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Publisher's Note

The *Economic Review* is published three times a year in June, September and December, by the Central Bank of Barbados. It is prepared by the Bank's Research Department and contains articles of research undertaken at the Bank. In addition, we welcome contributions of a non-technical and empirical nature on economic and policy issues in the Caribbean. Book reviews and surveys are also welcome. All submitted papers are reviewed by the Editorial Committee* and external referees.

Articles and correspondence regarding the Review should be addressed to:

The Administrative Editor
Economic Review
Central Bank of Barbados
P.O.Box 1016
Bridgetown
Barbados
Tel: (246) 436-6870
Fax: (246) 427-1431
E-mail: cbb.libr@caribsurf.com
Website: www.centralbank.org.bb

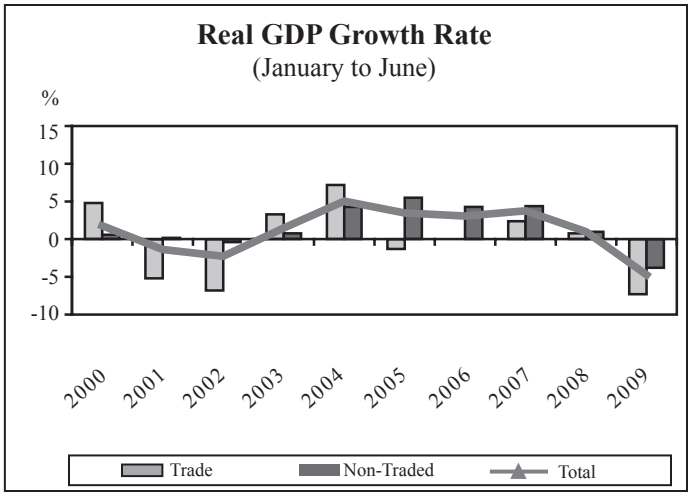
Overview

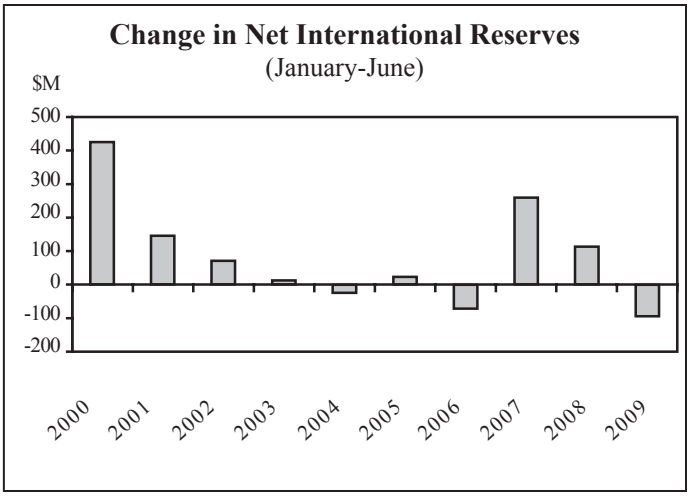
Global recessionary conditions continued to hinder the performance of key sectors of the Barbados economy during the first six months of 2009. Real economic output contracted by approximately 4.8%, the first January-to-June decline since 2002, compared to growth of 1.0% in the corresponding period of 2008. The downturn in the economy reflected reduced output in both the traded and non-traded sectors, with activity in the traded sectors principally influenced by declines in tourism and manufacturing output, while reductions in construction value-added and wholesale and retail trade led to broad-based declines in the non-traded sectors. On the external current account of the balance of payments, there were reduced foreign receipts from the export of goods and services. However, this reduction in foreign earnings was softened by a sharp decline in retained imports, resulting in a substantially smaller current account deficit than that recorded during the same period of 2008. In addition to the deficit on the current account, a shortfall on the capital and financial account caused the net international reserves (NIR) of the monetary authorities to decline. At the end of June 2009, the commercial banking system remained relatively liquid when compared to the end of 2008, and given the liquidity in the system, the Central Government was able to borrow mainly from domestic sources to finance its fiscal deficit, which widened relative to that recorded during the corresponding period of 2008.

Traded sector output declined by an estimated 7.3% over the first half of the year after marginal growth in the comparable period of 2008. The leading cause of this negative performance was the downturn in the tourism sector, which was affected by lower aggregate demand in most of Barbados' tourism source markets, as well as reduced airlift capacity into Barbados. Additionally, there was a fall-off in industrial production, while the output of the agriculture sectors grew marginally.

Across-the-board decreases in the value-added of the non-traded sectors contributed to a 3.8% decline in the output of this group during the first six months of 2009, compared to an increase of 1.0% during the corresponding period of the previous year. The decline mostly reflected reductions in the output of mining and quarrying, wholesale and retail trade, and the construction industry.

The downturn in the real economy was manifested in the increase in the average unemployment rate, which at





the end of June 2009 had risen to its highest second quarter rate since 2003. On the other hand, on account of the moderation in international oil and other commodity prices during the first half of the year, the inflation rate showed signs of easing. At the end of June 2009, the point-to-point rate of inflation was 7.1 percentage points lower than at the end of June 2008.

Lower import values reflective of the moderation in international commodity prices, and declining aggregate demand partially offset declines in travel receipts and export earnings, and resulted in a current account deficit that was significantly smaller than the five previous January to June shortfalls. At the same time, a deficit on the capital and financial account was recorded, owing to a considerable fall-off in the level of net long-term private capital inflows. Consequently, the NIR decreased by $93.6 million during the period under review, a reversal of the $114.0 million expansion recorded for the comparable period of 2008.

Notwithstanding the decline in the NIR, the commercial banking system remained relatively liquid at the end of the review period due to a marked slowdown in credit creation and a moderate build-up in deposits at commercial banks. At the end of June 2009 the liquid asset ratio was 10.4%, 1.4 percentage points higher than was recorded at the end of 2008. In line with the increase in liquidity levels, the average discount rate on 3-month treasury bills fell to 3.85% at the end of June 2009 from 4.81% at the end of 2008.

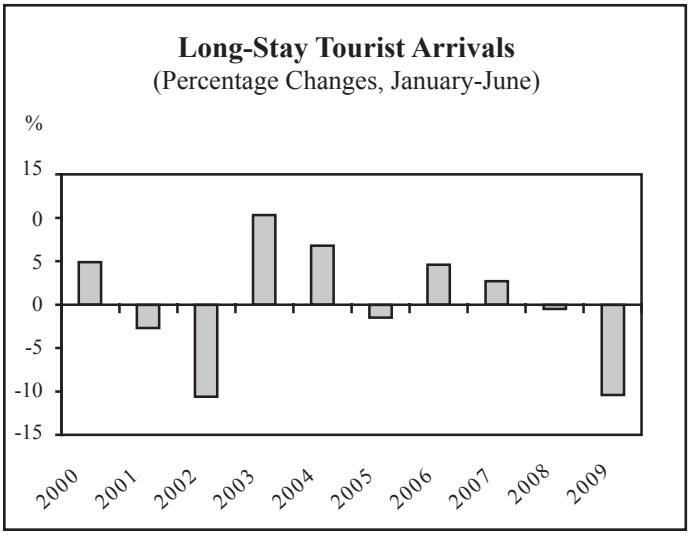
The liquidity in the system allowed Government to finance its deficit primarily from domestic sources. For the first half of 2009, the Central Government's fiscal deficit was estimated to be $388.5 million, a significant deterioration from the position during the January to June period of 2008. The widening of the deficit was mainly due to slower revenue growth and an expansion in current expenditure, particularly spending on wages and salaries and transfers and subsidies.

Production, Prices and Employment

Tourism

The poor performance in tourism was indicative of the economic distress in most of Barbados' major source markets. Global recessionary conditions were responsible for a drop in the demand for travel and also for the reduction of airlift capacity from the United States and the United Kingdom markets. Given these conditions, value-added in the tourism industry declined by an estimated 8.8% during the first six months of 2009, in contrast to a 2.0% increase in the first half of 2008. Long-stay tourist arrivals decreased by 10.4%, compared to a decline of 0.5% during the corresponding period of 2008, and cruise passenger arrivals fell by 2.1%, after growing by 15.4% during the equivalent period of 2008.

Long-stay arrivals from the United Kingdom declined by 13.2% during the first half of the year following a 3.8% fall during the corresponding period of the previous year. Similarly, arrivals from the United States fell by



16.9% following a decrease of 3.1% during the first half of 2008. Furthermore, there were 12.3% fewer visitors from Trinidad and Tobago, in contrast to growth of 4.5% in the comparable period of 2008, while arrivals from other CARICOM countries decreased by 14.1%, a turnaround from the 26.2% increase during the first six months of 2008. The magnitude of these decreases negated increases in tourist arrivals from Canada (16.4%) and Germany (11.4%), which followed half-yearly growth in 2008 of 10.9% and 47.3%, respectively.

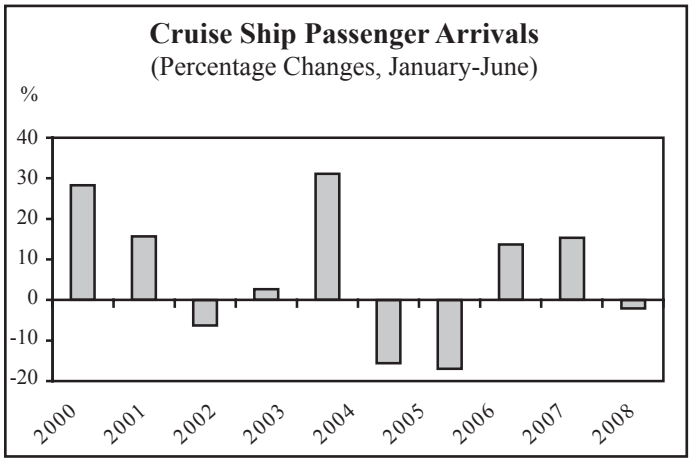
Over the review period, there were fewer cruise passenger arrivals in spite of efforts to boost arrivals through a number of discount packages and a 9.6% increase in the number of cruise ships calls at the Bridgetown Port. The fall in cruise arrivals was a reversal from the double digit growth of the previous two January to June periods.

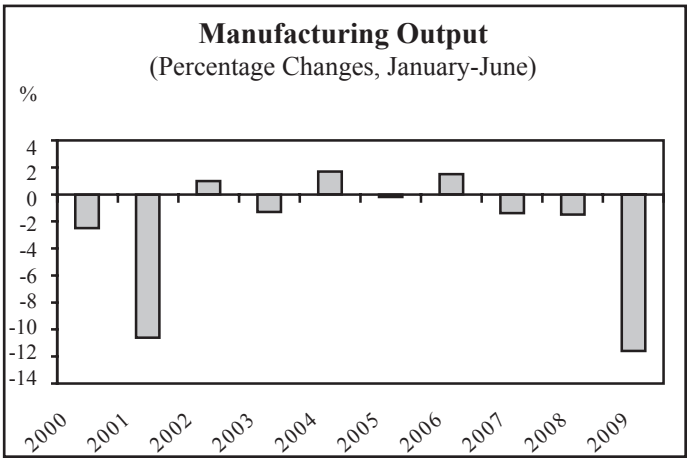
International Business and Financial Services

During the review period, 208 new international businesses were registered compared to 332 during the similar period of 2008. Of the new licences, 194 were issued to international business companies, 70 fewer than those registered during the first half of 2008. The number of new licences for societies with restricted liability was eleven, compared to fifty-eight during the corresponding period of the preceding year. In addition, one exempt insurance company was registered during the period as well as two qualifying insurance companies. No management or holding companies were registered during the review period.

Manufacturing

Value-added in the manufacturing sector contracted by an estimated 11.3% during the first half of 2009, compared to a 1.7% decline during the first six months of 2008. Most of the sub-categories of industrial production were affected by contractions in domestic demand. The only area of manufacturing output that showed signs of improvement was the production of beverages and tobacco, which grew by 3.8%. Food processing decreased by 10.7%, while the production of wearing apparel and electronic components declined by 58.4% and 50.7%, respectively. Additionally, declines of 32.5% in chemicals, 22.2% in wooden furniture, 15.4% in other non-metallic mineral products and 6.9% in other manufacturing industries were recorded.





Agriculture and Fishing

Approximately 32,000 tonnes of sugar were produced during the first six months of 2009, a 1.2% improvement on the harvest of the corresponding period of 2008. Ideal weather conditions, which allowed for the timely reaping of the crop, were the main reasons for this performance.

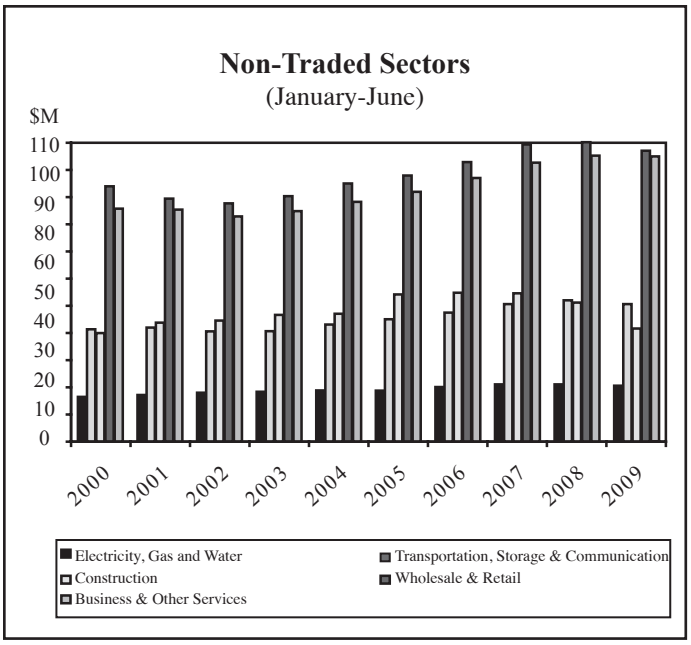
Increases in milk production and the number of fish landed resulted in a 1.5% increase in the output of the non-sugar component of agricultural production, following growth of 3.9% during the corresponding period of 2008. Milk production rose by 14.1%, compared to an average rate of decline of 4.5% recorded over the five preceding January-to-June periods, while at the same time, the number of fish landed increased by 6.5%, after an expansion of 38.5% during the first six months of 2008. In contrast, chicken production contracted by 0.3%, following a decline of 4.2% during the first half of 2008, and the production of other meats fell by 7.0%.

Construction

Value-added in the construction sector declined by an estimated 18.4%, following a drop of 6.2% in the corresponding period of 2008. The underperformance of the construction sector reflected a slowdown in public sector building activity, in addition to reduced activity in the private sector, which was in part brought about by cancellations and postponements of a number of commercial projects, most notably the halt in the development of the Four Seasons Hotel and Resort. In line with the decrease in building activity, domestic cement consumption fell by an estimated 18.4%, while there was a decrease of 22.5% in the value of imported building materials.

