

## **DeLisle Worrell: Economic and financial services developments in Barbados**

Welcome remarks by Dr DeLisle Worrell, Governor of the Central Bank of Barbados, at the Domestic Financial Institutions Conference 2015, Bridgetown, 8 September 2015.

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Welcome everyone to the annual one day conference on banking and other financial services for Barbadians and residents, organised by the Financial Services Commission and the Central Bank, in association with the Bankers' Association and our other partners in the private sector. As you know the FSC and CBB host two of these conferences every year, the other one with a focus on our international financial services. (The 2015 international financial services conference took place on April 10).

Today's conference comes at a time when the economy has overcome the foreign exchange challenge of 2013 by the decisive budgetary adjustment taken in that year. The adjustment policy is a textbook example of how economies like ours should respond to foreign exchange market pressure. The keys to success are early detection of the problem and swift implementation of tax increases and public expenditure cuts, sufficient to reduce the demand for imports. With that episode behind us, the focus returns to measures to grow the economy. Tourism is our main source of foreign exchange and we have had an encouraging revival in numbers and spending this year. New investment is underway or in prospect in hotels, tourism related services, public utilities and infrastructure. Both in tourism and in international business and financial services, government and private interests are taking initiatives to enhance the quality and range of our offerings, to explore new markets and to build the Barbados brand as the basis for our competitiveness. Quality, branding and smart marketing are also the key elements of the strategy for exports of food, beverages and manufactured goods. We have begun to recognise that power generation through alternative energy has the power to transform our economy. Now that we have made a start with photovoltaics, incentives for investment in green energy must be made effective, so that investment accelerates significantly.

The economic benefits of expansion of the foreign exchange sectors are spread through the society largely via small and medium enterprises. These enterprises will be the main source of job creation in the near term. SMEs are also the wellsprings of innovation and of the development of cultural and ICT services Barbados aims to sell to an international market.

Government plays a vital role in supporting these growth promoting activities with incentives, and technical, financial and other support. In addition, government has the responsibility to secure fair access to international markets for Barbados' competitive products and services. This must be achieved within a Government budget that is further reduced to a level that is sustainable over time. The ongoing priorities that are being addressed in this regard are:

- Consolidation of government functions to reduce Government expenditures;
- Measures to raise the average levels of productivity, and to improve Barbados' record for bureaucratic effectiveness. These measures will help to improve Barbados' international competitiveness and boost the capacity to earn and save foreign exchange;
- The elimination of Government arrears of payment.

Monetary policy plays a supporting role in the Barbadian economy. The Central Bank's target is to keep domestic interest rates in line with international trends, taking account of the tightness of domestic liquidity. In the current circumstances where banks have funding well in excess of their customers' demand, interest rates can be expected to decline, as the fiscal deficit falls, arrears are paid off, and confidence in fiscal management returns to the market.

The Central Bank's sole policy instrument is the Treasury bill rate, which the Bank aims to influence via the T-bill auction. Anton Belgrave will discuss how this market has behaved, in his presentation to the conference this morning.

The Financial Services Commission and the Central Bank constitute the Financial Market Oversight Committee (FMOC), which meets to review the health of the financial system. Together we issue the annual *Financial Stability Report* and a mid-year update. This conference provides an opportunity for the FSC and Central Bank to explore aspects of the financial system and new developments in some depth. Randy Graham will provide an update on the FSC, and Tamara Hurley will speak on the latest guidelines on the assessment of credit risk, as we continue the ongoing process of supervisory upgrades.

The global phenomenon of low interest rates poses a challenge for pension funds, in their search for investments that provide them with yields sufficient to meet their obligations without eroding the capital value of their assets. Charles Herbert will make a presentation on the trends in pension investment.

The global concern over the action by many international banks to discontinue provision of financial services to certain categories of customer is something we cannot ignore in a conference of this kind. Allan Wright will make a presentation on this topic. Allan is coordinating a Caribbean-wide study to garner information on the extent of the problem, under the auspices of the regional central bank governors. Marlon Yarde will provide us with information on the activities and prospects for the Barbados Securities Exchange.

We will end with a panel on electronic commerce in which we will discuss the availability of electronic payments facilities and what measures would be most useful in promoting e-commerce.