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AND THE CARIBBEAN**

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### Notes and explanation of symbols

The following symbols have been used in the tables in this Survey:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amounts is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A **minus** sign (-) indicates a deficit or decrease, unless otherwise indicated.

A full stop (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1969/1970.

Use of a hyphen (-) between years, e.g., 1960-1970, signifies an annual average for the calendar years involved, including the beginning and the end years.

References to "tons" mean metric tons, and to "dollars" United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual growth rates or rates of variation mean cumulative annual rates.

Figures and percentages in tables may not necessarily add up to the corresponding **totals**, because of rounding.

PART ONE

TRENDS IN CARIBBEAN COUNTRIES IN 1984

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## Part One

### Subregional Summary

#### TRENDS IN CARIBBEAN COUNTRIES IN 1984

##### I. INTRODUCTION

Growth in the industrial countries has a direct impact on the economic performance of the Caribbean countries through the stimulus given to output and exports of the latter. In 1984, economic recovery in the industrial countries entered its second year, following the recession of 1980-1982, and as a result most countries in the Caribbean subregion experienced a spurt of economic activity.

Apart from the favourable impact of increased demand for goods and services, the Caribbean countries also benefited from declining inflation rates in the industrial countries, an easing in nominal and real interest rates and slightly improved terms of trade. At the same time, problems of fiscal and current account imbalances in the industrial countries and high rates of unemployment in Europe persist, and efforts to correct these imbalances and reduce unemployment may also have the effect of lowering current rates of growth in the developed countries and thus eventually curtailing economic activity in the Caribbean subregion.

##### II. THE INTERNATIONAL SETTING

###### a) *Aggregate output*

During 1984, the international economy grew by 4.3%. Output grew strongly in the industrial countries, where the real Gross National Product (GNP) recorded growth of 4.9% (see table 1). The United States showed the greatest increase in output, while the pace also picked up in Japan. The economic recovery gradually spread to the developing countries and was reflected mainly in an improvement in the balance of payments and overall growth. Compared with growth in real GNP of 1.5% during 1982-1983, real GNP rose by 3.7% in 1984, and although many oil-exporting countries remained affected by weak demand for oil, growth in non-oil-exporting countries accelerated from about 2.5% in 1982-1983 to 4.4% in 1984.

###### b) *Aggregate demand and employment*

Domestic demand grew rapidly in the industrial countries during 1984, particularly in the United States and the United Kingdom. Overall, consumer expenditure approached the levels of 1979 as householders satisfied the demand for consumer durables that had been foregone during the period of recession (see table 2). Government consumption expenditure also accelerated sharply, due mainly to defence spending by the United States. Investment spending increased by over 9%, compared with a fall of 3.2% in 1982. Most investment activity occurred in the United States, United Kingdom, Japan and the Federal Republic of Germany, and gained impetus from relatively low interest rates, moderation in wage increases and improved sales and profit prospects.

As a result of increased economic activity, the employment situation improved (see table 2). Increases were most marked in the United States and Canada, while employment stopped falling in Europe. Nonetheless, continued growth in the labour force led to record levels of unemployment in some European countries.

c) *World trade*

The volume of world trade grew strongly (8.8%) in 1984 (see table 3). Both industrial and developing countries made gains in exports, with the non-oil exporters making the most significant advances. Among these, the countries which had made most progress in structural adjustment reaped the greatest benefits. The terms of trade of the developing countries, after falling in 1982 and 1983, improved slightly in 1984 (0.3%), but weakness and instability characterized oil and other commodity prices (see table 4).

d) *Inflation, interest and exchange rates*

Inflation in the industrial countries continued to decline in 1984. The effect of weak commodity prices was reinforced by monetary, fiscal and incomes policies which dampened the inflationary pressures that had been expected to accompany economic recovery. In the developing countries as a whole inflation continued to advance, moving from 33% to 37.7% (see table 5), but in small low-income countries it fell from 27% to 17.4%.

Short-term interest rates in the United States eased in late 1984. This circumstance reflected a slackening in the pace of demand growth and a lessening of inflationary expectations. The main features of exchange markets during 1984 were the continued rise of the United States dollar in nominal and real terms, and the relative weakness of the major European currencies, especially the pound sterling. The continued appreciation of the United States dollar reflects interest rate differentials in the major markets and the attractiveness of the United States as a haven for savings from the rest of the world.

Table 1

REAL GROSS NATIONAL PRODUCT  
(Percentage growth rates)

	1979	1980	1981	1982	1983	1984 <sup>a</sup>
World	3.5	2.0	1.6	0.6	2.6	4.3
Industrial countries	3.5	1.3	1.6	-0.2	2.6	4.9
U.S.A.	2.8	-0.3	2.5	-2.1	3.7	6.8
Canada	3.2	1.1	3.3	-4.4	3.3	4.7
United Kingdom	3.2	-2.6	-1.4	2.4	3.2	2.4
Japan	5.2	4.8	4.0	3.3	3.4	5.8
Developing countries	4.5	3.4	2.4	1.6	1.5	3.7
Oil exporters	3.7	1.0	1.2	-0.2	-0.8	2.0
Non-oil exporters	4.8	4.3	3.0	2.5	2.7	4.4

Source: International Monetary Fund (IMF), *World Economic Outlook*, 1985.

<sup>a</sup>Preliminary figures.

Table 2

INDUSTRIAL COUNTRIES: EVOLUTION OF COMPONENTS OF  
REAL GNP AND EMPLOYMENT  
(Percentage growth rates)

	1979	1980	1981	1982	1983	1984 <sup>a</sup>
Consumer expenditure	3.5	1.0	1.0	1.4	3.0	3.1
Public consumption	2.3	2.3	2.1	1.7	1.2	2.5
Gross fixed investment	4.1	-1.3	0.6	-3.2	3.5	9.2
Employment	1.9	0.6	0.2	-0.4	0.3	1.9
Unemployment rate	5.1	5.8	6.7	8.2	8.7	8.2

Source: IMF, *World Economic Outlook*, 1985.

<sup>a</sup>Preliminary figures.



Table 3

## WORLD TRADE

*(Percentage growth rates)*

	1979	1980	1981	1982	1983	1984"
Volume	6.6	15	0.7	-2.3	2.1	8.8
Unit value (US\$ terms)	18.5	<b>19.8</b>	-1.2	-4.1	-4.4	-1.8
Exports (volume)						
Industrial countries	7.1	3.7	3.4	-2.2	2.4	9.9
<b>Déveloping</b> countries	5.4	-2.6	-4.0	-7.2	0.9	8.0
Oil exporters	2.0	-10.9	-12.6	-15.1	-5.7	2.5
Non-oil exporters	9.0	9.0	7.0	10	6.2	12.0
Imports (volume)						
Industrial countries	8.6	-1.7	-2.5	-0.8	4.2	12.2
Developing countries	4.9	8.3	7.3	-3.9	-3.6	2.5
Oil exporters	-4.3	13.0	20.5	-0.7	12.9	-4.9
Non-oil exporters	9.6	6.4	1.6	-5.5	1.5	5.9

Source: IMF, *World Economic Outlook*, 1985.

"Preliminary figures.

Table 4

## TERMS OF TRADE AND WORLD PRICES

*(Percentage growth rates)*

	1979	1980	1981	1982	1983	1984"
Terms of trade						
Industrial countries	-3.0	-6.8	-2.1	1.8	2.0	-0.2
Developing countries	10.8	15.2	1.2	-1.7	-2.1	0.3
Oil exporters	26.9	40.4	8.5	-1.1	-7.5	0.1
Non-oil exporters	-1.6	-5.7	-5.5	-2.2	2.4	0.6
Prices of major commodity groups						
Manufactures	13.9	11.1	-6.0	-2.1	-4.1	-3.0
Oil	46.4	63.0	9.9	-3.8	-12.3	-1.9
Non-oil primary commodities	16.3	8.3	-15.2	-12.3	7.8	2.5

Source: IMF, *World Economic Outlook*, 1985.

"Preliminary figures.

Table 5

## CONSUMER PRICES

*(Percentage growth rates)*

	1979	1980	1981	1982	1983	1984"
Industrial countries	9.0	11.8	9.9	7.4	4.9	4.7
Developing countries	21.5	27.3	26.1	24.7	33.0	37.7
Oil exporters	11.8	15.9	16.4	18.0	25.5	20.1
Non-oil exporters	25.7	32.2	30.6	28.0	36.9	47.1

Source: IMF, *World Economic Outlook*, 1985.

"Preliminary figures.

#### e) *Balance of payments and international debt*

The widening current account balance in the industrial countries can be attributed largely to the rapid growth in imports in the United States and the United Kingdom. In particular, the United States balance deteriorated from a surplus of US\$ 11 billion in 1981 to a deficit of US\$ 93 billion in 1984 (see table 6). While this was a major factor in spreading recovery to other industrial countries and the developing world, the United States position reflected weakness in important markets in Latin America and the appreciation of the United States dollar.