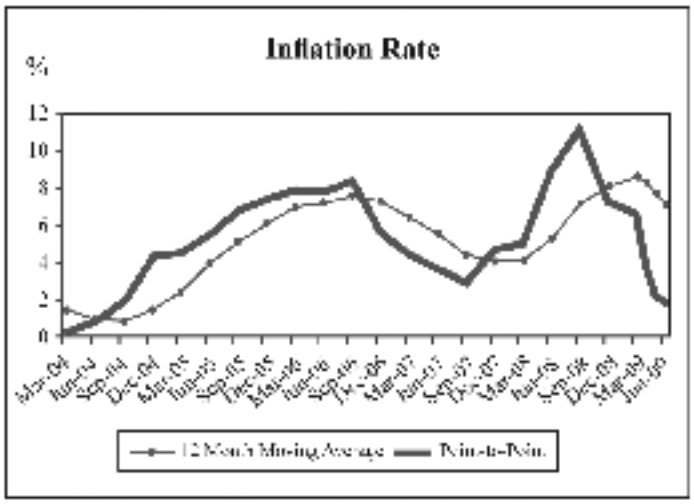
Other Non-Traded Sectors

Sharp declines in the output of the other non-traded sectors closely resembled the negative performance of the construction sector during the first six months of the year. The slide in tourist arrivals and lower domestic aggregate demand were largely responsible for a 2.8% decrease in the output of wholesale and retail trade during the period, compared to an average increase of 4.1% recorded over the five previous half year periods. The fall in tourism also had an impact on the transportation, storage and communications sector, which declined by 2.8%, in contrast to an increase of 2.8% during the corresponding period of 2008. Furthermore, activities in mining and quarrying, electricity, gas and water, and business and other services were down by 35.7%, 2.3% and 0.2%, respectively. The underperformance in mining and quarrying was mostly caused by the slowdown in quarrying activity associated with the waning construction sector.



Prices and Employment

At the end of June 2009, the twelve-month moving-average rate of inflation was 7.1%, 1.8 percentage points higher than the rate at the end of June 2008, but below the



8.6% recorded at the end of March 2009. The moderation in the moving-average measure of inflation in the second quarter was as a result of the effect of lower international commodity prices on domestic prices.

The impact of the lower international commodity prices was more clearly reflected in the point-to-point rate of inflation, which stood at 1.8% at the end of June 2009, 7.1 percentage points below the rate recorded at the end of June 2008. From June 2008 to June 2009, housing costs fell by 6.4%, while the prices of fuel and light and transportation declined by 13.7% and 5.3%, respectively. However, food prices were 5.7% higher and the cost of medical and personal care rose by 8.5%.

During the quarter ended June 2009, the unemployment rate was estimated at 9.9%, some 1.3 percentage points above the rate recorded during the second quarter of 2008. The male unemployment rate was 9.6%, while the unemployment rate for women was 10.1%. In line with the downturn in economic activity, the number of persons in construction and quarrying, transport and communication and the tourism industry, declined by 19.6%, 13.8% and 4.8 respectively. Consequently, the number of persons employed was 3.2% below the total number of persons recorded during the corresponding period of 2008.

Financial Sector

Liquidity and Interest Rates

Modest growth rates in commercial bank deposit liabilities and credit were symptomatic of the slowdown in economic output during the first half of the year. Even so, the comparatively greater value of deposit accumulation relative to credit growth contributed to a build-up of liquidity within the banking system.

At the end of June 2009, the liquid asset ratio stood at 10.4%, compared to the 9.0% recorded at the end of 2008. During the half-year, commercial banks increased their excess holdings of government securities by $105.7 million to $611.4 million, while at the same time they reduced their excess cash holdings at the central bank. In line with this activity, the excess cash-to-deposit ratio fell from 2.3% at the end of December 2008 to 1.4% at June 29, 2009. With the build-up in liquidity, the 3-month Treasury bill rate decreased to 3.96% from 4.81% at the end of 2008.

In an effort to provide liquidity support to financial institutions and minimise default risk among borrowers, the

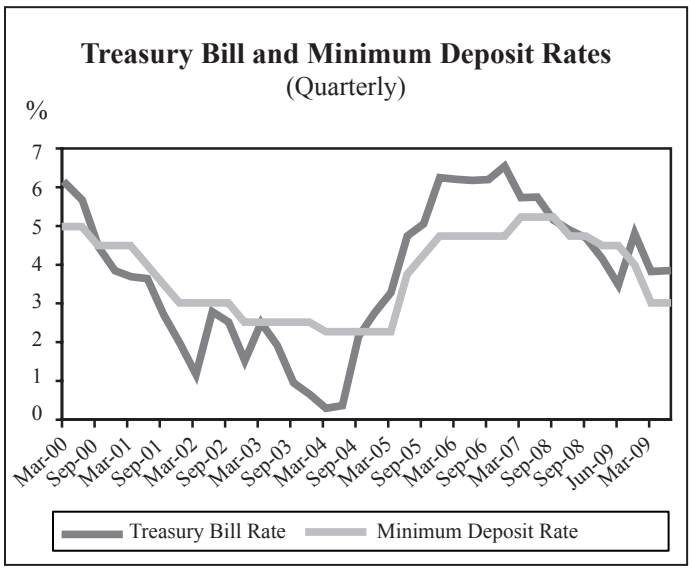
Central Bank eased its monetary policy stance by making a downward adjustment to key interest rates. The minimum deposit rate was lowered from 4% to 3% during the first quarter of 2009 and the discount rate was reduced from 10% at the end of 2008 to 8.0% in April 2009 and again to 7.0% in June 2009. Although the impact of these initiatives was not fully realised during the half-year period, prior monetary policy adjustments have fed into market rates, as evidenced by the decrease in the weighted average rate on selected loans from 9.5% at the end of December 2008 to 9.02% at the end of June 2009.

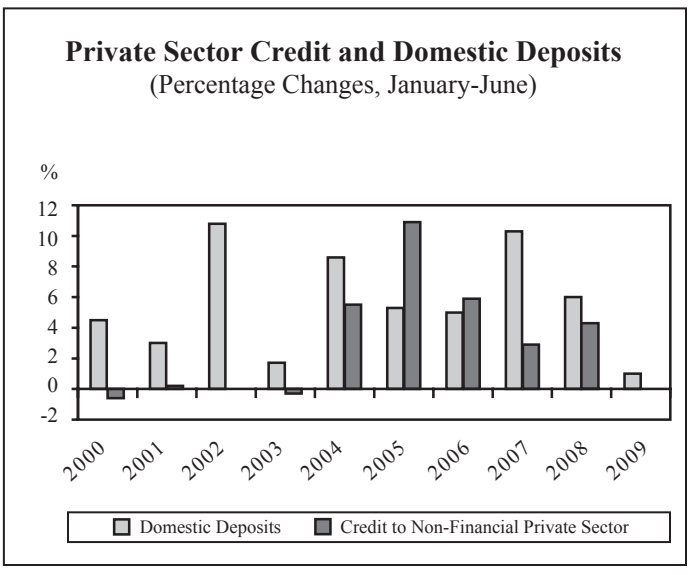
Credit

Commercial bank credit to the non-financial private sector stagnated during the first six months of 2009, following strong growth between 2004 and 2008. Loans extended to the personal sector advanced by 0.3% following an increase of 2.7% in the comparable period of 2008. In contrast, lending to firms in the distributive sector fell by 11.5% compared to a 3.8% increase in the same period of 2008. Furthermore, credit extended to the tourism sector was 2.5% lower than at the end of 2008, compared to a 3.6% decline in borrowing between January and June of 2008. Additionally, borrowing by the manufacturing sector declined by 8.2%, after falling by 6.9% during the same period of the preceding year, and credit extended to financial institutions expanded by 13.3%.

Deposits

Total domestic deposits grew by 1.0% ($77.1 million) during the first half of 2009 after rising by 6.0% ($442.8 million) during the comparable six months of 2008. Deposits of private individuals increased by 2.3% ($97.7 million) compared to the 4.7% ($189.6 million) expansion one year earlier. Deposits of business firms decreased by 5.7% ($64.9 million), compared to a 2.8% ($35.8 million) decline during the equivalent period of 2008. In addition, there was a 0.7% ($8.6 million) rise in deposits from financial institutions, after growth of 9.8% ($128.4 million) during January to June of 2008. Meanwhile, Government's deposits decreased by 14.1% ($22.3 million) after rising by 40.2% ($46.9 million) over the similar period of 2008, and the deposits of statutory bodies expanded by 31.7% ($67.9





Summary Accounts of the Banking System

($ Million)

	2007				2008				2009	
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	**Jun[P]**
Net International Reserves	1,940.4	2,035.1	2,083.8	2,247.7	2,494.9	2,290.5	1,980.1	1,749.4	1,801.5	**1,593.0**
Monetary Authorities	1,333.0	1,454.3	1,464.6	1,548.0	1,664.1	1,662.0	1,534.2	1,356.9	1,308.5	**1,263.6**
Commercial Banks	607.4	580.8	619.2	699.7	830.8	628.5	445.9	392.5	493.0	**329.4**
Net Domestic Assets	3,987.6	4,202.3	4,272.2	4,340.7	4,220.8	4,471.7	4,674.1	5,006.4	4,919.1	**4,599.1**
Credit to public sector	161.2	274.1	388.0	452.1	273.1	415.1	534.7	516.9	464.6	**578.0**
Central Government (net)	391.2	508.9	683.8	533.6	499.2	715.7	823.3	732.8	701.8	**830.6**
Other Public Sector	-230.0	-234.8	-295.8	-81.5	-226.1	-300.6	-288.6	-216.0	-237.2	**-252.7**
Credit to Rest of Financial System	454.3	359.5	379.8	482.1	423.1	435.1	443.0	477.9	482.2	**517.1**
Liabilities to Other Financial Institutions	-727.6	-722.4	-763.8	-925.4	-876.2	-884.5	-849.4	-808.8	-794.9	**-828.9**
Credit to Non-Financial Private Sector	4,311.4	4,416.1	4,503.9	4,513.5	4,626.5	4,706.1	4,832.0	5,010.9	4,997.2	**5,010.2**
Liabilities to the Non-Financial Private Sector	5,928.0	6,237.4	6,356.0	6,588.3	6,715.7	6,762.2	6,654.1	6,755.8	6,720.6	**6,663.9**
Demand Deposits	1,780.1	1,861.7	1,847.0	2,004.8	1,955.3	1,919.0	1,902.3	1,978.1	1,883.6	**1,797.3**
Time Deposits	672.7	784.3	812.3	763.9	869.3	868.2	733.8	713.5	694.1	**662.4**
Savings Deposits	3,016.9	3,121.3	3,238.5	3,327.6	3,417.1	3,510.1	3,557.3	3,584.2	3,677.5	**3,732.4**
Currency in Circulation	458.3	470.1	458.2	492.1	474.0	464.8	460.8	479.9	465.3	**471.8**
MEMO:										
Domestic Deposits	6,978.7	7,267.4	7,471.5	7,690.1	7,942.4	8,095.6	7,966.1	7,883.4	7,960.4	**7,929.9**
Liquid Foreign Assets	1,452.6	1,576.0	1,592.0	1,721.2	1,856.5	1,822.6	1,686.5	1,532.8	1,519.7	**1,455.4**
Loans & Advances	4,871.0	4,857.5	4,978.7	5,097.2	5,167.5	5,281.1	5,454.2	5,703.0	5,698.3	**5,716.1**

Source: The Central Bank of Barbados
P: Provisional

million) after rising by 17.7% ($32.8 million) during the first six months of the preceding year.

Government Securities

At the end of June 2009, the nominal value of outstanding treasury bills was $737.4 million, $79.5 million more than the value at the end of December 2008. Commercial banks and trust companies increased their holdings of treasury bills by $109.7 million to $580.8 million, while the holdings of treasury bills by the National Insurance Scheme declined by $53.1 million to $75.4 million. Other investors expanded their holdings of treasury bills by $22.9 million to $81.2 million.

Government savings bonds increased by $21.0 million to $95.6 million over the first half of 2009, while total outstanding debentures amounted to $3,457.7 million, $327.8 million more than the value at December 2008. The National Insurance Scheme increased its debenture holdings by $150.9 million, approximately 46.0% of the total increase in debentures outstanding. Deposit money banks and trust companies increased their holdings by $19.1 million, while insurance companies, other investors and the Central Bank expanded their debenture holdings by $20.0 million, $87.8 million and $50.0 million, respectively.

Public Sector

Revenue

The rate of growth of Government revenue slowed to an estimated 1.2%, over the review period following a rise of 4.1% in the corresponding period of 2008. This moderate expansion in revenue collections was primarily driven by an expansion in non-tax revenue, which outweighed a decline in tax revenue receipts.

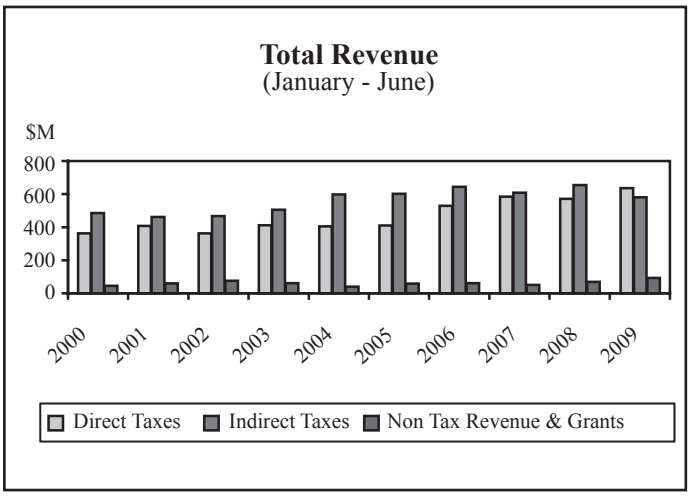
Non-tax revenue receipts rose by an estimated 33.0% ($24.1 million), reflective of an increase in the intake of investment income. On the other hand, tax receipts fell by 0.7% ($9 million), following an expansion of 2.8% ($33.0 million) in the corresponding period of 2008, as the reduction in indirect tax collections offset the gain in direct taxes.

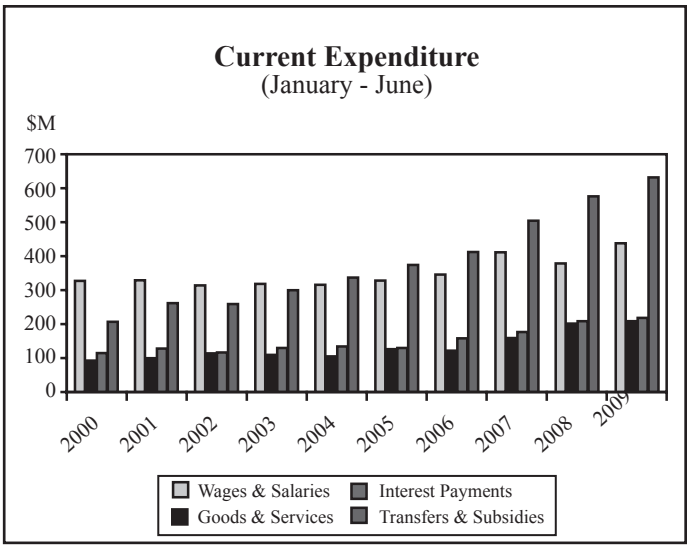
Indirect tax collections declined by 11.2% to $582.2 million, a reversal of the 7.6% increase recorded over the corresponding period of 2008. There was a 17.8% ($72.3 million) drop in Value Added Tax receipts, which reflected the downturn in real economic output during the review period and contrasted with an average half-yearly growth of 7.5% during 2004 to 2008. Additionally, with import values reduced as a result of decreased import volume and lower international commodity prices, declines were registered in the collection of stamp duties, excise taxes and import duties of 32.9% ($3.5million), 1.2% ($1.0 million) and 5.9% ($5.5 million), respectively.

Direct tax revenue increased by 11.3% ($64.5 million), mainly on account of strong growth in the intake of personal and corporate taxes, compared to a 2.3% fall during the first six months of 2008. The 21.8% expansion in personal tax receipts was mainly due to negotiated public and private sector salary increases and was well above growth of 6.4%, 9.4% and 11.9% during the first half of 2008, 2007 and 2006, respectively. Meanwhile, the late processing of receipts originally due during the last quarter of 2008 boosted corporate tax earnings, which grew by 6.9%. Filtering out the value of the late processed receipts ($45.6 million) from the six-month period, the underlying change in total corporate tax receipts was a 9.2% decrease, reflecting the true downturn in business operations. On the other hand, property tax receipts fell by 5.2%, a further deterioration from the 39.3% decline registered during the first six months of 2008.

