimates compiled by Bloomberg before a Feb. 15 European Commission report.

Adding to the squeeze on global companies is decelerating growth in China, whose projected 8.5 percent expansion would be the least since 2001 after the government moved to squash inflation and prick a real estate bubble.

“There’s a recession in Europe right now,” said Jay Bryson, senior global economist with Wells Fargo Securities LLC in Charlotte, North Carolina. “China has slowed.”

The EU has been rocked by concern that Greece may default on its sovereign debt and pull out of the euro pact.

Countries such as Greece, Portugal, Spain and Ireland have all been straining to meet sovereign debt payments because of budget deficits that widened after the last recession crimped tax receipts. Portugal, Ireland and Greece received EU bailouts in exchange for pledges to slash spending.

‘Confidence Shock’

“The confidence shock on financial markets in the second half of last year has translated in a drop in orders and activity,” Clemente De Lucia, a BNP Paribas economist, said in an interview from Paris. “The employment situation remains tough as business sentiment on activity hasn’t recovered.”

Greece’s latest crisis has rekindled the debt concern, with a 14.5 billion euro bond payment due on March 20 for which the government needs international assistance. Parliament approved austerity measures early today to secure the aid as police battled rioters in Athens protesting those steps, which include state job cuts.

While an EU recession will last only a couple of quarters before growth resumes in 2012’s second half, the pullback in public-sector spending may mean slower European expansion persists for years, said Gerd Hassel, an economist at BHF Bank AG in Frankfurt.

“It’s simply the austerity measures that dampen consumer expectations,” Hassel said in an interview. That backdrop means CEOs “are very reluctant to increase their production.”

Earnings Growth

Global companies in the Standard & Poor’s 500 Index are losing their advantage in earnings growth over domestic-focused peers as the U.S. rebounds and overseas

economies slow, said Jonathan Golub, chief U.S. market strategist at UBS Securities LLC in New York.

Profits among S&P 500 global companies are now growing only 0.5 percentage point faster than the other group, down from 8 percentage points last quarter, Golub said.

“It’s been a very powerful trend throughout the recovery and it’s basically fallen off a cliff,” he said in an interview.

Some of the biggest job cuts have more to do with company or industry conditions than Europe’s economy. AMR Corp (AAMRQ)’s American Airlines plans about 13,000 firings in bankruptcy. Espoo, Finland-based Nokia Oyj (NOK1V) is eliminating 4,000 jobs in its home country, Hungary and Mexico to shift manufacturing to Asia as the mobile-phone maker falls behind rivals such as Apple Inc.

Consumers, Government

For others, such as AstraZeneca, the shrinking payrolls are the result of pressures such as the expiration of pharmaceutical patents on top of waning consumer demand and curbs on European government spending, said Alistair Campbell, health-care analyst at Berenberg Bank in London.

“You’ve got austerity measures in the background, particularly hard in Europe, with uncertainties around what that might do this year,” Campbell said in an interview. “Companies are generally cautious about the outlook this year.”

CEOs have learned to pull the trigger quickly on cuts to keep profit margins in line with expectations when economic growth cools, Decision Economics’ Sinai said. Stock prices signal investors’ confidence that earnings will hold up, he said in an interview.

This year’s 6.8 percent gain in the Stoxx Europe 600 Index through Feb. 10 actually exceeded the 4 percent advance for a year earlier. The S&P 500 also climbed 6.8 percent this year before today.

Ingersoll Rand is among the companies moving now to prepare for a slump that may be worse than economists’ forecasts, with steps that include “factory consolidation” in China and plans for two plant closings in Europe, CEO Lamach said, without giving details.

After posting the largest decline in the S&P 500 Industrials Index last year, the shares rose 25 percent through last week, the third-biggest increase in the gauge of 61 companies.

“We’re a little bit more bearish on Europe at this point,” Lamach said. “We hope to be proven wrong.”

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[ANZ Bank to Cut 1,000 Jobs This Year, Freeze Most Senior Executives' Pay](#)

Monday 13th February, 2012 - Bloomberg

Australia & New Zealand Banking Group Ltd., the third-largest bank in Australia, plans to eliminate about 1,000 jobs and reiterated a pay freeze for most senior executives as it combats a slump in lending growth.

The domestic cuts will be made by Sept. 30 and will primarily involve middle-management, back-office and support staff, the Melbourne-based bank said in an e-mailed statement today. ANZ Bank currently employs 49,000 people globally, including about 24,000 in Australia, it said.

ANZ Bank joins Westpac Banking Corp. (WBC) in confirming plans to reduce jobs as the nation's lenders confront the weakest demand for home lending since 1977. The two banks, citing a surge in wholesale funding costs, raised on Feb. 10 their standard variable mortgage rates independently of the central bank, which left borrowing costs unchanged last week. Commonwealth Bank of Australia (CBA) and National Australia Bank Ltd. (NAB) increased their rates today.

"You'd expect banks to be very vigilant on costs in the current environment and to do whatever is needed to pull the cost lever very hard," said Prasad Patkar, who helps manage about \$1 billion at Platypus Asset Management Ltd. in Sydney. "The banks up until the crisis have had 15 years of stellar profit and revenue growth and during that period you would expect a bit of fat has been built into the system."

Shares (ANZ) of ANZ Bank rose 1.6 percent to A\$21.77 in Sydney. The benchmark S&P/ASX 200 stock index gained 0.9 percent. ANZ Bank is scheduled to publish on Feb. 17 a trading update for the three months ended Dec. 31.

Westpac Cuts

"A different and very difficult environment is now emerging for banks globally," Philip Chronican, chief executive officer of ANZ Bank's Australian business, said in today's statement. "Just as we are seeing in other parts of the Australian economy, we are also having to adapt our business to the new conditions and become leaner, more agile and more customer-focused so we ensure the bank remains strong and can grow and invest for the future."

As many as 400 people will lose their job at Westpac, Australia's second-largest bank, with most of the positions affected to be from the Sydney-based lender's head office and technology and operations divisions, spokeswoman Supreet Gosal said Feb. 2.

Peter Hanlon, Westpac's acting head of Australian financial services, told the Australian newspaper on Feb. 2 that a slowdown in business and consumer activity is happening across the board. He said conditions are as bad as he's seen them in his 30 years of banking, according to the newspaper.

Two-speed Economy

UBS AG forecast last month that Australian banks may eliminate 7,000 jobs in the next two years as they seek to pare labor costs that account for 58 percent of expenses.

Companies outside of Australia's booming mining industry are struggling, and the so-called two-speed nature of the nation's economy was reflected in the loss of 29,300 jobs in December, capping the worst year for employment since 1992.

ANZ Bank staff in Australia were told today of 492 roles affected by the reductions, the lender said in the statement.

"In this environment, the right thing to do is to be upfront with our staff and with the community about the changes needed in banking and their implications," ANZ Bank's Chronican said. "We are acutely conscious of the impact of these reductions on individual staff members and we will be making every effort to use natural attrition, to redeploy staff, and to utilize our training funds to support those people affected."

'No Justification'

Today's job cut brings the number of finance industry reductions since the start of the year to 2,000, according to the Finance Sector Union, which represents some bank workers.

"There is no justification for any Australian bank to slash jobs," Leon Carter, the union's national secretary, told reporters in Melbourne today. Given their combined profit of more than A\$24 billion (\$25.7 billion) last year, "if anyone can afford to invest in Australian finance jobs it is our four big banks," Carter said.

ANZ Bank will also continue to "constrain senior executive salary increases," as part of a measure it announced last year, the bank said in today's statement.

For "most senior executives, that means salaries will remain fixed for the 2012 financial year," the bank said.

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State Bank of India Shares Decline as Bad Loans Increase: Mumbai Mover

Monday 13th February, 2012 - Bloomberg

State Bank of India, the nation's largest lender, dropped in Mumbai trading as bad loans expanded and capital buffers shrank in the third quarter.

Net income climbed 15 percent to a record 32.6 billion rupees (\$664 million) for the three months ended Dec. 31, from 28.3 billion rupees a year earlier, according to a filing to BSE Ltd. today, surpassing the 30.8 billion-rupee median of 39 analyst estimates compiled by Bloomberg. Still, the bad-loan ratio widened to 2.22 percent from 1.61 percent.

Shares of State Bank headed for their second day of declines on concern that an economic slowdown may trigger more defaults by borrowers. The lender last month said that it would receive a 79 billion-rupee capital infusion from the government to bolster risk buffers and help take its Tier I ratio above the regulatory target of 8 percent.

