

CENTRAL BANK OF  
TRINIDAD & TOBAGO

# DEVELOPING THE MSME SECTOR: A LITTLE GOES A LONG WAY!!

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# 1. Changing International Environment

***Between 2008 and 2009, the global economy was in crisis***

Eruption of Financial Crisis and emergence of the global economic recession.

Sharp decline in global GDP.

Sharp decline in business activity.

Rising Unemployment.

*In 2010 a slow recovery is expected in advanced economies...*

**Real GDP Growth: Selected Economies**

| <b>/per cent/</b>         | <b>2009<sup>e</sup></b> | <b>2010<sup>f</sup></b> | <b>2011<sup>f</sup></b> |
|---------------------------|-------------------------|-------------------------|-------------------------|
| <b>WORLD OUTPUT</b>       | -0.6                    | 4.2                     | 4.3                     |
| <b>Advanced Economies</b> | -3.2                    | 2.3                     | 2.4                     |
| US                        | -2.4                    | 3.1                     | 2.6                     |
| UK                        | -4.9                    | 1.3                     | 2.5                     |
| Euro-zone                 | -4.1                    | 1.0                     | 1.5                     |
|                           |                         |                         |                         |
| <b>Emerging Economies</b> | 2.4                     | 6.3                     | 6.5                     |
| China                     | 8.7                     | 10.0                    | 9.9                     |
| India                     | 5.7                     | 8.8                     | 8.4                     |

*...but the short-term prognosis for the Caribbean is still gloomy*

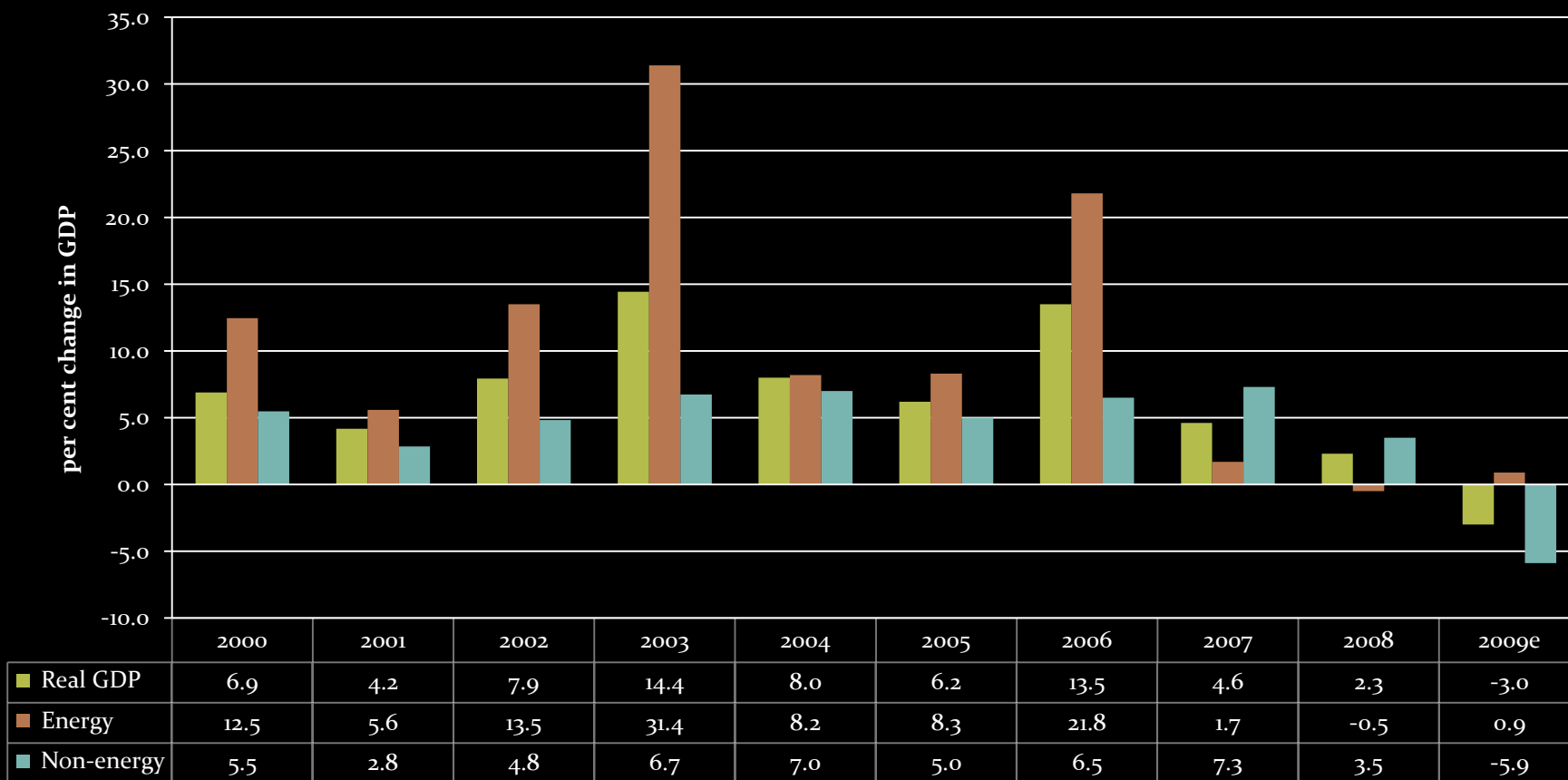
## Real GDP Growth: Selected Caribbean Economies