Expenditure

During the first half of 2009, total government expenditure rose by 8.8% to $1,705.0 million, following





an increase of 12.5% over the first six months of 2008. The driving force behind the rise in government spending was a 9.7% ($132.5 million) expansion in current expenditure, on top of the 9.0% increase recorded during the corresponding period of 2008. Increased disbursements, most of which went to the University of the West Indies, the Barbados National Oil Company Limited and the Queen Elizabeth Hospital led to a 9.7% increase in transfers and subsidies, while higher outlays were also recorded for goods and services (up 3.6%). In addition, Government's wages and salaries expense grew by 15.9% on account of the combination of a 4.5% salary increase and a retroactive salary payment for 2008. Capital expenditure increased by 2.8% ($5.2 million) to $188.5 million, compared to an expansion of 50.3% recorded during the corresponding period of 2008, as Government continued its efforts to stimulate economic output.

Financing

Government operations resulted in a fiscal deficit of $388.5 million, $122.6 million wider than the shortfall recorded during the corresponding period of 2008. The increase in net spending was mainly financed by funds borrowed from domestic sources. The National Insurance Scheme increased its holdings of government debt by $97.9 million while $120.9 million was sourced from commercial banks and $150.7 million from private non-bank institutions. There were $60.1 million of central government amortisa-

Government Operations

(January-June)
($ Million)

	2005	2006	2007	2008	2009[P]
Total Current Revenue	1078.7	1241.8	1250.6	1301.4	**1316.5**
Tax Revenue	1015.3	1175.6	1195.3	1228.3	**1219.3**
Direct Taxes	412.8	530.7	585.9	572.6	**637.1**
Personal	158.8	177.6	194.3	206.7	**251.7**
Corporate	198.0	270.2	314.2	284.1	**303.7**
Levies	0.0	0.0	0.0	0.0	**0.0**
Stabilization	0.0	0.0	0.0	0.0	**0.0**
Property	34.3	48.3	38.6	23.4	**22.2**
Other	21.8	34.6	38.8	58.4	**59.5**
Indirect Taxes	602.5	644.9	609.4	655.8	**582.2**
Consumption	0.0	0.0	0.0	0.0	**0.0**
Stamp	10.3	11.4	14.3	10.6	**7.1**
VAT	323.1	370.3	382.9	405.0	332.7
Excises	100.5	111.1	75.1	80.5	**79.5**
Import Duties	102.1	95.6	86.2	93.7	**88.2**
Hotel & Restaurant	0.0	0.0	0.0	0.0	**0.0**
Other	66.4	56.5	50.9	66.0	**74.7**
Non-Tax Revenue & Grants	63.4	66.1	55.3	73.1	**97.2**
Current Expenditure	959.4	1038.5	1252.7	1364.9	**1500.5**
Wages & Salaries	328.1	346.0	411.7	378.4	**438.4**
Goods & Services	126.7	121.8	159.6	201.9	**209.1**
Interest	130.5	158.5	177.2	208.8	**221.3**
External	45.4	57.8	58.7	82.5	**82.5**
Domestic	85.0	100.7	118.5	126.3	**138.8**
Transfers & Subsidies	374.1	412.1	504.2	575.9	**631.7**
Monitored Enterprises	0.0	0.0	0.0	0.0	**0.0**
Other	0.0	0.0	0.0	0.0	**0.0**
Current Account Balance	119.3	203.3	(2.1)	(63.5)	**(180.9)**
Capital Expenditure	134.5	162.0	121.9	183.3	**188.5**
Net Lending	28.6	37.3	19.1	19.1	**19.1**
Total Expenditure and Net Lending	1122.4	1237.8	1393.7	1567.3	**1705.0**
Overall Balance	(43.7)	3.9	(143.1)	(265.8)	**(388.5)**

Source: The Central Bank of Barbados and Ministry of Finance
P: Provisional

Government Financing
(January-June)
($ Million)

	2005	2006	2007	2008	**2009**
Domestic Financing	80.6	20.3	179.6	299.3	**391.2**
Central Bank	(20.1)	128.6	4.1	18.4	**(12.5)**
Commercial Banks	9.5	(87.7)	71.1	132.9	**120.4**
National Insurance Scheme	160.9	43.6	113.4	86.0	**97.9**
Private Non-Bank	80.2	29.1	123.5	104.8	**150.7**
Divestment	0.0	31.4	0.0	0.0	**0.0**
Other	(149.9)	(124.7)	(132.5)	(42.9)	**34.7**
Foreign Financing (net)	(36.9)	(24.2)	(36.5)	(33.5)	**(2.7)**
Capital Markets	0.0	0.0	0.0	0.0	**0.0**
Project Funds	7.9	28.9	13.8	18.0	**57.5**
Policy Loans	0.0	0.0	0.0	0.0	**0.0**
Amortisation	(44.7)	(53.1)	(50.3)	(51.5)	**(60.1)**
Divestment	0.0	0.0	0.0	0.0	**0.0**

Source: The Central Bank of Barbados

tion payments compared to net inflows of $57.5 million in project funds. Consequently, net foreign outflows of $2.6 million were recorded.

Foreign Trade and Payments

Current Account

The current account of the balance of payments registered its eighth consecutive deficit for the January-to-June period, albeit the smallest deficit recorded for the period since 2003. The shortfall on the current account narrowed by $309.1 million to $124.9 million and was mainly the result of a 27.8% drop in the value of retained imports, which partially offset a 9.6% decline in travel credits and a 18.8% decrease in domestic exports earnings.

The reduction in retained imports was a reflection of declines in all categories of goods. The value of intermediate goods imports fell by 35.5% ($281.5 million), primarily as a result of lower international fuel prices, and reductions in volume corresponding to the contractions in the real

Balance of Payments

(January – June)

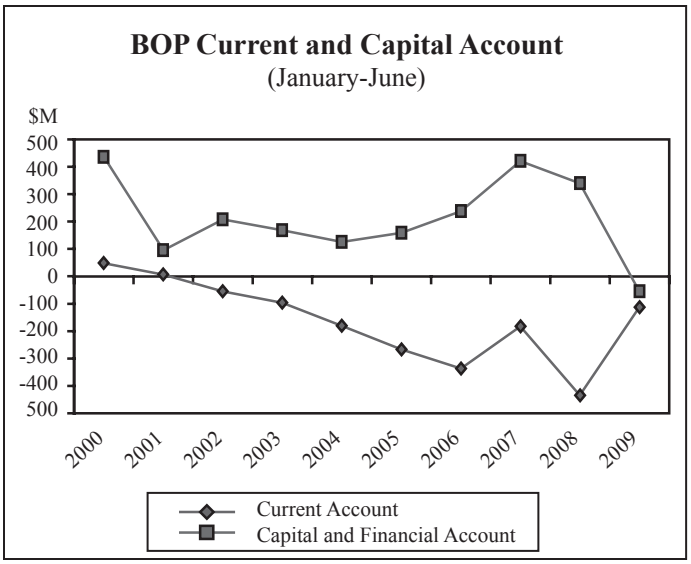
($ Million)

	2005	2006	2007	2008	**2009**
Current Account Balance	(266.8)	(336.6)	(182.5)	(434.4)	(124.9)
Merchandise Trade	(1,020.8)	(926.1)	(979.8)	(1,175.0)	(814.5)
Exports (BOP basis)	283.8	354.1	389.1	372.0	261.3
Domestic Exports	227.3	269.7	260.6	297.2	246.6
Sugar	44.0	39.2	37.3	45.0	40.7
Elec. Comp	15.9	24.4	11.5	13.3	7.8
Chemicals	27.4	29.1	30.7	38.2	23.6
Food/Beverages	58.0	49.2	64.9	71.1	58.3
All Other	82.0	127.7	116.2	129.7	116.2
Total Imports (BOP basis)	1,387.6	1,403.0	1,482.7	1,677.1	1,226.5
Retained Imports	1,419.1	1,372.0	1,428.4	1,680.7	1,213.4
Consumer Goods	571.7	502.4	548.8	570.4	458.5
Capital Goods	278.0	318.8	311.8	308.2	239.0
Inter. Goods	564.2	543.7	561.2	793.5	512.0
Miscellaneous Goods	5.2	7.1	6.6	8.6	4.0
Services (net)	718.4	628.6	803.6	755.7	738.3
Travel Credits	983.0	1,041.2	1,243.6	1,182.1	1,068.9
Other	13.7	(70.2)	(97.7)	(64.1)	(69.3)
Investment Income (net)	(151.8)	(219.6)	(128.9)	(126.3)	(140.9)
Transfers (net)	187.4	180.5	122.7	111.2	92.1
Capital and Financial Account	158.8	238.2	420.8	339.9	(7.7)
Long term	(16.7)	410.5	572.4	301.8	(72.9)
Public	17.4	(5.7)	(16.4)	(40.7)	(9.9)
Private	(34.1)	416.2	588.9	342.5	(63.0)
Other	27.7	42.4	51.6	50.4	28.1
Short-term	147.8	(214.7)	(203.2)	(12.3)	37.1
Errors & Omissions	20.6	98.0	105.7	136.93	(23.7)
Balance for Official Financing	(87.4)	(0.3)	344.0	42.8	(156.6)
Official financing	0.0	0.0	0.0	0.0	0.0
IMF	0.0	0.0	0.0	0.0	0.0
Other Financial Institutions	0.0	0.0	0.0	0.0	0.0
Reserve movements (CBB basis)					
(-Increase/+Decrease)	87.4)	0.3	(344.0)	(42.8)	156.6
Change in NIR - (IMF basis)					
(-Increase/+Decrease)	(23.6)	71.6	(260.2)	(114.0)	93.6

Source: The Central Bank of Barbados

economy. The economic downturn was also reflected in a 19.6% ($111.9 million) decrease in the value of consumer goods imports, as imports of both durable and non-durable goods declined. The value of capital goods imports fell by 22.5% ($69.2 million).

Sugar exports earnings decreased by 9.6% during the first six months of the year mainly because of the lower price received per tonne of sugar. Furthermore, there were reductions of 41.3%, 38.2% and 18% in the exports of electronic components, chemicals and food and beverages, respectively, as global demand slipped.



Capital and Financial Account

For the first time since 1998, a deficit was recorded on the capital and financial account during the January-to- June period. The deficit of $7.7 million was a result of considerably reduced inflows of private long-term capital, a direct consequence of the uncertainty in the global financial market. Net outflows of private long-term capital amounted to $63.0 million during the first half of 2009, in contrast to net inflows of $342.5 million during the corresponding period of 2008. Additionally, net public capital outflows amounted to $9.9 million, compared to outflows of $40.7 million recorded during the first six months of the previous year. Net short-term inflows were $37.1 million, a turnaround from the net outflows of $12.3 million during the same period of 2008.

Regional Economic Developments

Overview

Over the review period, Caribbean economies continued to be negatively impacted by the downturn in the international economy. The global challenges of low aggregate demand and financial market insecurity were evident in the sluggish performances of most of the key productive sectors in the region. Moreover, as output declined further and unemployment continued to rise in the countries of the region, there were slowdowns in domestic credit growth, even as lower international commodity prices passed through to domestic prices, thus contributing to a moderation in inflation rates. However, in terms of their foreign exchange reserves the economies of the Caribbean, and in particular the more diversified ones, were fairly resilient. One notable exception in this regard was the Jamaican economy, which was faced with reduced net private capital inflows that placed downward pressure on its foreign exchange position and the value of the Jamaican dollar.

Real Sector Activity

During the first quarter of 2009, real economic output in Jamaica declined within the range of 2.0% to 3.0%, mainly on account of lower domestic and international demand for the products of the traded and non-traded sectors. The sharpest downturns occurred in the mining and quarrying, construction, electricity and water supply and transport, storage and communication sectors. In particular, mining and quarrying output was affected by the reduced global demand for alumina products, as reflected in declines of 29.6% and 27.4% in alumina and bauxite production, respectively. Meanwhile, construction activity decreased in line with reductions in private investment and public sector projects. Over the same period, there was an estimated 2.3% drop in tourism value-added. Positive growth, however, was recorded in the agriculture, forestry and fishing sector.

Real economic output in Trinidad and Tobago declined by an estimated 3.3% during the first quarter of 2009 largely as a result of a 2.0% decrease in the energy sectors. Downturns were also recorded in the non-energy sectors, highlighted by declines of 11.7%, 3.7% and 2.7% in manufacturing, distribution and construction, respectively.

Data available for 2008 for the Organisation of Eastern Caribbean States revealed that economic output for that group of countries declined by 1.7%. Downturns in construction, transportation, government services, manufacturing, wholesale and retail trade and the hotels and restaurants sectors were the main reasons behind the negative performance.

In the Bahamas, real economic output was affected by a double-digit contraction in stay-over tourist arrivals, which outweighed a slender improvement in cruise passenger arrivals. Also adding to the decline was a drop in construction sector activity, which continued to be restricted by a fall-off in foreign investment during the first half of 2009. Real GDP in Belize declined by 2.2% during the first three months of 2009, due to a fall in tourist arrivals. Long-stay visitor arrivals declined by 7.3% during the first four months of 2009, while cruise ship arrivals fell by 4.9%.

Foreign Sector Developments

Activity on the external accounts of the regional economies was determined by a combination of factors: the reduction in global aggregate demand, which affected both tourist arrivals and export earnings; the lack of confidence in the financial market, which was noticeable in the net capital flows of the region; the moderation in international commodity prices, which affected both export and import values; and the flow of remittance funds and income pay-

ments. For instance, in Jamaica reduced public and private capital flows were unable to finance an improved current account deficit, and led to a US$153.5 million decline in the NIR over the first six months of 2009.

Preliminary data for the first quarter of 2009 for Trinidad and Tobago indicated that for the first time in more than ten years there was a deficit on the external current account, which was estimated at US$423 million. At the end of the period, the stock of gross official reserves stood at US$9,097.2, the equivalent of 10.4 months of import cover.

During the first quarter of 2009, the Bahamas registered an external current account surplus of $8.3 million following a deficit of $345.9 million in the comparable period of 2008. This resulted from reduced demand for imported goods and lower oil prices. However, due to a slowdown in private foreign investment flows, the capital account surplus narrowed to $149.8 million from $229.8 million in the corresponding period of the previous year.

Prices

Inflationary pressures faced by regional economies eased in line with the moderation in international commodity prices during the first half of the year. In the Bahamas, the annual inflation rate stood at 1.8% in May 2009 compared to 4.9% in May 2008. The 12-month moving-average rate of inflation moderated to 4.6%, reflecting slowdowns in the prices of transportation and communications, medical care and health and housing. Similarly, year-on-year headline inflation in Trinidad and Tobago improved from the highs of 2008 to reach 8.4% at June 2009. Food price inflation fell by 14.1 percentage-points, while there were also lower price increases in recreation and culture, hotels, cafes and restaurants, and water, electricity, gas and other fuels. Headline inflation in Jamaica rose to 1.3% for the first quarter of 2009 from the 0.0% at December 2008. Non-food inflation reflected an earlier depreciation of the Jamaican dollar, which outweighed downward pressure from lower oil prices.

