



Economic Expansion In Barbados: Implications for Insurance and Financial Advisors

**Remarks by Governor Dr. Kevin Greenidge
to the Barbados Association of Insurance and Financial
Advisors (BARAIFA)**

Friday, May 17, 2024

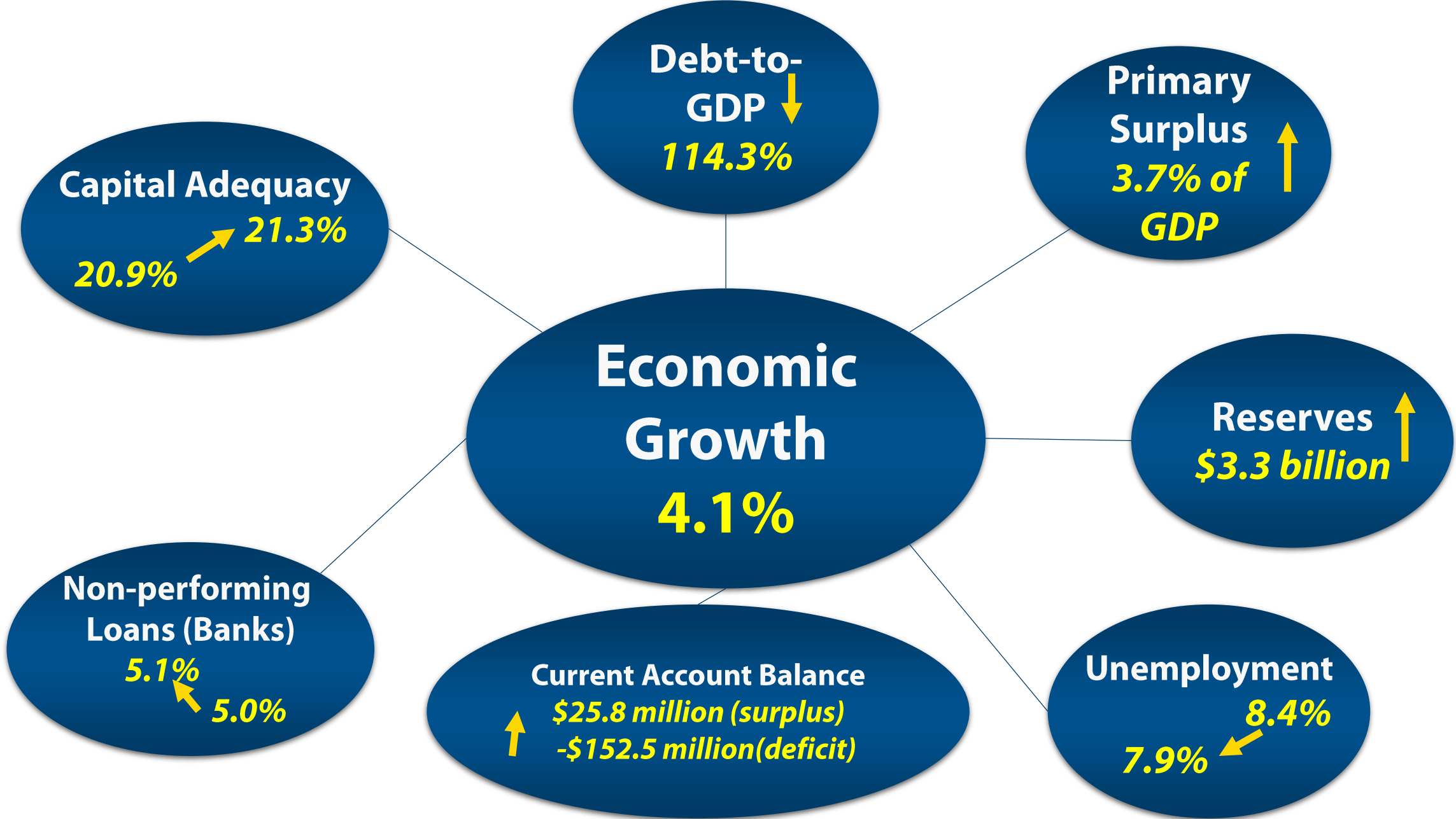
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OVERVIEW OF THE ECONOMY

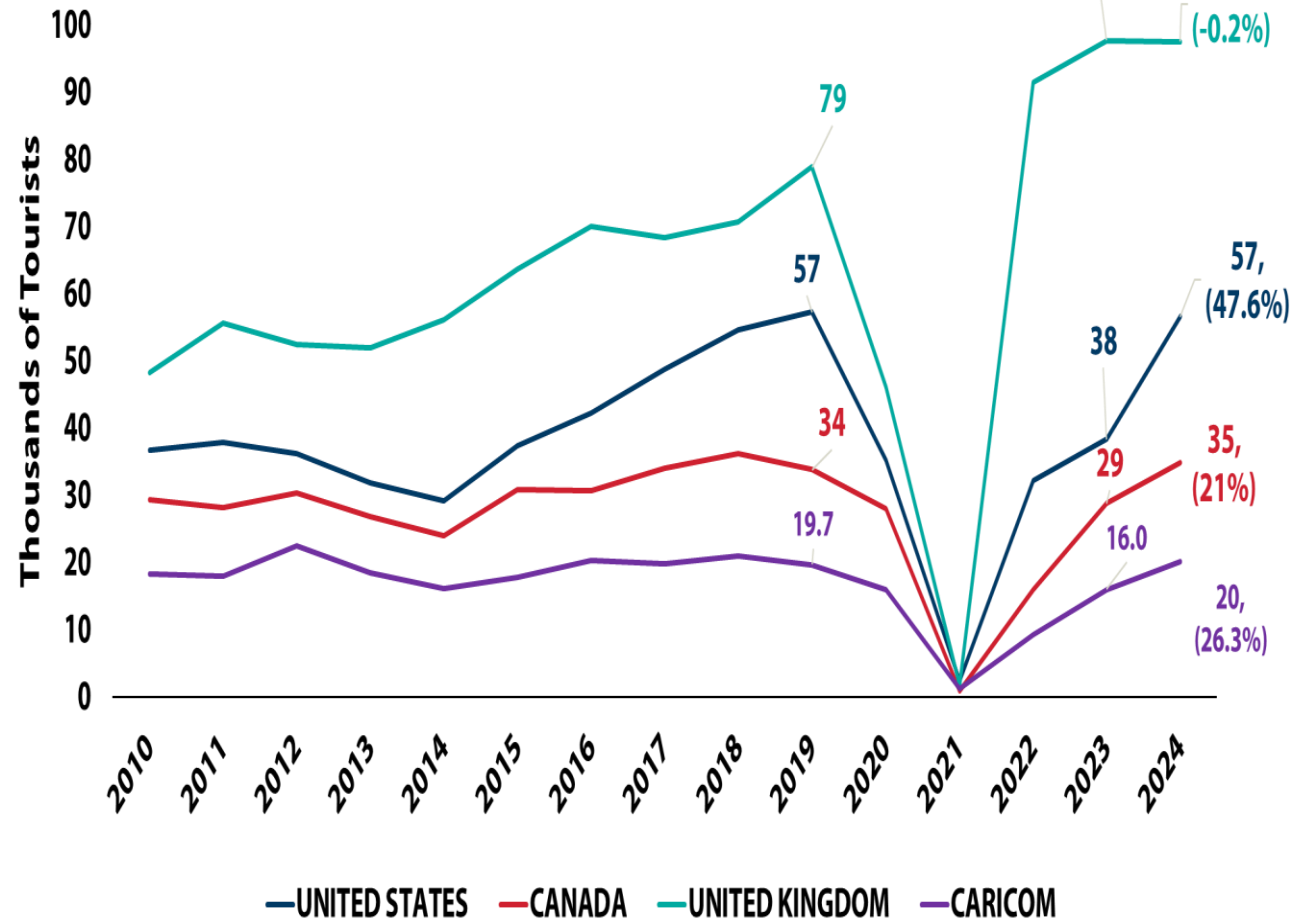
Economic growth continued, further strengthening resilience despite challenges