"Asset quality is still a worry," Brian Hunsaker, an analyst at Keefe, Bruyette & Woods Asia Ltd. in Hong Kong, said by telephone today. "Even after the capital is injected, the ratio will be low by international standards."

Shares of State Bank declined 2 percent to 2,129.25 rupees as of the close of trading in Mumbai. The government-controlled lender dropped 42 percent in 2011, the most in 18 years, as bad debts increased and Moody's Investors Service downgraded the financial strength rating citing low risk buffers. The government's capital injection have helped drive shares up 32 percent this year.

Shrinking Risk Buffers

State Bank's capital adequacy ratio under Basel II rules narrowed to 11.6 percent at the end of December, from 12.11 percent a year earlier, according to the filing. The Tier I ratio shrank to 7.59 percent from 8.52 percent, it said.

The government's investment, along with profits, will push State Bank's Tier I capital ratio above 9 percent by March 31, Chairman Pratip Chaudhuri told reporters in Mumbai today.

Moody's downgraded the outlook for India's banking system in November to "negative," citing concern that a domestic slowdown and the surge in borrowing costs may boost bad loans. India's economy may expand 7 percent in the fiscal year through March 31, according to a survey compiled by the central bank in January. That's lower than the 7.6 percent projected in October.

The bank's net interest margin, a measure of its lending profitability, widened in the quarter to 4.05 percent from 3.61 percent a year earlier, according to the filing. Net

interest income, or revenue from borrowers after deducting interest paid to depositors, climbed 27 percent to 114.7 billion rupees.

Fees tied to debit cards and offering customers foreign- exchange services, as well as income from distribution of mutual funds and insurance products, fell 36 percent to 21.3 billion rupees.

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[Done deal](#)

Monday 13th February, 2012 - NationNews

CLICO INTERNATIONAL General Insurance has been purchased by Sandridge Limited.

Following 18 months of legal discussions, the deal was signed last Friday by hotelier Bernie Weatherhead, on behalf of Sandridge Limited, and Terrence Thornhill, acting on behalf of CLICO Holdings. The signing took place at the law offices of Clarke Gittens Farmer.

In an exclusive interview with the DAILY NATION yesterday, Weatherhead did not put a figure on the purchase price.

CLICO General Insurance branches in Barbados, Antigua and Barbuda, Anguilla, Dominica, Grenada, St Lucia, St Vincent and the Grenadines and St Kitts and Nevis will now operate under the name Sun General Insurance.

“Sun General Insurance will come into effect across the Caribbean during the course of this week. I want to assure present clients of CLICO General Insurance and those with any outstanding claims that they are protected 100 per cent by Sun General,” explained Weatherhead, whose company Sandridge Limited was also an agent of CLICO.

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'Holding its own'

Monday 13th February, 2012 - Barbados Advocate

“All is not lost!”

So says Deputy Governor of the Central Bank, Harold Codrington, as he spoke to members of the Barbados Workers' Union (BWU) on the state of the Barbados economy and the Central Bank's projections for the next two years.

Speaking before a sizeable audience gathered at Solidarity House for the BWU's Mid-term Meeting, Codrington said that the Barbados economy is holding its own and there has not been a collapse of the economic activity in this country.

He said that this is in spite of the fact that the country has not recorded the type of growth that those in authority would like to have seen. Codrington indicated that while things are a bit tough, the country has “some breathing space” because of our high Human Development Index.

“We have been ranked for many years as one of the leading developing countries in the world, people would like to live here and that gives us some breathing space,” he said.

The Deputy Governor said that while there are some economies in the Caribbean that are growing at a faster rate than we are, Barbadians enjoy wider per capita income and, he maintained, the quality of life for the average Barbadian remains superior to that of most of the countries in the region. As a result, he said, we have fewer problems arising from poverty and poor income distribution than in most other countries in the region, which helps to maintain stability and keep the Social Partnership together.

Codrington nevertheless said that jobs need to be created in this country. He said that there is no doubt that we need the economy to record notable growth again, but this can only be achieved with foreign exchange inflows.

“We cannot do anything in this country without foreign exchange. We cannot use Barbados dollars to do any of the things we want to do to keep this economy going... To get foreign exchange we have to make sure that the sectors that earn foreign exchange grow. Not all sectors earn foreign exchange; all sectors use foreign exchange, but not all sectors earn foreign exchange,” he said.

He said that those sectors which can earn the necessary foreign exchange in the short to medium term include tourism, international business and financial services, agriculture and agro-industry and alternative energy. Codrington also noted that to a large extent, the fortunes of our economy still depend quite heavily on our major trading partners, who, the projections indicate, are not expected to see growth in their economies until 2013.

While that news may be a bit daunting, he said the reality is that we are not totally dependent on growth in those countries and that there are some steps that we can take to

stimulate growth for ourselves. This includes investing in products and services which are purchased by high income earners and marketing to pockets of prosperity among our trading partners.

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Business Monday: BCCI 'Meet the Minister' meeting to tackle issue of cost of living
Monday 13th February, 2012 - Barbados Advocate

MEMBERS of the local business community will have an opportunity to meet on Wednesday with Minister of Commerce and Trade, Senator Haynesley Benn.

The meeting is part of a new series of meetings initiated by the Barbados Chamber of Commerce & Industry. Throughout the year, along with its regular monthly business luncheons, the Chamber will be facilitating quarterly breakfast sessions to give its members and non-members alike a one-on-one forum to interface with major players in both Government and the business community on issues of national significance.

The meeting on Wednesday is entitled 'Meet The Minister' and will take place at the Hilton, Barbados from 7:30 a.m. to 10 a.m.

During the event, Senator Benn will present Government's intended strategy to tackle the issues of the cost of living and members and non-members of the Chamber will also be able to share with him their views and provide him with a first-hand account of the challenges they face, while offering their own solutions for reducing the cost of food and other commodities.

A veritable panel including Mr. Mark King, Managing Director Barbados Light & Power Company Limited and Mr. David Neilands, Chairman of the BCCI's Food Group, will also participate in these discussions.

Executive Director of the BCCI, Mrs. Lisa Gale said the Chamber is committed to championing the issues that impact on and affect the viability of business in Barbados.

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[Business Monday: UK dealing with its own fiscal deficit](#)

Monday 13th February, 2012 - Barbados Advocate

Facing its own budgetary issues, the UK is firm on its position that the Air Passenger Duty will remain in place. However, while it concedes the tax may result in a fall in visitor arrivals to the Caribbean, it does not anticipate that this year's Olympics will have the same effect.

In recent months, tourism pundits have weighed in on the status of the UK market for 2012. Some have stated that with the increase of the controversial air passenger duty (APD) and the 2012 Olympics in the UK, there will be a drastic decline in long-stay arrivals to the Barbados market. Others have stated in the UK that the British people still love to travel and arrivals from that market will not be severely affected.

Paul Brummel, British High Commissioner to Barbados and the Eastern Caribbean, sought to put the issues in perspective in an interview with Business Monday. He said that given the status of the UK economy, taxes like the APD have to help to address their budget shortfall.

“The Foreign Secretary stated the UK understands the Caribbean concerns, but the UK equally is facing a serious budget deficit that means that the taxes that exist such as APD really have to be used to combat that deficit,” the High Commissioner declared.

He said the British Treasury had announced that a consultation period on the issue has concluded that there wasn't much prospects of removing the APD.

“The conclusion was, broadly speaking, to stick with it; but the budget is an annual process and it is reviewed every year so certainly we look forward to continuously engaging with the Caribbean Governments on this issue,” he went on.

“Our Treasury has taken a decision in respect to this budget coming up and clearly this priority was focused on addressing our own fiscal deficit where we are facing difficulties in terms of our support for other countries,” he noted.

The 2012 London Olympics, which is being met with excitement for most, is a source of concern for tourism stakeholders in the Caribbean, especially in Barbados.

But according to Brummel, “We will be looking forward to welcoming people to the Games, but for many people in the UK, when confronted with the influx of persons, they may see it as a great opportunity to vacation. I don't believe that the 2012 Olympics will come with a tourist cost to Barbados and the Caribbean; there should be great two-way traffic.”

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Business Monday: BICO looking to boost business

Monday 13th February, 2012 - Barbados Advocate

FOR the second straight year, shareholders of BICO Limited might have to do without a dividend. Meanwhile, the icecream manufacturer is on the hunt for a strategic partner to boost its business.

Edwin Thirlwell, Executive Chairman of the company, reported that there is a “possibility of no dividends for shareholders of BICO”. He explained at the BICO press conference last week that they “didn’t pay one last year and it wouldn’t be prudent to pay one this year until we get nearer into the year.”