Financial Developments

Credit growth in Jamaica was lower during the first quarter of 2009 due mainly to a reduction in personal loans, while deposit accumulation was also at a lower level than in the previous year. The main feature of the Jamaica financial system was a build-up of excess liquidity, associated with the maturity of Bank of Jamaica and Government of Jamaica securities. In an effort to contain the level of liquidity in the financial system and to restrict pressures on the Jamaican dollar, the Bank of Jamaica tightened its monetary policy stance during the first quarter of 2009. The cash reserve ratio was raised from 11.0% at the end of 2008 to 14.0% in February 2009. Furthermore, the Bank sold foreign exchange on the market and entered into discussions with authorised dealers and cambios with the intention of limiting the volatility in the foreign exchange market. These monetary initiatives were effective in reducing the pace of currency depreciation.

With the aim of containing inflation and lowering the cost of borrowing to the productive sectors, the Central Bank of Trinidad and Tobago reduced its policy interest rate to 7.50% through a series of cuts over the first six months of 2009, which prompted commercial to lower their prime lending rates. Nevertheless, based on diminished aggregate demand, tighter loan requirements and still relatively high lending rates, both private sector and business credit grew marginally. Private sector credit slowed to an annual growth rate of 1.2% while deposit growth was estimated at 18.5%.

Credit in the Bahamian banking system denominated in

Bahamian dollars, declined by $82.1 million during the first five months of the year in contrast to an increase of $89.6 million in the comparable period of 2008. Credit to the private sector and government decreased by $16.6 million and $64.5 million, respectively, while credit to the rest of the public sector fell by $1.0 million. On the other hand, domestic foreign credit rose by $87.9 million on account of increased lending to government. Over the same period total deposits were $63.1 million, following growth of $240.6 million in the corresponding period of 2008.

Fiscal Sector Developments

Jamaica's fiscal deficit was estimated at $18.4 billion, reflecting higher expenditure and lower tax revenues associated with the underperforming productive sectors and the reduction in traded commodity values. During the six months of October 2008 to March 2009, the Trinidad and Tobago Government registered a fiscal deficit, the first, first - half decline in five years. This was as a result of total revenue declining by 11.6%, a reflection of lower earnings from the petroleum sector and the downturn in economic activity. Increased outlays on goods and services, transfers and subsidies and interest payments were also major contributory factors to the shortfall. Bahamas' fiscal deficit widened to $88.1 million during the first quarter of 2009 from $9.8 million during the corresponding period of the previous year. Total government revenue fell by 17.1% in line with the slowdown in economic output, while expenditure grew by 3.6% to $399.0 million on account of $358.4 million of current spending. Capital expenditure declined by 11.9% to $28.9 million.

International Economic Developments

Overview

During the first half of 2009, world economic output continued to be constrained by the real economy and repercussions of the global financial crisis. Depressed aggregate demand and the still somewhat unstable financial system were the underlying reasons behind recessionary conditions in most of the advanced economies of the world as well as slower or declining economic output in emerging and developing economies. These conditions led to rising unemployment along with indications of possible deflationary pressures for some countries. Yet, there were positive signs that the rate of economic decline may have subsided over the second quarter of the year although the financial system remained fragile as reflected by the slow recovery of global credit markets.

Industrial Economies

Preliminary data indicated that the United States economy contracted by around 1.0% year-on-year during the second quarter of 2009. The core reasons behind this poor performance were a depressed level of aggregate demand and the prevailing lack of confidence in the financial system. These factors were reflected in the pick up of the unemployment rate and a fall in the rate of inflation, which at June 2009 was –1.4% on a year-on-year basis. Nonetheless, there was evidence from housing and manufacturing indicators that the rate of decline in output in these sectors was slowing, and that the Government's stimulus package may have had some positive impact on aggregate demand.

In Japan, real economic output fell by an estimated 3.8% year-on-year during the first quarter of 2009, the fourth consecutive quarter of negative growth. A drop in exports earnings and declines in private investment, housing investment and consumption were the main reasons for the fall in economic activity. With the drop in exports, the trade surplus declined by an estimated 12.1% in May 2009. At the end of June 2009, the CPI inflation rate was –1.8%, measured on a year-on-year basis.

The moderation in inflation was also evident in the United Kingdom, where the prevailing conditions were

reflected in a 5.6% decline during the first six months of the year, in addition to rising unemployment and a depressed financial system. Led by a fall in house prices, year-on-year growth in the consumer price index moderated to 1.8% in June 2009, from the 3.8% at June 2008.

Real economic output in the euro area declined by approximately 0.7% during the first half of 2009 mainly because of low domestic and global demand. As with the rest of the global economy, the sluggish economic activity was accompanied by the moderation in inflation and rising unemployment. However, information collected from consumer and business confidence surveys indicated that the rate of decline may have slowed during the second quarter of the year.

Emerging Markets

In Asia, evidence indicated that the pace of decline had subsided during the first half of 2009. Although the lingering impact of the decline in the advanced economies was still evident, trade showed signs of improvement, while inflation moderated. In China, first half growth of 7.9% in real GDP was mainly due to a surge in investment, particularly public investment, in addition to strong growth in private consumption. At the end of June 2009, the annual Consumer Price Index inflation rate was –1.7%.

In Latin America, inflation also eased, as economic growth continued to be restrained. During the first quarter of 2009, output in Brazil declined by 1.8% due to contractions in exports and investment. The annual inflation rate was 4.8% at the end of June, 1.3 percentage points below the rate at June 2008. In Mexico, the annual rate of inflation dropped to 5.7% at June 2009, while also in June, the Banco de Mexico lowered its key interest rate by 50 basis points to 4.75%. Mexican real GDP growth was estimated at 10.3% over the January to June 2009 period. In Argentina, economic output increased by 2.0% during the first three months of 2009, while inflation fell to 5.3% at June 2009.

Commodity Prices

Significant price increases were recorded for internationally traded commodities over the first six months of 2009. At the end of June 2009, the price of oil was approximately 66.4% higher than at the end of 2008. Higher oil prices were reflective of improving market expectations of the global economy as well as a coordinated effort by OPEC countries to cut oil production.

Influenced by increases in metal prices as well as agricultural commodity prices, non-energy commodities also increased in price over the review period. At mid-June, the index for non-energy commodities had risen 15.8% above the value at December 2008.

Commodity Prices

Commodities	Jun-08	Dec-08	Jun-09	% Change on Mar-08	% Change on December-08
Total (Index of Market Prices)	215.4	98.0	127.0	-41.1	29.5
Non-Fuel (Index of Market Prices)	168.4	108.9	126.1	-25.2	15.8
Food (Index of Market Prices)	179.7	119.6	143.9	-20.0	20.3
Sugar (US cents / lb)	12.1	11.3	16.6	37.4	46.4
Bananas (US $ / metre ton)	839.8	842.5	850.8	1.3	1.0
Rice (US $ / metre ton)	834.6	550.8	548.6	-34.3	-0.4
Wheat (US $ / metre ton)	348.6	220.1	253.4	-27.3	15.1
Soybean (US $ / metre ton)	552.5	318.8	445.2	-19.4	39.6
Metals (Index of Market Prices)	186.3	103.4	118.5	-36.4	14.6
Aluminum (US $ / metre ton)	2,967.9	1,504.4	1,586.3	-46.5	5.4
Iron Ore (US $ / metre ton unit)	140.6	140.6	101.1	-28.1	-28.1
Copper (US $ / metre ton)	8292.0	3,105.1	5013.3	-39.5	61.5
Silver (US cents / troy ounce	1,7405.0	11,395.0	1,359.0	-92.2	-88.1
Gold (US $ / troy ounce)	925.4	882.1	926.2	0.1	5.0
Petroleum (US $ / barrel	131.5	41.5	69.1	-47.4	66.4

Source: IMF and World Bank Commodity Prices
*Simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh

Caribbean Stock Markets: Summary of Second Quarter of 2009

Barbados Stock Exchange

Over the April to June period of 2009, the Barbados stock market declined for the fourth consecutive quarter, as depressed economic activity led to falls in all three indices. The local index fell by 4.58% to 3,382.91 points during the quarter, resulting in a half-year reduction of 6.87%, while the cross-listed and composite indices decreased by 0.09% and 3.46%, respectively in the second quarter. These declines were reflected in market capitalisation values that dropped by similar percentages over the quarter, as the general slowdown in economic activity during the year and the re-purchase of 87,551 shares by West Indies Rum Distillery Limited in June depressed market capitalisation values.

Despite adverse economic conditions, many companies continued to pay dividends to their shareholders, albeit, in some cases, in lesser amounts than in previous years. While six companies have so far been able to maintain the same dividend per share as in 2008, three companies lowered payments in 2009 and one company opted not to pay a final dividend, citing economic circumstances as the underlying factor.

In 2009, the BSE made significant strides towards becoming the first CARICOM securities exchange to launch an international trading facility, having received Board approval earlier in the year. The BSE intends to attract international business companies to list on the international securities market in order to raise capital on the Barbados market. This move would offer greater support to the international business community and complement existing bilateral trade agreements. If approved by the regulators, the international trading facility could attract four types of listings: companies that would have their primary listing in Barbados; companies that would use Barbados as a dual or secondary listing; fixed income securities; and, mutual funds.

Barbados Mutual Funds

The mutual fund market has struggled since the onset of the global financial crisis, as declining returns were witnessed in all asset categories. However, during the second quarter of 2009 the net asset values (NAVs) of all funds – except the BNB Property and Unlisted Securities Investment Fund, which decreased marginally – either increased over the previous quarter or remained on par. The improved performance is likely to be linked to a combination

Barbados Stock Exchange Statistics

(Quarterly)

	Dec. 2008	Mar-09	Apr-09	May-09	Jun-09
Index					
Local	3,632.52	3,545.32	3,539.70	3,368.79	**3,382.91**
Cross-Listed	1,892.35	1,664.86	1,671.59	1,670.58	**1,663.14**
Composite	919.86	873.86	873.75	841.99	**843.61**
Market Capitalisation (Bds. $M)					
Local	9,914.50	9,679.69	9,664.44	9,198.57	**9,236.38**
Cross-Listed	3,721.84	3,274.09	3,287.34	3,285.35	**3,270.72**
Composite	13,648.87	12,966.30	12,963.34	12,495.48	**12,518.66**

Source: Barbados Stock Exchange

of factors: rising stock markets internationally; and falling domestic interest rates boosting the funds' fixed income holdings. In addition, two new funds started operations in Barbados: Royal Fidelity Strategic Growth Fund and Royal Fidelity Premium Income Fund.

Jamaica Stock Exchange

Unlike the BSE, overall market activity on the Jamaica Stock Exchange (JSE) resulted in advances on the JSE Market Index (2.28%), the JSE Select Index (9.51%) and the JSE All Jamaican Composite (8.02%). Twenty-five stocks advanced, sixteen declined and two were unchanged in a quarter where the value of stock traded worth was over $1,349.4 billion Jamaican dollars. The JSE Cross Listed Index fell by 2.32%, however, mainly reflecting the poor performance of Trinidad Cement Ltd.

Despite the positive showing of the JSE, the second quarter of 2009 compares negatively with the same period of 2008, as trading volumes and values decreased by nearly fifty percent. The JSE has attributed this performance and the increase in market volatility over the preceding twelve months to the global financial crisis and the negative spinoff effects it has been having on capital markets across the globe.

Trinidad and Tobago Stock Exchange

The Trinidad and Tobago Stock Exchange (TTSE) suffered a similar fate to the BSE, registering declines in all three indices. The Cross Listed Index dropped by 8.09%, in tandem with the outturn in the other two main regional exchanges, while the Composite Index and the All T&T Index fell by 4.14% and 3.65%, respectively. This outcome reflected the fact that the majority of stocks traded during the quarter declined (sixteen) and the twelve advancing or unchanged stocks were unable to compensate for these decreases.

Mutual Funds Performance
(NAV Bds.$)

Mutual Funds	March '09 (Bds $)	June '09 (Bds $)
Royal Fidelity Select Balanced Fund	3.89	4.07
Royal Fidelity Strategic Growth Fund	n.a.	0.90
Royal Fidelity Premium Income Fund	n.a.	1.02
Fortress Caribbean Growth Fund	4.05	4.24
Fortress High Interest Fund - Accumulation	1.53	1.55
Fortress High Interest Fund - Distribution	1.01	1.01
BNB Income Fund	1.27	1.28
BNB Capital Growth Fund	1.17	1.18
BNB Property & Unlisted Securities Investment Fund	1.72	1.71
CLICO Balanced Fund Inc.	1.11	1.12

Interest Rates

United States of America

During the second quarter of 2009, the Federal Reserve Bank (Fed) maintained its target for the Federal Funds rate at between 0 and 0.25 percent, as U.S. monetary policy remained accommodative. On the other hand, longer-term interest rates have started to rise, as evidenced by higher yields on longer-term Treasury securities.

With little scope for further downward movement in interest rates, the Fed focused on supporting liquidity within the market through various credit and liquidity facilities and purchased additional agency mortgage-backed securities and agency debt. These and other policy initiatives have led to more stable financial markets and easing liquidity conditions in short-term funding markets. In some cases, credit spreads have begun to approximate pre-crisis levels, reflecting to some extent the perception of market participants of a moderation in the rate of economic decline. Further evidence of increased financial market stability can be found in the equity markets, where global equity prices have rebounded somewhat and volatility in equity and other financial markets has eased to a certain extent.

Despite the positive outcomes in the first half of 2009, a great deal of uncertainty about the medium-term economic outlook for output and inflation remains. However, the Fed's October economic review indicated that most sectors had either stabilised or shown modest improvements, lending support to the emerging consensus that real GDP could begin to recover in late 2009.

Canada

Following a reduction in April 2009 to 0.25%, the Bank of Canada maintained an unchanged policy rate during the remainder of the second quarter. Over the first half of 2009, inflation rates have been below the Bank's target rate of 2%; this trend is expected to continue until the third quarter of 2011 according to the Bank's latest forecast. With respect to interest rates, the rate on fixed mortgages as well as government bond yields have risen.

United Kingdom

The Bank of England (BoE) maintained the Bank Rate at 0.5% during the second quarter of 2009, following reductions totalling 1.5 percentage points in the first quarter of 2009. However, while the policy rate was unchanged throughout April to June period, the Bank expanded it's Asset Purchase Program by £50 billion as it attempted to improve the functioning of corporate credit markets. The decision to not make any further adjustments in the Bank Rate was taken in light of the belief that the combination of the low Bank Rate and the Asset Purchase Programme would be effective in keeping CPI inflation on the path necessary to meet the medium term inflation target. Furthermore, the BoE indicated that close monitoring of the situation will be continued and adjustments made as needed.

Interest rates in the UK therefore generally remained low, with the LIBOR falling during the second quarter and the sterling overnight index average (SONIA) - which is a measure of unsecured overnight interest rates - tending to be noticeably lower than secured rates. Long-term interest rates, while volatile, rose during the period resulting in a steepening of the yield curve. Real long-term interest rates nonetheless, remained low.

European Central Bank

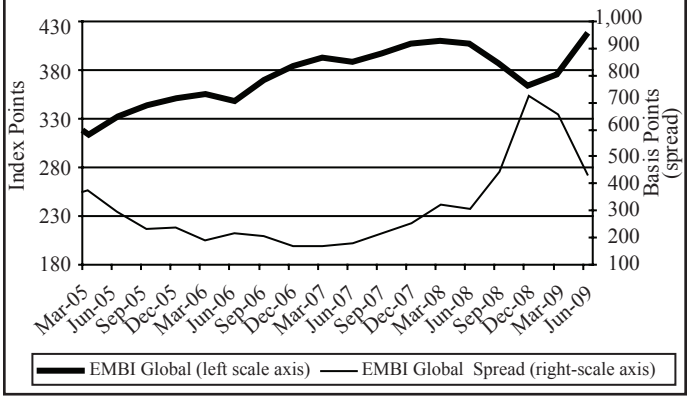
The European Central Bank lowered its key interest rates during the second quarter of 2009, in an effort to provide ongoing support for households and businesses.