Some improvement was observed in the external position of the developing countries. Severe cut-backs in foreign commercial bank lending since the onset of the debt crisis in 1982 led to increasing dependence on official long-term lending, official transfers and direct investment. In this way, the developing countries were able to replenish their reserves by US\$ 22 billion in 1984. The annual growth rate of the external debt fell sharply from an average of 18% for the period 1978-1981 to 4.5% in 1984. With the increase in trade, ratios of debt to exports fell from the high levels of 1983.

#### f) *Prospects*

The prospects for 1985 are for continued growth in the industrial countries, though at a slower pace of about 3%. A better distribution of economic performance is also expected. It is foreseen that unemployment will stabilize at 8.2% and that inflation will fall to 3.7%. In the developing countries, it is expected that there will be further acceleration in the average growth rate to 4.5%, but this will depend on whether the industrial countries attain their growth target.

### III. CARIBBEAN ECONOMIES: MAIN TRENDS

#### a) *Structural characteristics*

This survey covers sixteen Caribbean countries, thirteen of which make up the Caribbean Community and Common Market (CARICOM). Seven members of this group compose the Organization of Eastern Caribbean States (OECS). Together the countries cover an area of 436 000 square kilometres and support a population of about six million (see table 7). Most of the countries are politically independent, but they all share a relationship with the industrial countries that manifests itself mainly in trade and financing arrangements.

#### b) *Overall performance*

Buoyed by economic recovery in the industrial countries, the Caribbean economies showed marked improvement in 1984. Nonetheless, the pattern of growth was unevenly spread among countries and sectors of economic activity. Antigua and Barbuda recorded the highest rate of growth of the countries surveyed (6.5%). This was followed by favourable performances in Montserrat,

Table 6

#### BALANCE OF PAYMENTS CURRENT ACCOUNT POSITIONS

(Billions of U.S. dollars)

	1979	1980	1981	1982	1983	1984 <sup>a</sup>
<b>Industrial countries</b>	-5.6	-38.8	3.1	1.2	2.2	-34.2
<b>U.S.A.</b>	2.6	6.69	10.7	-3.8	-35.5	-93.4
<b>Japan</b>	-7.9	-9.5	6.2	8.1	22.2	36.4
<b>Developing countries</b>	0.2	22.6	<b>-56.3</b>	-99.6	-70.5	-43.9
Oil exporters	54.0	100.1	34.7	-23.4	-17.0	-5.7
Non-oil exporters	-53.8	-77.5	-91.0	-76.2	-53.6	-38.2

Source: IMF, *World Economic Outlook*, 1985.

<sup>a</sup>Preliminary figures.

Table 7

## CARIBBEAN COUNTRIES: STRUCTURAL CHARACTERISTICS, 1984

	Area (km <sup>2</sup> )	Population (thousands)	Currency (units per US dollar)	GDP (in millions of national currency units)
British Virgin Islands	150	12	US\$ 1.00	...
Netherlands Antilles	993	237	NAf 1.79	...
Suriname	163 270	384	Sf 1.78	...
<b>CARICOM group<sup>a</sup></b>	<b>271 280</b>	<b>5 315</b>		
Bahamas	13 940	226	Bhs\$ 1.00	1 454
Barbados	430	253	Bds\$ 2.00	2 075
Belize	22 960	162	Bze\$ 2.00	...
Guyana	214 970	788	G\$ 3.83	1 700
Jamaica	10 990	2 297	J\$ 3.94	9 368
Trinidad and Tobago	5 130	1 168	TT\$ 2.40	20 137
<b>OECS group<sup>b</sup></b>	<b>2860</b>	<b>543</b>		
Antigua y Barbuda	440	79	EC\$ 2.70	369
Dominica	750	83	EC\$ 2.70	190
Grenada	340	92	EC\$ 2.70	235
<b>Montserrat</b>	100	12	EC\$ 2.70	83
Saint Christopher-Nevis	270	46	EC\$ 2.70	147
Saint Lucia	620	128	EC\$ 2.70	348
Saint Vincent and the Grenadines	340	103	EC\$ 2.70	220

Source: Various country reports.

<sup>a</sup>CARICOM - Caribbean Community and Common Market.

<sup>b</sup>OECS - Organization of Eastern Caribbean States.

Guyana and Saint Lucia. Belize and Jamaica stagnated, while output in Trinidad and Tobago declined by 6.0% for the second year in succession (see table 8).

The individual sectors displayed a similar patchy performance. Although sugar output continued to contract, the agriculture sector as a whole, performed creditably, and the tourism sector enjoyed a good year. On the other hand, the manufacturing and construction sectors remained depressed throughout 1984. In an effort to halt the decline in manufacturing, several Caribbean countries took steps to protect local industry by imposing trade restrictions which adversely affected their CARICOM partners.

Some of the countries in the subregion remained under great and increasing pressure in 1984. Trinidad and Tobago was affected by the slackening demand for petroleum and petroleum products and for its manufactured goods. As effective demand was curtailed in some countries, consumers continued to face a fall in living standards. Exports increased in volume and value but foreign exchange shortages not only limited imports of consumer goods but imposed constraints on productive activity as well. Governments were forced to improve the fiscal situation through better public sector management and to institute measures to reorient and diversify the economies.

c) *Export performance*

On balance, export performance improved in 1984. A decline in exports of sugar was more than offset by a strong performance in tourism. A reasonable performance was also recorded by other agricultural commodities and bauxite.

Sugar exports have been hampered by world expansion of sugar production at the same time that consumption has been on the decline. In addition, non-sucrose sweeteners have been making significant inroads into the market. Unseasonable weather, poor cultivation practices, industrial

disputes and inadequate management have all militated against increased sugar output. In 1984, Barbados was the only country showing increased production. World market prices continued to decline, falling below 4 US cents per pound in August 1984 to reach the lowest price recorded since 1971.

Banana exports increased modestly in 1984 (see table 9) despite windstorms and heavy rains between July and November. Increased exports by Dominica, Saint Lucia and Saint Vincent and the Grenadines can be attributed to the introduction of the field-packing system, which secured the

Table 8

CARIBBEAN COUNTRIES: REAL GDP AND POPULATION

(Percentage growth rates)

	Real GDP			Population	
	1982	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Antigua and Barbuda	-1.3	5.4	6.5	1.3	1.4
Bahamas	1.5	5.0	4.0	1.8	1.8
Barbados	-4.3	0.0	2.4	0.4	0.4
Belize	-0.8	0.7	1.3	2.8	2.8
British Virgin Islands	4.4	4.4	4.0	1.8	1.7
Dominica	2.3	2.4	4.3	0.5	1.5
Grenada	4.7	-2.0	-1.6	0.0	0.0
Guyana	-10.4	-9.6	5.5	0.8	0.8
Jamaica	1.0	2.0	-0.4	2.0	1.5
Montserrat	-7.4	-4.7	5.7	0.5	0.5
Netherlands Antilles	...	...	...	0.9	0.4
Saint Christopher/Nevis	6.1	-4.7	3.9	1.3	2.0
Saint Lucia	2.5	2.0	5.4	1.6	1.6
Saint Vincent and the Grenadines	5.9	5.1	3.5	1.2	1.2
Suriname	2.0	2.0	...	2.7	2.7
Trinidad and Tobago	6.7	-6.0	-6.3	1.8	1.6

Source: Various country reports.

<sup>a</sup>Preliminary figures.

Table 9

CARIBBEAN COUNTRIES: MAJOR EXPORT STAPLES

(Thousands of tons)

	Sugar output		Banana exports	
	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Barbados	86	100	-	-
Belize	116	105	10	...
Guyana	256	246	-	-
Jamaica	208	188	23	11
Saint Christopher/Nevis	36	28	-	-
Suriname	...	...	32	...
Trinidad and Tobago	77	65	-	-
Windward Island				
Dominica			29	33
Grenada			10	10
Saint Lucia			55	65
Saint Vincent and the Grenadines			28	33

Source: Various country reports.

<sup>a</sup>Preliminary figures.

Table 10

## CARIBBEAN COUNTRIES: PRODUCTION OF BAUXITE AND ALUMINA

*(Thousands of tons)*

	1983	1984 <sup>a</sup>
Guyana		
Dried bauxite	743	782
Calcined bauxite	315	517
Alumina	-	-
Jamaica		
Bauxite	7 683	8 937
Alumina	1 851	1 749
Suriname		
Bauxite	2 793	...
Alumina	1 154	...
Aluminium	73	...

Source: Various country reports.

<sup>a</sup>Preliminary figures.

delivery of better quality fruit to the shippers and a lower rejection rate. However, earnings in local currency did not keep pace with the expanded output as the United States dollar, to which local currencies are tied, continued to appreciate against the pound sterling, in which banana prices are denominated. It is estimated that because of this unit earnings in the Windward Islands declined by 6%.

Bauxite exports from Guyana and Jamaica increased in 1984 (see table 10). It is believed that a reduction in the bauxite levy has also resulted in improved performance in Suriname. In Guyana, emphasis was placed on refractory and abrasive bauxite in view of the downturn in the aluminium industry, and no alumina has been produced for the past two years. These products, however, face considerable uncertainty for the future due to high production costs.