| /per cent/ | 2009 <sup>e</sup> | 2010 <sup>f</sup> | 2011 <sup>f</sup> |
|------------|-------------------|-------------------|-------------------|
| Bahamas    | -5.0              | -0.5              | 2.0               |
| Barbados   | -5.3              | -0.5              | 3.0               |
| Jamaica    | -2.8              | -0.3              | 1.5               |
| Guyana     | 3.3               | 4.4               | 4.9               |

Source: International Monetary Fund (IMF), World Economic Outlook (April 2010).

## 2. Domestic Performance

*Between 2000-2008, the economy performed well...*

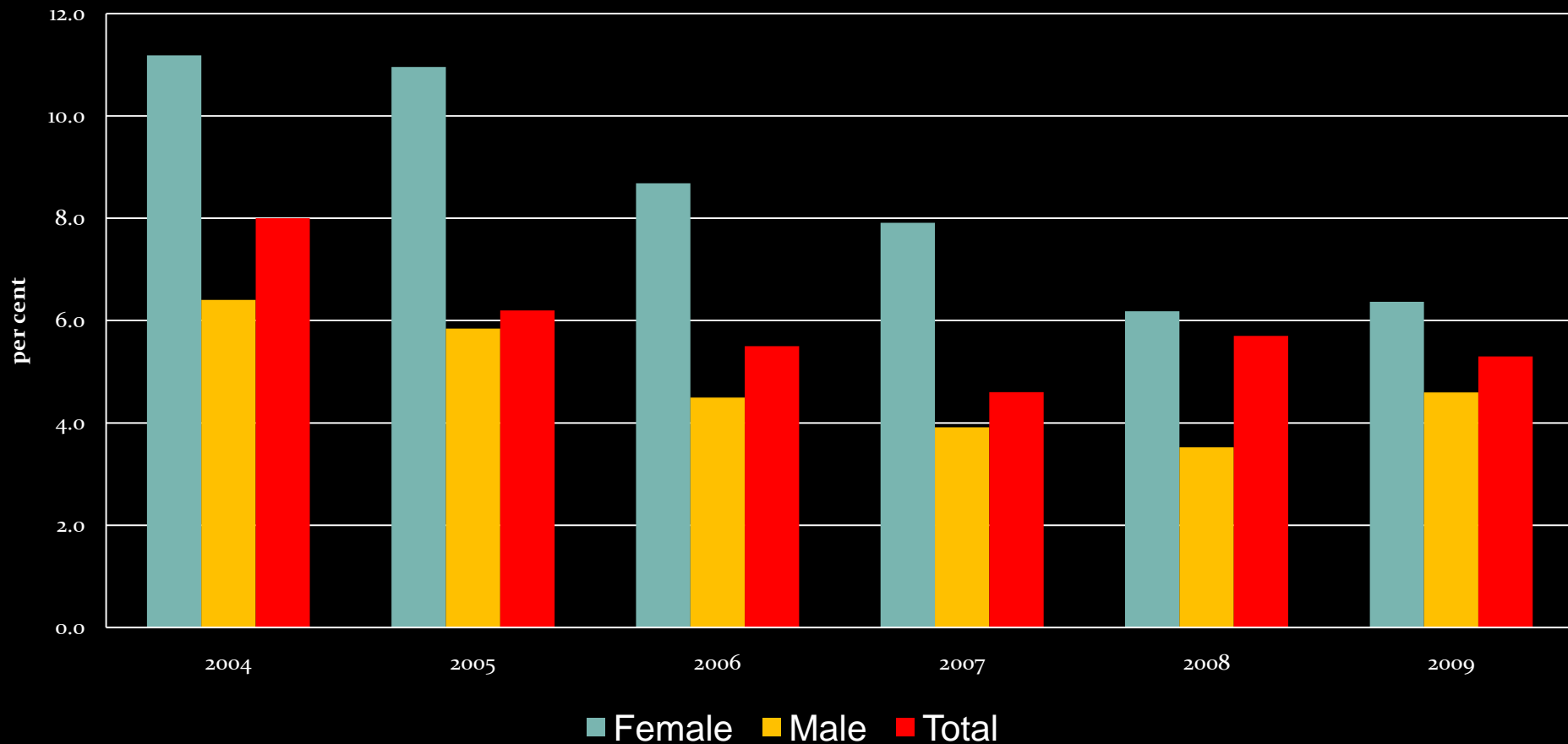


*... but in 2009 the economy was affected by the crisis*

|                                   | 2006   | 2007    | 2008    | 2009e          |
|-----------------------------------|--|---------|---------|----------------|
| <b>Real Sector</b>                | (annual percentage changes, unless otherwise stated) |         |         |                |
| Real GDP                          | 13.5   | 4.6     | 2.3     | <b>(3.0)</b>   |
| Inflation Rate (End-of-period)    | 9.1  | 7.6     | 14.5    | <b>1.3</b>     |
| Unemployment Rate (average)       | 6.2  | 5.6     | 4.6     | <b>5.2</b>     |
| <b>Fiscal Operations</b>          | (in percent of GDP, unless otherwise stated)         |         |         |                |