While the one percent rate on its main refinancing facility represented a historic low, the ECB's main policy rate remains significantly above those of the U.S, Japan or U.K. To help shore up liquidity, the ECB auctioned a 12-month security in June 2009 which provided a very large additional supply of liquidity, the effect of which has been an increase in the volatility of money market rates. While the ECB does not appear to be overly concerned about the higher volatility, they remain committed to the good functioning of the money market. Money market interest rates have generally declined across all maturities during the second quarter; however, longer-term yields have started to rise in line with a general improvement in market sentiment.

Emerging Markets

During the second quarter of 2009, investor confidence revived as optimism surfaced that the economic turmoil had eased. As a result of a better than expected global economic outlook, demand for emerging market assets grew during the review period.

Emerging Market Bond Indices
(Quarterly)



Source: Bloomberg L.P.

Bond Markets

Higher yielding emerging market bonds remain attractive to investors as low interest rate in developing countries, strong IMF support for emerging market economies and rising commodity prices reduced risk premiums on these assets. During the three months to June 2009, yield spreads for investors holding emerging market bonds continued to narrow, as the emerging market bond index increased by 9.5 index points. Additionally, rebounding economic growth in Asia which was led by China and India, also boosted prices on emerging market debt. The revival in investor interest led emerging market countries and companies to issue about $79 billion in international debt during the quarter. Among the larger emerging economies issuing debt during the quarter under review were Brazil and Mexico.

Equity Markets

In line with the boost in investors' risk appetite, emerging market stock indices performed significantly better over the second quarter of 2009 compared to the first three months of the current year. Almost all emerging market equity indices, with the exception of Venezuela, posted double-digit increases. The Argentina merval led emerging Latin America, ending the second quarter of 2009 up 53%. The Brazilian bovespa gained 25.8% as steel demand rebounded in line with advancing commodity prices. Similarly as metals rallied along with other commodities, Chile's IPSA gained 24.7% by the end of the quarter.

For emerging Asia, the Morgan Stanley composite index advanced 32.9%, at the end of June 2009. The leader was India's Mumbai Stock Exchange, which increased 49.3% over the review period, followed by the Jakarta Stock Exchange, which soared as takeover bids for several media companies were announced. China's Shanghai Stock Exchange rose by 24.7%, as evidence emerged that the stimulus

Emerging Market Equity Indices
(Quarterly)

Country/Region	Index	Mar-08	Jun-08	Mar-09	Jun-09	% Ch
Argentina	Merval	2103.70	2107.90	1125.95	**1587.97**	41.1
Brazil	Bovespa	60,968.07	65,017.58	40,925.87	**51,465.46**	25.8
Chile	IPSA	2,902.02	2,999.90	2,478.94	**3,090.50**	24.7
Mexico	IPC	30,912.99	29,395.49	19,626.75	**24,368.38**	24.2
Venezuela	Caracas	35,056.37	37,259.15	43,674.30	**44,544.03**	2.0
MSCI *Emerging Latin America		4,316.14	4,751.47	2,171.40	**2,974.67**	37.0
China	Shanghai	3,472.71	2,736.10	2,373.21	**2,959.36**	24.7
Hong Kong	Hang Seng	22,849.20	22,102.01	13,576.02	**18,378.73**	35.4
India	SENSEX	15,644.44	13,461.60	9,708.50	**14,493.84**	49.3
Indonesia	Jakarta	2,447.30	2,349.11	1,434.07	**2,026.78**	41.3
Malaysia	FTSE Bursar	1,247.52	1,186.57	872.55	**1,075.24**	23.2
Philippines	PSE	2,984.67	2,459.98	1,986.22	**2,437.99**	22.7
Singapore	Straits Times	3,007.36	2,947.54	1,699.99	**2,333.14**	37.2
South Korea	KOSPI	1,703.99	1,674.92	1,206.26	**1,390.07**	15.2
Thailand	SET	817.03	768.59	431.50	**597.48**	38.5
Taiwan	TAIEX	8,572.59	7,523.54	5,210.84	**6,432.16**	23.4
MSCI *Emerging Asia		439.01	396.65	238.65	**317.27**	32.9

Source: Bloomberg L.P.
* Morgan Stanley Composite Index

plan was indeed reviving the economy. Another large gainer during the second quarter of 2009 was Thailand's TAIEX, which increased by 38.5%. Banks were among the best performers in the TAIEX as loans to individuals and small companies boosted earnings.

Currency Markets

Currencies in emerging markets improved significantly from last quarter's losses. The biggest rally came from the Brazilian real, which appreciated 16% against the dollar, due to improved commodity prices and record low interest rates in developed countries. This was followed by the Indonesian rupiah, which increased 12.8%, on hopes that with the re-election of the current president, "growth supporting" policies would be introduced. The other gainers in emerging Latin American currency markets were the Chilean and Mexican pesos, which appreciated against the dollar 8.5% and 7%, respectively. However, the Argentina peso fell 2.1% against the dollar due to a major bond default during the quarter. The Indonesian rupiah led emerging Asia currencies, which all appreciated during the quarter. The South Korea won was another big gainer, appreciating 7.9% as equities improved over the quarter.

Emerging Market Currencies
(Quarterly)

Country/Region	Currency	Mar-08	Jun-08	Mar-09	Jun-09	% Ch
Argentina	Peso	3.17	3.03	3.72	3.80	-2.1
Brazil	Real	1.75	1.60	2.32	1.95	16.0
Chile	Peso	435.24	527.89	583.20	533.65	8.5
Mexico	Peso	10.64	10.31	14.17	13.19	7.0
Venezuela	Bolivar Fuerte	2,147.30	2,147.30	2.15	2.15	0.0
China	Yuan	7.01	6.85	6.83	6.83	0.0
Hong Kong	Dollar	7.78	7.80	7.75	7.75	0.0
India	Rupee	40.12	43.04	50.73	47.91	5.6
Indonesia	Rupiah	9,229.00	9,228.00	11,700.00	10,208.00	12.8
Malaysia	Ringitt	3.19	3.27	3.65	3.52	3.5
Philippines	Peso	41.74	44.96	48.33	48.14	0.4
Singapore	Dollar	1.38	1.36	1.52	1.45	5.0
South Korea	Won	990.30	1,046.05	1,383.10	1,273.80	7.9
Thailand	Baht	31.44	33.44	35.50	34.06	4.1
Taiwan	Dollar	30.38	30.35	33.91	32.81	3.2

Source: Bloomberg L.P.
* Morgan Stanley Composite Index

Exchange Rate Regimes and Monetary Autonomy: Empirical Evidence from Selected Caribbean Countries

Dr. Roland Craigwell, Dr. Kevin Greenidge and Ms. Tracy Maynard*

This paper investigates how the exchange rate regime in three Caribbean countries affects the relationship between changes in a base country interest rate and the local rate. This interest rate parity condition is subjected to effects arising from capital controls and common shocks related to inflation and external debt. The results support the standard theory that the pegged countries like (Barbados) follow the base country interest rate more closely than either managed or flexible exchange rate economies (such as Trinidad and Tobago and Jamaica). In addition, the paper supports the open economy macroeconomic policy trilemma.

Keywords: exchange rates; monetary policy; error correcting mechanisms

Introduction

The monetary policy trilemma or impossibility trinity of open economy macroeconomic policy refers to the situation that only two of the following goals, stability in the exchange rate, national independence in monetary policy and free capital mobility can be achieved simultaneously. Most countries in the pre-late 1970s and a minor set today, inclusive of economies like China, India and Barbados, maintained exchange controls and limited private capital movements. Some of these countries pegged their exchange rates for extended periods, producing exchange rate stability, while others adjusted their currencies on occasion, offering considerable monetary autonomy. The main problem with this choice is that it imposes onerous restrictions on international transactions, reducing efficiency and contributing to corruption Krugman and Obstfeld (2006).

In the last two decades, capital mobility has increased substantially, largely because of the removal of capital controls and improvement in communications technology. The expansion in capital mobility, in turn, has made adjustable peg regimes very vulnerable to speculation, since capital would flee in anticipation of devaluation. Consequently, developing countries have moved either towards a rigidly fixed exchange rate and a renunciation of monetary autonomy, as seen in those countries that have dollarised or adopted currency boards, or towards flexibly managed (or even floating) exchange rates. However, there are problems with these two extreme positions. A rigid system like the currency board can deprive a country of much needed flexibility, especially when dealing with financial crises where the central bank is lender of last resort. With respect to the fluctuating currency, developing countries often find the costs of such volatility hard to sustain because of the very open nature of their economies as well as their inability to borrow in their own currency, that is, they suffer from what is termed the original sin (see Eichengreen and Hausmann 1999). Thus, countries claiming to "float" their currencies may display a "fear of floating" and instead limit currency fluctuations over long periods (Calvo and Reinhart 2002).

The above discussion suggests that the choice of the exchange rate regime is fundamental to the performance of an economy and this decision helps to determine the monetary policy options and/or the ability to maintain open capital markets. This paper provides empirical evidence on these issues in three Caribbean countries. In essence, the article looks at the impact that fixing the exchange rate has on monetary policy, measured by a short-term interest rate, by establishing the extent to which interest rates in a pegged country (Barbados) follows a base country interest rates and how they differ from economies that do not have fixed exchange rates (Jamaica and Trinidad and Tobago).

* Dr. Roland Craigwell, is a Professor of Economics at the University of the West Indies, Cave Hill Campus, Barbados. He is also the former Deputy Director (Economic Modelling) of the Research Department at the Central Bank of Barbados. Dr. Kevin Greenidge and Ms. Tracy Maynard are Acting Director and Economist, respectively, in the Research Department of the Central Bank of Barbados.

Following the trilemma hypothesis that a fixed exchange rate and an open capital market reduce the responsiveness of monetary policy, the effect of capital controls on the relationship between interest rate behaviour of pegged and non-pegged countries is investigated.

This paper follows the recent work of Shambaugh (2004) which utilises unit roots and co-integration analysis to investigate how a fixed exchange rate affects monetary policy by classifying over 100 developing and industrial countries from 1973 through 2000 as pegged or non-pegged and examining whether a pegged country must follow the interest rate changes in the base country. However, this approach does not allow for a thorough analysis of individual country behaviour as countries are still lumped together under the possibly false conclusion that they are similarly classified. Moreover, this paper utilises a different methodology, that is, a recursive error correcting model is used to derive the estimated coefficients.

This introduction, is followed by a theoretical perspective on exchange rate regimes and monetary autonomy. Then, the empirical framework is discussed along with a review of the empirical literature. Next, the data, methodology and results are presented. The final section deals with the concluding remarks.

Theoretical Perspective

The uncovered interest rate parity (UIP) condition can be utilised to explain the impact of exchange rate regimes on monetary independence. Consider the following UIP expressions (in level and changes) when capital markets are open:

$$R_t = R_{bt} + E_t(e_{t+1} - e_t) + p \qquad (1a)$$

$$\Delta R_t = \Delta R_{bt} + \Delta E_t (e_{t+1} - e_t) + \Delta p \qquad (1b)$$

where Δ is the first difference operator, R is the domestic nominal interest rate, R_b is the base country nominal interest rate, E is the expectation operator, e is the log of the exchange rate, p is the difference in risk of the two assets (risk premium) and t is the time index.

In a fixed exchange rate system, since e_t is constant, the third term in Equation (1b) becomes $\Delta E_t e_{t+1.}$ Thus, assuming p is very small or does not fluctuate with the change in interest rates and the expected future exchange rate remain the same, the local rate moves one-on-one with the base rate change, that is,

$$\Delta R_t = \Delta R_{bt} \qquad (2)$$

However, this one-to-one correspondence is violated whenever there is a fluctuation in the expected future exchange rate or the risk premium. For instance, an increase in the base rate could cause investors to doubt the stability of the peg or alternatively a fall in the base rate in times of global uncertainty could lead to a negative correlation between ΔR_{bt} and $\Delta E_t (e_{t+1} - e_t) + \Delta p$ (see Shambaugh 2004).

In the situation where the exchange rate is not pegged precisely but allowed to float within small bands, Svensson (1994) shows that the degree to which the domestic rate follows the base rate is reduced since $\Delta E_t (e_{t+1} - e_t) \neq 0$ even if the peg is credible. As e_t can now change, long-term monetary autonomy is lost, as the country must introduce policies to keep the parity credible. However, in the short term, the movement of et provides the pegged country with some latitude. For example, if the base rate rises, the country could depreciate the currency, leading to an expected appreciation of the currency in the future. This negative correlation between ΔR_{bt} and $\Delta E_t e_{t+1}$ will weaken the one-on-one relation between ΔR_t and ΔR_{bt}.

Under a floating exchange rate regime, the domestic interest rate does not have to respond to changes in the base interest rate or the expected exchange rate or for that matter, the risk premium. Instead, what is required, is that the spot exchange rate adjusts in such a way that the expected change in the exchange rate is equal to the interest differential. In essence, the local rate can be set, and other factors can adjust to it. However, as Shambaugh (2004) points out, there may be other reasons why the base and local rates could be highly correlated in this framework. For example, they may share similar shocks or the country involved could have a "fear of floating" in the sense of Calvo and Reinhart (2002) in which local rates move with base rates to reduce exchange rate volatility.

The above theoretical results suggest that non-pegged countries should have more monetary autonomy than economies with fixed exchange rates. However, an important caveat is that the findings rely on the assumption of free capital mobility. If interest rates are set administratively or there are restrictions to international capital movements, there is no reason why $\Delta R_t = \Delta R_{bt}$ and hence, why pegged countries should lose monetary autonomy. This result follows directly from the open-economy trilemma policy framework mentioned above where if capital markets are closed, the country can pursue domestically oriented monetary policy within a fixed exchange rate system.

Empirical Framework

The empirical framework used to test the above theoretical results is based on the following error-correction model, which nests the long-run equilibrium behaviour of the two series and the short-run dynamics.

$$\Delta R_{d,t} = \delta + \beta_{SR}\Delta R_{b,t} + \beta_{SR_1}\Delta R_{b,t-1} - \lambda(R_{d,t-1} - \alpha - \beta_{LR}R_{b,t-1} + \beta_{LR_E}E(e_{t+1} - e_t)) + \beta_{SR_E}\Delta E_t(e_{t+1} - e_t) + \beta_d\Delta R_{d,t-1} + \mu_{it} \quad (3)$$

For estimation purposes Equation (3) is rewritten in an unrestricted form:

$$\Delta R_{d,t} = \alpha_0 + \alpha_1\Delta R_{b,t} + \alpha_2 R_{d,t-1} + \alpha_3 R_{b,t-1} + \gamma\Delta E_t(e_{t+1} - e_t) + \varepsilon_t \quad (4)$$

where

$$\beta_{SR} = \alpha_1,\ \lambda = -\alpha_2,\ \beta_{LR} = -\frac{\alpha 3}{\alpha 2}$$

$R_{d,t}$ is the domestic country interest rate, $R_{b,t}$ is the base country interest rate, e_t is the log of the domestic country exchange rate. In this setup $\beta_{SR} = \alpha_1$ reflects the short-run effects of the change in the base country interest rate on the domestic interest rate. $\lambda = -\alpha_2$ represents the speed of adjustment following any changes from the long-run relationship. α_3 signifies the extent to which lagged interest rates of the base country affect the domestic interest rate. $\beta_{LR} = -\frac{\alpha 3}{\alpha 2}$ denotes the long-run relationship between the domestic interest rate and the base country interest rate. ε is an error term assumed to satisfy the classical properties of least squares estimation.