Petroleum output in Trinidad and Tobago increased by 11% in 1984, compared with a fall of 8.5% in 1983. Drilling activities expanded but were still dominated by marine activity, which accounted for about 80% of total output in 1984. Production of petroleum in Barbados increased by 67% and supplied some 52% of local crude requirements, so that imports of the latter fell by 9.3%, although imports of reformat increased by 11.6%. Natural gas production continued to expand in both countries.

Tourism in the region responded strongly to the upturn in the economy of the United States in 1984, and all destinations except Grenada recorded increases in visitor arrivals (see table 11). Visitors from the United States continued to dominate the market as the appreciation of the United States dollar *vis-à-vis* other currencies deterred visitors from the United Kingdom and Europe. Hotels and guesthouses have reported record occupancy rates, even in the off-season. At the same time, however, length of stay has tended to be shorter.

d) *Domestic activity*

i) *Agriculture*. Most governments have been promoting agriculture and fisheries and pursuing crop diversification programmes. The success of these programmes can be gauged by the sharp increases in output of food crops, tree crops, livestock and fish during the last few years. Some of the incentives offered to farmers and fishermen include easier access to credit, increased prices and improved marketing facilities.

ii) *Manufacturing*. The manufacturing sector performed poorly in 1984. With the exception of Belize and Saint Christopher/Nevis, the sector registered poor performances in all the countries in the subregion (see table 12). In Barbados, Jamaica and Trinidad and Tobago, output was adversely affected by both sluggish domestic demand and contraction in CARICOM markets, and manufacturing output declined by 2%, 6.7% and 8.5%, respectively. Grenada and Saint Lucia were similarly affected.

The other CARICOM countries also experienced difficulties in the subregional market, but these were not compounded by shrinking domestic demand, and output was probably buoyed by exports to extra-regional markets by enclave industries.

iii) *Construction.* As in 1983, activity in the construction sector remained depressed during the review period. Such activity as did occur was carried out mainly by the public sector. Road rehabilitation in Belize, Saint Lucia and Saint Christopher/Nevis, and airport construction and major road works in Grenada, were among the main projects undertaken. In the latter country, however, the contribution of the sector continued to decline in 1984 (by 26%), following a drop of 20% in 1983.

Table 11

**CARIBBEAN COUNTRIES: INDICATORS OF TOURISM ACTIVITY**

	Visitor arrivals (thousands)			Estimated expenditure (millions of US dollars)		
	1982	1983	1984 <sup>o</sup>	1982	1983	1984 <sup>o</sup>
Antigua and Barbuda	164	166	195	44	51	65
Bahamas	1 948	2 224	2 325	654	770	810
Barbados	415	431	467	251	252	284
Belize	67	64	88	8	8	10
British Virgin Islands	156	149	162	66	82	86
Dominica	23	25	29	4	5	5
Grenada	85	83	74	17	15	17
Guyana	...	...	...	...	...	...
Jamaica	670	783	844	338	399	407
Montserrat	25	19	21	6	6	7
Netherlands Antilles	902	806	841 <sup>ii</sup>	343	213	212
Saint Christopher/Nevis	46	53	64	9	10	11
Saint Lucia	106	113	128	32	40	42
Saint Vincent and the Grenadines	79	86	115	26	27	29
Suriname	...	...	...	20	20	20
Trinidad and Tobago	...	...	...	138	178	198

Source: Various country reports. Caribbean Tourism Research and Development Centre (CTRC): *Caribbean Tourism Statistical Report*, 1985.

<sup>o</sup>Preliminary figures. <sup>ii</sup>Excludes cruise-ship visitors to St. Maarten.

Table 12

**CARIBBEAN COUNTRIES: GROWTH IN MANUFACTURING**

(Percentage growth rates)

	1983	1984 <sup>o</sup>
Antigua and Barbuda	2.2	1.4
Bahamas	...	...
Barbados	1.9	-2.0
Belize	2.0	7.5
British Virgin Islands	18.7	...
Dominica	2.0	-1.0
Grenada	-17.5	0.0
Guyana	-18.8	1.0
Jamaica	3.1	-6.7
Montserrat	5.3	-2.8
Netherlands Antilles	...	...
Saint Christopher/Nevis	-11.4	9.4
Saint Lucia	10.6	-2.1
Saint Vincent and the Grenadines	2.6	1.0
Suriname	5.8	...
Trinidad and Tobago	-1.0	-8.5

Source: Various country reports.

<sup>o</sup>Preliminary figures.

Table 13

## CARIBBEAN COUNTRIES: PUBLIC FINANCES

*(Percentages growth rates)*

	Current revenue		Current expenditure		Fiscal deficit <sup>b</sup>	
	1983	1984 <sup>o</sup>	1983	1984 <sup>o</sup>	1983	1984 <sup>a</sup>
Antigua and Barbuda	-6.1	14.0	-10.3	0.2	34.1	51.1
Bahamas	5.8	12.4	12.2	8.8	25.5	5.9
Barbados	12.3	2.7	5.4	9.5	13.7	14.5
Belize	-1.4	17.3	3.7	0.4	23.1	17.4
British Virgin Islands	7.1	4.0	22.9	0.6	...	...
Dominica	20.8	8.6	11.0	6.6	32.9	39.2
Grenada	8.5	7.0	3.9	16.5	51.2	46.7
Guyana	2.8	6.1	17.1	29.4	50.0	...
Jamaica	11.9	22.5	29.6	43.6	36.1	41.2
Montserrat	5.7	1.4	7.4	2.8	0.8 <sup>c</sup>	2.3
Netherlands Antilles	...	...	...	...	...	...
Saint Christopher/Nevis	0.8	5.1	-0.9	4.8	20.3	21.0
Saint Lucia	4.9	5.8	-0.3	18.2	20.6	30.7
Saint Vincent and the Grenadines	4.1	27.3	12.1	18.3	7.9	0.0
Suriname	-8.5	-4.4	11.1	-1.9	48.8	37.1
Trinidad and Tobago	-7.8	1.2	3.3	5.9	25.3	25.1

Source: Various country reports.

<sup>a</sup>As a percentage of total Government expenditure.<sup>b</sup>Preliminary figures.<sup>c</sup>Indicates a surplus.e) *The public sector*

During 1984, the general policy objective was to reduce the budgetary **deficit**. This objective has been difficult to achieve because of the slow increase in revenue, while recurrent expenditure has been growing apace. During 1984, overall fiscal performance continued to deteriorate (see table 13). Reduced collections of import duties, combined with large increases in interest payments on the public debt, produced fiscal deficits far in excess of the projected levels.

f) *Trade and payments*

The trade and payments situation continued to improve in 1984. Lower rates of inflation and faster rates of increase in the value of exports than of imports have led to a situation where the deficit on visible trade, though still high, has been narrowing (see table 14). The deficit on the current account of the balance-of-payments has also been falling, in spite of the substantial interest payments on the external debt. Receipts from tourism have gone a long way towards offsetting these outflows. All countries, however, continued to have deficits on the balance of payments **current** account (see table 15) and some continued to have difficulty in attracting foreign capital to finance private and public sector investment. In December, the Government of Belize adopted a financial adjustment programme and entered into a stand-by arrangement with the IMF in the amount of SDR 7 125 000.

g) *Monetary developments*

As in previous years, monetary policy in most of the countries aimed to make more funds available for lending to the productive sectors (see table 16). In some countries, **this** general policy objective went hand in hand with other measures designed to restrict aggregate demand so as to improve the balance-of-payments and dampen inflation. For example, in Barbados a tight rein was held on the money supply, and in Jamaica interest rates were increased to raise the level of domestic savings, a deposit scheme was established for payment of arrears on foreign obligations contracted

Table 14

## CARIBBEAN COUNTRIES: VALUE OF EXPORTS AND IMPORTS

*(Percentage growth rates)*

	Exports		Imports	
	1983	1984 <sup>o</sup>	1983	1984 <sup>a</sup>
Antigua and Barbuda	-16.9	5.3	-21.3	37.4
Bahamas	10.4	21.6	8.6	6.7
Barbados	38.1	9.7	13.7	5.3
Belize	-14.7	21.4	-9.7	11.8
British Virgin Islands	...	...	...	...
Dominica	12.4	-6.9	-5.1	28.3
Grenada	19	-9.5	-0.8	-11.6
Guyana	-20.0	36.6	-12.0	14.1
Jamaica	-10.8	7.7	-6.9	-7.2
Montserrat	76.7	-31.0	-2.0	-15.5
Netherlands Antilles	-24.5	-16.7	-22.8	-12.5
Saint Christopher/Nevis	-12.9	12.1	16.5	14.0
Saint Lucia	14.6	0.6	-9.6	7.5
Saint Vincent and the Grenadines	27.3	30.7	8.1	8.9
Suriname	-14.4	-5.3	-12.7	-16.0
Trinidad and Tobago	-23.4	-7.9	-30.2	-26.0

Source: Various country reports.