However, he said they do have to try to ensure stakeholders get a piece of the pie and “we have to keep our customer base happy. This not the time to be increasing prices, although costs are rising, but it would be counterproductive, we believe, to increase prices of icecream.”

He said that BICO experienced a challenging 2011 due to static sales and revenues combined with rising overheads and operating expenses.

“BICO is looking forward to the remainder of the 2012 financial year in which margins are expected to improve significantly, but we are still trading cautiously because these are difficult times,” he stated.

“We have put in measures to be more efficient and deal with costs. Last year, we maintained market share [and] kept employment levels up, but this year we can’t afford to have another year like that we have to live within our means,” Thirlwell explained.

He told the media that in difficult times purchasing patterns change and in different ways. “The bread and pastries is one area which should not be buoyant, but it is. It is a luxury product which is sold mainly in hotels, but in these difficult times it is holding up.”

In terms of future plans for the company, the Executive Chairman said that they have given a project to KPMG to find a strategic partner to work with them because the future of working with small, independent manufacturers is not bright.

According to him, “We need to join forces with a larger group and get economies of scale. In fact, if we found a strategic buyer it would mean we would have a new direction which may rejuvenate business. If we could join forces with a major player anywhere in the world that would add to the business.”

He explained that BICO is thinking along lines similar to what Banks (Barbados) Breweries Limited has done by joining forces with outside partners to maintain their competitiveness in the region.

He said that the world is a dangerous place at the moment and they at BICO have to be watchful of the changes.

“The progress of the strategic partner is that there is interest, but no money on the table at this point,” he revealed.

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[Business Monday: Government enforces commitment to greener economy](#)

Monday 13th February, 2012 - Barbados Advocate

THE government of Barbados has ensured its commitment still remains to seeing the country continue to lead the regional drive towards sustainability so that a space could be created where its citizens could enjoy a higher quality of life. The quality of life, according to Dr. Denis Lowe, Minister of Environment and Drainage, will not simply be measured by economics, but by our relationships, our ecosystems and the prospect of hope that “ what we will leave for the next generation will not put [it] at peril”.

These were some of the Minister’s comments, which he made whilst outlining Government’s sustainability strategy at a cocktail reception last week. That event acted as a forerunner for the International Sustainability Conference 2012 held at the Hilton Barbados last weekend.

The Minister explained that the Government was spending in excess of 500 million dollars to in addressing several key environmental areas which included improving the country’s public sanitation services. As it relates to the landfill, Minister Lowe said that due to the fact that we were a small economy with limited land space we could not continue to use the landfill as the major element for solid waste management. To this extent, Government will be constructing a Waste to energy Plant and an integrated Solid Waste Management Plant, costing to the tune \$300 million, according to statements made by the Minister.

Dr. Lowe also stated that Government was in the process of looking into waste steam energy, as well as landfill gas energy. The same landfill space he said, would be used to house a wind farm.

“Because of our heavy dependency on fossil-fuel based energy we believe that part of our sustainability drive has to be to reduce our dependency on that source of energy and capitalise on the other alternative sources at our disposal”, opined the Minister, who would later remark that as a tourist-based economy and in terms of the advent of climate change, we could not “exclusively tap into our tourism energy without making some effort to protecting our [environment]”. Here, he spoke of the \$40 million spent over the last few years in the Government’s coastal programme which included infrastructural changes along the west and south coasts. [Those boardwalks are] not just for show or routine exercises but [they are] important pieces [for] protecting our shorelines”.

The Minister also spoke on the necessity of ensuring the safety of our sea-based ecosystems, as damage to this would have an adverse impact on food security.

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[Business Monday: ICAB President says risk of downgrade cause for concern](#)

Monday 13th February, 2012 - Barbados Advocate

PRESIDENT of the Institute of Chartered Accountants of Barbados (ICAB), Reginald Farley says the 33 per cent risk of a further credit rating downgrade by international rating agency Standard and Poors is a cause for significant concern.

Admitting to Business Monday that he too has had his fair share of negative things to say about credit ratings, Farley pointed out that regardless of how we felt about the agencies' labeling tactics, the fact remained that ratings will have an impact on the way the international community, investors included, viewed us, as as a result, the cost of capital for both government and the private sector could become more expensive, thus adversely impacting our economic thrust forward.

“We have to be careful not to lose our investment rating...The Central Bank of Barbados and others argue that it won't be fatal if we loose it... nothing really ever is. [However] it won't enhance the quality of life either and it would also increase the cost of capital... so I believe that should take the necessary actions to improve the fiscal situation and therefore head off any possible further downgrades,” remarked Farley.

He pointed out that the real problem for the international community was not so much that the country had a deficit, but that that deficit was on the current account. Said Farley, “even if we were to continue to have a fiscal deficit... that was higher than the international community wanted, if it was on the capital side, then that would mean that we were in fact investing in our future... [for example] debt being incurred to construct new productive capacity, improve our highway infrastructure, rebuild our schools, build hotels these things which have essentially been the country's strategy since 1967”.

He went on to state that this was such a time when government had to be entrepreneurial and invest where new capacity was required, such as in the area of alternative energy.

Farley added that unless there was a clear strategy of switching the deficit from weighing heavily on the current account side to the capital side, it was urgent that we moved to plug that deficit “hole” as soon and as urgently as possible.

“The country needs to have a conversation with in itself concerning what it can afford to spend overall and how it is going to spend that allowance...no one can argue with any degree of seriousness that we can continue for a long time having a deficit on the current account... You cannot be borrowing long-term money to pay short term bills... I wouldn't recommend it for a household neither would I recommend it for a country,” opined the ICAB president.

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[AGI's share value could be listed below its capital base](#)

Monday 13th February, 2012 - Jamaica Observer

Advantage General Insurance Company (AGI) may value its shares at \$1 for each dollar of capital it holds in its upcoming initial public offering, unless it pays out a big dividend before going public.

A one-to-one market value — the total issued shares of the company times the share price — to capital ratio could be an attractive proposition.

On the other hand, the company's high exposure to the high-claims motor insurance business and the challenge, faced by most general insurers, of making a profit from insurance on a whole could make it hard to peg its value based on earnings.

The insurer announced that it plans to raise between \$500 and \$600 million and list on the Jamaica Stock Exchange (JSE) soon, but it is still deciding how many shares to put up.

"We are still in the process of determining the final percentage to be issued to the public," said AGI president and CEO Mark Thompson. "However, it will be in accordance with the minimum requirements of the JSE rules."

The JSE requires that a minimum 20 per cent of the issued ordinary shares of a company must be put up if it wants to list on the Exchange.

Should it decide to issue the minimum amount of shares, through a planned combination of new and existing ones, the company would be valued at \$2.5 billion to \$3 billion.

Its capital base stood at \$2.7 billion at the end of 2010, and should the company post similar results for 2011 as the year before when it netted \$229 million in profit, capital should stand closer to \$3 billion.

But like many other general insurers, AGI has not been able to consistently generate underwriting profit — earnings from the insurance side of its business.

AGI, formerly United General Insurance (UGI), had been hit by financial difficulties leading up to the 2006 acquisition. In 2005, it posted a net loss of \$587 million, which was reduced to \$19 million in 2006 — the year the company got \$750 million dollars in capital through an acquisition deal.

AGI increased its share capital from 1.7 billion ordinary shares to six billion, and issued 750 million shares at \$1 each, which increased its total issued shares to 1.95 billion.

Since, the company has posted mostly positive financial results, excepting in 2009, and accumulated \$1.1 billion in profit between 2007 and 2010.

In 2009, when it took a \$573-million underwriting loss and posted \$55.6-million net loss, underwriting losses across the industry were particularly high — \$2 billion across all general insurers compared to less than \$1 billion in other years.

Thompson said that while AGI — like all of the other general insurers — relied heavily on the investment side of the business in prior years, the impact of the economic crisis and Jamaica Debt Exchange, which drastically lowered interest income, pushed the company to significantly increase its focus on improving its underwriting performance.

"Since 2009, the company has increased its focus on the motor segment with strong growth in premiums written while improving portfolio quality," he said.

The increased focus on the motor insurance business saw the insurer's share of that market segment grow from 28 per cent in 2008 and 2009 to 35 per cent as at June 2011, according to industry statistics published by the Insurance Association of Jamaica.

At the same time, AGI's share of the total market fell from 17 per cent in 2008 to 16 per cent as at June 2011.

Over 75 per cent of AGI's insurance revenue comes from motor premiums, but the segment is subject to high amounts of claims — industry-wide figures show that motor claims represent as much as 70 per cent of premiums written.