Record first quarter tourist arrivals

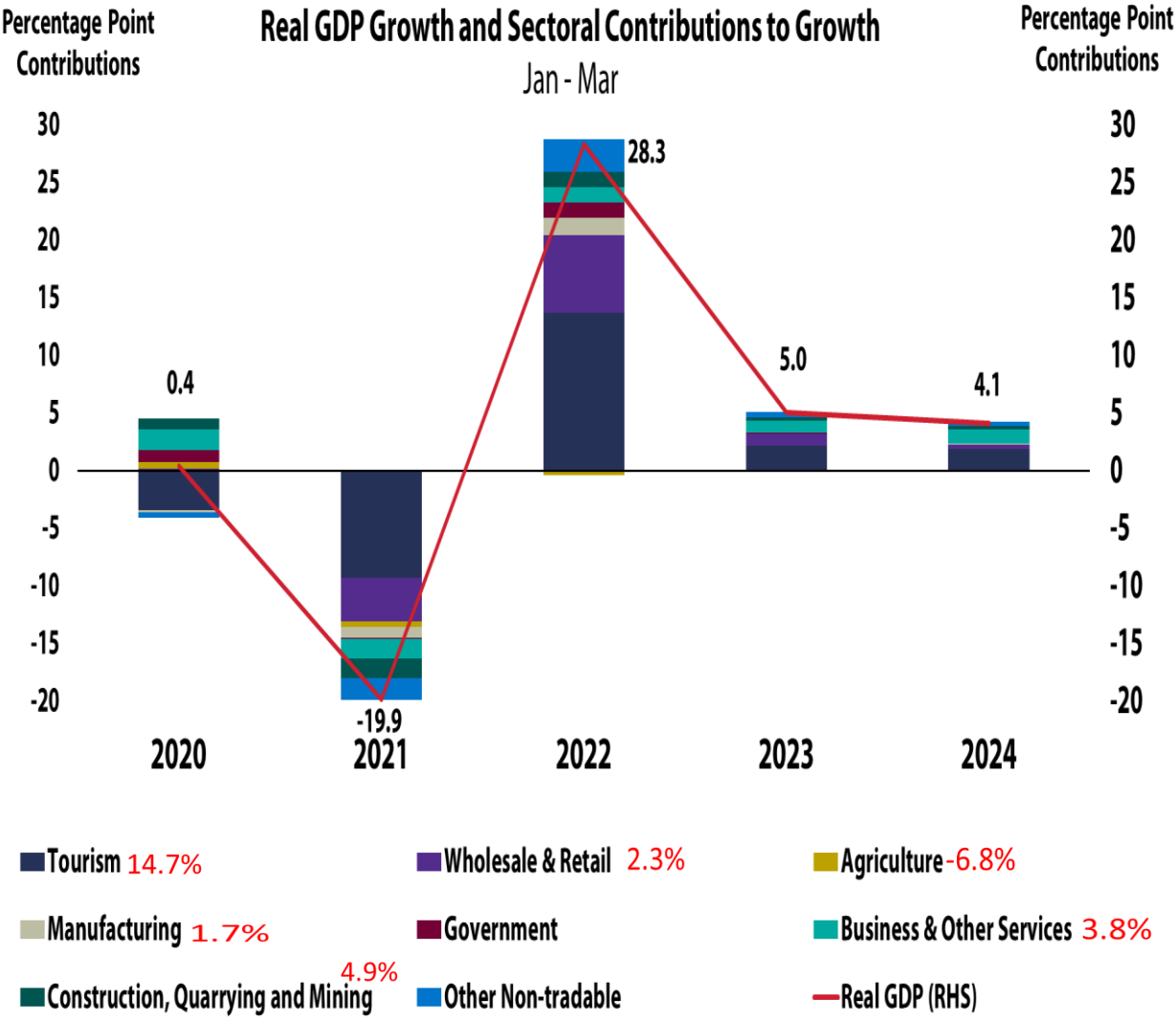
Arrivals up 14.8% year-on-year

January - March



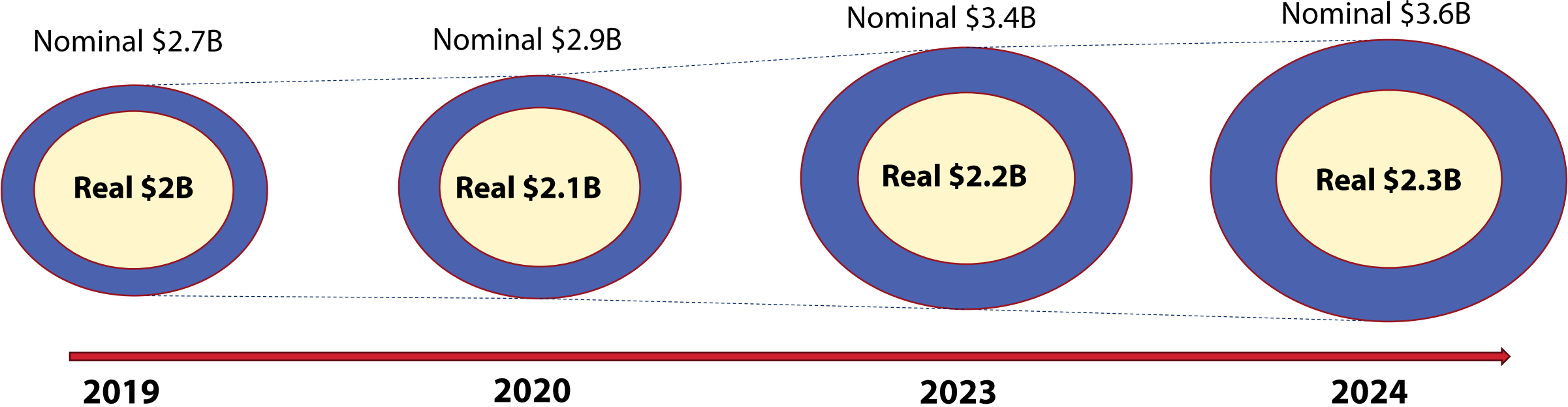
12 consecutive quarters of real GDP growth

Most sectors contributed to the economic expansion.



