

Ronald F. deC. Harford



chairman's review

Once again, I am pleased to report on the commendable performance of the Republic Group. These results are reflective of the execution of well thought out strategies and the implementation of sound management policies throughout the Group. The Management and staff must be congratulated for what is an outstanding performance.

World economic growth remains relatively buoyant and is estimated at 5.2% in 2007. China and India continue to lead growth among emerging nations, while the European Union showed modest growth. The rapid pace of global development has kept commodity prices buoyant, with energy, food and metals having perhaps the most significant global impact. Movement towards greater free trade seems to have stalled, with negotiations at the World Trade Organisation (WTO) being bogged down by disagreements over intellectual property rights and agricultural subsidies. Notwithstanding, growth prospects remain robust, with the latest International Monetary Fund's (IMF's) "World Economic Outlook" projecting a growth rate of 5.2% in 2008.

Regionally, growth prospects have been challenged by the uncertainty in the US economy and the continued decline of the dollar, although the latter has created export opportunities in Europe for the Caribbean. Caribbean countries are expected to register reasonable growth in 2007 of 4.8%, lower than the 5.6% of 2006, but still encouraging. The region is set to complete an Economic

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Partnership Agreement, to replace the existing Cotonou Trade Agreement, with the European Union by January 2008.

Looking a little closer at the markets within which we operate, the Barbados economy experienced another year of solid performance on the strength of construction, transport and services. Growth of just above 4% is expected for 2007 (2006: 3.5%). Inflationary pressures have eased somewhat, with the inflation rate projected to average 5% this year, down from 7% in 2006. Unemployment rates are also projected to remain in single digits into 2008. Whilst the Government continues to put policies in place to manage the current account deficit, strong domestic demand continues to challenge its efforts. On the political front, general elections are constitutionally due in 2008.

In Grenada, reconstruction work following the destruction caused by Hurricane Ivan is just about complete. Agriculture is not expected to recover for some time and the country is placing more emphasis on tourism. The economy should expand by approximately 2.5% in 2007, up from the 3.5% decline in 2006. While the Government is taking some action to get the country's debt repayment under control, public debt is still well in excess of 100% of its GDP. Inflation is forecasted to ease to around 2.5% in 2007 from just under 4% in 2006.

Following the economic recovery in 2006, the Guyana economy is again poised to

register a similar growth rate of 4.7% for 2007. Inflation will edge higher than 7.2%, fuelled by the introduction of Value Added Tax and the expansion in credit. During the year, the country received shipments of crude oil under the Petro Caribe agreement with Venezuela. Given the soft loan facility which the deal affords, the country should benefit from the short-term price reprieve.

In Trinidad and Tobago the economy recorded its fourteenth consecutive year of economic growth, increasing by an estimated 5.5% in 2007, following the 12.2% spike experienced in 2006. Last year's significant output was occasioned by capacity increases across the petrochemical industry. The country's ongoing construction drive reflects Government's investment in the upgrade of the country's public infrastructure. The unemployment rate stands at just above 5% which, according to the Government, is essentially full employment. This situation has impacted on the availability of labour in all segments and hence on wage inflation. Over the last eighteen months there has been an increase in the inflation rate with some moderation over the last quarter as the Central Bank's ongoing aggressive liquidity absorption policies take hold. Inflationary pressures are still strong though, and with continued high levels of Government spending, this is expected to persist into 2008.

Facilitated by elevated energy prices, the country's balance of payments surplus

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remains strong and these revenue streams, coupled with planned transfers, should see the Heritage and Stabilization Fund at approximately \$12 billion by the end of September 2007.

Rising price levels and escalating levels of crime continue to remain two main areas of national concern. The Government has to ensure that these challenges are adequately addressed and that a sustainable long-term policy is put in place to see the country achieve its full potential.

Overall the strength of the economies within which we operate, provides a sound backdrop for the Group's continued growth.

I wish to thank all the valued stakeholders of this organization for their continued support, loyalty and dedication throughout the year.