"The company over the last three years has seen a declining level in claims as a percentage of gross premium," he said. "The company's management is of the view that the strategy taken to date will position it to consistently generate underwriting profit presently and in the future."

Indeed, claims as a percentage of total gross premiums fell from levels above 60 per cent up to 2009 to 52 per cent in 2010 (no figures are yet available for 2011).

Thompson said that the underwriting income (loss) generated from the motor segment has bettered the non-motor segment for four of the last six years.

What's more, being the dominant player in the motor segment, AGI "has been able to write motor business at a much lower cost level than other industry participants thus positioning us to generate an underwriting profit from this segment," added Thompson.

AGI currently has over 100,000 clients and a network of 11 branches strategically located in main towns islandwide.

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[Jamaica needs many more Barclay Ewarts to drive a manufacturing renaissance](#)

Monday 13th February, 2012 - Jamaica Observer

IN his tribute to Barclay Ewart, his friend, legendary entrepreneur Danny Williams, described the young Barclay Ewart as a modest person, who, despite his outstanding achievements in the field of sports, never let it go to his head. He was however "determined to achieve his goals and worked assiduously at them, but was never unduly aggressive or vulgar in his efforts to do so".

Williams described him as "true nationalist", "entrepreneur" and most importantly "a true industrialist".

If we look quickly at Ewart's background, he went abroad to Notre Dame University in the US to study chemical engineering on a track scholarship, switched to a degree in business administration, and when he came back to Jamaica took a job as a salesman with National Cash Register Company, selling office equipment and business machines. Such a background would seem the ideal preparation to become a serial industrial entrepreneur, involved in multiple businesses, which in Ewart's case included Tanners Jamaica, which he founded, Alkali Limited, Industrial Chemicals, Power & Tractors, and Leder Mode.

More importantly, the ability to create new industries, or take old industries to another level, is the crucial element missing in job creation in Jamaica. The unfortunate fact is that it is not struggling entrepreneurs of necessity, creating limited value-added through buying and selling, that is going to drive job creation in Jamaica. It is only through entrepreneurs of opportunity, which an older generation might typically have called industrialists, such as Mr. Ewart, setting up new value-added industries in manufacturing, that will see the creation of the jobs Jamaica needs.

Williams noted that he had lent Ewart what would have then been a significant sum of 5,000 pounds (he stressed he was repaid) to buy a stake in the company of which he was managing director, namely, Industrial Chemicals. The issue of the mobilisation of capital for industry remains a critical problem in Jamaica, an issue that I have tried to address in my online paper "A new approach to development banking in Jamaica". Such capital needs to be patient capital. As Williams notes, Ewart "was not only interested in short-term gains. He was quite willing to invest his time and money in long term projects." Only a long-term approach can create new manufacturing industries, allowing Ewart (and so many others) to achieve his wish "to help Jamaica become a better place for all Jamaicans to live in".

Williams noted that when he became minister of industry and commerce in the late 1970's, he asked Barclay to be the Chairman of the then Jamaica Industrial Development Corporation (JIDC), which he accepted. It is worth noting that the JIDC's mandate, when it was created in the 1950's, included industrial development, provision of factory space, engineering services, food technology, industrial training and investment facilitation, amongst other things. Compared to today, at first glance, this appears much more of a one-stop shop for industry. Jdic, and some of its functions, were eventually subsumed into JAMPRO.

According to Williams, when Ewart was a senator in 1989 to 1993, he made one of the most far reaching analysis of the industrial development required in Jamaica at a budget debate. His particular focus was the government's energy policy. As Williams puts it, "He could not understand why the powers that be could not realise that the only sensible alternative was to turn to coal as our source of fuel to produce electricity. After all, wasn't America producing some 70% of its electricity from coal", a debate which continues, despite Mr. Ewart having made his first report on this issue around 1980, as he observed at an Observer luncheon in 2009.

Last Tuesday evening, immediately before Ewart's funeral, local broker Stocks and Securities limited had a forum appropriately entitled "Manufacturing in Jamaica, Small and Medium Enterprises." The first presenter, Krishna Vaswani, described how, after moving back to Jamaica in 2004 (with a science background), rather than go into the family trading business, he made the difficult decision to go into manufacturing in Jamaica. In his case, he revived a piece of an old dormant factory, namely that of the formerly listed old West Indies Pulp and Paper business, to go into the manufacturing of toilet paper under the corporate name of Quality Incorporation. Interestingly, the countries that he "slowly but surely took back business from" were mainly Trinidad and China, the two countries that have probably gained the most in terms of manufacturing market share in Jamaica over the past two decades. As his well known colleague at the same seminar, former Jamaica Manufacturers' Association president Omar Azan noted, "manufacturing matters", surely a sentiment with which Ewart would have strongly agreed. Perhaps Ewart's passing will mark the moment when Jamaica turn words into action to reverse its decades-long decline in manufacturing.

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'Get dressed up and corporate mingle'

Monday 13th February, 2012 - Jamaica Observer

With over 12 per cent of the population unemployed and the economy static, it's understandable that a "Corporate Mingle", aimed at putting job-hunters and employers together, would be a hit in Jamaica.

Corporate Mingle, initiated by Creative Media and Events' (CME) "Wealth Magazine" in 2009, is a monthly business-networking event. Business professionals are encouraged to go, meet, share ideas and talk about the industry, said Ann-Loy Morgan, CME's public relations executive.

A final year student of the University of the West Indies (UWI) said she has attended three mingles but has not received any job offers. However, the "experience of being in such a professional setting has really helped my confidence level and the people that I've spoken with there have given me lots of useful advice."

She admits that the talks have not been extensive in most cases "but that's to be expected given the numbers that turn up, all expecting to speak to the business bigwigs."

"We like to say it's not a job, it's a lifestyle," Morgan told Sunday Finance. While jobs won't be offered to everyone, there are many instances of success, she said. Employers have turned up not intending to hire but have been so impressed by the quality of people who attend that they've done interviews and made offers.

The UWI student said she's heard of instances where people have been hired.

"I don't know any of them personally but I have heard talk by the way, which suggests there may be truth to it. You never see smoke without fire", she said.

One's business card is the only requirement needed for entry into mingles.

Despite the good reviews, some are still doubtful of the actual benefits to be reaped from attending.

"I know what it is, what it's about and the whole networking thing but that doesn't say much," said a graduate of the University of Technology. "It just seems like a grand time to be honest. You get dressed up and play business leader for a night."

"I'm not saying it doesn't work," he said, "I just think people should have realistic expectations and know that many, most, will not get a job or even be remembered past that one evening."

It's about the impression you make and the links you are able to forge for future use, said Morgan.

Mingles of this nature are not uncommon and are in fact rather popular around the world. This particular one has had guest speakers such as businessman Omar Azan and financial analyst Denis Chung.

"Even if you have a small business, you should come. It's a great way to get your name out there," said Morgan.

Corporate Mingle is held on the last Friday of each month and will be held at a new location, the Spanish Court Hotel.

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Cargo airline expands operations from Miami to Montego Bay

Monday 13th February, 2012 - Jamaica Observer

AIRFREIGHT company Exec Direct Aviation Services (EDA) on Friday launched services from the Miami International Airport (MIA) to Sangster International Airport in Montego Bay.

The service to Montego Bay is being provided on demand as EDA expands its air cargo operations to meet the needs of local exporters and importers, the company stated in a press release yesterday.

EDA began its new service to MIA on Tuesday.

"Now that we are operating from Miami we will see a higher utilisation of our SAAB 340A aircraft, which has a capacity of 8,000 pounds. EDA will not only offer more air cargo options to and from Miami for local businesses but will provide access to a greater number of destinations within the US, Latin America and Europe thereby expanding trade opportunities," said EDA chief operating officer Kamal Clarke.

MIA is the world's largest gateway to Latin America & the Caribbean and controls the north / south cargo flows in the Western Hemisphere. Handling 83 per cent of all air imports and 81 per cent of all exports from the Latin American / Caribbean region, MIA serves as the hub for distribution of perishable products, hi-tech commodities, telecommunications equipment, textiles, pharmaceuticals and industrial machinery.

EDA now operates two flights per week to Miami with flights departing Kingston on Tuesday and Thursday afternoons at 4:30 p.m. and returning to Kingston or Montego Bay on Wednesday and Friday mornings arriving at 8:30 am. On the mornings when EDA flies into Montego Bay, arrival in Kingston will be at 9:40 am. The company stated that this type of scheduling is what is known as a 'skip and stop' schedule and will be utilised in order to best meet the needs of its customers.