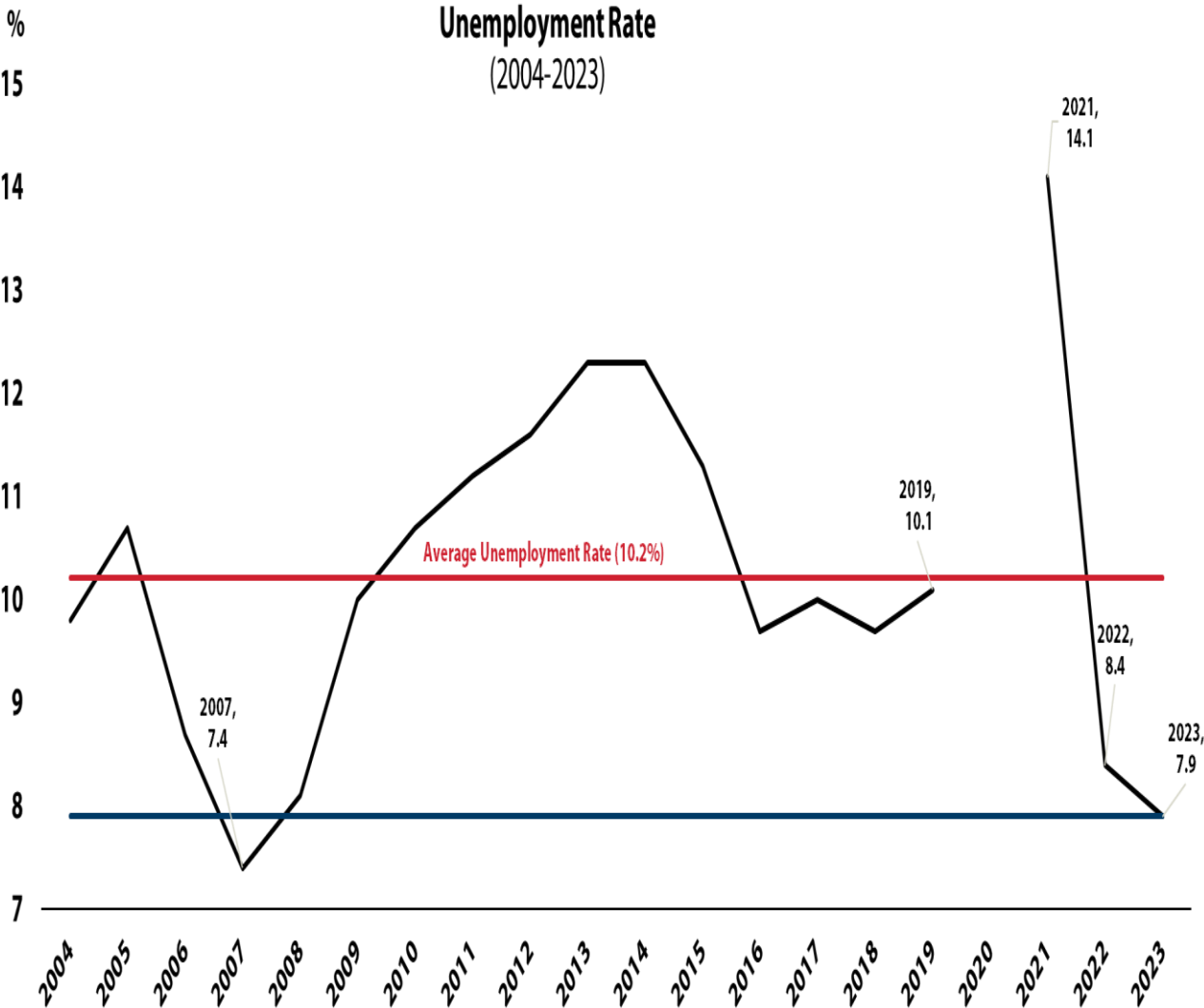
GDP continued to expand in both Real & Nominal Terms

Jan-Mar

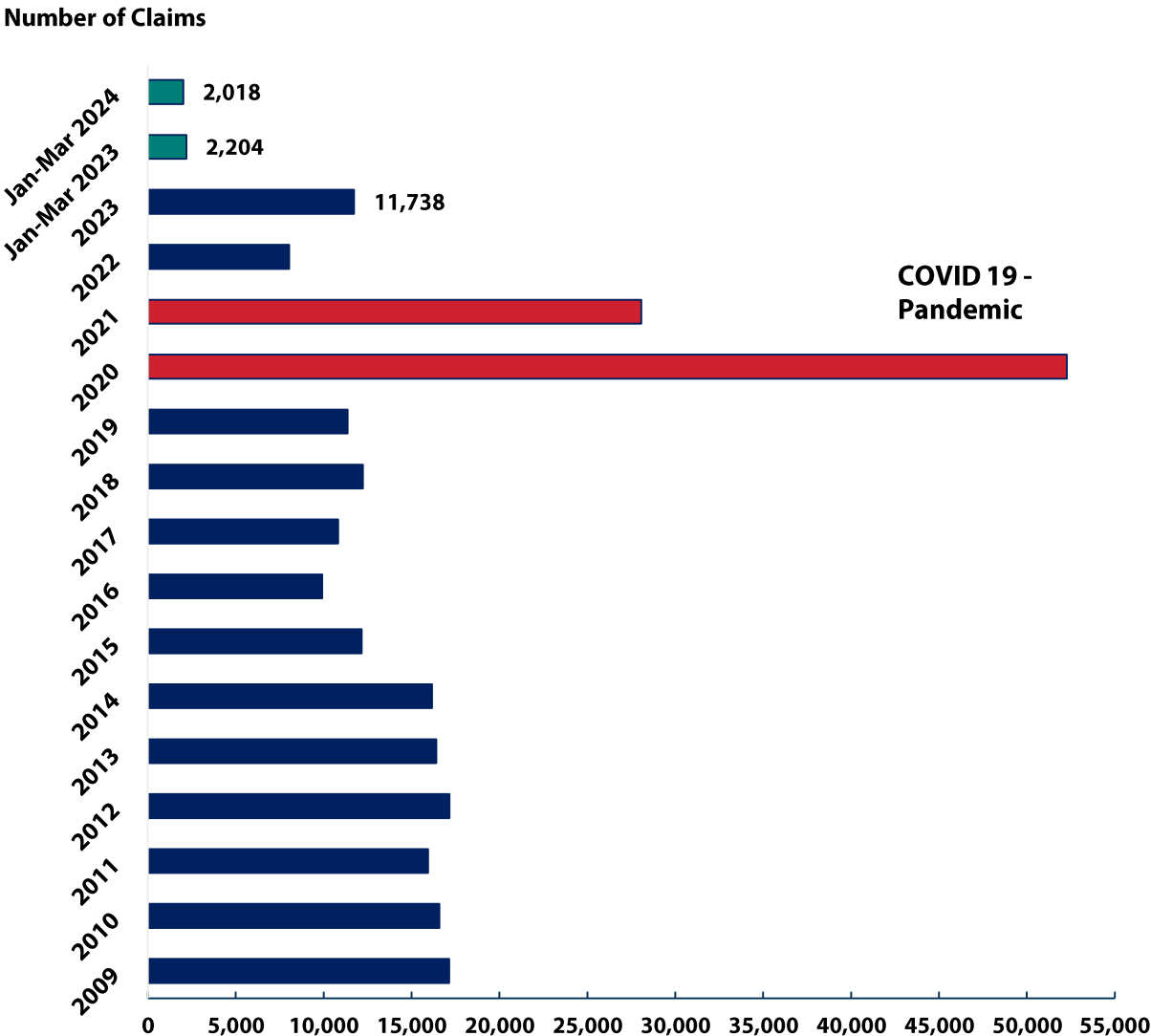


Labour market conditions remained stable.

The annual unemployment rate decreased slightly but remains below the historical average.

