

CENTRAL BANK OF  
TRINIDAD & TOBAGO

# A Clear Direction

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# **Theme of today's presentation**

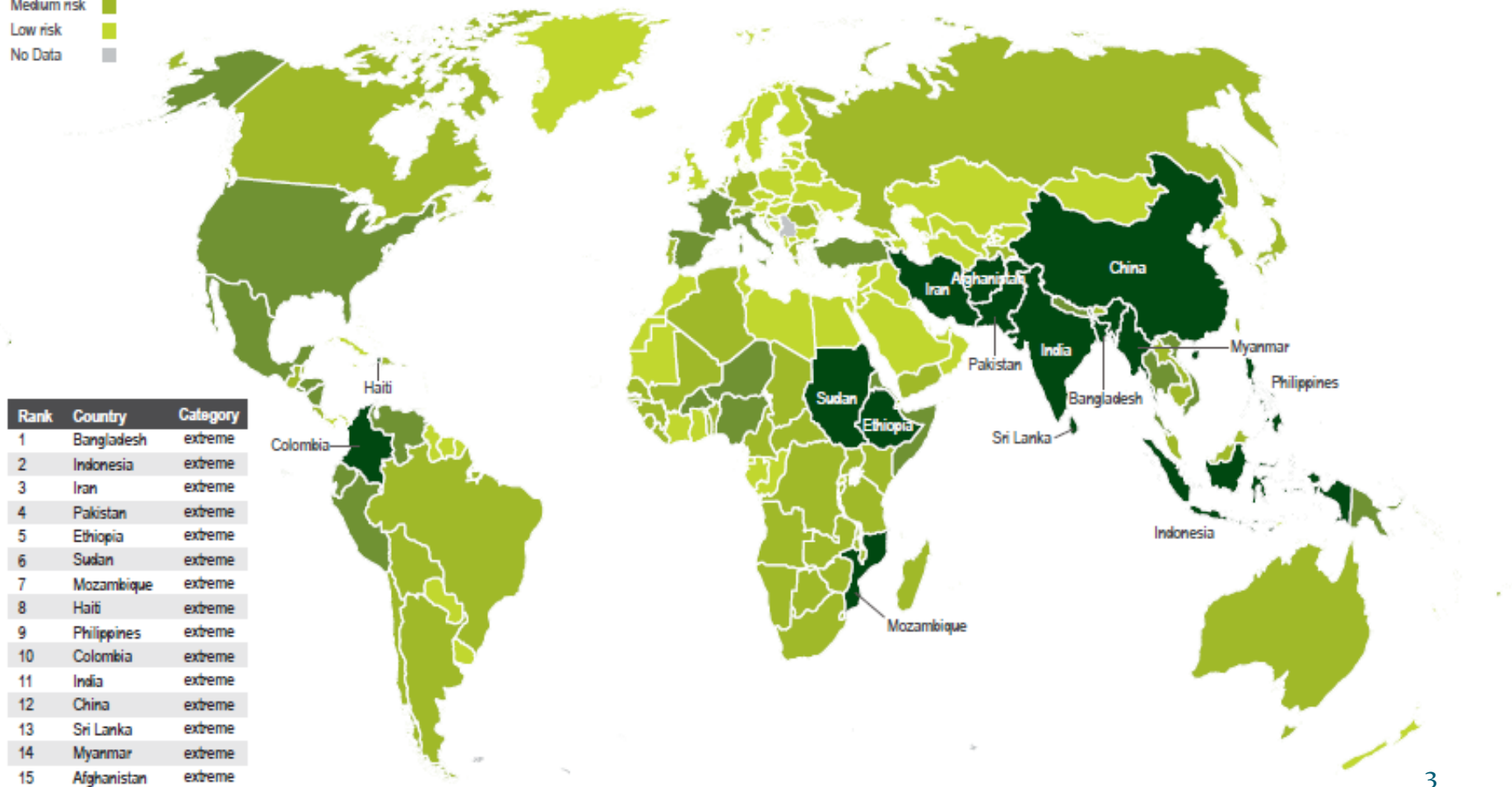
**A Clear Direction** (the theme of your AGM)

or another way of saying it..