| Central Government Fiscal Balance | 6.9  | 1.8     | 7.8     | <b>-5.3</b>    |
| Public Sector Debt                | 31.7   | 29.4    | 25.1    | <b>31.1</b>    |
| <b>External Sector</b>            | (in percent of GDP, unless otherwise stated)         |         |         |                |
| Current Account Balance           | 37.4   | 24.6    | 34.1    | <b>25.4</b>    |
| Net Official Reserves (US\$ Mn)   | 6,514.7  | 6,558.7 | 9,364.3 | <b>8,651.7</b> |

# *Women continue to fare worse than men in the labour market...*

Unemployment Rate by Sex  
2004-2009<sup>1</sup>



Source: Central Statistical Office

<sup>1</sup> Female and Male Unemployment Rates in 2009 represent the period Jan-Sept

*...and the youth unemployment rate is also substantially higher*

## Youth, Adult and National Unemployment Rates

| Year | Unemployment Rate (per cent) |       |         |
|------|------------------------------|-------|---------|
|      | Youth                        | Adult | Overall |
| 2003 | 20.6                         | 7.7   | 10.5    |
| 2004 | 18.3                         | 5.7   | 8.3     |
| 2005 | 16.5                         | 5.7   | 8.0     |
| 2006 | 13.0                         | 4.5   | 6.2     |
| 2007 | 10.5                         | 4.1   | 5.5     |