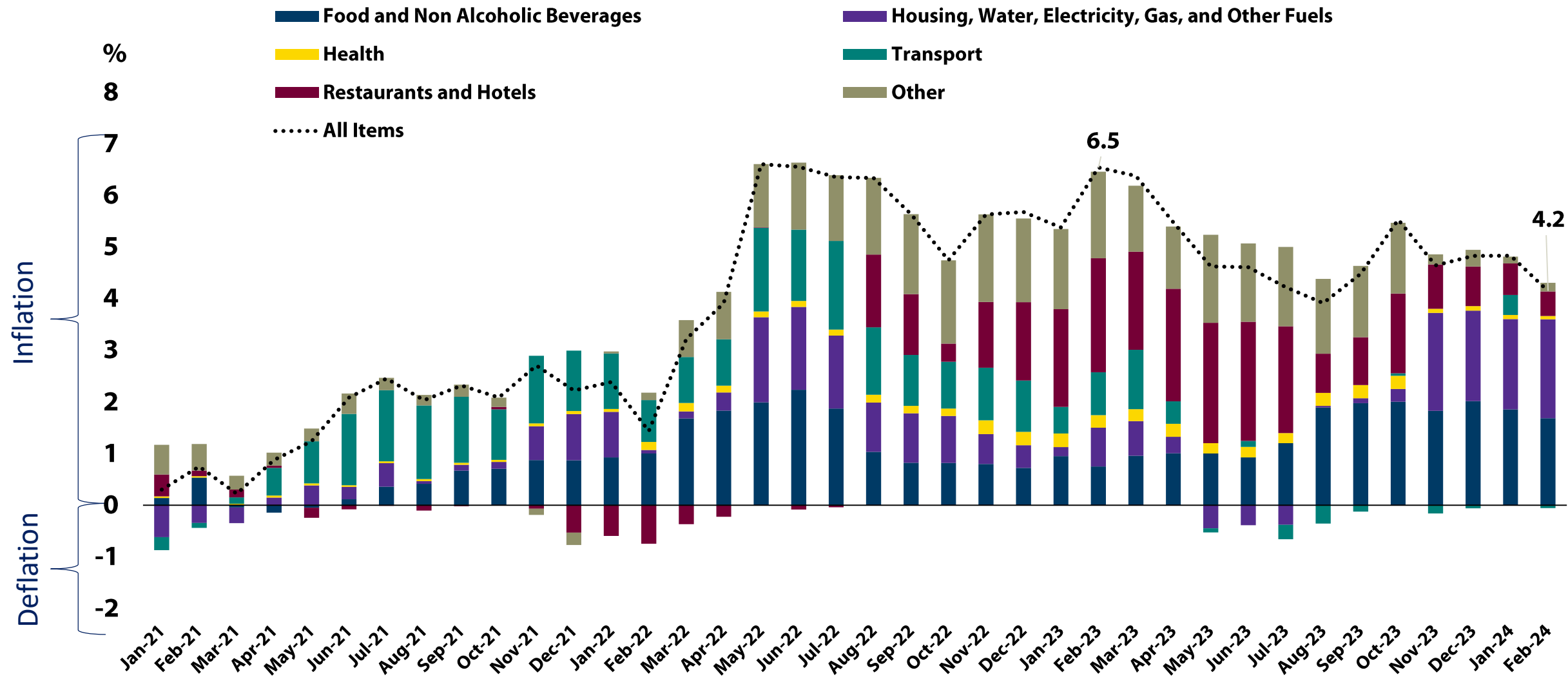


Number of unemployment claims was lower than 2023, remaining below pre-pandemic levels.



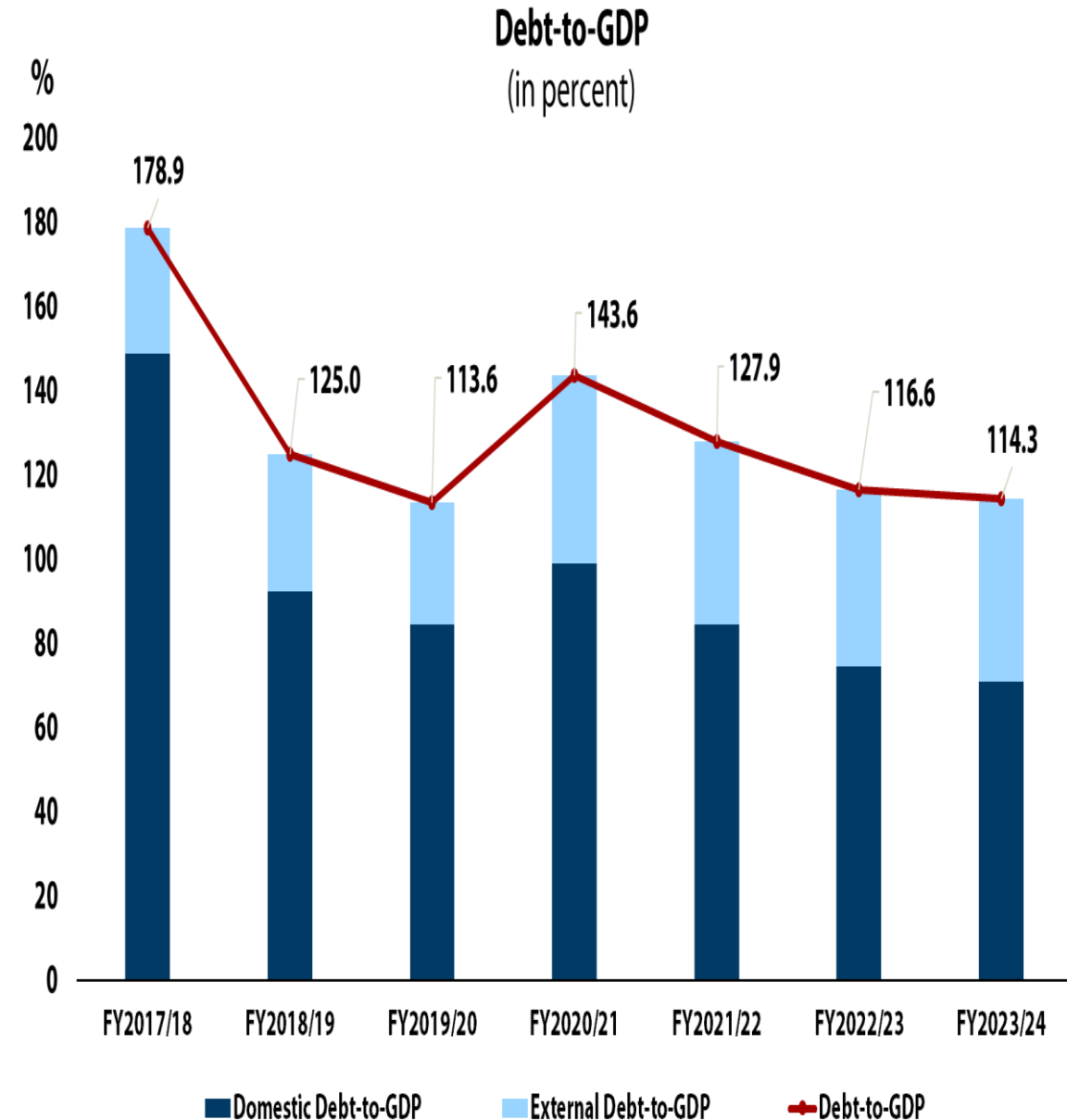
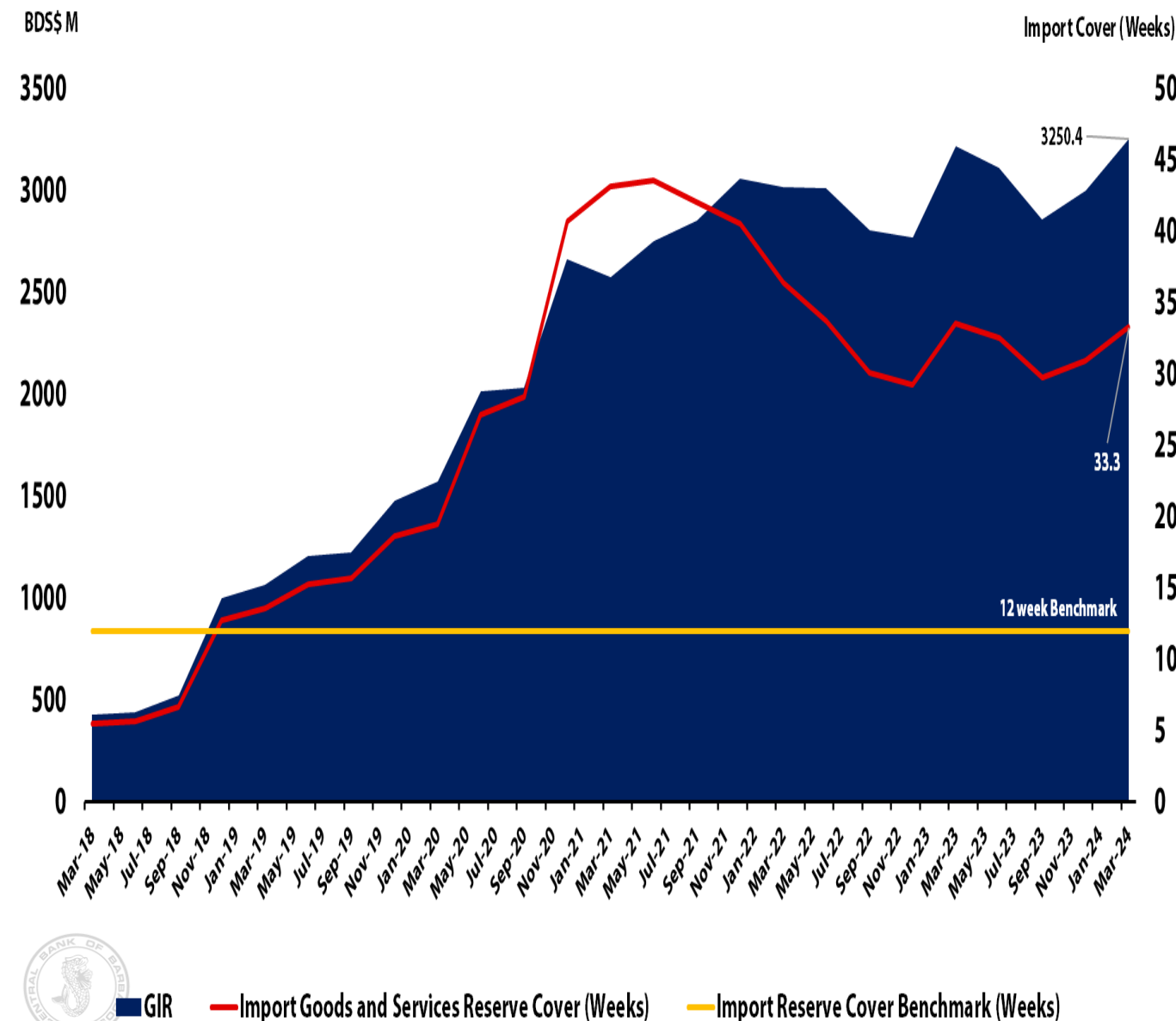
Inflation slowed but remain elevated, primarily due to local factors.