**“Drunk or sober...(mind your business)”**

# The global economy continues to be rocked by unexpected turmoil...

Extreme risk ■  
High risk ■  
Medium risk ■  
Low risk ■  
No Data ■





## **...financial shocks: lingering effects from US housing bubble on financial markets**

- **Devastated some financial markets**
- **Depressed world growth**
- **Led to rise in unemployment**

# **...natural disasters: New Orleans, Australia, Haiti, Japan etc.**

- Insurance claims increased
- Some commodity prices rose
- Aid flows were re-directed





# ...man-made conflicts in Middle East/North Africa, Koreas and West Africa

- Immediate impacts on stock markets
- International energy prices jumped
- Could fundamentally change global politics





**OK, but are these  
developments  
relevant for us?**

- Yes, Trinidad and Tobago has been affected
- 2 years of economic stagnation after years of growth
- Government budget deficits
- Unemployment rose, business activity slackened

**...and yes, even Progressive Credit Union and its members are affected...**

- **The CL Financial/CLICO problem impacted the local financial sector and taxpayers**
- **Members may find it more difficult to get salary increases**
- **Interest rates have dropped, affecting returns on investments**



# But the outlook for this year should be better...

- Growth could be around 2 per cent, with slower inflation and more business activity
- However the government would have another fiscal deficit and public debt would increase

(per cent change)	Actual			Projections
	2008	2009	2010	2011
<b>World Output</b>	2.8	-0.6	5.0	4.4
<b>Trinidad &amp; Tobago Real GDP</b>	2.4	-3.5	0.1	2.3
<b>Headline Inflation</b> (end-of-period)	14.5	1.3	13.4	7.0
<b>Central Government Fiscal balance</b> (% of GDP)	7.5	-4.9	-0.2	-5.2
<b>Public sector debt</b> (% of GDP)	25.0	33.9	37.1	37.7
<b>Credit to Private Sector</b>	9.7	-3.7	-2.2	4.2
<b>Net Official Reserves</b> (US\$ Million)	9,380.2	8,651.6	9,070.0	9,256.6 <sup>r</sup>



**However, there is  
need for people to be  
even more vigilant**

- As we've discussed, *what is in the darkness must come to light...*
- 2 examples we've seen are the US housing market and CLICO
- Here is where your theme this year "A Clear Direction" hits the mark

# Increased vigilance means keeping close tabs on events...

- Central Bank and other economic reports are available: [www.central-bank.org.tt](http://www.central-bank.org.tt)



- The NFLP can provide tremendous support to credit union members: [www.nflip.org.tt](http://www.nflip.org.tt)



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- The IMF just did a report on Trinidad and Tobago that anyone can consult : [www.imf.org](http://www.imf.org)





# New Legislation and Supervision for Credit Unions are in the works

- It involves partly a greater role for the Central Bank
- *“Formal regulation by the Central Bank is not designed to interfere with or undermine the co-operative (democratic) character of the credit union sector”*  
(Governor Ewart Williams)
- Intention is to work with the sector to ensure credit unions are able to operate at appropriate standards



# **new regulation will formalize many practices credit unions *already* implement**

- Managing financial performance by adhering to PEARLS ratios
- Have adequate liquidity and capital buffers
- Limit borrowing by credit unions
- Control related-party lending and investments

# **It will emphasize good governance...**

- **Board members to meet fit and proper criteria and appropriate level of financial competence**
- **These criteria to be determined *by the credit union*, not the Central Bank**
- **Audit and Credit Committees to ensure transparency and accountability**

# **...will provide for strict reporting requirements and depositor insurance**

- **Reports on financial performance to be streamlined and meet certain standards**
- **Audited financial statements to be submitted three months after the close of financial year**
- **Mandatory insurance fund for the protection of members' deposits and shares**

# Several Important Lessons

- **Members need to understand draft legislation**
- **Credit union members need to insist that their credit unions operate according to the rules and put in place an adequate governance structure**
- **Board members should strengthen their understanding of financial statements and risk management**
- **Credit unions also need to put in place measures to comply with recent Anti-Money Laundering legislation**



# In conclusion....

- **Congratulations to Progressive Credit Union for its 24<sup>th</sup> year of service to its members**
- **Remember the world is changing rapidly around us and there will *always* be fresh challenges**
- **Always seek to build your information and learn more about what affects your finances**
- **And of course, remember that “ drunk or sober...”**

# Thank you.