To calculate $\Delta E_t(e_{t+1} - e_t)$, ARMA processes were experimented with but an AR(1) process of the following form was preferred:

$$\ln e_t = c + \eta \ln e_{t-1} + \mu_t \quad (5)$$

This seems appropriate for an exchange rate that is not pegged but less so for a pegged rate.

Since the theory suggests that non-pegged countries should have more monetary autonomy than pegged economies, ceteris paribus, it is expected that the size of $\beta_{SR} = \alpha_1$ for pegged countries should be significantly larger than for non-pegged economies. In the extreme case where the peg is rigid (no bands) and perfectly credible, capital markets are open and arbitrage is costless, risk premiums are constant, and investors are optimising, $\beta_{SR} = \alpha_1$ should be 1. For non-

pegs, the theory suggests a much lower $\beta_{SR} = \alpha_1$ driven by the correlation of shocks although, in the case of the fear of floating argument it is likely that the magnitude of $\beta_{SR} = \alpha_1$ could approximate that of the pegged rate economies.

These hypotheses regarding the size of $\beta_{SR} = \alpha_1$ are conditioned by the behaviour of the control variables that measure the effect of capital mobility, external debt and inflation. Thus, in an attempt to explain the circumstance where the exchange rate regime may not be the only driving factor accounting for the changes in $\beta_{SR} = \alpha_1$, that is, the correlation of interest rates could be driven by common shocks as mentioned above. In this regard, we derive both the long-run and short-run coefficients of $\beta_{SR} = \alpha_1$ by using the ECM recursive technique. Given these results, the following equation below was also derived:

$$\alpha_1 = \varphi_0 + \varphi_1 * ED_t + \varphi_2 * Caplib_t + \varphi_3 * \pi_t + \varepsilon_t \qquad (6)$$

It is expected that the sign on the capital mobility (*Caplib)* variable will be positive while those on external debt *(ED)* and inflation (π) are ambiguous (see Shambaugh 2004).

A Brief Review of the Empirical Literature

This section reviews some of the empirical studies concerned with the level of monetary independence exercised by economies characterised by different exchange rate regimes – fixed, floating or somewhere in between. Shambaugh (2004) conducted such a study on over 100 developing and industrial countries from 1973 to 2000 using panel data analysis and the time series cointegration technique developed by Pesaran et al. (2001). The author also tested the theory of the open economy trilemma by adding capital controls as one of the explanatory variables in the regression. The empirical findings of the paper indicated that pegged economies lack monetary freedom as local rates closely followed changes in the base country's interest rates, while in non-pegged economies local rates revealed a less high association to movements in the interest rates of the base economy. When capital mobility is incorporated into the analysis, Shambaugh (2004) found that non-pegs without capital controls display a fear of floating or have a significant amount of common shocks as evidenced by the considerable proportion of the changes in domestic interest rate that are explained by the international rate. The response of an economy with a fixed exchange rate and open capital market to changes in the foreign interest rate is large, resulting in a faster speed of adjustment to shocks than non-pegged economies. Pegs with capital controls displayed a much stronger relationship with the base interest rates than the non-pegs.

Forssback and Oxelheim (2005) examined the relationship between monetary policy autonomy and different exchange-rate regimes in the small open European economies during the 1980s and 1990s. The authors used Generalised Least Squares on a model determination procedure based on the Granger concept of causality. They discovered that the exchange rate regime of any country is not a good predictor of policy autonomy. Results further indicated that an economy is considered to have a monetary policy constraint when its independent nominal target does not deviate too much from the targets of the country with which it is financially integrated. The paper stated that this outturn is equivalent to an economy that has an explicit exchange rate peg. Moreover, the authors empirical findings suggested that the level of monetary policy autonomy enjoyed by the European economies have little variances regardless of the exchange rate regime of the country, fixed or flexible. However, in the short-term a flexible exchange rate provides an economy with a greater margin of monetary

freedom, which proves to be advantageous under asymmetric shocks to the real economy.

In investigating the conventional proposition that an economy with a floating exchange rate allows the central bank to maintain monetary independence, Borensztein et al. (2001) focused on two types of shocks: (a) changes in the US dollar interest rates and (b) movements in the risk premia attached to emerging market international bonds. The empirical analysis, which was conducted, using vector autoregressions and impulse response functions mainly, concentrated on Latin American and Asian economies in the early 1990s. The authors noted that the conventional proposition about exchange rate regimes with regard to the two types of shocks hold for both Hong Kong and Singapore. Conversely, the impact of shocks to emerging market risk premia is about the same size of changes in the interest rates and exchange rates in Argentina and more so, in Mexico. However, these economies preserved monetary autonomy following an adjustment in the monetary stance of the United States (US).

Frankel et al. (2002) utilised simple linear regression to examine whether the choice of exchange rate regime affects the sensitivity of domestic interest rates to international interest rates using a large sample of developing and industrialised economies during the period 1970 to 1990. The study also focused on the ability of a country with a floating exchange rate to isolate its domestic interest rate from negative international shocks. The main results of the paper are summarised as follows. First, all exchange rate regimes exhibit a high level of correlation between domestic interest rates and international interest rates, which are eventually fully transmitted in the long-run. Second, floating exchange rate regimes have a higher level of monetary independence or a certain degree of temporary monetary independence, in the sense that the speed of adjustment of domestic interest rates to international interest rates are lower than under any other type of regime. Finally, the results showed that only two industrialised countries, Germany and Japan, benefit from independent monetary policy in the 1990s, given that no evidence was found of a long-run relation between local and international interest rates.

In a related paper, Bailliu et al. (2002) employed the Generalised Methods of Moments estimator to investigate the influence of exchange rate regimes on economic growth using a panel of sixty industrialised and developing countries over the period 1973 to 1988. The evidence revealed that any exchange rate regime characterised by a strong monetary policy framework has a positive influence on growth. However, intermediate or flexible exchange rate regimes without a monetary policy anchor are harmful to growth. The study concluded that it is the presence of a strong monetary framework, rather than the type of exchange rate regime, that is important for economic growth.

There are two studies done on the Caribbean. While examining the sensitivity of interest rates in the Eastern Caribbean Currency Union (ECCU) to changes in the US rates, Grenade and Moore (2007) found that the interest rate parity condition holds in the ECCU as the two rates converged in the long-run. The empirical analysis was conducted using vector autoregression and impulse response functions similar to that of Borensztein et al. (2001). Of particular note, the impulse functions clearly illustrated that in the short-run a shock to either the Fed Funds rate or the US Treasury Bill has an immediate impact on lending rates within the ECCU.

In an attempt to scrutinise the interest rate parity condition in Barbados, Worrell et al. (2008) examined how capital flows react to differentials between U.S. and Barbados interest rates. This was done by an analysis of the daily transactions in the foreign exchange rate market of

Barbados. The evidence showed that during the period 1998 to December 2004, changes in the differential between the U.S. and local rates had a significant effect on the foreign exchange market within that economy.

Data, Methodology and Empirical Results

Data

The domestic country interest rate is the nominal rate on the respective Caribbean countries three-month treasury bills, while the base country interest rate is the nominal rate on the US three-month treasury bills. For external debt, the stock of both private and public external debt to gross domestic product at market prices is employed. The inflation rate, defined as $\ln(1+\Delta CPI)$, represents changes in the consumer price index (CPI).

CapLib is taken from Greenidge (2006). The index is based on information taken from the International Monetary Fund's (IMF)'s annual publication on Exchange Arrangements and Exchange Restrictions (AREAER). This publication contains detailed reports on each member country's exchange arrangement, administration of controls, prescription of currency, regulations on import and import payments etc. Greenidge (2006) also utilised additional information from the respective central banks. The author argued that the IMF's AREAER is updated annually and in many cases such information is only sent in summary, but there are usually more details and explanations housed within each of the Central Banks. Therefore, Greenidge posited that the index is likely to provide a better reflection of the practices throughout the Caribbean region. All data, with the exception of Caplib are taken from the World Development Database 2007 and spans the period 1960 to 2005. The data is expressed in natural logarithm and all computations are done in the PcGive econometric software programme.

Methodology

Plots of the data for the 3 Caribbean countries (see Figures 1 to 3), suggest that the variables are a mixture of I(0) and I(1) processes and this is confirmed by the unit root tests described below. Hence, the Unrestricted Error Correcting Model (UECM) first introduced by Sargan (1964), and later popularised by Engle and Granger (1987), is used to estimate Equation (3) since it is still an open debate on how to appropriately handle combinations of stationary and non-stationary variables in standard cointegration frameworks like that of Johansen (1988). For a discussion of this debate, see for example, Greenidge (2006). In addition, Monte Carlo studies have shown that the ECM procedure is as good as, if not more appropriate than, other cointegration techniques in dealing with small data samples, even in the presence of I(1) variables (see Krolzig 2000). With the ECM approach one can minimise the possibility of estimating spurious relations, while retaining long-run information and at the same time derive a model that is suitable for economic interpretation. The final parsimonious ECM is computed with the help of the general-to-specific approach of Campos et al. (2005) where an unrestricted model with 2 lags (2 lags are considered appropriate when dealing with annual data) is progressively reduced by eliminating statistically insignificant coefficients and ensuring that no significant information is lost in the process as indicated by the diagnostic statistics at each stage.

Figure1. Barbados Data

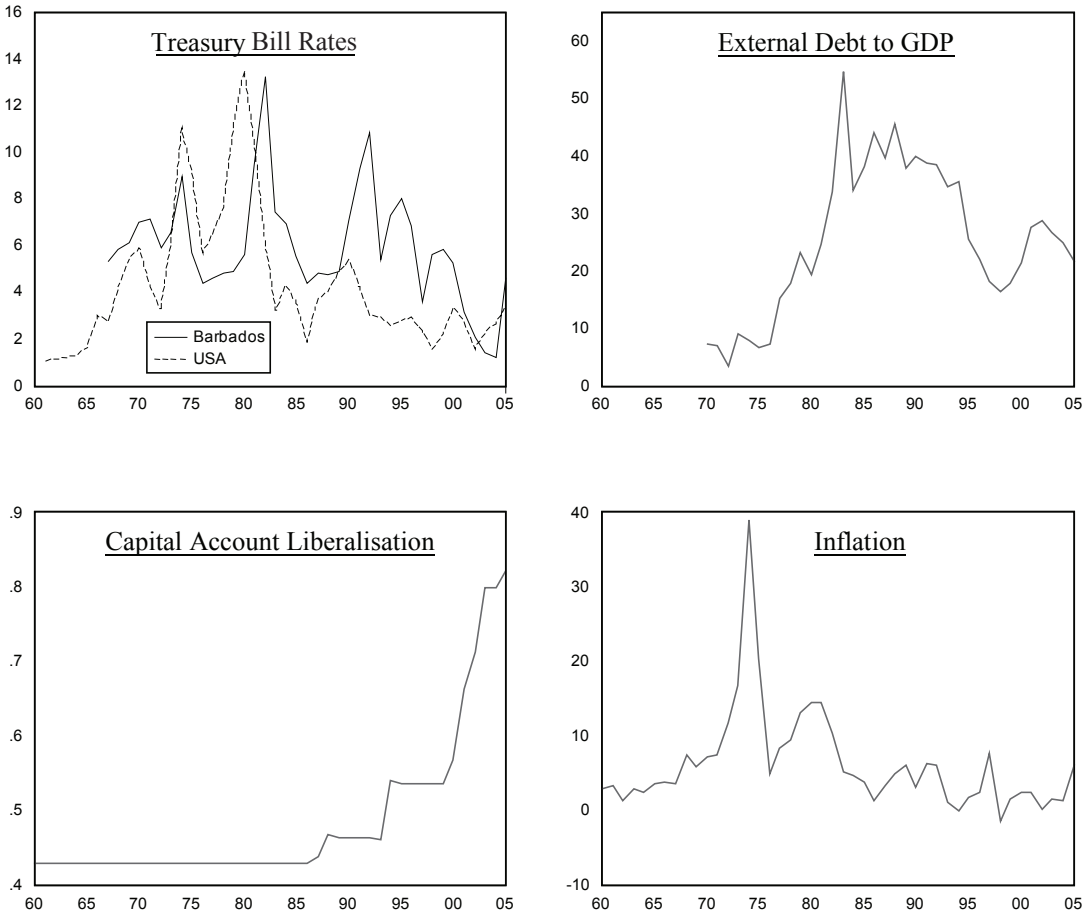


Figure 2. Trinidad and Tobago Data

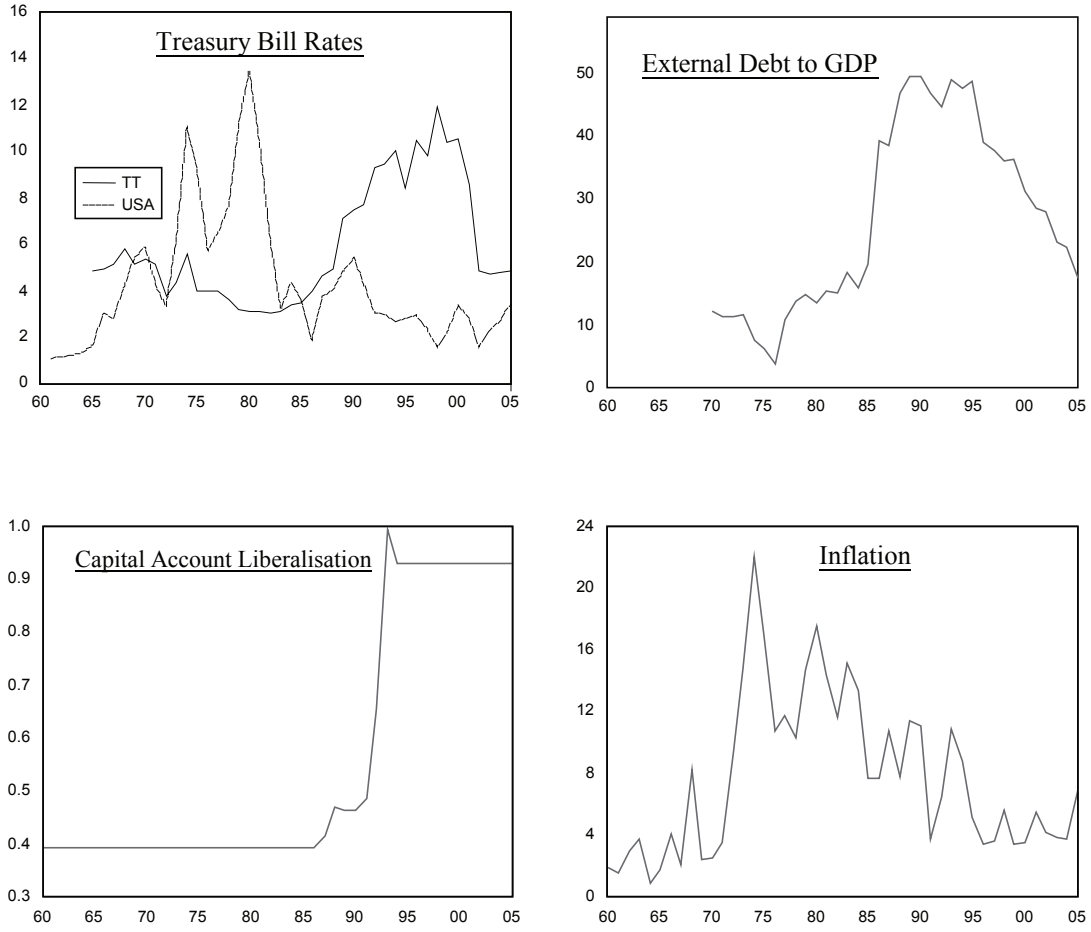
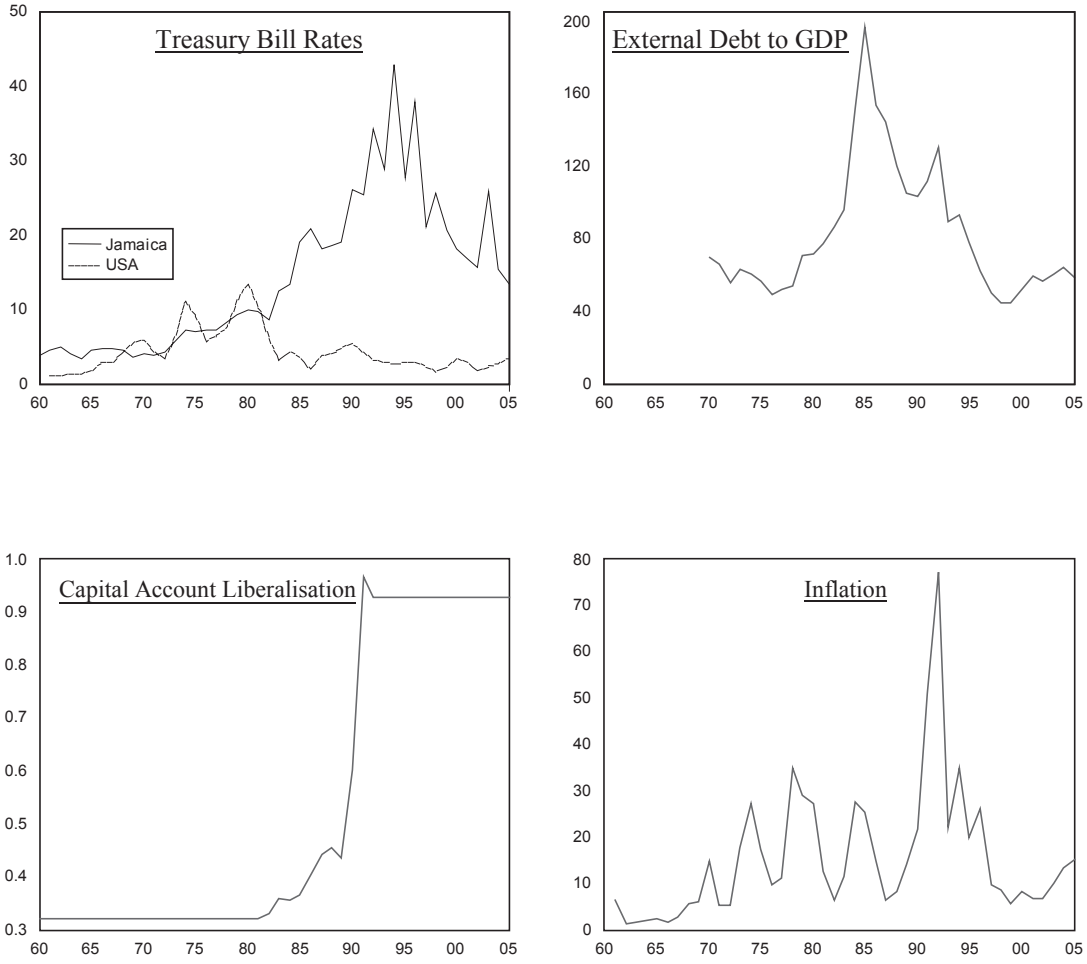