- 1) adverse weather conditions impacting supply of certain crops and livestock
- 2) higher demand for dining and alcoholic beverages.
- 3) rental prices



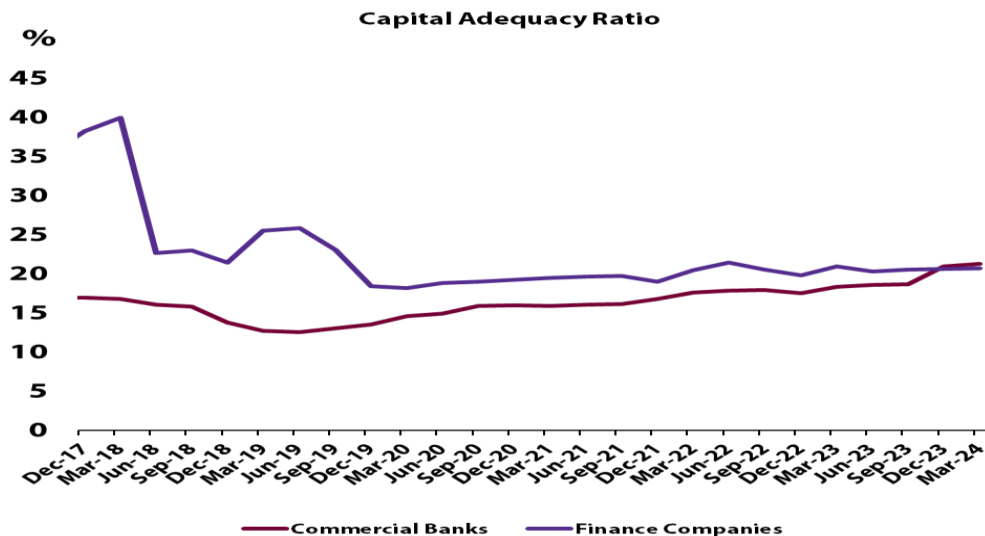
Foreign reserves are at a record high! *33.3 weeks of import cover.*

Debt-to-GDP ratio continues to decline as the economy expands.

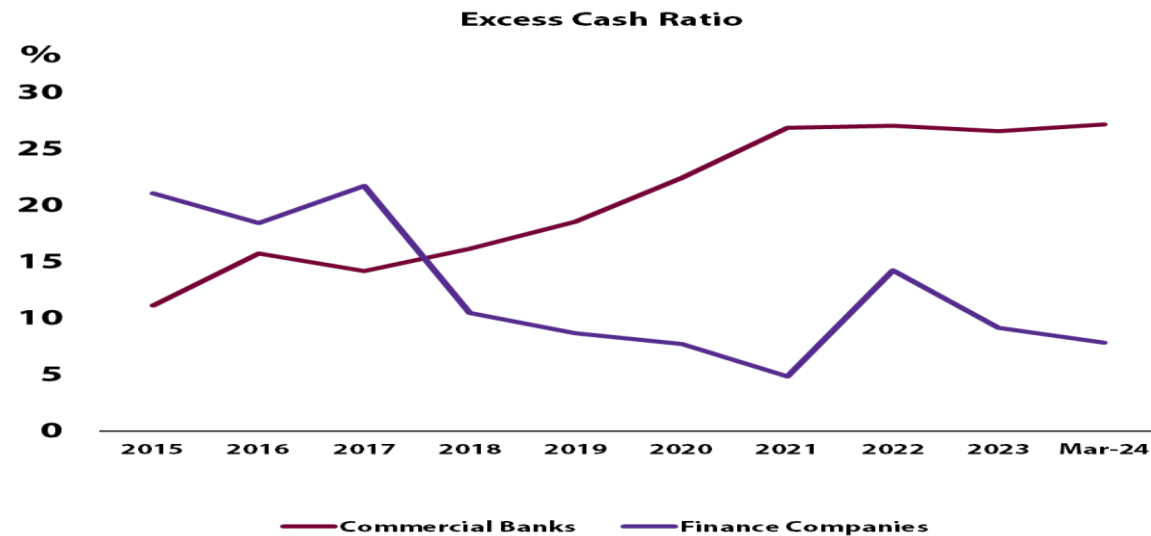


The financial system remains stable and healthy.

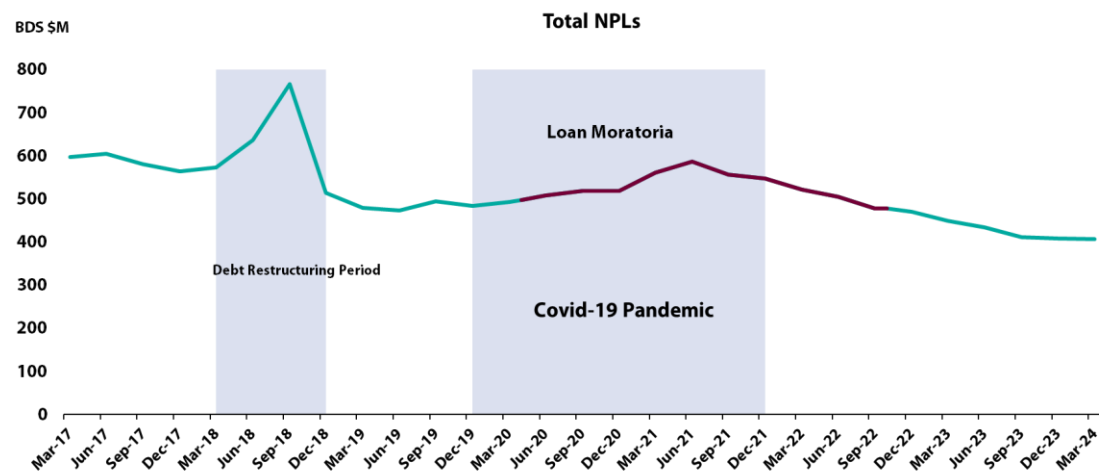
Financial institutions are well capitalised.



