

DeLisle Worrell: The economic and financial system in Barbados

Welcome remarks by Dr DeLisle Worrell, Governor of the Central Bank of Barbados, at the Domestic Financial Institutions Conference, Bridgetown, 20 September 2012.

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The time we spend together here today is an opportunity to reflect on the nature and effects of financial transactions in our economy, in an effort to better understand how the financial system works. We do well always to remember how imperfect is our understanding of the economic and financial system. In economics, as in many other areas of life, we often speak as though we are sure of the consequences of this or that policy, when in fact there are so many factors at work in every case that the outcome is always uncertain. That is why, from time to time, it is essential that we step back from the action and examine in some depth how things have turned out, and what that tells us about how things work.

It is important that the Central Bank and the Financial Services Commission, the regulators, do this in collaboration with you, the private financial institutions. The economy works to our benefit only when all actors, the Central Bank, Government, financial institutions, firms and households all share an understanding of how the actions of each affects the others and the economy as a whole. A great strength of the Barbadian economy, and one which we should celebrate, is the quality of the institutions which inform the discussion of our economy. Our social partnership is celebrated around the world, and we need to pay tribute to the quality and comprehensiveness of our media's coverage of economic issues. Today's conference is a contribution to the study and discussion of our financial system, so that we can improve the way it works, in the interests of our national development.

Our agenda today includes an update on the stability of our financial system, which we continue to monitor closely. In January we published a comprehensive report on the financial system, and we published an update in July. Our system is sound and our major institutions have adequate capital and reserves, but we continue to see the adverse effects of the prolonged recession on credit quality. The process of resolving the Clico insolvency is on-going, managed by the judicial managers, under the supervision of the courts. Other insurance companies are profitable.

Our Financial Services Commission is now into its second year, and there have been changes of substance in the regulation of nonbanks. The financial system as a whole, banks, other financial institutions, the FSC, Government and the Central Bank, are all preparing for the next Financial Stability Assessment Programme (FSAP), planned for next year. The FSAP, which is conducted jointly by the IMF and World Bank, takes a comprehensive and in depth overview of the financial systems of their member countries, on a periodic basis.

Our programme includes papers on interest rate policy and foreign exchange transactions, both areas where we have revisited past experience in search of fresh insight about the nature and effects of these variables. In the case of interest rates we are suggesting a refinement of policy, to reflect the strong links between Barbados' financial system and North America in a more systematic way. In the case of the foreign exchange market, it is unclear whether any change is warranted, and we look forward to your views on our presentation.

We are happy to have as our luncheon speaker today Dr Arnold McIntyre, Co-ordinator of the Caribbean Technical Assistance Centre (CARTAC), among the most useful of organisations of its kind in the world. CARTAC's strengths include the fact that it has effectively leveraged the expertise which the Caribbean already has in individual countries, and made it available to the region as a whole. The Centre has also been able to respond rapidly and in a targeted way to the perceived technical assistance needs of the Caribbean. Arnold will speak to us about the Centre's work.

We have set aside much of our agenda for opportunities to hear from the financial institutions that we serve. Mr Roger Archer will offer a perspective on how regulations might be crafted, and we have two panels. The first is on the changes that have taken place and are continuing, in the practice of banking and related financial transactions. I am particularly looking forward to the second, on investing in Barbados, because investment is the key to development and growth, and I believe we should always seek ways to ensure that finance is directed to activities that are profitable, and will enhance the growth potential of our economy.

The outcome of today's session will be food for thought. This is not a decision making forum. It is true that we will be discussing past decisions and their effects, and we will be outlining the framework of forthcoming decision making in at least one area, that of interest rates. However, the importance of today's meeting is not to be found in decisions taken, but in the exchange of views among ourselves on the matters we will discuss, so that we can all go away with ideas on how to do our jobs better.

Thank you all for coming and enjoy today's deliberations.