### 3. The MSME Sector in T&T

***Below the surface there has been an unheralded MSME sector...***

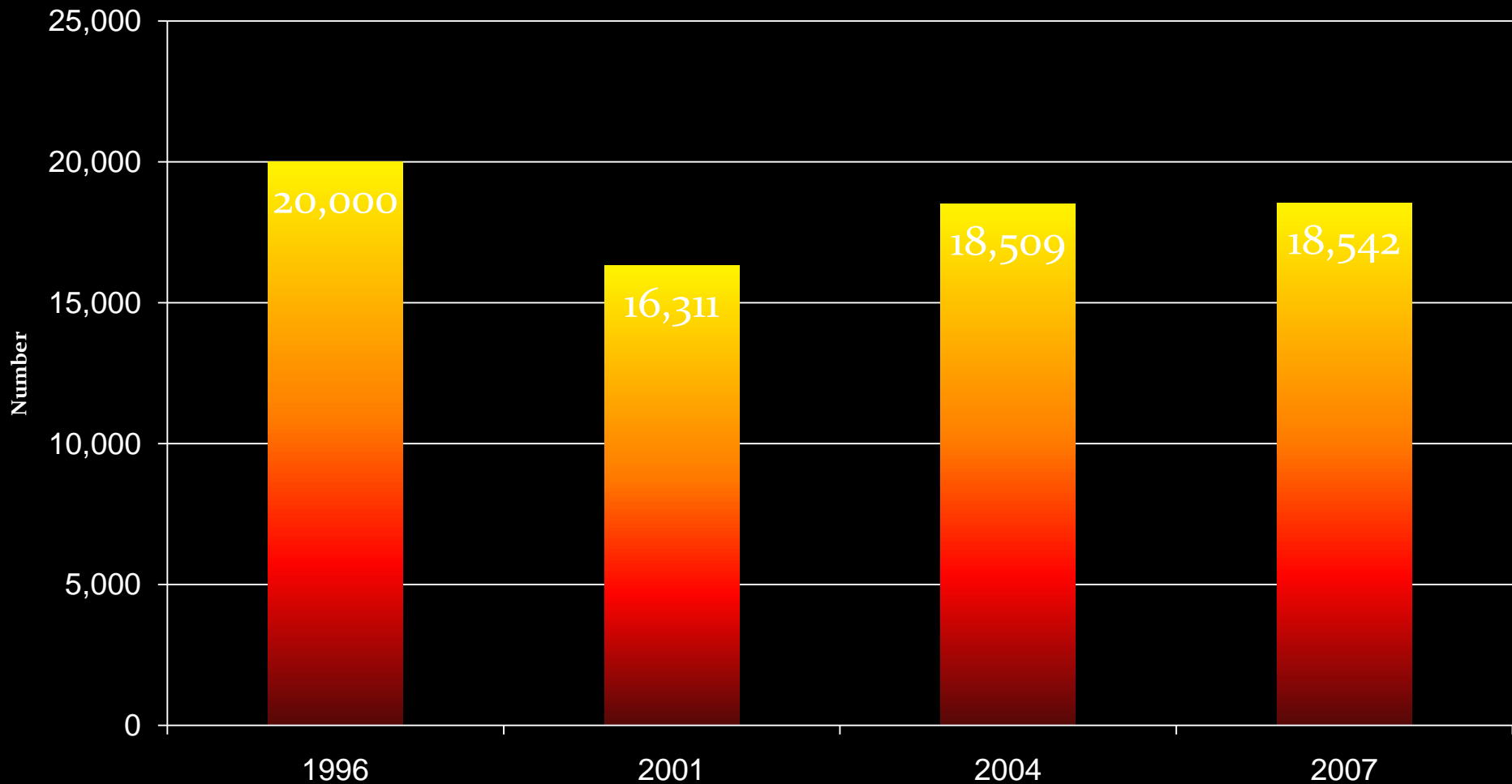
**Definitions of Micro, Small and Medium Enterprises in Trinidad and Tobago**

| Size   | Number of Employees | Assets (TT\$)                | Annual sales (TT\$)           |
|--------|---------------------|------------------------------|-------------------------------|
| Micro  | 1-5                 | < \$250,000                  | < \$250,000                   |
| Small  | 6-25                | \$250,000 -<br>\$1,500,000   | \$250,000 -<br>\$5,000,000    |
| Medium | 26-50               | \$1,500,000 –<br>\$5,000,000 | \$5,000,000 –<br>\$10,000,000 |

Source: Ministry of Labour and Small and Medium Enterprise Development, Report of the Cabinet Appointed Task Force on Small and Medium Enterprise Development (June 1995).