<sup>o</sup>Preliminary figures.

Table 15

## CARIBBEAN COUNTRIES: BALANCE OF PAYMENTS CURRENT ACCOUNT

*(Millions of US dollars)*

	1982	1983	1984 <sup>o</sup>
Antigua and Barbuda	-37.9	-6.3	-13.7
Bahamas	-45.0	0.0	-10.0
Barbados	-41.5	-50.0	-16.0
Belize	...	...	-7.5
British Virgin Islands	...	...	...
Dominica	-3.8	-4.2	-6.9
Grenada	-33.7	-29.0	-20.0
Guyana	-142.0	-156.0	-113.3
Jamaica	-403.8	-361.8	-151.8
Montserrat	...	-4.7	-8.6
Netherlands Antilles	164.1	-60.8	...
Saint Christopher/Nevis	-4.5	-14.6	-4.8
Saint Lucia	-44.4	-20.4	-22.0
Saint Vincent and the Grenadines	-6.1	-3.0	...
Suriname	-153.8	-163.9	-67.4
Trinidad and Tobago	-766.2	-942.5	-706.2

Source: Various country reports.

<sup>o</sup>Preliminary figures.



Table 16

## CARIBBEAN COUNTRIES: GROWTH IN MONETARY RESOURCES

*(Percentage growth rates)*

	Money supply		Quasi-money	
	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Antigua and Barbuda	18.3	12.9	21.5	20.7
Bahamas	12.7	29.2	11.5	3.8
Barbados	16.2	-2.5	4.2	12.7
Belize	7.6	26.6	24.0	-2.6
British Virgin Islands	...	...	...	...
Dominica	...	...	...	...
Grenada	15.7	18.5	...	...
Guyana	16.4	22.0	23.2	16.5
Jamaica	21.3	14.5	28.6	16.3
Montserrat	13.9	2.7	0.7	6.1
Netherlands Antilles	-0.4	-2.7	8.8	4.8
Saint Christopher/Nevis	2.4	11.5	14.5	12.7
Saint Lucia	...	...	...	...
Saint Vincent and the Grenadines	17.3	22.9	11.0	11.2
Suriname	8.1	26.9	70.3	-9.2
Trinidad and Tobago	-8.1	-6.0	14.7	9.3

Source: Various country reports.

<sup>a</sup>Preliminary figures.

Table 17

## CARIBBEAN COUNTRIES: INFLATION AND UNEMPLOYMENT

	Retail prices (percentage variation)			Unemployment (percentage)	
	1982	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Antigua and Barbuda	4.6	2.3	4.0	...	...
Bahamas	6.0	4.0	3.9	...	...
Barbados	10.3	5.3	4.6	15.0	17.1
Belize <sup>b</sup>	...	...	5.6	...	14.0
British Virgin Islands	9.9	2.5	...	...	...
Dominica	4.4	2.7	1.9	...	...
Grenada	7.7	6.1	5.6	...	39.5
Guyana	20.9	14.9	25.9 <sup>c</sup>	...	...
Jamaica	6.5	11.3	27.8	26.7	25.4
Montserrat	9.8	4.7	5.5	7.0	...
Netherlands Antilles	7.6	1.5	2.4	...	...
Saint Christopher/Nevis	1.9	2.5	2.7	...	...
Saint Lucia	4.6	1.5	1.2	...	...
Saint Vincent and the Grenadines <sup>d</sup>	14.3	4.4	2.0	...	...
Suriname	7.3	4.4	3.7	...	...
Trinidad and Tobago	11.4	16.8	13.3	11.1	12.7

Source: Various country reports.

<sup>a</sup>Preliminary figures.<sup>b</sup>November-December.<sup>c</sup>January-June.<sup>d</sup>December-December.

before February 1984, and a ceiling was set on domestic borrowing by the public sector. On the other hand, although the policy of allocating more resources to the private sector was espoused, the public sector remained the main beneficiary of commercial bank credit in some of the countries.

During the year, Guyana made three major devaluations, while Jamaica continued to operate its system of foreign exchange auctioning, experiencing a downward trend in its exchange rate.

**h) *Inflation and unemployment***

Inflation continued to moderate during 1984, and except in Guyana, Jamaica and Trinidad and Tobago it fell below 6% in all the countries surveyed (see table 17). Indeed, in Saint Lucia the rate was as low as 1.2%. The abatement of inflation in the subregion's main trading partners was largely responsible for this development. In spite of the economic deceleration, negotiated wage increases tended to outstrip the rate of inflation, but nonetheless remained low and fairly stable.

Partial data on unemployment suggest that the rate increased in 1984 (see table 17). Some jobs were lost during the year, particularly in the manufacturing sector, and it is doubtful that these workers were absorbed elsewhere. With the increasing dynamism in the agriculture sector, it is essential that productivity in that sector should be increased and maintained. Consequently, efforts to create new job opportunities should be centered on the manufacturing, services and construction sectors.

PART TWO  
ECONOMIC EVOLUTION OF THE  
INDIVIDUAL COUNTRIES

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## ANTIGUA AND BARBUDA

### 1. Recent economic trends: Introduction and summary

Over the three-year period 1980-1982, economic activity in Antigua and Barbuda declined. After experiencing negative growth (-1.3%) in 1982, the economy recovered in 1983 and 1984, in which years the Gross Domestic Product (GDP) at constant prices grew by 5.4% and 6.5 %, respectively (see table 1 ). Consumer expenditure, especially in the consumer durables category, increased significantly.

This reversed trend is primarily the result of recovery in the more industrialized countries, thanks to which tourism, the country's leading sector, expanded considerably in 1983 and 1984. Provisional estimates for 1984 indicate that this sector grew by as much as 26%. Its impact on the economy was, however, weakened by the adverse factors affecting other economic sectors. In the first instance, trade difficulties in the CARICOM market reduced marketing opportunities for the local manufacturing sector, which as a result experienced very little growth. Secondly, the severe drought which lasted for most of 1984 caused agricultural output to decline by more than 10%.

Central government finances **improved** significantly in 1984, and the deficit on current account, which had represented 3.3% of GDP in 1983, fell to 0.2% in 1984. Capital expenditure, which had totalled EC\$ 32.7 million in 1983, or the equivalent of 8.5% of GDP, increased to EC\$ 104 million, equivalent to 24.4% of GDP. Debt servicing continued to impose a significant strain on government finances, and there was a further build-up of arrears in payments. However, in late 1984, the Government did manage to reduce its gross external debt by using offsetting deposits to settle debts with two banks.

The **balance-of-payments** current account, which had improved substantially in 1983, showed an increased deficit in 1984, but this still remained far below the level reached in earlier years. While there was a marked increase in tourist expenditure, this was not sufficient to compensate for the boom in merchandise imports. Since 1980, there has been an improvement in the country's terms of trade, and this trend continued in 1984 as a result of the moderation of import prices and the rising prices of tourist services.

Net domestic credit increased by nearly 17% in consequence of larger-scale lending to the central government and the private sector. Inflation, which had moderated to 2.3% in 1983 is estimated to have increased slightly in 1984 as a result of the increase in public utility prices.

### 2. Trends in economic activity

#### a) *Evolution of the main sectors*

i) *Agriculture.* The agricultural sector in Antigua and Barbuda has declined steadily since the mid-1970s with its contribution to GDP falling from 11.4% in 1977 to 4.7% in 1984. The sector has long been handicapped by a lack of adequate water supply, and the two-year drought which lasted through most of 1984 worsened an already precarious situation. As a result, agricultural output in terms of constant prices, which had declined by 1 % in 1983, dropped by a further 10% (see table 2). Production of fruit and vegetables, which had been increasing steadily, decreased substantially (-29%) in 1984.

Institutional support is provided to the sector via the Agricultural Extension Services. This project, funded by the United States Agency for International Development (USAID), assists in the training of extension officers and supplies equipment and basic working tools, as well as transport facilities to increase the mobility and productivity of the officers. As a result, visits to farmers have increased, with a concomitant increase in farmer training activities. However, the service is still under the constraint of a shortage of extension officers and adequately trained personnel.

Sugar-cane production was resumed in 1978 following the resuscitation of the sugar factory with funding from the Caribbean Development Bank (CDB). The factory, with an expected capacity to grind about 25 tons of cane per hour, would, it was hoped, supply the local market. However, the project encountered serious implementation problems and productivity has been very low (see table 3). It is projected that sugar production in 1985 will be below the 1984 level as a result of the effect of the drought on the crop. The Corporation has difficulty in finding cutters and in the past has imported labour from St. Lucia, St. Vincent and the Grenadines and Dominica. In addition, the Corporation has been beset by financial problems and has supplemented its income by providing ploughing services to farmers. The financial viability of Antigua Sugar Industry Corporation (ASIC) is not assured, and its future remains uncertain. Its survival is heavily dependent on diversification of production. The Government has been approached by investors interested in producing ethanol from cane juice. The goal is to produce 200 million gallons of ethanol per year, the difference in molasses requirement being made up by imports. If the proposal under consideration is accepted, ethanol production will become the major output of the factory with sugar as a by-product.