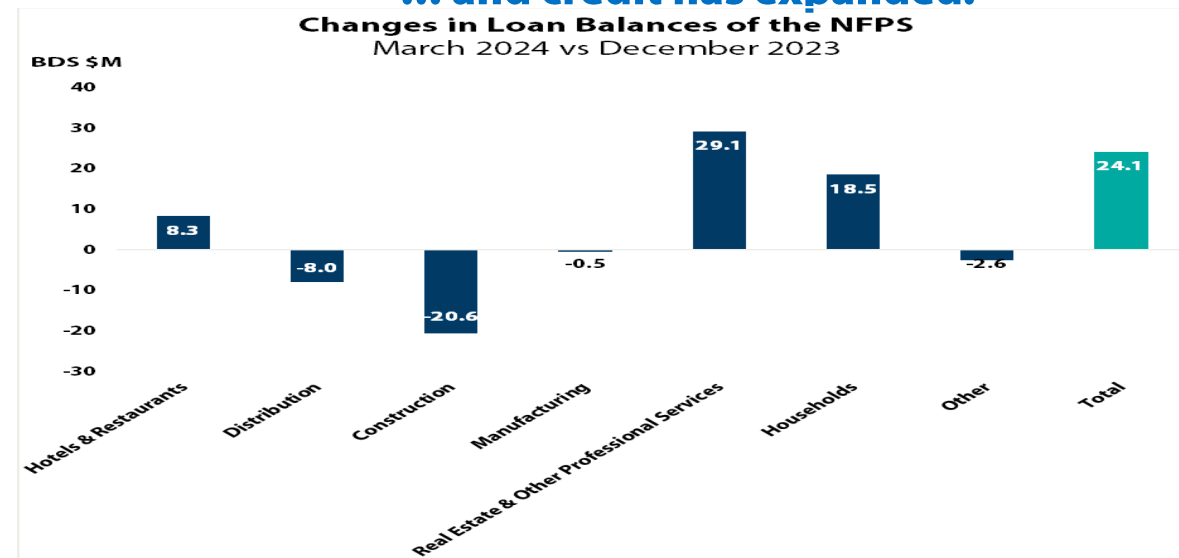
Liquidity is high and remains above statutory requirements.



NPLs have fallen to their lowest levels in recent years...



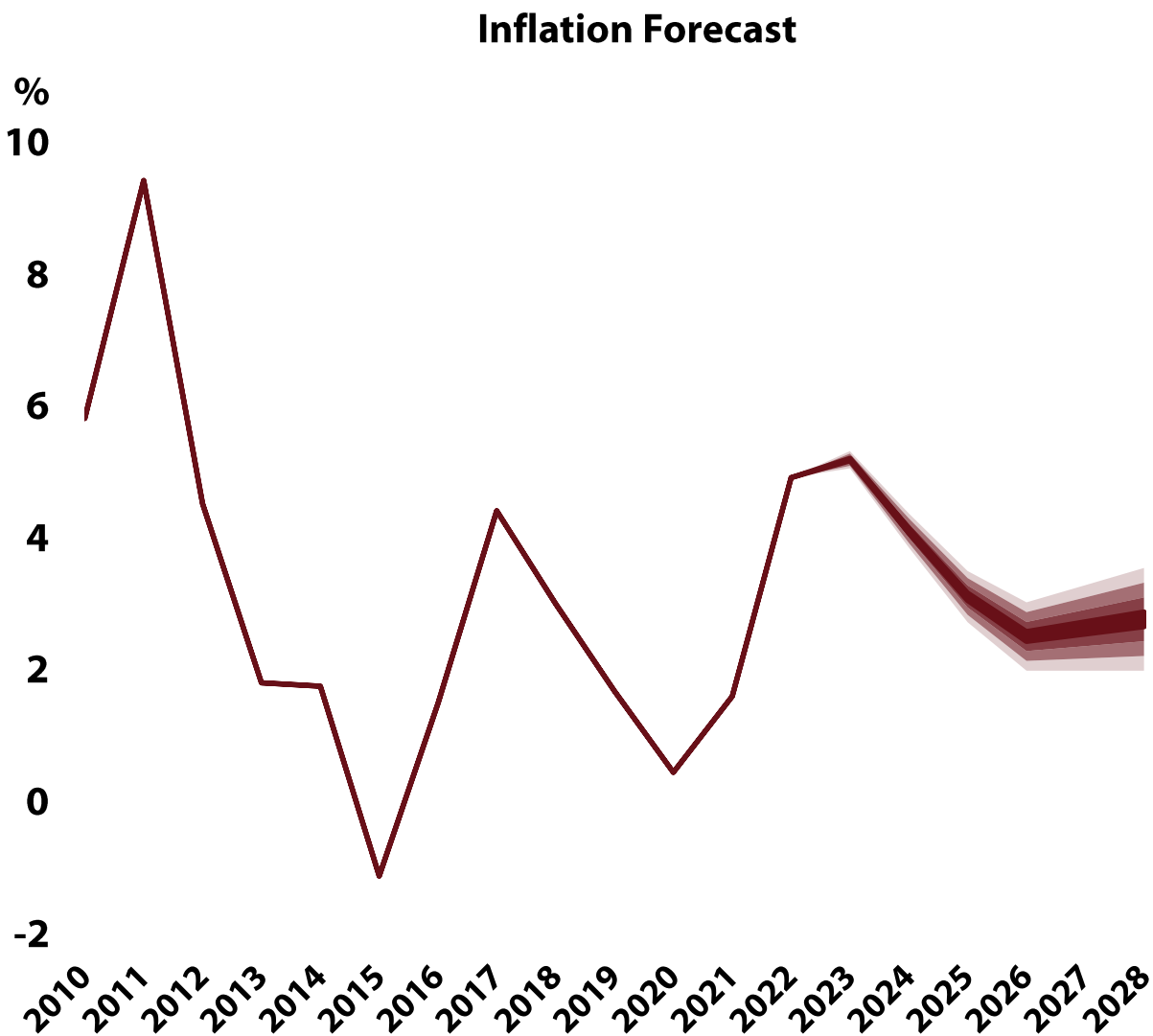
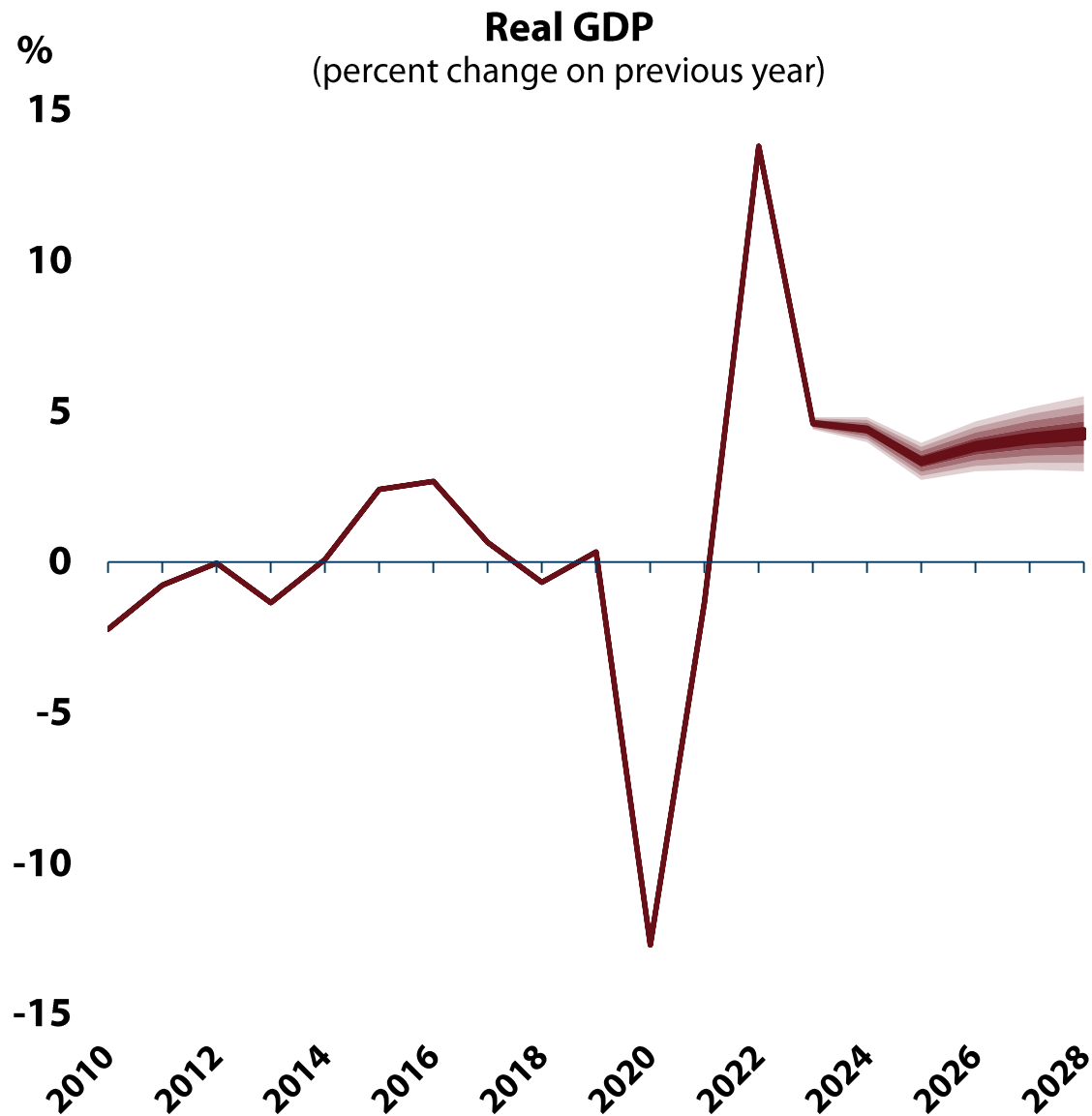
... and credit has expanded.