EDA began cargo flights to Florida (Fort Lauderdale Hollywood International Airport) in November 2011 and says it is the first Jamaican owned all-cargo carrier to benefit from the arrangements for cargo service to the USA under the Open Skies Agreement. The permit allows the Kingston-based company to engage in foreign air transportation of property and mail between any point or points in Jamaica and gateways in the USA or from other points in a third country or countries to the USA.

The company, which began operations last July, obtained a permit from America's Transport Department to make flights to that country.

EDA is a regional all-cargo airline.

The company boasts that the interconnectivity to the world market will allow EDA to offer additional exciting new services.

One such new service that the company intends to offer is 'ShipMe', which will facilitate online shoppers, said Shermaine Robotham, EDA's marketing representative. She said that purchases to Jamaica are delivered through third parties which take long periods of time and with much more hassle than EDA. EDA will provide a US address for packages which they pick up and ship on their plane, cutting out unnecessary waits.

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[McNeill confident in new Jamaica Tourist Board](#)

Monday 13th February, 2012 - Jamaica Gleaner

TOURISM MINISTER Dr Wykeham McNeill has expressed confidence that the team he has put in place to lead the Jamaica Tourist Board will help to ensure continued growth in the sector.

"The new board, under the astute chairmanship of Dennis Morrison, possesses the right skills set to steer this entity into the future. I think he did a good job before and I repose great confidence in him to lead this organisation once again," McNeill is quoted as saying in a media release.

"I hope that as we seek to move forward, as a board we can ensure continued positive effects for Jamaica such as increases in our arrival figures and tourism earnings, as well as the diversification of our tourism product."

In issuing his charge to the board Dr McNeill outlined, "I think the Board has a good blend of members with valuable experience led, of course, by Mr Morrison and the director of tourism and former chairman John Lynch. Likewise, we will also benefit from the experience of former president of the Jamaica Hotel and Tourist Association Wayne Cummings and the current president, Evelyn Smith, to name a few. In addition to those persons, we have an excellent mix of young, vibrant members such as the vice-president of Jamaica Tours Limited Noel Sloley Jr and managing director at Chukka Caribbean Adventures, Marc Melville."

The other members of the board are former director of tourism Paul Pennicook, Carolyn Wright, Zein Issa-Nakash and Kevin Hendrickson.

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[Paulwell sets up energy council](#)

Monday 13th February, 2012 - Jamaica Gleaner

Minister Phillip Paulwell has announced plans to set up a bipartisan energy council tasked with achieving up to 62 per cent reduction in energy costs paid by households and businesses.

Paulwell, whose Cabinet portfolio covers energy, science, technology, and ICT, also said that he would work towards liberalising the energy sector, a move that would end the Jamaica Public Service (JPS) Company's monopoly on power distribution.

The minister said he expects to set up the council this week as a clearing house for the implementation of politicised or controversial energy measures.

Its members will include representatives of the American Chamber of Commerce of Jamaica, the Jamaica Chamber of Commerce, the Private Sector Organisation of Jamaica, the Jamaica Manufacturers' Association, the Small Business Association of Jamaica, and renewable energy experts.

"We spoke about trying to take this energy conundrum outside the realm of competitive politics. Energy is too important to have a political divide," said Paulwell while addressing AmCham's 'Private Sector Forum on Energy' on Thursday in New Kingston.

Paulwell will chair the council and Opposition Spokesman on Energy, Gregory Mair, will be its deputy chairman.

"The council will take all the talk, all the papers over the years, and policies left on paper, and have them implemented once and for all. We have to get it right. We have wasted decades," Paulwell told energy experts and managers.

"We have not seen the improvement in the JPS largely because the Government failed to make appropriate and timely decisions. We have not seen the right fuel sources, and we intend to change all of that now. It is through this council that we will get the bureaucracy to work."

The island's energy costs currently rank among the region's most expensive due to its reliance on costly oil hovering at US\$100 a barrel. Jamaica imported some US\$1.48 billion worth of oil between January and July 2011, according to Bank of Jamaica data.

The new Simpson Miller administration is open to Jamaica's power plants burning coal and petcoke which, Paulwell says, could slash the price of electricity over three years by 55 per cent to 62 per cent. The JPS holds a monopoly on the distribution of electricity to customers. On Thursday, Paulwell said he would attempt to break that monopoly. He already has a track record as the minister who, at the start of the last decade ended the monopoly held by Cable & Wireless Jamaica over telephone service.

"The people of Jamaica gave my party a mandate which included the full liberalisation of the energy sector to ensure that we have full interconnection with the grid," he said, adding that JPS would benefit from liberalisation as it would encourage greater investment and energy demand.

"I will create for JPS a win-win scenario because ... so many persons are fed up with the high cost of electricity."

A coal plant costs roughly three times that of an LNG plant to develop, but the price of coal is far cheaper than LNG.

Oil fuels the bulk of Jamaica's 884 megawatts of capacity. LNG and coal offer a cheaper fuel source for integration into new power plants, but these options have remained mostly stalled since the 1990s in part due to political indecision.

JPS will build Jamaica's first LNG-fired plant at a cost of J\$52 billion in St Catherine. The plant will operate on diesel as backup fuel.

The company has previously said that its upgraded plant at Bogue in Montego Bay is already configured for LNG conversion.

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Jamaica National life insurance business to launch later this year

Monday 13th February, 2012 - Jamaica Gleaner

Jamaica National Building Society (JNBS) says its new life insurance company will open for business in the second half of the year.

The financial services group was granted a licence by the Financial Services Commission (FSC) back in August.

"Our next step now is to try and operationalise the company," said Earl Jarrett, general manager of JN.

The group is already a player in the general insurance market through subsidiary NEM Jamaica.

JNBS disclosed back in 2010 that it would be entering the life market and was confident of gaining the FSC's approval. The company is also going after a commercial banking licence but was not as sanguine about the central bank's response.

Jarrett said last Thursday that JNBS would continue to push for approval of the banking licence application, which is still before the Bank of Jamaica.

The life insurance subsidiary will begin offering products to the market in the latter half of the year. It enters a market in which the top-two players in a market of five life insurers are valued at a combined J\$26 billion in net premium income in 2010. The data for 2011 is yet to be published.

Sagicor dominates with net premium income of J\$16 billion, while competitor Guardian Life earned J\$7 billion. The other players are Scotia Jamaica Life Insurance Company and NCB Insurance Company.

"I know we have major competitors on the ground but we have a large membership base, client experience. People trust the JNBS brand because over time, we have demonstrated our commitment to them, so our experience puts us in a position to be a meaningful competitor," said Jarrett.

Jarrett was reluctant to disclose much detail about the new company but said its name would be "closely aligned to the JN brand".

Still, the FSC confirms that approval was granted to JN Life Insurance Company Limited, which has been registered with the regulator since August 1, 2011.

The location of its operations is to be determined.

"We are looking at a couple of choices. We are not yet ready to speak to it but it will be in Kingston," he said.

Jarrett was also tight-lipped on the amount of money to be invested in the company.

"I don't want to mention that; it's still a work in progress," he said.

Under the Insurance Act 2001, to register a life insurance company, the applicant must have a minimum paid-up and unencumbered capital, surplus, reserve or equivalent fund of J\$150 million if it intends to do life and/or sickness and health insurance business.

In the case of a general insurance business, the minimum capital required is J\$90 million.

This move now by JN to set up a life insurance company represents a further diversification of the group's offerings. Its main business is mortgage lending, but it also operates in the money services market, as well as finance and fund management, general insurance, and the information technology sectors.

JNBS businesses also operate in the overseas markets of The Cayman Islands, the United Kingdom, Canada, and the United States.

Jarrett says the group's next move regarding the life company is to have actuaries look at various projections and estimates of insurance hardware, determine the organisational structures, and start identifying recruits to fill jobs.

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[GK sets up one-stop financial centre downtown](#)

Monday 13th February, 2012 - Jamaica Gleaner

GraceKennedy Financial Group (GKFG) is investing about J\$120 million in a one-stop financial centre to expand its banking network, investment and insurance services to downtown Kingston.

The financial centre opens Monday, February 13, at the corner of Duke and Harbour streets and will house the sixth branch of First Global Bank, as well as subsidiaries First Global Financial Services and Jamaica International Insurance Company Limited (JIIC).

GKFG has negotiated a 20-year lease of the building with owners Kingston and St Andrew Corporation.

The new investment will create about 30 jobs, said GKFG Chief Executive Officer Courtney Campbell.