Cotton production increased during 1984. Cotton is mainly produced on smallholdings of one acre, and a total of approximately 130 acres was under cultivation by small farmers in 1984. In addition, the Sugar Corporation planted approximately 50 acres. The raw cotton is purchased by the

Table 1

ANTIGUA AND BARBUDA: MAIN ECONOMIC INDICATORS

	1982	1983	1984
<b>A. Basic economic indicators</b>			
Gross domestic product at factor cost (millions of East Caribbean dollars at 1977 prices)	194.1	206.5	220.0
Population (thousands)	77.2	78.2	79.3
Per capita gross domestic product at 1977 prices (thousands of EC dollars)	2.5	2.6	<b>2.8</b>
<b>(growth) rates</b>			
<b>B. Short-term economic indicators</b>			
Gross domestic product at factor cost at 1977 prices	-1.3	5.6	6.5
Per capita gross domestic product at factor cost at 1977 prices	-2.6	5.1	5.1
Terms of trade	...	...	...
Consumer price index	...	2.3	4.0
Money supply ( $M_1$ )	...	18.3	12.9
Quasi-money supply ( $M_2$ )	...	20.7	18.9
Unemployment rate	20.9	20.9	20.1
Current revenue of government	92.9	87.8	100.1
Current expenditure of government	112.1	100.6	100.8
Millions of EC dollars <sup>b</sup>			
<b>C. External sector</b>			
Merchandise trade balance	-271.4	-209.0	-315.1
Balance on current account	-105.4	-20.1	-51.6
Variation in net international reserves	2.7	-0.3	-11.3
External debt	214.7	8.2	138.0

Source: Statistic Division Organization of Eastern Caribbean States (OECS); International Monetary Fund (IMF).

<sup>a</sup>Provisional data. <sup>b</sup>East Caribbean dollars (1 US\$ = 2.70 EC\$).

Table 2

## ANTIGUA AND BARBUDA: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY AT FACTOR COST

	Millions of 1977 EC dollars			Percentage breakdown		Growth rates	
	1982	1983	1984 <sup>a</sup>	1982	1984	1983	1984
Gross domestic product	194.1	206.5	220.0	100.0	100.0	6.4	6.5
Goods	38.2	37.7	37.3	19.7	17.0	-3.8	-1.1
Agriculture	11.7	11.6	10.4	6.0	4.7	-0.8	-10.3
Mining, quarrying and manufacturing	14.8	15.3	15.6	7.6	7.2	3.4	2.0
Construction	11.7	10.8	11.3	6.0	5.1	-7.7	4.6
Basic services	48.3	54.8	58.1	24.9	26.4	13.5	6.0
Electricity and water	7.4	8.1	8.0	3.8	3.6	9.5	-1.2
Transport and communications	40.9	46.7	50.1	21.1	22.8	14.2	7.3
Other services	107.6	114.0	124.6	55.4	56.6	6.0	9.3
Trade	21.6	21.9	23.2	11.1	10.5	1.4	5.9
Hotels and restaurants	26.1	30.8	38.9	13.5	17.7	18.0	26.3
Financial sector	13.6	14.6	15.0	7.0	6.8	7.4	2.7
Government services	22.4	22.8	23.3	11.5	10.6	1.8	2.2
Real estate and housing	22.5	23.2	23.6	11.6	10.7	3.1	1.7
Other	1.4	0.7	0.6	0.7	0.3	-50.0	-14.3

Source: Organization of Eastern Caribbean States (OECS) Secretariat.

<sup>a</sup>Provisional figures.

Table 3

## ANTIGUA AND BARBUDA: INDICATORS OF SELECTED AGRICULTURAL PRODUCTS

	Tons			Growth rates	
	1982	1983	1984	1983	1984
Sugar-cane <sup>1</sup>	2.9	4.7	4.6	64.3	-2.2
Cotton lint	4.0	2.3	...	-43.8	...
Major crops					
Sweet potatoes	228.0	353.0	...	54.8	...
Yams, eddoes, cassava	153.0	418.0	...	173.8	...
Tomatoes	173.0	285.0	...	65.4	...
Cabbages	184.0	166.0	...	-9.7	...
Cucumbers	148.0	140.0	...	94.4	...
Carrots	119.0	184.0	...	55.2	...
Onions	39.0	46.0	...	18.6	...
Squash	109.0	85.0	...	-21.8	...
Pineapples	185.0	181.0	...	-2.0	...
Mangoes	217.0	113.0	...	-47.9	...
Oranges and grapefruit	92.0	29.0	...	-68.2	...

Source: Agricultural Extension Services, Antigua.

<sup>1</sup>Thousands of tons.

Agricultural Extension Services which in 1984 exported 1 025 kg of cotton valued at EC\$ 16 710. While cotton is a potentially good foreign exchange earner, obstacles to increasing production are the shortage of harvesting labour, which hinders expansion by the Sugar Corporation, and pest infestation, which particularly affects the small farmer.

Further development of the marketing arrangement for agricultural produce is essential to the growth of the sector. At present, most farmers first sell to hotels and restaurants, and then to the Central Marketing Corporation (CMC) as the buyer of last resort. However, while the hotels are willing to purchase their produce locally, they require a dependable source of supply which farmers are unable to guarantee because a reliable water supply is lacking.

The CMC is principally responsible for providing farmers with inputs such as chemicals and fertilizers, as well as with an outlet for agricultural produce. In addition, CMC is the sole importer of rice and sugar, besides selected vegetables such as tomatoes, cabbages and sweet peppers. It also controls licences for imports of certain agricultural products. Lack of adequate cold and to some lesser extent dry storage facilities leads to a high percentage of spoilage. This has acted as a constraint on the effective functioning of the Corporation, which over the years has been operating at a loss, mainly because of high administrative costs and spoilage of produce. It is now working towards the establishment of a Marketing Intelligence Unit which will monitor crop information for transmission to farmers and remedy the glut/shortage cycle which has been experienced in vegetable production.

Between 1978 and 1982 the estimated fish catch fell by half. However, this decline appears to have been halted, and the 1984 catch is estimated to have been above the 1983 level. Actual data on fish landed are, however, very poor, and there is no figure representing the total catch, mainly because of non-reporting to date, and the absence of standard forms for collecting the data. The Fisheries Division gives a rough estimate of 225 100 kg for total catch during 1984. Lobster exports are estimated at 3 759 kg and valued at EC\$ 57 883, while fish exports amounted to 19 419 kg. The problem is one of standardizing the method of data collection and providing a proper extension

Table 4

ANTIGUA AND BARBUDA: INDICATORS OF  
MANUFACTURING PRODUCTION

	1982	1983	1984
Index of export manufacturing production (1981 = 100)	100	96	...
Production of major manufactures			
Rum <sup>a</sup>	159	133	149
Soft drinks <sup>b</sup>	216	...	271
Clothing			
Under wear <sup>c</sup>	476	570	...
Outer wear <sup>d</sup>	327	279	...
Paper products <sup>e</sup>	846	...	...
Bedding <sup>f</sup>	3 440	12 000	14 000
Plastics <sup>g</sup>	196	61	84
Paint <sup>h</sup>	106	100	96
Tires <sup>i</sup>	2 537	...	...
Stoves <sup>f</sup>	3 646	3 800	...
Refrigerators <sup>f</sup>	2 093	1 700	...
Freezers <sup>f</sup>	360	200	...
Hot plate/ <sup>f</sup>	2 290	1 100	...
Batteries <sup>f</sup>	500	...	...
Toilet paper <sup>i</sup>	...	...	1 425

Source: Statistics Division, Antigua.

<sup>a</sup>Thousands of gallons.

<sup>b</sup>Thousands of cases.

<sup>c</sup>Thousands of dozen.

<sup>d</sup>Thousands of units.

<sup>e</sup>Rolls.

<sup>f</sup>Units.

<sup>g</sup>Thousands of kg.

<sup>h</sup>Thousands of U.S. gallons.

<sup>i</sup>Thousands of rolls.



Table 5

## ANTIGUA AND BARBUDA: INDICATORS OF CONSTRUCTION

	1982	1983	1984
Number of building applications			
New buildings	301.0	397.0	405.0
Extensions	156.0	160.0	...
Square footage"	...	658.5	...
New buildings		585.8	1 088.2
Extensions	...	72.7	...
Estimated value <sup>b</sup>	43.7	60.4	...
New buildings	...	55.4	49.4
Extensions	...	4.7	...
Production of building materials			
Blocks <sup>c</sup>	13.7	...	1 417.0
Ready-mixed concrete <sup>d</sup>	14.0	14.0	...
Gravel <sup>e</sup>	31.8	40.4	...
Other quarrying materials <sup>f</sup>	143.5	57.7	...

Source: Development Control Authority, Planning Office, Antigua.

<sup>a</sup>Thousands of square feet.

<sup>b</sup>Millions of EC\$.  
<sup>c</sup>Thousands.