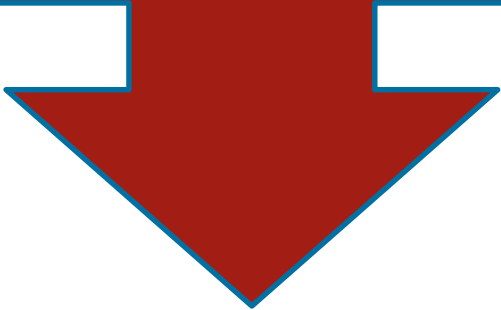
Growth should remain robust and inflation should moderate.

Real GDP should continue to expand by about 4 percent in 2024 and into the medium-term.

Inflation should moderate in the short- to medium-term.



Tourism will drive the 2024 performance but downside risks remain

- 
- Lower growth in key trading partners
 - Geo-political conflicts
 - Continued high global inflationary pressures
 - Climate-related shocks
 - Slower-than-anticipated pace of SOE reform

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- Faster global growth
 - Inflation declines faster than anticipated
 - Lower scarring from recent shocks
 - Improved public sector efficiency in doing business environment
 - Pick up in private sector investment

The Role of Insurance and Financial Advisors

- **Advisors can add significant value** in guiding clients thereby boosting investment and further spurring economic expansion. Advisors' role includes:
 - **Innovation in Product Offering:** innovate and tailor insurance products and financial services to meet the changing needs of the market.
 - **Strategic Advisory:** act as strategic partners to their clients, advising on opportunities arising from economic stability, such as investments in government securities and sectors showing robust growth like tourism and real estate.
 - **Education and Engagement:** educate clients about the implications of fiscal and monetary policies on investments and insurance, fostering a deeper understanding of market dynamics.
 - **Risk Management and Compliance:** helping clients navigate the new regulatory environment, ensuring compliance while optimizing financial and insurance strategies.

The role of insurance and financial advisors: *Innovation in Product offering*

- **Expanded Opportunities for Businesses and Individuals:**
 - Businesses may seek more capital investment opportunities, leading to increased demand for investment funds, business insurance, and risk management products.
 - Individuals feeling more secure financially might look to expand their investment portfolios, increase savings, or purchase more comprehensive insurance coverage, such as life or property insurance.
- **Tailored Financial Advice is Needed:** As economic landscape evolves, advisors should innovate and tailor insurance products and financial services to meet the changing needs of the market.
 - specialised insurance products such as liability insurance for hospitality businesses or construction all-risk insurance.
 - potential for bundled products combining property, casualty, and business interruption insurance for these sectors.

The role of insurance and financial advisors: *Innovation in Product offering*

- **The surge in tourist arrivals, particularly surpassing pre-pandemic levels, presents a wealth of opportunities for innovative products in the insurance sector.**
- **Increased Demand for Travel Insurance:** Surge in tourist arrivals heightens need for coverage on trip cancellations, medical emergencies.
- **Health Insurance for Hospitality Sector Employees:** As tourism drives employment, demand rises for health insurance specifically tailored to new workers. Additionally, health insurance that caters to tourists, offering short-term coverage for the duration of their stay, could also see increased demand.
- **Tailored Insurance Packages for Diverse Traveler Needs:** Creating bespoke offerings for varied traveler requirements enhance market competitiveness.

The role of insurance and financial advisors: *Strategic Advisory Services*

- **Wealth Management in Growing Sectors:** The increased wealth from economic expansion, particularly from sectors like tourism, real estate, and construction, introduces new clients who require sophisticated financial planning services to manage and grow their assets.
- **Emerging Market Investment Opportunities:** With a booming economy, there are more opportunities in emerging markets and sectors. Financial advisors need to be well-versed in local and international markets to guide their clients through these new investment landscapes.
- **Educational Role of Financial Advisors in Diversifying Investments:** Financial advisors will increasingly need to educate newer investors about the risks and benefits associated with different types of investments, including less traditional ones that may become viable as the economy diversifies.
- **Customization of Services:** As client portfolios become more varied, there is a greater need for customized investment strategies. This could involve more personalized services, catering to specific needs based on individual financial goals and risk tolerance.

The role of insurance and financial advisors: *Strategic Advisory Services*

- **Advise Clients on Implementing Bond Laddering Strategy:** Bond laddering manages interest rate risks and provides liquidity at intervals, optimising returns.
- **Advise Clients on Diversifying Across Various Sectors:** While the tourism and construction sectors may be booming, advisors should recommend investments in other industries to mitigate risks associated with sector-specific downturns.
- **Advise on Geographical Diversification:** Although local investments might be attractive, incorporating international assets can provide a hedge against domestic economic fluctuations.
- **Suggest Balancing High-Growth Investments with Safer Assets:** Encourage a mix of high-growth potential investments and safer, income-generating assets like government bonds or fixed deposits to balance the portfolio.

