IDB Caribbean Economics: The Fragile Path to Recovery

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Inter-American Development Bank
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The Backdrop: Growth & Development

PRE-CRISIS CONTEXT
Caribbean real GDP growth has been volatile, and lagged comparable economies...

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

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

COVID-19: Extreme Outlier for Caribbean

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

2020 GDP Growth vs. Largest Historical Shock (%)

Source: IMF WEO & World Bank WDI.
Growth Accounting: the consumption side.

\[ Y = C_{p,g} + I_{p,g} + (X-M) \]

where:

- \( Y \) = total output
- \( C \) = consumption
- \( I \) = investment
- \( X \) = exports
- \( M \) = imports
- \( p, g \) = private / government.
Tourism: Caribbean World’s Most Dependent Region

COVID SHOCK HIGHLIGHTS TOURISM DEPENDENCE...
### Tourism Dependency Index

(2020, Latin American and Caribbean countries shown)

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</thead>
<tbody>
<tr>
<td>Aruba</td>
<td>1. Aruba</td>
<td>1</td>
<td>87.5</td>
<td>88.3</td>
<td>78.0</td>
<td>84.6</td>
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<tr>
<td>Bahamas, The</td>
<td>3. Bahamas, The</td>
<td>3</td>
<td>48.2</td>
<td>56.1</td>
<td>73.0</td>
<td>59.1</td>
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<tr>
<td>Antigua and Barbuda</td>
<td>5. Antigua and Barbuda</td>
<td>5</td>
<td>53.7</td>
<td>47.8</td>
<td>64.1</td>
<td>55.2</td>
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<tr>
<td>St. Lucia</td>
<td>6. St. Lucia</td>
<td>6</td>
<td>41.6</td>
<td>50.4</td>
<td>65.1</td>
<td>52.4</td>
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<tr>
<td>Barbados</td>
<td>9. Barbados</td>
<td>9</td>
<td>40.0</td>
<td>39.9</td>
<td>67.0</td>
<td>49.0</td>
</tr>
<tr>
<td>Jamaica</td>
<td>11. Jamaica</td>
<td>11</td>
<td>32.5</td>
<td>29.5</td>
<td>60.0</td>
<td>40.7</td>
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</table>

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

Source: Mooney and Zegarra 2020 (https://voxeu.org/content/covid-19-developing-economies)
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Source: Mooney and Zegarra 2020 (https://voxeu.org/content/covid-19-developing-economies)
COVID-19 Shock to Tourism: An extreme outlier…

Unprecedented Decline in International Tourist Arrivals
(year-on-year decline, percent)

Source: Gomez, Mooney, Rosenblatt and Zegarra, IDB (May 2021).
COVID-19 Shock to Exports: Balance of payments and exchange rates were a concern...
COVID-19 Shock BOP and Exchange Rates: Unexpected resilience...

Example: Jamaica: Current Account Components (%GDP)

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<tbody>
<tr>
<td>Imports</td>
<td>44.3%</td>
<td>49.0%</td>
<td>50.4%</td>
<td>52.6%</td>
<td>42.2%</td>
<td>-10.4%</td>
</tr>
<tr>
<td>Exports</td>
<td>31.2%</td>
<td>33.0%</td>
<td>37.0%</td>
<td>37.8%</td>
<td>24.1%</td>
<td>-13.7%</td>
</tr>
<tr>
<td>Remittances</td>
<td>16.9%</td>
<td>16.1%</td>
<td>15.7%</td>
<td>15.3%</td>
<td>21.2%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Current Account Balance</td>
<td>-0.3%</td>
<td>-2.7%</td>
<td>-1.6%</td>
<td>-2.3%</td>
<td>-0.1%</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

Sources: Author calculations based on data from IMF World Economic Outlook October 2021
Looking Forward: What to expect?

EXTERNAL DEMAND AND TOURISM RECOVERY WILL BE KEY...
When will tourism normalize? Open question, and fluid environment...

Source: Gomez, Mooney, Rosenblatt and Zegarra, IDB (May 2021).
2021 data encouraging... but time will tell how durable. Caribbean may be well placed...

Visitors to the Caribbean (2019=100%)

Gap
Share of 2019


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

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