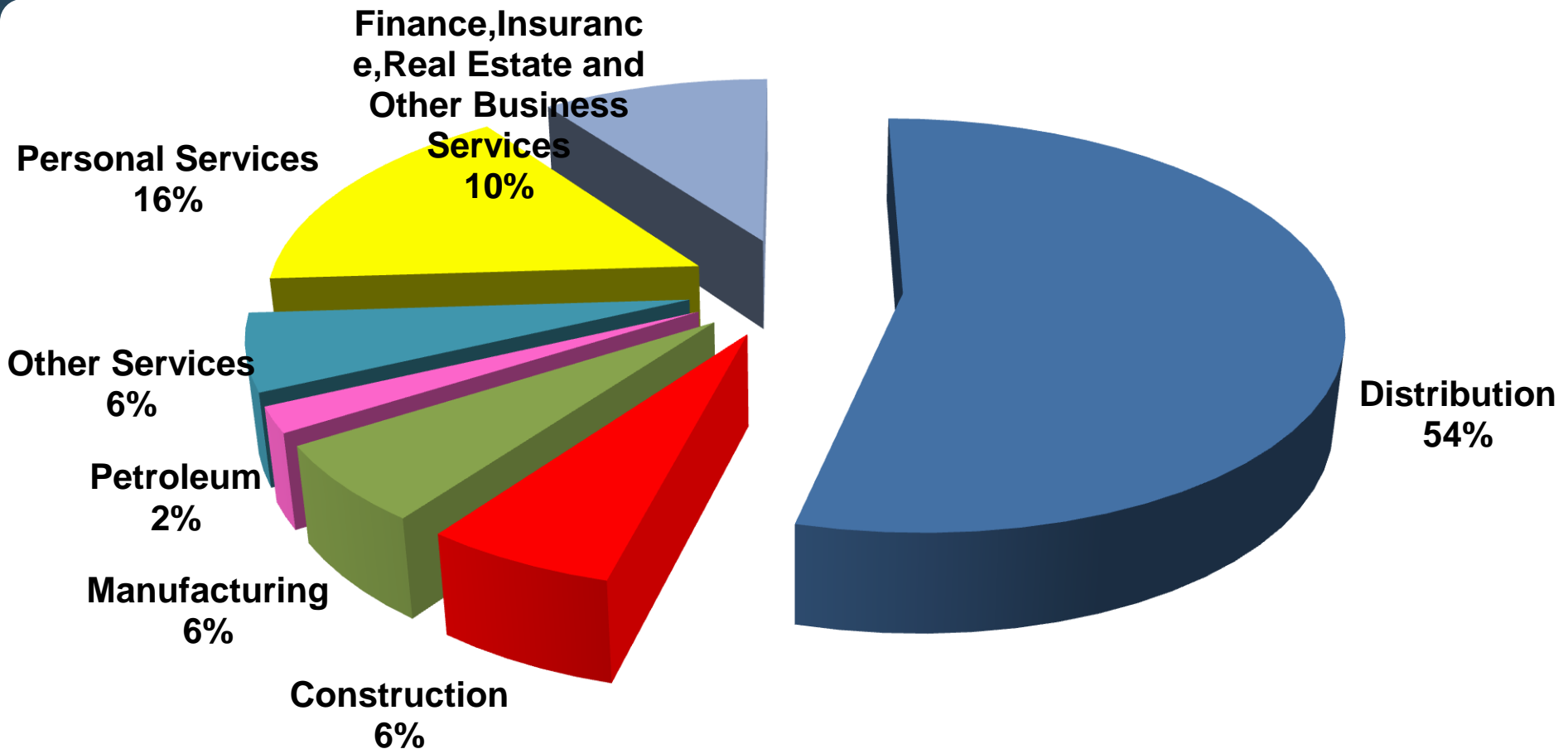
***...with a relatively large number of small businesses in existence***