Figure 3. Jamaica Data



Results

Three tests for unit roots are undertaken in this paper: the Augmented Dickey - Fuller (ADF), Philips and Perron (PP) and the Kwiatkowski, Phillips, Schmidt and Shin (KPSS). The results are presented in Table 1. Except for the domestic interest rate of Barbados, these statistics are in agreement with each other and indicate that the interest rates are I(0) while external debt and prices are I(1). With respect to the Barbados' local interest rate, there is an inconsistency in the findings of the ADF and PP tests verses that from the statistic of KPSS. The former two tests indicate that R is I(1), while the latter statistic suggests it is I(0). Figure 1 shows that this inconsistency could be explained by the observed break in the series in 2004. To deal with this, the procedure in Saikkonen and Lütkepohl (2002) and Lanne et al. (2002) which involves adding a shift function to the ADF regression, then estimating the deterministic term by generalised least squares under the unit root null hypothesis, subtracting the resultant fit from the original series, and applying an ADF type test to the adjusted series

that also includes terms to correct for estimation errors in the parameters of the deterministic part, is utilised. The critical values for the new ADF statistic are given in Lanne et al. (2002). For more details on the specification of the various shift functions see Saikkonen and Lütkepohl, (2000; 2002). The unit root with structural break test confirms that the break in the series is in 2004. The included shift function is significant with a t-statistic of 9.378, while the test statistic for the null hypothesis of a unit root with this function incorporated is -3.308, which is significant at the 1 percent level. Thus, it is assumed that R is I(0) for Barbados.

Given that the variables are a mixture of I(0) and I(1) variables an UECM is estimated with two lags for the 3 countries. A few issues relating to Jamaica and Trinidad and Tobago need to be discussed before the results are presented. The samples of both countries cover periods where the exchange rate was fixed and when it was un-pegged. This difference is shown clearly in Figures 2 and 3 where

Table 1. Results of test for stationarity

		Barbados	Trinidad	Jamaica	USA
TBILL	Level	-2.586 [-2.702*] {0.319}	-1.267 [-1.511] {0.336}$^{+}$	-1.264 [-1.454] {0.734}$^{++}$	-1.619 [-1.975] {0.257}
	Δ	-5.485*** [-6.085]*** {0.128}	-5.873*** [-5.917]*** {0.135}	-9.721*** [-9.603]*** {0.238}	-6.591*** [-3.806]*** {0.192}
ED	Level	-2.868* [4.773]** {0.667}$^{++}$	-2.235 [-2.107] {0.597}$^{++}$	-1.055 [-0.981] {0.696}$^{++}$	
	Δ	-2.653* [-2.607] {0.545}$^{++}$	-3.676** [-3.760]*** {0.219}	-4.949*** [-5.168]*** {0.110}	

Notes: the first row for each country gives the ADF test statistic, the second row contains the PP test statistic in square brackets, and the third row shows the KPSS test statistic in curly brackets. *, ** and *** are the MacKinnon critical values for rejection of the null hypothesis of a unit root at the 10%, 5%, and 1% levels respectively, for both the ADF and PP tests, while +, ++, +++ are the critical values for the LM test statistic of the KPSS test and denote rejection of the null hypothesis of stationarity at the 10%, 5%, and 1%, respectively (based upon the asymptotic results presented in KPSS (1992) Table 1, pp. 166). Δ denotes the first difference of the original series.

it is observed that the local rates diverge significantly from the foreign rate in the early 1980s for both countries. To compound the situation, the capital mobility variable of Greenidge (2006) used in this paper has an element of this exchange rate switch built into it. As a result, the model tries to account for these effects by attempting to disentangle the exchange rate regime impact on β_1 from that related to capital liberalisation. This is done through the interaction terms β_3 and β_5 mentioned above. The final parsimonious representations of the models are presented in Tables 2 to 4 below along with some standard diagnostic statistics and long-run elasticities.

The models appear to be fairly well specified satisfying all the standard diagnostic checks. In addition, for each country the lagged domestic interest rate has a t-value that exceeds the asymptotic critical value bound

Table 2. Final Parsimonious ECM Estimates of Monetary Autonomy

	Barbados	Trinidad & Tobago	Jamaica
α_0	0.207 (1.608)		0.065 (0.675)
$\Delta R_{us,t-1}$	0.703*** (4.396)	0.254** (2.489)	0.009 (0.135)
$R_{d,t-1}$	-0.545*** (-4.634)	-0.049* (-2.015)	-0.061* (-1.969)
$R_{us,t-1}$	0.407*** (3.802)	0.051* (1.874)	0.067* (1.720)
$\Delta E_t(e_{t+1} - e_t)$	-	-	0.063*** (4.845)
$\Delta E_{t-1}(e_{t+1} - e_t)$	-	-	-0.035*** (-2.701)
Dummy	0.792 (7.351) *1992*	0.287*** (4.251) *1992*	-
R^2	0.59	0.76	0.48
DW	1.86	2.13	2.48
AR	1.562[0.228]	0.281[0.757]	1.303[0.284]
RESET	1.338[0.257]	1.158[0.291]	0.998[0.324]
Norm	1.670[0.434]	1.190[0.552]	1.287[0.525]
ARCH	0.100[0.754]	0.344[0.562]	0.523[0.474]
HET	1.163[0.364]	1.388[0.261]	0.608[0.793]

Notes: These are estimates based on Equation (4). Heteroscedascity and autocorrelation consistent t-statistics are in parentheses. *, **, *** indicates significance at the 10, 5 and 1 percent levels, respectively. The F-statistic for the respective diagnostics tests are shown (unless indicated otherwise) and the associated pth-value in square brackets. DW is the Durbin-Watson statistic. AR is the Lagrange multiplier test for p-th order residual autocorrelation (see Godfrey, 1978). RESET is the Ramsey's (1969) RESET test for incorrect functional form using the square of the fitted values ($\chi^2(1)$). Norm is the test for normality of the residuals based on the Jarque-Bera statistic ($\chi^2(2)$). ARCH is the autoregressive conditional heteroscedasticity test for up to p-th order (see Engle, 1982). HET is the unconditional heteroscedasticity test base on the regression of squared residuals on square fitted values (See Koenker, 1981).

of -3.99 in Pesaran Shin & Smith (2001, Table CII(iii)) for the existence of a cointegrating relationship. Thus, in each case the long-run variables form an equilibrium relation. The estimated short-run parameter of β_{SR} supports the theory discussed above, that is, β_{SR} is much higher for the fixed exchange rate economy of Barbados (0.70) than the non-pegged economies of Trinidad and Tobago (0.25) and Jamaica (0.009). This finding implies that the loss of monetary autonomy in Barbados is higher than in Jamaica and Trinidad and Tobago. Using the same reasoning, one would expect β_{SR} to be larger for the manage float economy of Trinidad and Tobago than for the flexible rate regime of Jamaica, and so it is. In fact, the coefficient for Jamaica is not significantly different from zero.

However, the findings suggest that the degree of monetary autonomy varies very little between the three countries in the long-run. The estimated impact multipliers (calculated as $\beta_{LR=}-\frac{\alpha 3}{\alpha 2}$ from Table 2) are 0.75 for Barbados, 1.04 for Trinidad and Tobago and 1.1 for Jamaica; the latter two not being significantly different from 1. Therefore, the UIP hypothesis holds for the three countries in the long-run. Moreover, it appears that Barbados has some measure of monetary autonomy, even though very little in the long-run, as it still has some capital controls in place. The expectation variable was significant and positively signed only in the case Jamaica, in explaining changes in the domestic interest rate. Conversely, the expectation variable was non-existent for Barbados, given the economy has a fixed exchange rate, while for Trinidad and Tobago results showed that the variable was small and insignificant.

As far as the speed of adjustment is concerned, Barbados' rate is the highest, with 55% adjustment undertaken within in one year, followed by Trinidad and Tobago and Jamaica whose adjustment rates are about 4.9% and 6.1%, respectively. The results for the latter two are not surprising, as one would expect the interest rate in a non-pegged country to react less quickly to changes in base rate than those of pegged economies.

Turning now to the impact of capital mobility, external debt and the inflation rate on the degree of monetary autonomy exercised by these three countries, the results are reported in Tables 3 and 4. The findings suggest that, in the short-run, the process of capital liberalisation has led to a greater loss of monetary freedom for the Barbadian economy. However, this effect weakens with time, whereby the degree of capital account liberalisation has no influence on monetary freedom. This outturn is in contrast to the evidence for Trinidad and Tobago where the capital liberalisation variable has a negative impact implying greater autonomy, in both the short- and long-run. For Jamaica, there are no short-run effects from capital account liberalisation on monetary autonomy, but a long-run positive impact.

For Barbados, the inflation rate has a significant and positive sign in the long-run equation, indicating that the inflation rate has over time reduced the level of monetary autonomy in Barbados. A similar result is uncovered for Trinidad and Tobago, except that the effects also occurred in the short-run. However, the findings for Jamaica point to greater monetary policy freedom as a result of the evolution path of its inflation rate. This may be explained in that Jamaica adjustments for any changes in the price levels within the economy is implemented through alterations to the exchange rate and not the interest rate.

The results also suggest that increasing external debt levels have had a negative impact on monetary autonomy in all three countries. However, there is evidence that in the short-run, changes in external debt levels have afforded Trinidad and Tobago greater monetary freedom.

Finally, on the question of switching from one ex-

change rate regime to another, we find that the results are mixed. In the case of Trinidad and Tobago, which went from a fixed to managed floating in April of 1993, the estimates suggest that this switch has resulted in greater monetary autonomy. While for Jamaica, switching regimes is associated with a reduction in monetary freedom. This may reflect the fact that Jamaica has switched regimes more times than any other country in the region and the increased uncertainty, speculation, along with capital flight that such practice has brought about would have constrained the authority's monetary policy freedom.

Table 3. Determinants of Monetary Autonomy in the Short-Run

	Barbados	Trinidad & Tobago
$ß_{SR,t-1}$	0.0623*** (5.139)	
$ED_{,t-1}$	0.272*** (2.209)	0.352*** (5.509)
ΔED	0.376 (1.206)	-0.633** (-2.318)
$Caplib_{t-1}$	0.409** (2.624)	
$\Delta Caplib_t$	0.763*** (3.101)	-0.695*** (-5.761)
$\prod_{,t-1}$		3.717*** (3.490)
$\Delta\prod_t$		2.643** (2.850)
φ_0	1.382* (2.032)	-2.758*** (-4.555)
R^2	0.77	0.69
DW	1.81	1.81
AR	1.186[0.336]	0.066[0.936]
RESET	0.030[0.865]	2.981[0.996]
Norm	1.120[0.571]	0.770[0.681]
ARCH	0.532[0.479]	1.586[0.234]
HET	0.537[0.806]	0.405[0.866]

Notes: Same as Table 1

Table 4. Determinants of Monetary Autonomy in the Long- Run

	Barbados	Trinidad & Tobago	Jamaica
$\beta_{LR,t-1}$	0.603***	-	-
	(3.241)		
$ED_{,t-1}$	0.456*	0.302**	1.611***
	(2.077)	(2.752)	(3.948)
$Caplib_{t}$	-0.400*	-	-
	(-1.963)		
$Caplib_{t-1}$	-	-2.133***	-2.467***
		(-5.761)	(-6.604)
$\Delta Caplib_{t}$	-	-0.911***	-2.026***
		(-3.510)	(-3.663)
$\Delta\prod_{t}$			-2.359***
			(-3.607)
$\Delta\prod_{,t-1}$	1.166*	-	
	(1.800)		
φ_0	-2.959*	0.487	-10.569***
	(-2.001)	(0.437)	(-3.775)
$Dummyfloat_{1}$			0.995**
			(2.555)
$Dummyfloat_{,t-1}$	-	-1.090**	0.815**
		(-3.034)	(2.633)
Dummy	-	-1.129***	-8.924***
		(-22.519)	(-68.068)
		yr1998	*yr1996*
R^2	0.78	0.88	
DW	1.96	2.07	1.12
AR	0.846[0.450]	0.528[0.604]	3.391[0.054]
RESET	1.745[0.198]	0.028[0.871]	1.881[0.185]
Norm	0.572[0.751]	1.735[0.420]	0.414[0.813]
ARCH	0.002[0.963]	0.002[0.962]	0.128[0.725]
HET	1.764[0.235]	0.204[0.973]	0.204[0.973]

Notes: Same as Table 2. In addition, dummyfloat is a dummy variable representing the change from a fixed to a floating exchange rate regime, that is, it takes on a value of 1 when there is a floating rate regime and a 0 otherwise.