<sup>d</sup>Thousands of cubic yards.

<sup>e</sup>Thousands of tons.

<sup>f</sup>Thousands of blocks.

**service.** Also, the size of the fishing fleet has not been determined because of poor licensing practices on the part of boat-owners and the lack of enforcement of regulations.

Fishing has traditionally been coastal and bottom-oriented, but long-lining, bottom-lining and trolling are now being introduced. Some measures aimed at conserving marine ecosystems are also being adopted and the size of the net mesh has been increased to 2 inches. Two marine parks have been revived and plans are afoot to establish a third. There are now off-limit areas and undersea trails are to be promoted to assist in creating conservation awareness. The CDB-financed fisheries project was terminated during 1984, and the four vessels from the project have been lent to fishermen. While there is scope for further development of the industry, this is hampered by poor training, inadequate technology and unsatisfactory institutional development. The Fisheries Division has taken steps to correct these deficiencies by encouraging the formation of co-operatives, providing training for fishermen and offering duty-free concessions on the purchase of boats and other equipment. Financial assistance is also given through the Antigua and Barbuda Development Bank, which extends loans to fishermen, and the Fisheries Division, which provides fishing gear at subsidized prices.

ii) *Manufacturing.* The manufacturing sector which grew at an average rate of 19% over the period 1977-1981, has experienced very little growth since 1981. In 1984, manufacturing output increased by a mere 1.4%. The sector is highly dependent on sales within the CARICOM market, and as a result, difficulties in this market significantly affected production. Many industries operated well below capacity and a few attempted to penetrate extra-regional markets. The main contribution to manufacturing production came from the enclave-type industries catering to the extra-regional markets and, in particular, the United States (see table 4).

The present trade and economic difficulties within CARICOM have threatened the continued operation of several firms and highlighted the importance of enclave-type manufacturing and the need to promote and attract this kind of activity, which has a real potential for extra-regional exports.

Three new industries entered operation during 1984, creating sixty additional jobs. These include electronics assembly and galvanic production. On the other hand, the biscuit factory, which has had little impact on manufacturing output, closed down during 1984.

iii) *Construction.* After a 7.7% decline in 1983, this sector grew by 4.6% in 1984. This rate, however, fell short of the projected level by reason of the financial problems encountered with the Deep Bay Hotel Project. These stemmed from Brazil's inability to raise hard currency to finance the contemplated loan and the inability of the Antiguan Government to procure sufficient alternative funds to finance completion of the project (see table 5).

Most of the construction activity during 1984 was in the residential housing area, and approximately 45% of the buildings for which applications had been approved were under construction.

iv) *Basic services.* The prolonged drought which began in 1983 and lasted until September 1984 severely strained the country's water resources and highlighted the general deterioration of collection, storage and distribution systems. A **USAID** water project of which execution began in 1984 is concentrated on institutional development, improved treatment and transmission, additional storage and ground water development. This had the effect of expanding ground water production by 25%, thereby increasing the reliability of supply. The production reached approximately 400 000 gallons daily, which is still well below the maximum potential of 1.5 million gallons per day. To augment the ground water supply and improve the overall water supply situation, the Government, with the assistance of a number of external agencies, including the United States Agency for International Development (USAID), the British Development Division (**BDI**), the European Development Division (EDD), and the Canadian International Development Agency (**CIDA**), undertook emergency measures to bring by barge from the neighbouring islands of Dominica and Guadeloupe around 500 000 gallons of water a day. In addition, since the supply of water was insufficient to allow distribution via the pipe network, it was necessary to carry water by truck to the villages to be put in temporary storage. The poor use made of the pipe network during the drought also created additional maintenance problems. A PVC pipeline project funded by Trinidad and Tobago, and involving new installations and repair, was started in 1984, but its execution has been held up by administrative difficulties and it is now due for completion in 1985. Work on the new electricity generation/desalination plant has commenced and by 1987 it is expected to produce an additional 2 million gallons of water per day. Water tariffs were increased in December 1984 and the Antigua Public Utilities Authority (APUA) plans to implement further increases over the two-year period up to 1987 to bring prices more into line with the cost of production. The water situation is now back to normal as regards storage, and with the new projects now underway the water supply should continue to improve.

Table 6

ANTIGUA AND BARBUDA: ELECTRICITY GENERATION  
AND CONSUMPTION

	1982	1983	1984	Growth rates	
				1983	1984
Installed <b>capacity</b> <sup>a</sup>	32.3	31.3	31.3	-3.1	-
Public	27.0	26.3	26.3	-2.6	-
Industrial	6.3	5.0	5.0	-20.6	-
Production <sup>b</sup>	59.8	67.0	70.9	12.0	5.8
Public	58.8	65.5	68.9	11.4	5.2
Industrial	1.0	1.5	2.0	50.0	<b>33.3</b>
Consumption (sold) <sup>b</sup>	44.7	53.1	55.0	18.8	3.6
Residential	19.8	22.9	23.4	15.7	2.2
Commercial	14.4	19.0	20.0	31.9	5.3
Industrial	6.1	6.6	6.8	8.2	3.0
Government	4.4	4.6	4.8	4.5	4.4
Own use <sup>b</sup>	1.6	2.2	2.5	37.5	13.6
Transmission <b>losses</b> <sup>c</sup>	18.7	15.6	16.5	-16.6	5.8
Peak <b>demand</b> <sup>a</sup>	10.1	10.8	11.7	6.9	8.3
Load <b>factor</b> <sup>c</sup>	66.2	66.8	64.6	0.9	-3.3

Source: Antigua Public Utilities Authority (AUPA).

<sup>a</sup>Megawatts. <sup>b</sup>Millions of kWh. <sup>c</sup>Percentages.

Table 7

## ANTIGUA AND BARBUDA: SELECTED TOURISM INDICATORS

	1982	1983	1984	Growth rates	
				1983	1984
Total number of visitors (thousands)	164.1	165.9	195.5	1.1	17.8
Cruise ship visitors	66.8	52.0	66.8	-22.2	28.5
Stopover visitors	97.3	113.9	...	17.1	...
By air	87.0	101.1	129.1	16.2	27.7
By sea	10.3	12.8	...	24.3	...
Total number of hotels	36.0	31.0	...	-13.9	...
Total number of guesthouses	24.0	23.0	...	-4.2	...
Number of hotel and guesthouse rooms	1 868.0	1 778.0	...	-4.8	...
Hotels	1 702.0	1 610.0	...	-5.4	...
Guesthouses	166.0	168.0	...	1.2	...
Number of hotel and guesthouse beds	3 736.0	3 592.0	...	-3.9	...
Hotels	3 406.0	3 254.0	...	-4.5	...
Guesthouses	330.0	338.0	...	2.4	...

Source: Department of Tourism, Antigua.

Table 8

## ANTIGUA AND BARBUDA: PERCENTAGE BREAKDOWN OF AIR ARRIVALS, BY COUNTRY OF ORIGIN

	1982	1983	1984
United States	42.2	48.7	52.9
Canada	10.2	7.7	9.9
United Kingdom	14.2	13.0	11.0
Other European countries	7.4	6.4	6.8
Caribbean countries	23.8	22.1	19.5 <sup>a</sup>
Latin America	1.1	1.0	...
Other	1.1	1.1	...

Source: Department of Tourism, Antigua.

<sup>a</sup>Including all other areas of origin.

While demand for electricity services was below the expected figure this was offset by a good load factor in excess of the 60-61% projected. A reliability level of 16.5%, though somewhat poorer than the 15.6% recorded in 1983, is still far below the 1980 record of losses as high as 25% (see table 6).

Some improvement has been made in telecommunications with the introduction of direct dialling by Cable and Wireless. However, the telephone system is still unable to meet the present level of demand and there remains a long waiting list of potential users. This situation is not expected to improve before the early part of 1986.

v) *Tourism*. While final figures on tourist expenditure are not yet available, indicators show that the last tourism season was the best ever and that tourist earnings reached record levels during 1984. In that year the tourism sector, the leading sector in the Antigua economy, grew by 26%. Its contribution to the GDP increased from 15% in 1983 to almost 18% in 1984. Total arrivals by air increased from around 100 000 in 1983 to almost 130 000 (28%), while cruise ship visitors increased from 52 000 in 1983 to 61 000 (17%) (see table 7).

This record performance of the tourism sector is mainly the result of the recovery in the United States economy, thanks to which the number of tourist arrivals by air from the States rose by more than 40%, from 49 000 in 1983 to 68 000 in 1984 (see table 8).

With the increasing strength of the **United States** economy and the associated appreciation of the U.S. dollar, the share of tourist arrivals from the **United States** market has grown consistently since 1981, rising from **38 %** to **53 %** in 1984. Conversely, the depreciation of the pound sterling has resulted in a decline in the share of British visitors from 15% in 1981 to 11% in 1984.