## Number of MSME Firms in Trinidad and Tobago



# ***Most of these firms are involved in the distribution and personal services sectors...***

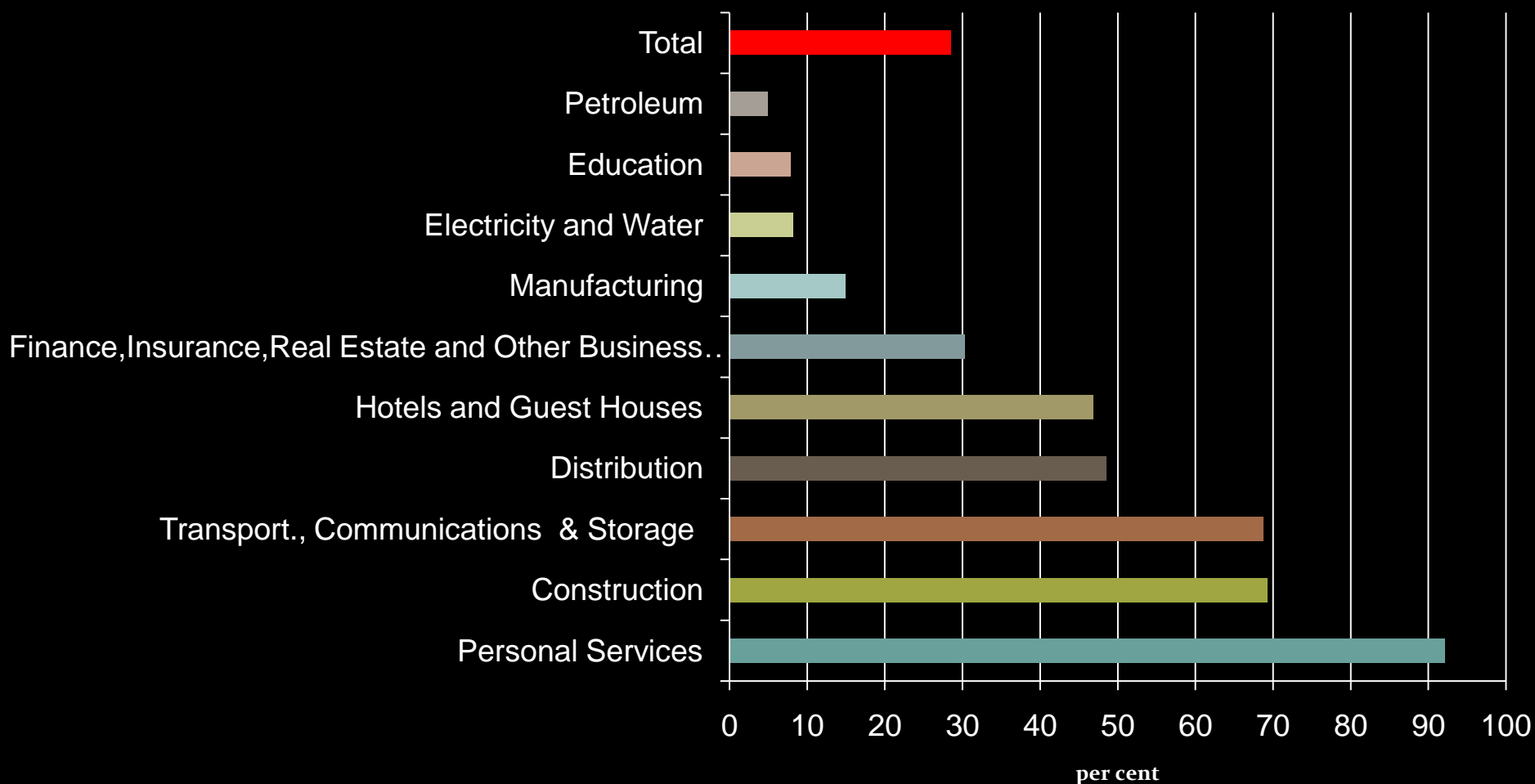
MSME Firms in Trinidad and Tobago 2007



## 4. Contribution of the MSME sector

*A little goes has gone a long way in terms of value-added*

Value-Added by Industry 2003 (in per cent of GDP)