He said the decision to open the financial centre was informed by dialogue with lawyers, other professionals, business people, and others who work in downtown Kingston and who for years "wanted the GraceKennedy brand of services" but found them difficult to access because most of the branches are located uptown in areas such as New Kingston, Manor Park, and Liguanea.

customer support unit

Campbell said that JIIC will be establishing a 16-station call centre - or customer-support unit - at the downtown facility. Calls to JIIC's head office in New Kingston will be redirected to that centre.

"Although JIIC is leading in customer service, it's a strategy to take the service even higher," the GK executive said.

The concept of the financial centre began with a similar arrangement in Montego Bay in April 2010, which Campbell said has worked exceedingly well. "We see ourselves as providing all the required financial solutions for our customers, and the idea is to do it under one roof," he told Sunday Business.

With the expansion, he said, "We expect a significant increase in the customer base in terms of growing the deposit portfolio, fee income, and so on," and although First-Global is now ranked as the fifth-largest commercial bank locally, "we have ambitions to change that position over time and the downtown location is part of that strategy."

Campbell, who joined GraceKennedy in July 2008 after 23 years at National Commercial Bank, said First Global Bank has returned to profitability following the discovery of trading irregularities at the institution that resulted in projected bond-trading losses of almost J\$1.7 billion in 2009.

The bank made pre-tax profit of J\$1.67 billion in 2010 and GKFG is "pretty pleased with how we would have ended in 2011," said Campbell. The results are due to be published before the end of February.

During the last three years, First Global's deposit portfolio has grown by almost 10 per cent and "very importantly, we have kept our non-performing loans under control, improving it year-over-year to under five per cent," he said.

GKFG has a net worth of J\$12 billion, with assets close to J\$70 billion. Profits are dominated by the money services. "In each of the past three years, we have grown faster than the market in terms of remittance inflow, so that our market share has grown and we now control, in Jamaica, almost 52 per cent of all the remittance inflows that come through our Western Union partnership," said Campbell.

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[Salada Foods focuses on expanding exports](#)

Monday 13th February, 2012 - Jamaica Gleaner

Jamaica's largest coffee processing firm, Salada Foods Limited, will be primarily focusing on increasing exports of its products as part of the strategy to take the company forward, according to Managing Director Julian Rodney.

He is projecting growth in exports by at least 20 per cent this year based on new distributorships they will be seeking to identify as well as increased marketing to give the products a stronger presence in the local and international markets.

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[IDB strengthens partnership with Caribbean](#)

Monday 13th February, 2012 - Caribbean News Now

The Inter-American Development Bank (IDB) has strengthened its historic partnership with member countries of the English-speaking Caribbean and Suriname.

IDB general manager for the Caribbean Department, Gerard Johnson, hailed results achieved by the countries in the region by discussing and identifying the main areas in which the IDB and other international and regional organizations may cooperate with each other and with the countries. Johnson ratified the firm commitment of the Bank in supporting countries to tackle their economic, financial, social and environmental challenges.

IDB lending to borrowing member countries in the English-speaking Caribbean and Suriname reached more than US\$900 million per year in 2010 and 2011. With an active portfolio of US\$3.5 billion and a pipeline of around US\$1.5 billion, the IDB is deeply invested in these countries.

The Bahamas, Barbados, Belize, Guyana, Jamaica and Trinidad and Tobago -- along with Dutch-speaking Suriname -- are brought together by commerce, geography and traditions. Their economic situations and development challenges, however, may vary widely.

They share some common development challenges. One is the need to become more competitive in the global economy. Other challenges include more economic growth, overcoming the threat of macroeconomic imbalances that weaken development efforts, the need to strengthen public-private dialogue to promote private sector development, and institutional capacity constraints that affect efficiency and public policy. The global economic slowdown has made these challenges more daunting.

The IDB also partners with CARICOM to support regional integration and provides financing and technical support for the members of the Organization of Eastern Caribbean States in partnership with the Caribbean Development Bank.

Key Areas of Focus

The IDB finances programs to promote sustainable energy, infrastructure strengthening, governance, fiscal reform and citizen security, as well as furthering reforms in social sectors, such as health, housing and education in the Caribbean.

In the area of competitive regional integration and private sector development, the IDB finances projects in the trade sector and fosters competitiveness. Compete Caribbean is an initiative promoting competitiveness in 15 countries in the region through a partnership with the United Kingdom Department for International Development and the Canadian International Development Agency.

The IDB is also helping these countries to deal with the effects of climate change and providing support for environmental sustainability. Several new projects seek to improve disaster risk management and coastal infrastructure in the Caribbean region as a whole to mitigate the effects of climate change.

The Inter-American Development Bank

The IDB is a leader in social and economic development and one of the largest sources of multilateral financing for Latin America and the Caribbean. The Bank works with governments, companies, and civil society organizations from its 48 member countries, offering financial products and resources to help the region reduce poverty and inequality in a sustainable way.

The IDB is a member of the IDB Group, which also includes the Multilateral Investment Fund and the Inter-American Investment Corporation to support the private sector. The members of the IDB Group invest in projects to improve the business and investment environment and to support companies with projects that promote social and economic development.

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[International hotel group urged to consider Jamaica as a viable option](#)

Monday 13th February, 2012 - Caribbean News Now

Jamaica's ambassador to the United States, in the latest bid to help boost her country's hotel room offerings, has approached the Marriott International chairman and CEO to consider Jamaica as a viable option for some of its high-end hotels.

Ambassador Audrey Marks made her pitch while on a courtesy call last week to see the Marriott chairman, Bill Marriott Jr, at the Marriott headquarters in Bethesda, Maryland, just outside Washington, DC.

First, Marks expressed appreciation to the Marriott corporation with regard to its current plans to build a Courtyard Marriot in New Kingston, and Marriot International's vice president, senior counsel and corporate secretary, Brancroft Gordon, who was also in attendance, confirmed that Marriott had signed the agreement to develop a Courtyard property in New Kingston, scheduled to open in 2014.

In her response, Marks shared that she had also recently become aware of plans by Marriott International to expand its presence in the global marketplace by constructing over 600 new hotels over the next ten years, and wanted by her visit to request that "Jamaica will be favorably considered for an increased number of your branded properties."

During the courtesy call, the ambassador briefed Marriott on plans that would enhance Jamaica's tourist industry and boost the country's occupancy levels, including in Kingston, and suggested looking at more locations in Kingston, specifically in downtown Kingston or close to the Norman Manley International airport as a participant in the government's downtown redevelopment thrust.

She also highlighted plans to attract more higher-end visitors to the island. She cited the Harmony Cove Development in Trelawny, potential developments in Negril and Port Antonio as viable investment opportunities in which the Marriott Corporation could participate particularly with their higher end brands, namely the Waldorf and J.W. Marriott chains.

Responding to this, Marriott spoke of his admiration for Jamaica and its people, as well as for the great contribution the country had made to the hospitality industry in general. He indicated that he would seriously consider the ambassador's request to further expand the Marriott brand to Jamaica.

Marks also used the occasion to praise Marriott for his more than 50 years of stewardship, innovation and excellence that established the Marriott brand as a most successful global player in the hospitality industry.

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[Grenada government trying to solve airport financial issues](#)

Monday 13th February, 2012 - Caribbean News Now

The Ministry of Tourism and Civil Aviation in Grenada is working with other government departments, particularly the Attorney General's Chambers and the Ministry of Finance, to arrive at a solution to the current financial difficulties being experienced by the Grenada Airports Authority.

This situation has arisen as result of the EXIM Bank of Taiwan obtaining judgment against the government of Grenada for outstanding loans in a law suit filed in the United States. The Taiwanese claimed that all monies owing to the government of Grenada and its agencies should be paid against the judgment debt. Consequently, a request was made to airlines operating on the Grenada route to pay monies owed to the Grenada Airports Authority to the Taiwanese.

An escrow account has been established and carriers such as Virgin Airlines, British Airways and Delta Airlines have begun to deposit monies owed to the Airports Authority into the account. This has placed the Airports Authority in a very precarious financial position.

“Mr Rodney George, chairman of the Grenada Airports Authority, has alerted us in the government about the situation facing our airport. I am doing all that I can from a civil aviation point of view. The Ministry of Finance is doing its part from the debt-financing angle and the Attorney General's Chambers is working towards a legal solution,” said Minister of Tourism and Civil Aviation, Peter David, who is currently attending an OECS civil aviation and tourism ministers meeting in St Vincent.

The Ministry of Tourism and Civil Aviation said it will continue to work with other government departments to ensure the matter is resolved quickly and does not severely disrupt airport operations, which would directly impact Grenada's economy at a time when the country can least afford it.

