

RECESSION IN THE CARIBBEAN

News / Airlines, Business aviation, Finance



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When there are reports on 'Latin America & Caribbean', one has to review them carefully and with some skepticism, to avoid coming to false conclusions or statements; no matter whether the reports are positive or negative. The economies of the large South American countries are simply not the same as those of the small Caribbean islands. It is said that the Caribbean is the world's region that is most depending on tourism and that is a claim that doesn't apply to South America. However.....,

The World Bank has reported that the impact of the COVID-19 pandemic will send Latin America and the Caribbean into the deepest economic hole of the last 60 years. What's in it for the Caribbean part? For a moment, forget about the rest of LatAm/Carib report. What counts is what the report says about the rest of the world? Why is the outlook for the rest of the world essential? Mind, that the Caribbean economies for an extraordinary high percentage are depending on tourism.

Tourism means visitors from abroad. The appetite abroad to vacation and especially vacationing in the Caribbean will be influenced and impacted by what is happening in those tourism source markets abroad itself. It would be wise to closely monitor the situation in those source markets. The World Bank report indicates that the world will face the deepest recession since the end of World War II. And so, even the report-skeptics in the Caribbean will be well advised to punch some new holes in their belt to be prepared for tightening it.

“With this recession hitting rich countries just as hard, if not harder, the worry is that investments, trade and tourism in lower-income countries will decrease for longer than usual. It will make it even harder for lower-income countries to fight poverty and invest in things such as education, which build their economies' future potential to grow,” according to Prof. Danny Leipziger, the managing director of The Growth Dialogue and lecturer of international business at the George Washington University School of Business.

What would be a fair prediction for the region? Anything that is said today, may turn out to be wrong tomorrow, no matter whether it is a positive and hopeful outlook, or a negative forecast that causes one to listen to some music that cheers one up, like: “Any time you're getting low, 'stead of letting go, just remember that ant.” Wow! Never heard of that ant?

“Just what makes that little old ant, think he'll move that rubber tree plant

Anyone knows an ant..., can't..., move a rubber tree plant

But he's got high hopes, he's got high hopes. He's got high apple pie, in the sky hopes”

Bringing change to a global recession may have remarkable similarities with the ant's hope of moving a rubber tree plant. At least short term, or until a bulldozer is found.

Currently, high hopes are put on opening up the Caribbean destinations for the return of the visitors from abroad. But if the source market abroad is also largely impacted by the economic recession, it may just so happen that the visitors are not coming anyway, no matter how wide the re-opening goes. Exaggerated? One could take a look at the impact of last 2007/09 'Great Recession' and throw around a bunch of statistics in an attempt to create some sensation. It should go far enough by saying that reports from various qualified and reputable sources use expressions like 'crippling impact', 'severe impact', 'crisis', etc. The recovery was called 'sluggish'. Which brings us the important question that might give a us hint. How long took that recession? It was determined by the National Bureau of Economic Research in the USA, that it started in December 2007 and lasted June 2009, thus eighteen months. Consider that the USA is the major tourism source market for this region, and in the USA a recovery may go just a bit faster.

As a conclusion, four pieces of advice.

1. Think about serious planning of needs for the next twelve months. But twelve months would bring one in the 2021 low season and hurricane season. So, make it 18 months, just as long

as the duration of the previous recession.

2. Diversify the economy. But that is a piece of advice that is an old hat which is and was widely agreed on by Honorables of various kinds and at various occasions now and in the past. But it never happened, and one tends to wonder if it will ever happen because of the lack of knowledge, competence, and/or effective initiatives to make it happen.
3. The most serious piece of advice which so far got very little attention: encourage and develop inter-island trade, traffic, and ventures.
4. Explore developing the high-end clientele market. However, a very limited number of islands would qualify for such development.

Last but not least important advice: keep cool and stay safe.

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