*...and job creation...*

**1996**: Micro and Small Businesses employed approximately 48,000 persons;

**2007**: The sector generated employment for about 65,000 to 70,000 persons; or 12 per cent of the labour force, according to the CSO;

**2007**: Kairi Consultants estimate that the employment could have been significantly larger--- closer to 100,000 persons

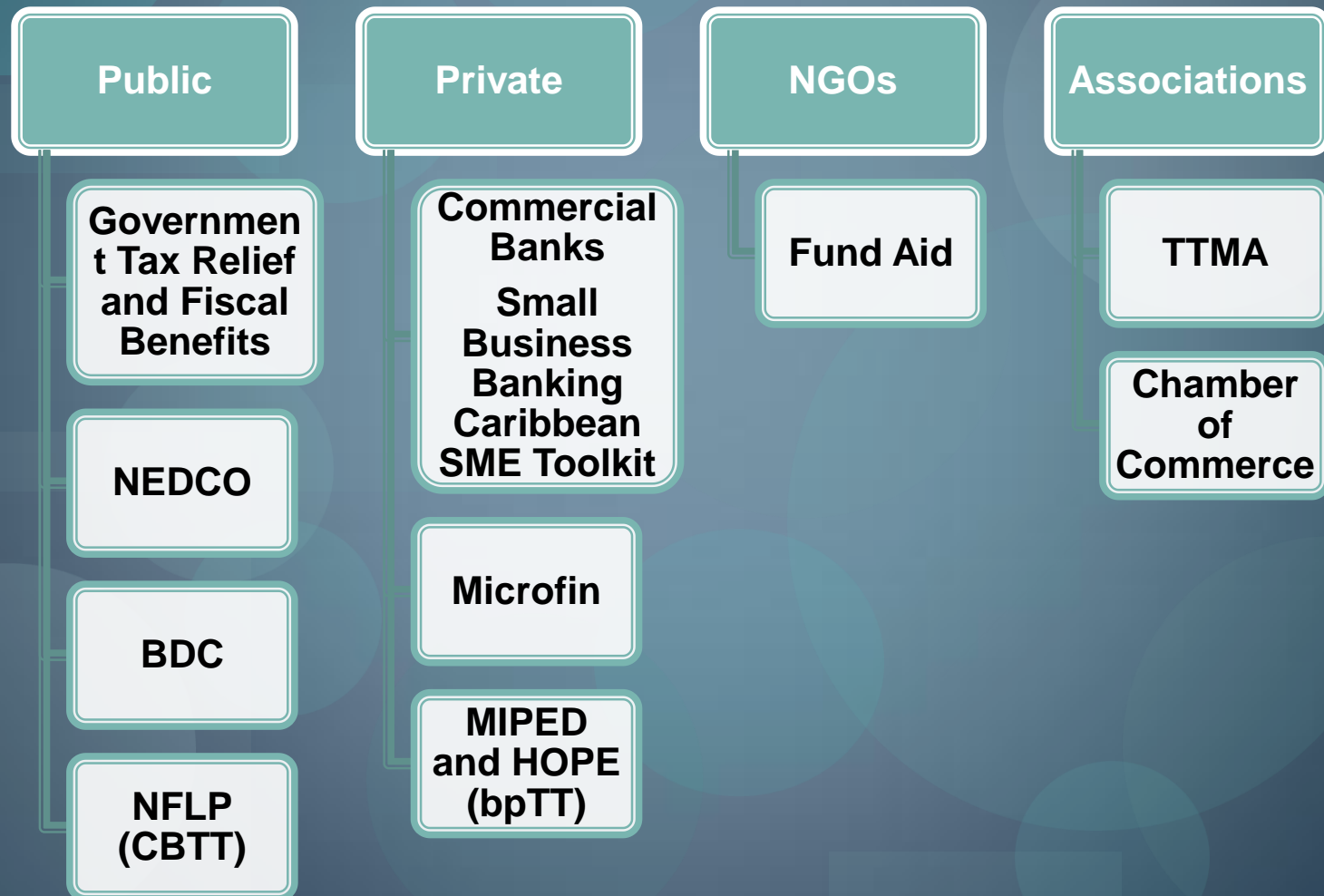
*Further advances in the sector has the potential to contribute immensely to development...*

