

Ronald F. deC. Harford



## *chairman's review*

I am pleased to report that for the year ended September 30, 2007 the Bank recorded a profit after tax of \$13.05 million. This is a satisfactory performance reflecting the prevailing market conditions. The Board has declared a dividend of \$ 3.65 bringing the total dividend for the year to \$4.30.

The global economy grew at a brisk pace in the first half of 2007 and continues to expand with the International Monetary Fund's (IMF) World Economic Outlook projecting global growth of 4.8 percent in 2007 and 2008. Robust expansion continues in the economies of China, India and Russia while in the Euro zone and Japan growth has remained above trend. In the United States where the rate of growth has slowed, the IMF forecast is for 2 percent in 2007 and 2.8 percent in 2008.

In the Eastern Caribbean Currency Union (ECCU) economic activity continued to be buoyant during the first quarter of 2007 with the level of activity above that in the previous year. The Eastern Caribbean Central Bank (ECCB) reports that this growth was driven by increases in agriculture, manufacturing and the expansion in construction associated with the hosting of Cricket World Cup 2007. After many years of low inflation, inflationary pressures in the ECCU are being ignited by rising food prices, record high crude oil prices and the fall in the value of the US Dollar.

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Latest data from government shows that Grenada's economy declined by 3.5 percent in 2006, a significant change from the earlier estimate of 2.1 percent growth. This contraction follows the unprecedented high growth of 12.7 percent in 2005. There was a larger than expected fiscal deficit of 7.1 percent of GDP in 2006. Inefficiencies in tax revenue collection, declining grant flows and the challenges experienced in containing expenditure contributed to this deficit. Growth of 2.5 per cent in 2007 is forecasted by Standard & Poor's. For the first half of 2007, while yacht arrivals declined by 22 percent, cruise ship calls and cruise passenger arrivals increased by 9 percent and 18 percent respectively. Additionally, stay-over arrivals increased by 12 percent to 65,336 visitors. The net result has been an increase in the tourism sector.

Grenada is also poised to benefit from substantial foreign direct investment in the tourism sector. Such investment is important to the national economy and is to be encouraged, given the continued difficulties and relatively slow recovery in the agricultural sector.

Government debt to GDP is forecasted to improve from 120 percent in 2006 to 115 percent in 2007 and fiscally responsible policies will be critical in ensuring that this is achieved. In August 2007 Standard & Poor's raised its long-term credit rating on Grenada to B-minus, reflecting steps taken by the government to improve debt management and held the short-term credit rating at C, with a stable outlook.

The Grenada Authority for the Regulation of Financial Institutions (Garfin) commenced its work earlier this year following the passage of the necessary legislation. As the authorities have once again identified expansion of the offshore financial services sector as important for revenue and economic growth, adequate resources should be made available to Garfin to ensure that it functions effectively.

Looking forward we expect that next year should be a positive one for the economy, which will redound to the benefit of citizens, the business sector and to the Bank.

In closing I would like to acknowledge Mr. Edmund Lawrence who retired from the Board earlier this year. In his place our Board appointed Mr. Gordon Derrick whom I wish to welcome. I thank our management and staff, our customers, our shareholders and the Directors of our Bank for their continued support and contribution to the organization.