### 3. The external sector

The visible trade **deficit**, which had gone down **from EC\$ 190 million** in 1982 to EC\$ 178 million in 1983, increased again in 1984 to EC\$ 263.5 million. This deterioration in trade performance was due to the decline both in domestic exports and in re-exports, while imports expanded substantially **from EC\$ 228 million** to EC\$ 310 million (see **table 9**).

Imports of **food**, machinery and transport equipment, as well as of chemicals and raw materials for local **manufacturing**, largely accounted for the significant increase in the import bill.

Table 9

#### ANTIGUA AND BARBUDA: VISIBLE TRADE

(Millions of EC dollars)

	1982	1983	1984
Domestic exports	27.4	30.0	29.0
Re-exports	26.4	196	17.3
Total exports	53.8	496	46.3
Total imports	242.7	227.9	309.8
<b>Visible trade deficit</b>	<b>188.9</b>	178.3	263.5

Source: Statistics Division, Antigua.

Table 10

#### ANTIGUA AND BARBUDA: BALANCE OF PAYMENTS

(Millions of EC dollars)

	1982	1983	1984
Exports of goods (FOB)	105.0	87.2	91.8
Imports of goods (OF)	376.4	296.2	406.9
Merchandise trade balance	-271.4	-209.0	-315.1
Non-factor services	155.5	182.2	255.4
Factor services	-11.9	-6.5	-6.2
Unrequited private transfer payments	22.4	13.2	14.3
Balance on current account	-105.4	-20.1	-51.6
Official sector	29.1	14.6	-1.1
Long-term capital	16.7	-3.0	-10.8
Loans received	25.1	11.6	5.9
Amortization payments	-8.4	-14.6	-16.7
Short-term capital	12.4	17.6	9.7
Private sector	67.5	2.1	46.7
Commercial banks	23.2	<b>-18.4</b>	-
Others (including errors)	44.3	20.5	46.7
Errors and omissions	6.1	3.7	17.3
Balance on capital account	102.7	20.4	62.9
Global balance	-2.7	0.3	11.3
Total variation in reserves (- sign indicates an increase)	2.7	-0.3	-11.3

Source: International Monetary Fund (IMF).

Table 11

ANTIGUA AND BARBUDA: MONETARY **BALANCE**

	Millions of EC dollars			Growth rates	
	1982	1983	1984	1983	1984
<b>Money supply</b>	53.57	63.39	71.55	18.3	12.9
Currency outside banks	16.28	16.05	18.60	-7.4	15.9
Demand deposits	37.29	47.34	52.95	24.9	11.9
<b>Factors of expansion</b>					
Foreign assets (net)	...	...	...		
Domestic credit	186.65	212.70	248.31	14.0	16.7
Public sector	36.23	28.44	33.56	-21.5	18.0
Private sector	148.78	183.90	214.64	<b>23.6</b>	16.7
<b>Other</b>	1.65	0.36	0.11	-78.2	-69.4
<b>Factors of absorption</b>					
Quasi-money	168.18	204.27	246.58	21.5	20.7
Time deposits	97.81	126.85	158.44	29.7	24.9
Savings deposits	70.37	77.42	88.14	10.0	13.8
Other	...	...	...		

Source: Eastern Caribbean Central Bank (ECCB).

The 45% upswing in travel receipts during 1984 proved insufficient to offset the substantial increase in imports, and the deficit on the balance-of-payments current account rose to EC\$ 52 million (see table 10). The capital account showed a surplus of EC\$ 63 million, importable mainly to an unexplained inflow of capital from the private sector and to errors and omissions.

The surplus on the capital account was enough to offset the deficit on the current account, and the balance of payments showed a global surplus of EC\$ 11.3 million.

#### 4. Prices and wages

It is estimated that the rate of inflation continued to improve during 1984, falling to 4%. This deceleration in the rate of price increases is mainly attributable to the more moderate levels of import prices.

#### 5. Monetary and fiscal policy

##### a) *Monetary policy*

Antigua and Barbuda does not have an individual Central Bank, but uses the Eastern Caribbean Central Bank (ECCB) which services all the Organization of Eastern Caribbean States (OECS) countries. Accordingly, monetary policy as such is not an active instrument of economic policy; rather do monetary developments respond to developments in the rest of the economy.

Both the money ( $M_1$ ) and the quasi-money ( $M_2$ ) supply grew at lower rates than in 1983 (12.9% and 20.7%, respectively, as compared with 18.3% and 21.5% in 1983) (see table 11).

During 1984 net domestic credit rose by EC\$ 35.8 million, or almost 17%, inasmuch as net lending to the public sector increased by EC\$ 5.12 million and to the private sector by EC\$ 30.7 million. Reflecting the boom in tourism, loans to this sector accounted for a major part of the increment in loans to the private sector (see table 12).

Total deposits grew by 19% in 1984 (as against 22% in 1983). Time deposits were responsible for the greater part of the increase, with a growth rate of 25% as compared with rates of 14% and 12% in savings and demand deposits. This high annual growth rate in time deposits was due to the considerable increases in interest rates in the first quarter—and mainly in the very early part—of

1984. The rise in interest rates was chiefly the result of the liquidity crisis in 1983, which caused banks to raise their deposit rates in order to make them more competitive with international rates and positive in real terms; the outcome of this move was a substantial increase in private sector deposits. The corresponding decrease in credit demand in early 1984 eased the liquidity situation as the loan deposit ratio went down from 85 % in 1983 to **83 %** in 1984, and interest rates became more moderate by **mid-1984**. The Statutory Bodies also increased their net deposit position by EC\$ 6.1 million.

b) *Fiscal policy*

After declining in 1983, current revenue rose by 14%, climbing from EC\$ 87.8 million in 1983 to EC\$ **100.1** million in 1984, as a result of the increase in consumption taxes and import duties. This increase reflected the improved performance of the Customs Department following the re-organization carried out during 1984. However, the contribution from this form of indirect taxation was lower than might have been expected, given the larger increase in imports; the explanation probably lay in the import duty exemptions granted under the Fiscal Incentive and Hotel Incentive Act. Direct taxation increased by 32.5% as a result of improved performance by the Inland Revenue and the employment of additional revenue-collection officers to follow up on arrears.

Table 12

**ANTIGUA AND BARBUDA: SECTORAL DISTRIBUTION OF COMMERCIAL BANK LOANS**

	Millions of EC dollars			Growth rates	
	1982	1983	1984	1983	1984
Agriculture	1.6	1.4	1.6	-11.7	9.1
Manufacturing	11.8	17.2	19.1	45.9	11.8
Distributive activities	24.6	19.6	14.6	-20.3	-25.6
Tourism	6.5	9.5	19.6	46.3	107.1
Entertainment and catering	2.9	3.2	1.7	12.8	-45.9
Transport	5.7	6.3	8.0	11.4	26.5
Public utilities	.9	.2	.6	-80.0	231.5
Government and Statutory Bodies	<b>33.6</b>	28.8	33.7	-14.7	16.9
Construction and land development	18.0	25.5	25.4	41.3	-0.4
Professional and other services	3.2	3.4	2.8	5.5	15.9
Personal	59.8	77.7	96.5	30.0	24.2

Source: Eastern Caribbean Central Bank (ECCB).

Table 13

**ANTIGUA AND BARBUDA: GOVERNMENT REVENUE AND EXPENDITURE**

	Millions of EC dollars			Growth rates	
	1982	1983	1984	1983	1984
Current revenue	93.6	87.8	100.1	<b>-6.1</b>	14.0
Direct taxes	11.8	11.7	15.5	-0.8	32.5
Indirect taxes	56.9	58.9	67.8	3.5	15.1
<b>Non-tax</b> revenue	24.9	17.6	16.8	-29.3	-4.5
Current expenditure	112.1	100.6	100.8	-10.3	0.2
Balance on current account	-18.5	-12.8	-0.7	...	...
Capital expenditure	40.6	32.7	104.0	-19.5	218.0

Source: International Monetary Fund (IMF).

Current expenditure has grown in recent years and in 1984 the Government sought to control public expenditure by restricting employment in the public sector, especially that of non-established workers. New positions in the establishment had to be approved by the Ministry of Finance, and vacant positions were only filled in cases where it was deemed absolutely necessary. The use of government vehicles was also restricted so as to control expenditure. As a result of these efforts the increase in current expenditure was EC\$ 0.2 million.

Capital expenditure, which had declined in 1983 in consequence of the fiscal difficulties and a decrease in **official external financing**, rose in 1984 to EC\$ 104 million, from EC\$ 32.7 million in 1983 (see table 13). Owing to the big increase in the external debt, and the subsequent build-up in payment arrears, during 1984 the Government avoided borrowing for development projects and most of the projects undertaken during the period were financed by grants.

The Government has had difficulties in servicing its external debt, and during 1984 an Extra-**Exim-Bank** loan for the Deep Water Harbour was rescheduled, while at the end of the year negotiations were in progress for the re-scheduling of another loan. The servicing of its external debt will continue to represent a major strain on government finance in the near future.

Fiscal policy for 1985 will go on seeking to reduce current expenditure and step up revenue collection.