- *Household Income and Welfare .*
- *Social Change, Political Stability and Strengthening Democratic Processes.*
- *Areas of Demographic Change.*
- *Promotes Innovation and an Entrepreneurial Spirit.*
- *Distributional or Developmental Objectives .*

*... and generate employment opportunities for women and youth*

- Greater employment opportunities for the vulnerable groups in society, women and the youth.
- Roughly one third of small business owners were women (*National Baseline Survey, 1996*)
- In the younger age groups, the entrepreneur is more likely to be a woman (*National Baseline Survey, 1996*).
- 3% of the male entrepreneurs and 4% of the female entrepreneurs are under 24. (*ILO, 1996*).

## 5. *There have been initiatives to support MSMEs...*



# Here are some more recent initiatives...

**Key Categories for Displays:**

- Health, Beauty & Fashion:**
  - Healthy food and nutrition
  - Natural healing and alternative medicine
  - Natural beauty products
  - Eco-fashion and designs
  - Yoga, Meditation
  - More...
- Tourism & Recreation:**
  - Eco-tourism
  - Green weddings
  - Green hotels
  - Wildlife protection
  - Protected areas
  - Outdoor activities
  - More...
- Home, Garden & Lifestyle:**
  - Alternative building materials
  - Green home supplies (paints, detergents, candles etc.)
  - Alternative energy sources
  - Energy efficient appliances
  - Landscaping and water efficient gardens
  - Natural garden supplies
  - More...
- Energy, Industry, Transport & Agriculture:**
  - Energy sector environmental initiatives
  - Corporate sector green initiatives
  - Hybrid vehicles and equipment
  - Green business opportunities
  - Sustainable agricultural practices
  - Green projects
  - More...

**Introducing**  
The Environmental Management Authority's  
**Green Lifestyle Show 2010**  
Hilton Hotel Grand Ballroom  
June 5th 2010  
9am-3pm

**Goals of the Show:**

1. To offer Trinbagonians an interactive and fascinating show experience, by creating a high profile event dedicated to green living in the country.
2. To enable retailers, manufacturers, NGOs, agriculturalists, health providers and others the opportunity to promote their green products, choices and services and to foster potential synergies and relationships between groups.
3. To engage people in becoming more aware of green alternatives and wise consumer choices.
4. To engage dialogues and increase awareness about environmental issues and the role individuals can play in sustainable development.

For more information please contact the following:  
Trinidad Environmental Education Office (Tel: 319-3944 or 426-3862, Ext. 2299)  
and/or Environmental Education Locations (Tel: 426-3842, Ext. 2255)



## *However, the sector still faces some major challenges*

- Cost of finance.
- Limited access to capital.
- Lack of access to suitable training and knowledge on how to start-up and sustain a new business.
- Inadequate knowledge of financial and management systems.
- Small promotional/advertising budgets.
- Insufficient information at the macro-level on the performance of the SME sector and its contribution to investment, employment and national income.

## *Priorities for further MSME development*

- Improve **data collection** on the sector.
- Create an **expanded small business association** that caters explicitly to SME needs .
- Strengthen **institutional cooperation** among government agencies that support SMEs.
- Enhance **public-private sector support** for SME financing and development.
- Establish a **small business incubator** to provide training and know-how on starting and sustaining a business.

## ***Conclusion- A little investment can yield large results***

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- **Promote economic growth.**
- **Spur job creation.**
- **Promote household income and welfare.**
- **Promote social change.**
- **Investment in our MSMEs involved in culture and the arts can raise our profile in the international arena.**



THANK YOU.