



2nd Biennial Macroeconometric Caribbean Conference

Atlantis Resort, Paradise Island

20 March 2025

Remarks by Governor John A Rolle

Good morning distinguished colleagues, members of the press, ladies, and gentlemen:

It is my pleasure to welcome you to the 2nd Biennial Macroeconometric Caribbean Conference, on behalf of the Central Bank of The Bahamas and the Center for Applied Economics and Policy Research (CAEPR) at Indiana University. For those of you who are visiting us from abroad, we are delighted to welcome you to The Bahamas; and to those of you who are rejoining us from the inaugural conference in 2023, we say a warm welcome back.

Two years ago, we started this collaboration between policymakers and academics in the Caribbean region, by providing a space for deep-seated discussions around empirical research and policy. During the inaugural conference, we heard from a learned panel of speakers—including a Nobel Laureate—on key issues, such as inflation and its drivers, the impact of severe weather shocks on the U.S economy, bank liquidity, exchange rates, and the myriad of challenges faced by Caribbean countries. These discussions were timely, given the macroeconomic landscape, which was characterized by unacceptably high inflation and remnants of the COVID-19 impact on the global economy.

At this second installation of the conference, challenges still abound. Indeed, while most economies have recovered from the 2020 pandemic, we are still grappling with uneven growth across regions. In fact, in January, the International Monetary Fund (IMF) projected world output at approximately 3.3 percent¹ in 2025, which is below the historical average for the two decades preceding COVID-19 of 3.7 percent.

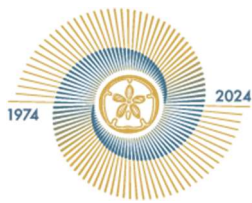
Earlier this week, the Organization for Economic Co-operation and Development (OECD) weighed in, revising its forecast for global growth downwards by 20 basis points in 2025 and by 30 basis points for 2026 in its Interim Economic Outlook Report². In the U.S. specifically, growth is being projected to slow to 2.2 percent in 2025 and further to 1.6 percent in 2026. This, of course, has implications for economies closely linked to the US.

The important new development is shifts in the trade policy landscape. Today, inflationary pressures are more subsided, as a result of the swift and effective policy responses from central banks in advanced economies, in the aftermath of the pandemic. Nevertheless, the recent trade policy shifts initiated by the US, with anticipated responses from the US's trade partners, have introduced renewed inflation expectations and, at the minimum, a significant drag on growth in the near-term.

In The Bahamas and the rest of the Caribbean, there are at least two areas of concern around these shifts. First, weakening in the outlook for Europe and North America is also a downgrade of the outlook for tourism, the main export for most of our economies. It also undermines potential outlook for commodities exporting economies, especially if the reciprocal contours of US tariffs shape up as we are being forewarned that they will. Second, the Caribbean is also on

¹ IMF World Economic Outlook Update, January 2025

² OECD Economic Outlook, Interim Report March 2025



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the receiving end of any inflationary impact of tariffs, which affect the US domestic space—even if the US's trading partners do not retaliate, because these would reach us through goods and services imported from the US.

There is also the lasting toll of the inflation that we have already experienced, which imposes great social costs, because the accumulated increases in prices are still a burden for consumers and businesses.

The Caribbean economies are already starting from a very challenged baseline of high fiscal indebtedness and relatively low growth potential—linked by declining total factor productivity. Added to this, our frontline exposure to the effects of climate change is already producing more frequent and severe hurricane shocks—again given limited fiscal space to react—and alongside the dreaded, steady advance of sea-level rise. These are structural challenges that go beyond just managing how our economies weather the current economic cycle but speak to the longer-term of how we seek to increase growth, reduce structural unemployment, and make our economies more resilient.

This conference is intended to spotlight empirical research that helps us to improve our understanding of the policy environment and give a sharper perspective on how to formulate responses to our economic challenges. In this regard, I am very impressed by the range of topics that are being covered; some touching specifically on the Caribbean and an important number of papers looking at the policy environment in the United States.

Thank you for putting these papers forward.

I would especially like to thank colleague central bank governors from Jamaica and Trinidad and Tobago for helping enrich our Caribbean content, the president of the Federal Reserve Bank of New York, who also serves as vice chair of the Federal Open Market Committee (FOMC), for the contribution that he will make, and our esteemed chief representative from the BIS Office of the Americas for his scheduled presentation.

Finally, I would like to thank everyone who has contributed, in organizing this event; especially our partners at Indiana University, for curating the excellent selection of papers, and to everyone on the Central Bank of The Bahamas' team, who helped with every other aspect of this event, including taking such great care of our visiting guests.

I encourage all of you to take full advantage of the sessions and the networking opportunities over the next two days. Our hope is that you leave this conference not only having learned something but also motivated to continue your research on these very important topics.

With that said, I wish us all a productive two days of discussions and look forward to the continued partnerships and policy research that will come out of this effort.

Thank you.

26 March 2025 ■