Finally, on the question of switching from one exchange rate regime to another, we find that the results are mixed. In the case of Trinidad and Tobago, which went from a fixed to managed floating in April of 1993, the estimates suggest that this switch has resulted in greater monetary autonomy. While for Jamaica, switching regimes is associated with a reduction in monetary freedom. This may reflect the fact that Jamaica has switched regimes more times than any other country in the region and the increased uncertainty, speculation, along with capital flight that such practice has brought about would have constrained the authority's monetary policy freedom.

Conclusion

This paper takes up the issue of how an exchange rate regime affects monetary policy, empirically evaluating it in the context of Caribbean countries. In particular, the fixed exchange rate economy of Barbados is contrasted with the managed float of Trinidad and Tobago and the flexible rate of Jamaica in the context of an uncovered interest rate parity equation. Factors which influence the level of monetary autonomy exercised by these economies are also examined, these included capital controls and shocks related to external debt and inflation. The main result is that monetary policy in the fixed rate country follows more closely that of the base country than in the "floaters", suggesting that the open-economy trilemma framework is an adequate characterisation of policy analysis in these countries; fixed rates involve a loss of monetary policy autonomy.

At the same time, the findings indicate that the interest parity condition is attained in both Jamaica and Trinidad, as the long-run coefficients equal one. In Barbados this variable is not equal to one and could be as a result of capital controls implemented.

Finally, our paper shows that greater flexibility is not always related to greater monetary autonomy; case in point is Jamaica. This can be related to the implementation of policies in an unfavourable macroeconomic environment, which created greater uncertainty in the macroeconomy.

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Cultural Tourism: Global and Local Perspectives
(The Haworth Hospitality Press, 2007)
A Review by Ms. Chrystol Thomas*

In October 2003, the Association for Tourism and Leisure Education (ATLAS) in collaboration with Interarts in Barcelona hosted a meeting that was attended by 25 cultural tourism experts. The meeting reflected on the existing quantitative contributions to the literature on cultural tourism from a global perspective. Two reasons were pinpointed for this discussion: the expansion of the ATLAS group itself, and the increasing integration and convergence of issues in cultural tourism globally.

The proceedings from this conference were published in a book entitled "Cultural Tourism: Global and Local Perspectives." The book comprises sixteen chapters, written by over twenty authors, and edited by Greg Richards. The text generally discussed the importance and progression of cultural tourism and how global flows of tourists affect local economies. Additionally, it provided policy recommendations that may be useful in improving the marketability and standings of destinations. The volume is divided into four major parts: tourism, globalisation, and authenticity; cultural tourism development in a globalising world; sensitizing tourists and communities; and cultural events and festivalisation.

Global Trends in Cultural Tourism

Within the introduction, Richards defined cultural tourism as "the holy grail of quality tourism that cares for the culture it consumes while culturing the consumer." Cultural tourism's importance is accepted and emphasised by global institutions and nations due to its economic and cultural contributions. In this chapter, Richards highlighted the global trends in tourism. Because of globalisation, new avenues have been sought after resulting in the evolution of cultural tourism from "shining prizes" to an expansion in heritage, popular culture and living cultural attractions. Therefore, the growth of cultural tourism is important as it: helps destinations avoid the drawbacks of traditional tourism; provides a means for development of cultural destinations; satisfies the increased demand for cultural facilities; influences growth and development; and, unifies society as people learn about new histories and local identities. Consequently, cultural tourism was labelled a "global common currency" and has been integrated within the new technological age, as information of all sorts can be found via the World Wide Web.

Part 1 - Tourism, Globalisation, and Authenticity

In the paper, *Cultural Tourism: Between Authenticity and Globalisation,* written by Frans Schouten, the author debated whether authenticity is essential for cultural expressions and if it helps shape cultural identities. A discussion on both the positive and negative attributes of tourism for local cultures was undertaken and the authenticity of culture was presented from the perspectives of the guest and the host. The author posited that visitors were contented with what they believed were true representations of the host's culture and not necessarily what is reality. This was argued to be good for the hosts as their private lives were "safeguarded". Mason (1994), as quoted by Schouten, found that to encourage high visitation, the tourism product should be able to "mystify the mundane, to amplify the exotic, minimize the misery, rationalize the disquietude, and romanticize the strange".

In chapters 3 and 4, two case studies were presented on South Africa in relation to the advantages and disadvantages of "township tourism" and the possibility of developing cultural tourism. Pranhill Ramchander adopted Mabogane and Callaghan (2002) and Ramchander's (2004)

* Ms. Chrystol Thomas is a Research Officer in the Research Department of the Central Bank of Barbados.

concepts and identified 'township tourism' as "travelling for the purpose of observing the cultural expression and life-styles of black South Africans". As such, the socio-cultural impact of township tourism on the host population in Soweto was investigated. The literature illustrated that township tourism was a mixed blessing, as some residents disliked the intrusion by tourists while others gained financially and culturally. Overall, however, it was discovered that residents were generally displeased about the representation of their culture since they have been continually excluded from mainstream tourism activities. The study therefore, mentioned the need to attain sustainable tourism by finding the balance between consumption and conservation, and to also achieve proper planning and management by ensuring that stakeholders are working together through consultations and negotiations.

Briedenhann and Wickens in their paper entitled *Developing Cultural Tourism in South Africa: Potential and Pitfalls* noted that tourism development would be successful if approached from a business perspective instead of a social one. Due to the competitive nature of tourism, they posited that projects should have a "reliable, deliverable product that offers value for money."

Part II - Cultural Tourism Development in a Globalising World

In her presentation on *Space, Place, and Placelessness in the Culturally Regenerated City,* Melanie Smith investigated how cultural regeneration can transform urban spaces into areas of mass consumption. The paper concentrated on the 'spatial transformation of cities', by looking at themed tourist spaces, waterfront developments, shopping malls, and cultural quarters. The study showed that cultural development, by means of gentrification and other barriers to access, tended to exclude local communities. Smith also highlighted that 'space', 'place' and 'placelessness' were interrelated: space, through structured planning, can result in places for entertainment, leisure, or recreation while placelessness exist when 'place' starts to look the same because of a lack of planning, regulation and control. The author asserted that there is the need for government to put greater emphasis on 'place' in their agendas as 'place' could be the cause for the 'death or life' of a city.

From the paper, quite a few recommendations were suggested. Policymakers were advised to consider the needs of local people and global tourists when undertaking spatial reconfiguration. Smith further added that urban planning might not be viable if there are local and global tensions. Therefore, to ensure a competitive advantage, cultural diversity, distinct heritage and place identities were essential factors.

Robert Maitland, in discussing *Cultural Tourism and the Development of New Tourism Areas in London,* focused on the results of two surveys, International Passenger Survey (IPS) and Survey of Overseas Visitors to London (SOVL), that investigated the necessity of local distinctiveness in London. Information on visitors' characteristics, what attracted them to specific areas in London, and what they valued most about the host's place and culture were obtained. The study found that visitors assigned greater weight to place or 'placefulness' with distinctive qualities. The paper identified the need for further research and the importance of such analyses in planning and public policy implications to ensure uniqueness and 'placefulness'.

Trailing Goethe, Humbert, and Ulysses: Cultural Routes in Tourism by Laszlo Puczko and Tamara Ratz highlighted the popularity of theme-based tourist attractions such as Legoland and Disneyland. Themed-routes were

defined as 'tourism products that associate a selected theme with natural and created attractions that can be reached by a variety of means of transport' (Puczko and Ratz, 2000). The implementation of themes was found to attract different types of tourists. The authors pointed out that cultural or themed routes were important in bringing together cultures and cooperation of different sectors. A themed-route was seen to achieve several objectives:

- Improve transparency, that is, getting familiar with the territory;
- Avoid crowded centres as alternative routes are devised;
- Repackage existing attractions which assists in targeting new groups;
- Improve cooperation between the participants;
- Designing new routes and penetrating new markets; and
- Cost-efficient as little effort is needed to manage tourists.

The paper also suggested ways of creating and operating cultural routes by using Budapest as an example. The following stages were identified as necessary in order to develop themed-routes:

- Initialization – where the idea came from?
- Trademark protection name;
- Concept fine tuning;
- Visual design: maps, text writing, layout and web page design; and
- Market research – interview route members and visitors for their opinions on the routes.

Fernandez et al. conducted a comparative analysis of international tourists in inland cultural destinations between Castile and Leon in Spain. The dimensions considered for cultural attraction were: artistic, historical and heritage sites; human activity of cultural interest; economic activities of cultural interest; and landscapes and nature. They examined the relationship between types of tourists and cultural backgrounds, and the motives and behaviour of tourists in inland destinations. The study found that 'artistic, historical and heritage sites' and 'landscapes and nature' were the most important motivations throughout the period of investigation.

Part III - Sensitising Tourists and Communities

Jaume Franquesa and Marc Morell wrote on *Transversal Indicators and Qualitative Observatories of Heritage Tourism.* The main aim of the paper was to evaluate the tools and indicators used in the development of products assigned to heritage. The authors sought to show the importance of tools for monitoring sustainability and quality so that appropriate tourism products are maintained and to determine a suitable criterion for developing these tools. Franquesa and Morell provided a background of what indicators are and formulated a model that can be used for tourism. The authors noted that indicators were categorised under general (for tourism destination, people and activities; such as, labour market, distribution of wealth, production of waste, access of housing, and demographic data) and environmental (for example, pattern of land use, percentage of urbanized space, volume of water/energy/concrete per person, recycling data). Some of the problems they identified with indicators were the availability of data, different measurement of data, and omitted variable bias. Seasonality, tourist pressure and socio-cultural impact were some of the indicators assigned to tourist destination.

Xerardo Perez's paper, *Ecomuseums, Cultural Heritage, Development, and Cultural Tourism in the North*

of Portugal, looked at the many stages of progress that followed World War II. Perez focused on tourism development, and the eras of imperialism and colonialism that preceded it throughout the world. He pointed out that the role of museums has changed from being places of conservation to representations of new requirements and cultural politics. Thus, the term "ecomuseum" was developed. The "Ecomuseu do Barroso" project was considered in detail to show how ecomuseums were used as political, social, and economical instruments so that community participation was revived. The author used the project to display some of the problems encountered in cross-border development and how cultural tourism was used by the Portuguese to reduce emigration from the countryside. He showed that ecomuseums could be used as a means of intercultural communication between the urban world and the rural world. Furthermore, Perez made the point that cultural tourism can be used responsibly to make a tourist product that neither destroys local cultures nor puts people in 'zoos' because it consists of the 'actual' cultural experience.

Religious Tourism in Northern Portugal, written by Greg Richards and Carlos Fernandes, presents an in-depth analysis of the link between tourism and religion. Richards and Fernandes made the point that religious sites and festivals have long been an established and important part of tourism since people travelled all over the world to visit cathedrals or monasteries because of the historical value to their religion. These sites were in some cases not only an important source of tourism but also the primary source of tourism for certain cities. The growth of spirituality has led to new forms of religion replacing the traditional ones. Hence, there has been an expansion in the number of tourists to pilgrimage sites and shrines over the last few years. There was also a very detailed analysis of religious tourism in Northern Portugal in which the supply and demand of religious attractions were explored, and proposals made for the development of certain tourist attractions in order to increase demand at a more regional and global level.

Patricia de Camargo's contribution to the meeting was *Using Tourist Resources as Tools for Teaching and Creating Awareness of Heritage in a Local Community.* She looked at two different pieces of research, one in Brazil and the other in Spain. The first piece of research focused on testing the efficiency of guided cultural routes as tools for teaching high school students to value their heritage while the second study looked at how intangible heritage could be used as a tool in school and museums to make the local community revalue its identity. Both studies were based on several theories and concepts, which included the theories of multiple intelligence and culture of satisfaction, and the concept of citizenship related to the consumption.

Through a survey conducted in eight countries, the paper noted the importance of culture in the travel experience of young people. The findings indicated that approximately 80% of the participants showed appreciation for other cultures while about 50% suggested increased understanding of their own culture. Camargo concluded that both the host destinations and the generating countries could benefit from tourism education, as the quality and the satisfaction of the experience would both increase. He also made the point that the construction of a collective identity would help protect common areas where interaction is possible.

Part IV - Cultural Events and Festivalisation

In Chapter 13, Greg Richards looked at the use of cultural events as a tool for image building, employment creation, and economic 'boosterism'. In his paper entitled *The Festivalization of Society or the Socialization of Festi-*

vals? The Case of Catalunya, he argued that local places and culture were tourist products, as they attracted thousands of people and made a name for countries worldwide. Catalunya was used as an example due to its success in the 1992 Olympics. Richards made the point that though certain events may have been added to create more spectacles, the majority of festivals in Catalunya remained mostly ritualistic. He further added that promotion of events is increasingly aimed at social, rather than economic goals.

Erik Hitters examined the designation of European City or Capital of Culture. He noted that 'declining' cities were increasingly using culture as a means of city marketing and that these cities based success on the number of visitors arriving or the amount of money spent rather than the cultural content or long-term image effects of the event. The focus was placed mainly on the Rotterdam and Porto Cultural Capital events in 2001. With respect to 'festivalisation', both cities used the event for broad urban development or economic and social objectives. The programme in Rotterdam was very inclusive of popular culture and entertainment while the programme in Porto was more elitist. In both cases, festivalisation was a visible trend in cultural policy, as the festivals were used to generate change in the city - physical change in Porto and social and cultural change in Rotterdam.

The paper, *Economic Impact and Social Performance of Cultural Macrofestivals,* outlined the economic effects of the transition from 'working to live' to 'working for leisure'. Herrero et al. argued that increased leisure consumption resulted in higher job creation through sports and tourism. Culture has therefore, moved from 'unusual leisure activity' to a basic need for many citizens. Herrero et al. posited that culture plays a role in social cohesion as it combined individual creativity and self-development. Therefore, cultural festivals helped attain economic and social goals as it attracted huge audiences, created urban images, stimulated creativity and built social cohesion. The paper undertook a study on the economic impact for Salamanca 2002, the last European Capital of Culture nominated in Spain. The results of this research indicated that cultural events constituted a remarkable source of wealth generation, according to the dimension of the overall economic impact of Salamanca 2002.

The final chapter of the book provided the conclusion and looked at the future of cultural tourism. Greg Richards concluded that there are great prospects for cultural tourism if more emphasis is placed on urban regeneration, cultural events and festivalization. A number of research opportunities were identified in the chapter that could aid in suggesting further implications and policy recommendations.

Conclusion

"Cultural Tourism: Global and Local Perspectives" demonstrates that with increasing global competition, there is little room for complacency, as destinations must work hard to create a unique identity. The book gives important suggestions as to the evolution of tourism and what modern day tourists are looking for in a destination. This can help countries prepare for the mentality of contemporary tourists. One limitation of the text is that the case studies focused mainly on the European countries.

Although there was no specific reference to the Caribbean region, the findings have much relevance for a country like Barbados since the economy relies heavily on tourism. Therefore, policymakers could draw numerous lessons from this publication. Two key lessons emerging from the text were the importance of place being more than

an aesthetic version of the tourist's gaze, and that cultural experiences should be authentic or non-homogenised. These findings are important for Barbados, as they suggest the need to ensure that sites targeted to tourists are constantly being upgraded so that they appear 'new' and 'interesting' thus, attracting first time as well as returning visitors. This helps secure a constant flow of global tourists and maintain the stability of the contribution of these sites towards national income. It is recommended that greater research should be undertaken on cultural tourism in Barbados and the region. Thus, given the nature of this book, it is highly recommended for researchers, policymakers, and students with an interest in tourism.