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[US\\$200.0M Central Mountain highways; one starts, another opens](#)

Monday 13th February, 2012 - Dominican Today

Public Works Minister Victor Diaz Rúa Sunday announced the start of construction on one highway and the ribbon cutting of another in the next few days, both across the Central Mountain Range.

He said the construction of the highway to link the north region with the southern provinces will cost more than US\$100.0 million will start with an advance of US\$15.0 million.

Diaz said the highway will span the towns of Juan Adrian with Monseñor Noel province to the towns of Rancho Arriba and Sabana Larga and the city San José de Ocoa, to link with the Southern Highway.

Interviewed by Héctor Herrera Cabral in the D'Agenda program, the official said with constant work shifts the work could be finished in three years.

Tourist road

The head of Public Works also announced the ribbon cutting for the Jarabacoa-Constanza road in central La Vega province tomorrow, built at a cost of more than 100 million dollars.

He said the 27 kilometer-long road with two, 3.3 meter wide lanes shortens the driving distance between Constanza to La Vega by 4.4 kilometers.

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[IDB to approve US\\$1.9 billion for Central America and DR in 2012](#)

Monday 13th February, 2012 - Dominican Today

The Inter-American Development Bank (IDB) expects to approve \$1.9 billion in projects with sovereign guarantees in 2012, in sectors such as infrastructure, energy, transportation and rural development.

This program, together with an analysis of the region's future needs and challenges, was presented at the XXVI Meeting of Governors of the Central American Isthmus and the Dominican Republic. The event, which ended Friday, was attended by the region's finance ministers and other economic authorities.

“The main priorities (in Latin America and the Caribbean) are related to correcting social disparities, the fight against violence, crime and corruption, improving infrastructure and productivity,” said IDB President Luis Alberto Moreno.

In 2011, the IDB approved 26 projects with sovereign guarantee, totaling \$1.2 billion. In addition, the Bank approved 13 operations with the private sector for \$192 million and 18 donations worth almost \$100 million. The IDB disbursed \$1.6 billion for the region last year for a broad range of projects.

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[Dominican industry leaders explore business opportunities in Haiti](#)

Monday 13th February, 2012 - Dominican Today

Dominican industry leaders met with Thierry Mayard-Paul, Haiti's minister of Interior and Local Authorities, to explore business opportunities existing in Haiti.

According to Jaime Malla, the president of Productos Quimicos Industriales, the meeting was very productive. "I think it's like a platform, these steps are highly significant."

Minister Mayard Pau informed the Dominicans industrialists that President Michel Martelly wanted to turn Haiti into a nation socially just, politically independent, with a free economy, decentralized and sustainable.

He also expressed his satisfaction with the positive attitude of the Dominican delegation. "The Dominican businessmen were able to appreciate, visually, our will to grow from a free market economy and through a decentralization plan based on job creation, not only in Port-au-Prince, but especially in our province cities."

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[All fuels remain unchanged, except propane gas](#)

Monday 13th February, 2012 - Dominican Today

The Industry and Commerce Ministry on Friday announced that all fuel prices, except propane gas, will again remain the same for the week from February 11 to 17, when premium gasoline will cost RD\$222.60, per gallon and regular will still cost RD\$206.50.

Regular diesel will cost RD\$192.80, premium diesel will cost RD\$199.40 per gallon; avtur will cost RD\$156.10; kerosene will cost RD\$181.80, and fuel oil will cost RD\$136.87 per gallon.

Propane gas will cost RD\$105.00 per gallon, or RD\$2.60 less, and natural gas also maintains the same price of RD\$25.00 per cubic meter.

Industry and Commerce said the Central Bank's average posted exchange rate of RD\$39.03 per dollar was used to calculate the fuel prices.

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[St Kitts-Nevis reports double digit decrease in serious crimes](#)

Monday 13th February, 2012 - Caribbean News Now

Police in St Kitts and Nevis are reporting a significant decrease in the total number of reported incidences of crime in 2011 compared with the previous year.

Police Commissioner C. G. Walwyn said statistics revealed that there was a 14.3 percent reduction of serious crimes recorded.

“On our sister island of Nevis there was a 5.5% increase in the total number of crime reported overall compared with the previous year 2010. However, the detection rate in District C, Nevis Division stands at 47.4%,” said Walwyn, who pointed out that the law enforcement agency is also paying close attention to the percentage of crimes committed by juveniles in the Federation and will be endeavouring to intensify its crime prevention campaign in the present calendar year.

“The last quarter of 2011 has recorded a reduction of crimes in the Federation on a whole. The total allocated crimes for the Federation decreased by 5% or 105 reports less than the previous year, with a 35% detection rate,” said the police commissioner.

Walwyn said the police have intensified their efforts to improve the detection rates of all crimes, especially considering that 7.9% of the crimes detected in the past year have been committed by juvenile offenders.

“As commissioner of police, I wish to record appreciation to those responsible citizens who are joining the law enforcement agency in implementing its crime prevention initiatives and to commend those who are partnering with government in boosting the crime fighting capabilities of the force for their valued support,” he said.

Walwyn said, “As an agency for peace, law and order, it is our duty and our commitment to improve on our previous performance and we solicit the support of all in spreading crime prevention tips and not just in reporting incidences in a manner that, at times, results in the distortion of the facts.”

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[Haiti signs contract to refurbish main hydro plant](#)

Monday 13th February, 2012 - Caribbean News Now

The government of Haiti on Friday signed a contract with the French consortium Alstom-Comelex to restore the Péligré hydroelectric plant, the country's principal renewable energy source.

The Inter-American Development Bank, the German development finance agency KfW and OFID, OPEC's fund for international development, are providing the funds to finance the three-year, \$48.8 million rehabilitation contract.

The contract was signed by Public Works Minister Jacques Rousseau, Finance Minister André Georges, Électricité d'Haïti Director General Gary Valdemar and Alstom managers Olivier Richer and Marc-Antoine Blond at a ceremony held at the Ministry of Finance.

Under the project, Péligré will recover its original 54 MW installed generation capacity by overhauling its three turbines and modernizing its electromechanical equipment and control systems. At present the 40-year-old plant operates at a fraction of its potential, forcing Haiti to rely on thermal generators that run on expensive imported fossil fuels.

At the same time as it restores Péligré's generation capacity, state utility EdH will carry out investments to upgrade the power transmission line connecting the hydroelectric plant with Port-au-Prince as well the capital's electricity distribution network. The IDB is supporting such investments with grants totaling \$32 million.

In addition, in partnership with the World Bank and the US Agency for International Aid, the IDB is supporting a program to modernize EdH's technical, financial and commercial management.

The IDB is Haiti's leading multilateral donor. Since the 2010 earthquake it has approved \$442 million in new grants and disbursed more than \$355 million to support reconstruction and long-term development projects in key sectors such as energy, education, water and sanitation, agriculture, transport and private sector development.

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[Haiti explores regional best practices to strengthen national development](#)

Monday 13th February, 2012 - Caribbean News Now

In an effort to identify best practices in democratic governance, Haiti's Minister of the Interior, Thierry Mayard-Paul, initiated a series of information-gathering sessions on successful government programs implemented by Latin America and Caribbean countries.

Of particular interest to Mayard-Paul are public safety, national defence and natural disaster management, areas that directly impact the quality of life for Haitians.

In the Dominican Republic, Mayard-Paul held informal meetings with his counterpart, Minister of the Interior and Police, Ramon Fadul, who is responsible for the country's Democratic Security Plan, and with attorney general, Radhames Jimenez, who leads the Dominican Republic's Safe Neighborhood program.

During the meetings, Mayard-Paul and Dominican officials discussed the possibility of collaborating between their respective ministries to design and implement a public security program inspired by the Dominican Republic's Safe Neighborhood or Barrio Seguro program.

"In exploring regional best practices that can be applied in Haiti, we were impressed with the Democratic Security Plan implemented by our neighbours in the Dominican Republic," said Mayard-Paul, pointing out that in eight years, the plan succeeded in lowering crime rates throughout the country.

Mayard-Paul's emphasis on national security is aligned with the overall vision of President Michel Martelly to develop Haiti as an equitable, independent and decentralized nation with a sustainable economy based on investments and job creation. To that end, the Martelly administration is working to create an appropriate legal framework to ensure democratic governance, rule of law and appropriate tax incentives.

"Issues of national security are critical to our larger goals," Mayard-Paul remarked. "We want to ensure the best conditions for our foreign investors and for the welfare of the entire Haitian population."