The role of insurance and financial advisors: *Strategic Advisory Services*

- **Risk Management and Compliance:** Advisors should focus on helping clients navigate the new regulatory environment, ensuring compliance while optimising financial and insurance strategies.
 - **Regulatory Acumen:** Advisors must stay informed about new tax reforms and regulations, such as the recent introduction of transfer pricing legislation and corporate tax adjustments. This knowledge enables them to foresee compliance challenges and advise clients proactively.
 - **Strategic Planning:** Advisors should leverage their understanding of the regulatory changes to help clients adjust their financial and insurance strategies. This could involve restructuring portfolios to take advantage of new tax incentives or align with revised fiscal policies.
 - **Compliance Management:** Implementing robust compliance frameworks to ensure that clients' operations adhere to new regulations. Advisors might need to collaborate with legal experts to provide integrated services that cover both financial advice and legal compliance.
 - **Risk Assessment:** Regularly reviewing and adjusting risk management strategies to consider the impact of regulatory changes on the market environment and the client's specific circumstances.

The role of insurance and financial advisors: *Strategic Advisory Services*

- **Advice Clients on Asset Allocation:** Provide guidance on the percentage of their portfolio that should be allocated to bonds based on their risk tolerance and investment timeline.
- **Suggest Ongoing Assessment and Rebalancing:** Regularly review investment portfolios to align with the changing economic landscape and personal financial goals, ensuring adjustments are made to optimise performance while managing risks.
- **As advisors you must continue** enhancing your knowledge and skills, ensuring you can provide the best advice and services to your clients amidst a rapidly evolving economic backdrop.

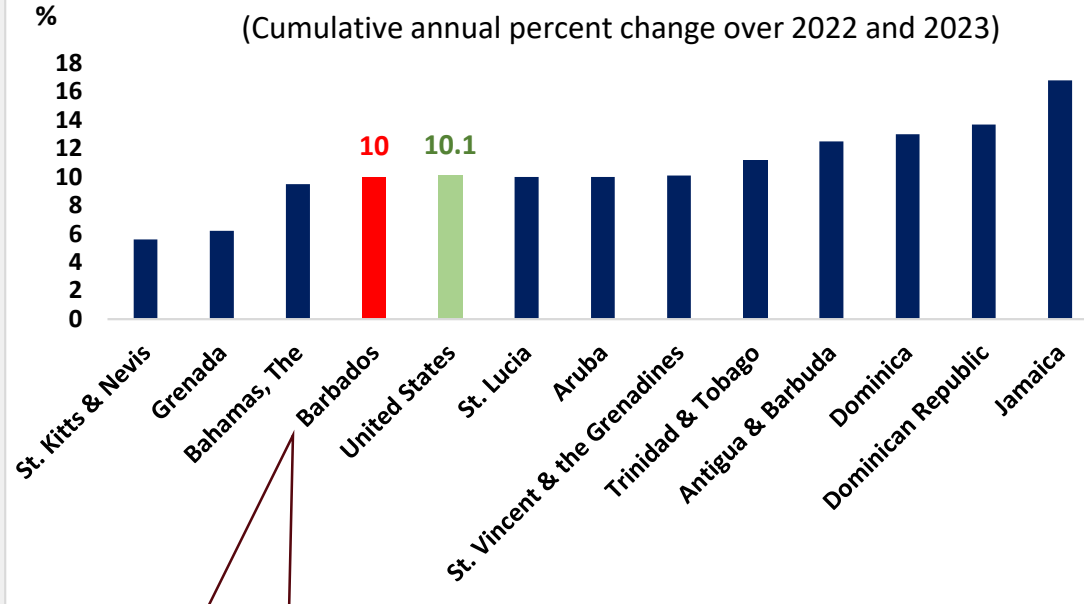


THANK YOU

Insights about Inflation in Barbados

Inflation Rates in the Caribbean and USA

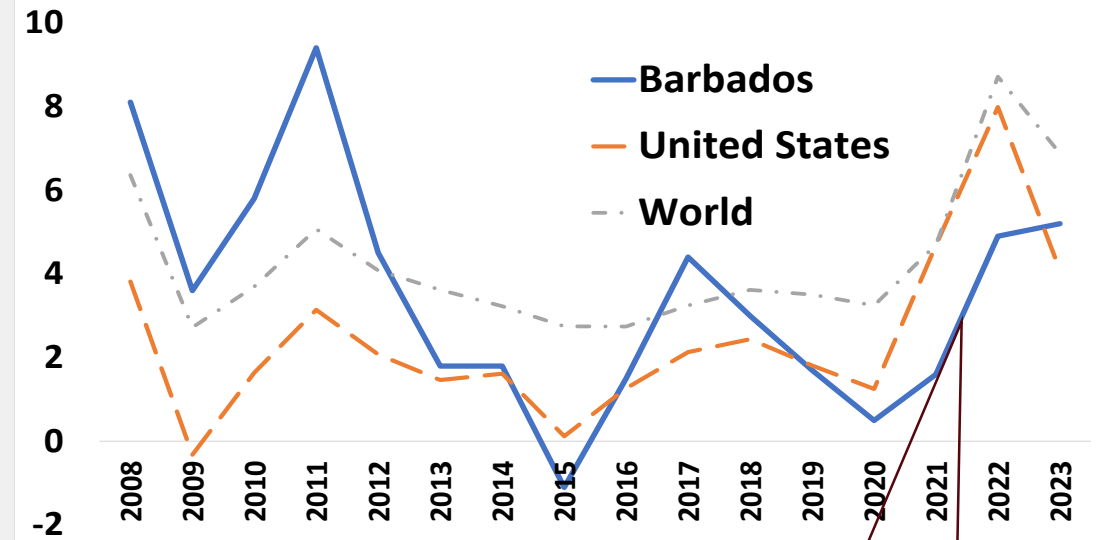
(Cumulative annual percent change over 2022 and 2023)



1. It is lower than most in region.

Inflation Rates

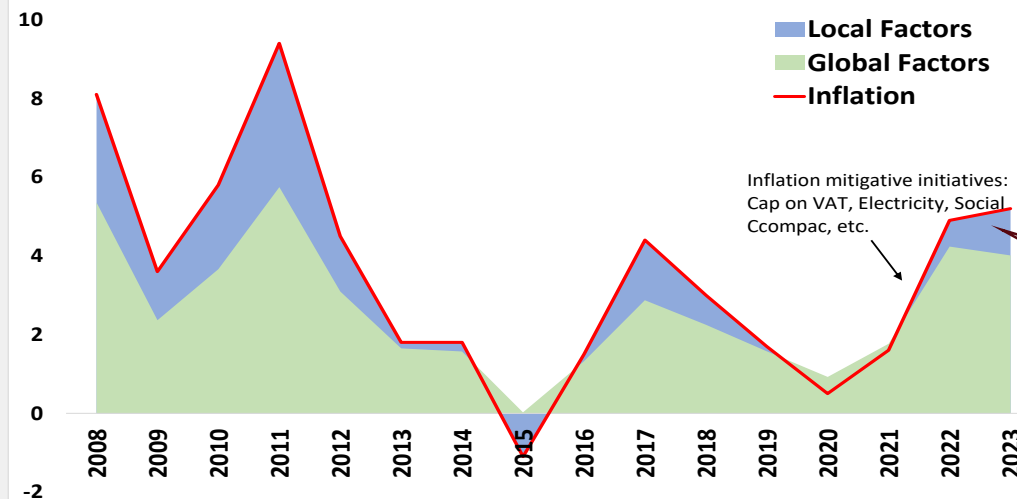
average consumer prices (annual % change)



2. Follows the USA pattern because of the peg.

Barbados: Contributions to Inflation

(Percent)



3. But local factors can cause deviations!