Pointing to the friendship and solidarity of Dominicans in supporting Haiti's efforts to achieve sustainable development after the devastating 2010 earthquake, Mayard-Paul expressed the deep interest of the Haitian government in further strengthening mutual cooperation between the two Caribbean neighbors.

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[Plans to restructure CLICO on stream](#)

Monday 13th February, 2012 - Da Vibes

Court appointed Judicial Manager for the Colonial Life Insurance Company (CLICO) Oliver Jordan says he is optimistic that the company will soon find an investor to purchase the troubled company.

Dominica is the first country to be updated on several consultations currently underway across the region to help salvage the company.

Jordan said efforts are being made to find an investor to purchase CLICO and so far there are two prospective organizations.

He said the latest move follows unsuccessful attempts to have some regional governments invest in the company.

“Policy holders and regulators had a string preference for a new company that had a stronger financial capability going forward,” he explained.

According to Jordan, the two regional insurance companies who have expressed the interest in taking over the company would have to purchase it as a whole.

“We don’t want a situation where we have to restructure individual branches; we want to do it as a whole,” he added.

Jordan said however the company cannot say exactly when policy holders will get their money.

“We can’t say what the outcome will be either. The more critical point is that we are moving towards completing this process. Hopefully by this summer, policy holders will have a final resolution. The longer it goes on, the more policy holders and employees will continue to lose confidence in the company,” he explained.

He said if funding were forthcoming from governments, it would put the company in a better position.

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[Dominica to stay away from the sucre](#)

Monday 13th February, 2012 - Dominica News Online

While hoping to tap into trade arrangements being explored by the Venezuelan-led Bolivarian Alliance known as ALBA, Dominica and the other two OECS countries (Antigua and Barbuda and St Vincent and the Grenadines) with membership in that organization, have said they'll stay away from the sucre, ALBA's currency of choice for trading among its member states.

Dominica's Prime Minister Roosevelt Skerrit says the OECS countries have their own Eastern Caribbean EC dollar which is pegged to the US dollar, and they are not keen on embracing the sucre at this time.

The sucre is described as the instrument for effecting the payment of trade between member states of ALBA.

"What we have indicated to our friends in ALBA is that countries like Dominica, St Vincent and Antigua cannot participate in that arrangement because our monetary policy is governed by the monetary council of the Eastern Caribbean Central Bank," PM Skerrit said after returning home from the 11th ALBA Summit held in the Venezuelan capital Caracas last weekend.

He said while applauding the move towards the sucre, the three OECS members in ALBA made it clear that they can't entertain that currency, and received acceptance of their position from other ALBA colleagues.

The Dominican leader also indicated that ALBA was not intended to replace OECS and Caricom arrangements, but rather to complement those regional arrangements in a more hemispheric setting.

Dominica is pushing to export some of its water resources to its fellow ALBA-member states under the organisation's "fair trade" initiatives.

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[Dominica to receive Euro millions over next 2 years](#)

Monday 13th February, 2012 - Caribbean 360

Dominica expects to receive between 14 and 15.5 million Euros during 2012 and 2013, from the 190 million Euros allocated to the African Caribbean Pacific (ACP) nations through the European Commission's BAM (Banana Accompanying Measures) programme.

Dominican agricultural officials say the country is positioning itself to make maximum use of funds being made available to ten banana-exporting nations by the European Union.

The funding of is intended to provide additional development assistance to help the countries involved adjust to new market conditions, following the erosion of the preferential market access that was previously enjoyed by the ACP group of countries through trade with Europe.

Director of Agriculture Ricky Brumant says under the BAM arrangement, Dominica will seek to make its banana production and exports more competitive, while focusing on other areas of agriculture as well.

Stakeholders in the agricultural sector were meeting on Tuesday, to help ensure that "what we say we are going to do with the money is going to bring to the country maximum benefits".

Brumant said also that another priority would be to "place the agricultural sector, the banana sub-sector, on a plain that we can enhance competitiveness and of course move our non-banana programmes or crop programmes, production programmes to a level to where it can ensure that we are competitive not only on the regional market but also the international market".

The agriculture official says the BAM funds being allocated to Dominica will make a significant difference.

"From a government standpoint enhancing trade is important, ensuring food security is important, these are some of the broad areas that we will look at," Brumant said.

He confirmed that a substantial amount of the available funds is expected to go to the banana industry, to make it more competitive.

"I cannot tell you now how much would go into bananas. I can tell you that we are prepared to ensure the right production mix between banana and non-banana crops," the Director of Agriculture told Dominica News Online

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OECS officials lament low inter-island trade

Monday 13th February, 2012 - Caribbean 360

Trade between the Organisation of Eastern Caribbean States (OECS) states themselves is practically non-existent, with most sub-regional exports going to markets outside of the grouping.

This was the stark situation painted by Virginia Paul, head of the OECS Trade Policy Desk based in Castries, St Lucia, as she spoke this on the Colin Sampson Show radio programme.

Paul noted that the OECS imports from Trinidad & Tobago are significant, exceeding a quarter of a billion United States dollars annually. Petroleum products account for some 45 percent of Trinidad & Tobago's exports to the sub-region.

Faced with a sub-regional economy that is perhaps excessively dependent on tourism for its export revenue and employment creation, officials of the OECS reportedly are focussing on economic diversification as an essential aspect of future economic health.

The trade policy expert reported that the tourism dollar accounts for 83 percent of OECS exports, and is linked to 70 percent of employment in the sub-region. Some territories are more dependent than others on tourism, whose contribution to sub-regional gross domestic product (GDP) ranges from 24 percent in (for example) Montserrat to 75 percent in Antigua & Barbuda.

All OECS states show a negative balance of trade in manufactured products. Encouragingly though, the sub-region enjoys a surplus of trade in services. This indicates that service-oriented activities may hold the key to much-needed diversification of the OECS economies.

Accordingly, OECS governments regard diversification into services as essential for eventually weaning the sub-region away from our present dependence on the tourism dollar for economic survival. Paul privately estimates that a better economic structure for the OECS territories would see tourism representing 50 percent or less of GDP, employment creation, and export earnings.

Following from this analysis, OECS governments are strongly urging programmes that develop economic activity in such areas as educational services - for example, training nurses to meet international demand.

The health and wellness industry (some may refer to this as "health tourism") holds considerable promise, as well-heeled patients from around the world may seek top-of-the-line medical care in the salubrious environment of the modern Caribbean.

The Caribbean can also hope to compete successfully in providing professional business services such as accounting, design, and information technology. In these sectors, location is not a critical issue and poses no obstacle to high level performance.

Not to be forgotten, of course, are the creative arts and culture. The Caribbean region already has a reputation for its unique and exotic offerings in the areas of music, festivals, art, and crafts. The developing motion picture industry holds significant promise for indigenous film features, as well as the use of the region for shooting international productions.

The head of the OECS Trade Policy Desk emphasized that the thrust toward economic diversification away from tourism is a matter of immediate policy, and not some vague future endeavour. The time for action is now, and sub-regional economic players (that is, all of us) are well advised to pay urgent attention to the need to transform our sub-regional economy from its current state of virtual monoculture.

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[WSC TO SPEND \\$10M ON FOUR NEW WATER TREATMENT PLANTS](#)

Monday 13th February, 2012 - The Tribune

THE Water and Sewerage Corporation (WSC) plans to spend about \$10 million on four waste water treatment plants as well as several disposal wells in New Providence, the corporation's general manager Glen Laville told Tribune Business yesterday.

Last November, the Inter-American Development Bank (IDB) approved an \$81 million loan for a project aimed at rehabilitating the Water and Sewerage Corporation's (WSC) water supply and wastewater treatment provision.

Mr Laville said: "The waste water plants that we are targeting under the IDB loan is the one at Malcolm Park, the septic and sludge facility at Harold Pond, Fox Hill and Flamingo Gardens.

"On the treatment plants and also some disposal wells we will spend about \$10 million, a million or two of that to be spent on disposal wells."

Mr Laville said all of the bids were in for the contract to build, own and operate a \$4-\$6 million wastewater treatment plant in Pinewood Gardens. That project, he noted does not fall under the \$81 million IDB loan.

Mr Laville said: "We got all the bids in we have done our evaluation but we still need to get our final approval for awards."

A September 2011 Environmental and Social Analysis, prepared by Bahamian environmental consultant Stacey Moultrie for the IDB project, revealed the well at Pinewood Gardens - constructed to 300 feet deep - repeatedly fails as a result of "more than 30 years of untreated sewage" going into it.

"Consequently, as much as 250,000 gallons per day of raw sewage can end up on the ground whenever failures occur," the study said.

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