## BAHAMAS

### 1. Recent economic trends: Introduction and summary

Preliminary estimates indicate that economic growth will not exceed 1 % in 1984, as compared with a 2.5% increase in the gross domestic product (GDP) recorded for the previous year. The year 1984 was characterized by restraint in domestic activity and steady though unspectacular growth in the external sector (see table 1).

While the agricultural sector continued its upward trend for the second consecutive year, its contribution to the GDP was still small, and fishing did not perform as well as in 1983.

For tourism, which is the major contributor to the GDP, 1984 was a year in which growth was steady, although its pace was somewhat slower than in 1983.

Foreign capital inflows, which provide a major proportion of investment and the basis of commercial construction, declined in 1984, so that the value, if not the number, of construction projects completed or under way in that year diminished. This was due to the lull in hotel construction discernible in 1983 and confirmed for 1984.

The merchandise trade deficit increased slightly, but exports expanded much faster than imports. The surplus on the service account fell, due to heavier interest payments. Capital flows increased and international reserves recorded a substantial increment. The external debt was marginally reduced.

While the Government's current expenditure increased, there was also a rise in revenue and a decrease in capital expenditure, resulting in a significant reduction of the fiscal deficit. Credit restraint continued to be a major tenet of policy. The growth rate of total commercial loans was kept at 1.9%, increases being shown only in tourism and transport.

As a result of the contraction of economic activity, the domestic contribution to inflation was damped down, an overall price increase of 4.6% being recorded between December 1983 and the end of 1984.

### 2. Trends in economic activity

#### a) *Global trends*

According to provisional estimates, the growth rate of the gross domestic product was unlikely to exceed 1 % in 1984 (see table 2). This contrasts with the 2.5 % increase in 1983. The projections for 1984 must at this stage be treated only as a rough approximation, since there are certain unresolved questions relating to the balance of payments and particularly a **Bh\$** 84 million surplus appearing under errors and omissions, part of which might subsequently be transferred to the current account. Exports of goods and services might therefore show an expansion in excess of the estimated rate. It is, however, fairly clear that investment fell substantially, since building activity and government capital expenditure was significantly reduced, and that consumption represented a larger proportion of the gross domestic product than the 71% recorded in 1983.

#### b) *Evolution of the main sectors*

i) *Agriculture.* Agriculture's contribution to the gross domestic product continued to increase, although it was still relatively small. The sector also has the greatest potential for future economic diversification. However, while ample quantities of arable land exist in the family islands the major constraint on agricultural growth is the difficulty of obtaining an adequate supply of labour. This will persist as long as the highly remunerative services industries and the construction sector are able to absorb new entrants to the labour force. The demographic imbalance, with New Providence

accounting for over 64% of the population but only 1.5% of the land area, will also continue **unless** the full potential of agriculture can be realized.

Government policy has therefore paid some attention to agriculture with priority projects in beef cattle, dairy cattle and small livestock production. Animal feed, oil-seeds and fruit and vegetables are being earmarked for the northern islands. For the south-eastern islands small livestock production projects have been identified. In 1984 training in agriculture was also increased.

The value of farm crop production was 25 % higher than in 1983, the biggest contribution being made by fresh vegetables. Cucumbers, Persian limes and papaya were grown for export to the United States, where good market potential exists. Fruit production is a fast-growth area attracting United States capital with a view to serving United States markets. New projects were approved in 1984 to greatly expand fruit production. Meat production declined by 12%, but output of poultry meat increased by 21 % (see table 3).

Fishing is at present an important activity, although its potential is not being fully realized. A UNDP fisheries survey conducted in 1984 confirmed that shallow-water fishing resources were underutilized. Over the short-to-medium term small-scale artisan activities based on harvesting of scale fish and conch will form the bulk of the industry. Given the geographical characteristics of many small, widely-dispersed islands separated by shallow water, such operations will prove most efficient.

Table 1

**BAHAMAS: MAIN ECONOMIC INDICATORS**

	1980	1981	1982	1983	1984 <sup>c</sup>
<b>A. Basic economic indicators</b>					
Gross domestic product (millions of Bahamas dollars) <sup>b</sup>	1 166	1 240	1 404	1 440	1 454
Population (thousands) <sup>b</sup>	210	214	218	222	226
Per capita gross domestic product (current Bahamas dollars)	5 552	5 794	6 440	6 486	6 433
<b>Growth rates</b>					
<b>B. Short-term economic indicators</b>					
Gross domestic product at current prices	...	4.5	13.2	2.5	1.0
Per capita gross domestic product at current prices	...	4.4	11.1	0.7	0.8
Current value of exports of goods and services	23.5	-0.4	1.9	11.3	6.2
Current value of imports of goods and services	31.7	4.5	0.7	10.2	7.1
Consumer price index					
December to December	12.1	8.3	4.6	3.5	4.6
Variation between annual averages	12.1	11.1	6.0	4.0	3.9
Money	5.6	4.3	6.1	12.7	29.2
Current income of government	20.8	14.0	-2.8	5.8	12.4
Fiscal deficit as a percentage of total expenditure	3.2	21.5	25.9	25.5	5.9
<b>Millions of U.S. dollars</b>					
<b>C. External sector</b>					
Merchandise trade balance		-653	-560	-604	-605
Balance on current account		-75	-53	0	-10
Variation in net international reserves (- sign indicates an increase)		-11	-3	-10	-39
Total international reserves (minus gold)	92.6	100.1	113.6	123.7	162.7

Source: ECLAC, on the basis of official data.

<sup>a</sup>Provisional data.

<sup>b</sup>Bahamas dollars.

<sup>c</sup>Census as at 12 May. Estimates after 1980 do not include net migration.

Table 2

## BAHAMAS: TOTAL SUPPLY AND DEMAND

	Millions of dollars at current prices			Percentage breakdown		Growth rates	
	1982	1983	1984	1983	1984	1983	1984
Total supply	2 580	2 734	2 840	190	195	6.1	3.8
Gross domestic product at market prices	1 405	1 440	1 454	100	100	2.5	1.0
Imports of goods and services	1 176	1 295	1 386	90	95	10.1	7.1
<b>Total demand</b>	2 580	2 734	2 840	190	195	6.1	3.8
Domestic demand	1 416	1 439	1 465	100	100	1.6	1.8
Gross domestic investment	382	336	282	23	16	-12.0	-19.0
Total consumption	1 034	1 103	1 182	77	85	6.7	7.2
Public	210	242	262	17	18	15.6	8.0
Private	825	861	921	60	63	4.4	6.9
Exports of goods and services	1 164	1 295	1 376	90	95	11.3	6.2

Source: ECLAC estimates, on the basis of official data.

Table 3

## BAHAMAS: INDICATORS OF AGRICULTURAL PRODUCTION

	Millions of Bh dollars					Growth rates			
	1980	1981	1982	1983	1984	1981	1982	1983	1984
Fruit and vegetables	3.9	6.0	7.0	8.8	12.0"	55.0	16.7	25.7	36.4"
Meat (beef and mutton)	0.5	0.7	0.7	0.8	0.7	38.5	2.8	14.3	-12.5
Poultry products	15.4	19.6	15.1	17.2	20.9	27.6	-22.9	13.9	21.5
Total	20.3	26.9	22.9	26.8	33.6	32.9	-15.2	17.0	25.4

Source: ECLAC estimates, on the basis of official data.

"Provisional figures.

Efforts continued in 1984 to upgrade the skills of fishermen of this type through training in engine repair, navigation, boat-handling and the uses of more modern fishing gear. Credit to fishermen to purchase motors and equipment was, however, curtailed in 1984 in a general economy-wide contraction of credit. The programme will be resumed in 1985.

For 1984 the first yield of commercial shrimp farms was also landed. This activity has promising growth prospects. Tilapia farms are also being developed, as well as the breeding of exotic tropical fish for export.

Crawfish exports constitute the industry's major current activity. Exports increased by 26% in value, to almost Bh\$ 17 million, and by 18% in volume. Conch and turtle catches went up by 27% and 33%, respectively, but the catch of scale fish declined (see table 4).

ii) *Tourism*. Tourism continues to be the most important single activity in the Bahamas. It is estimated that in 1984 tourism earnings, which reached Bh\$ 800 million, amounted to more than 50% of the gross domestic product. The Bahamas Tourist Board estimates that over 40% of the labour force is engaged in activities either directly or indirectly related to that industry. With an annual **visitor/population** ratio of 10:1, it must also have one of the highest tourism densities in the world, and per capita earnings from tourism must also rank among the highest.

The steady growth which has characterized the industry in the past was maintained in 1984, though at a slower rate than in 1983 (see table 5). There is some evidence to indicate that this is due to the continued appreciation of the United States dollar, to which the Bahamas dollars is tied.

Accordingly, the increase in arrivals, which amounted to 4.5% in the period under review, was achieved despite a decline in the number of arrivals from all destinations except the United States, which raised its share in the market from 85% in 1983 to almost 87% in 1984.

The number of cruise-ship visitors went up by 6.2%, which was a faster growth rate than that of stopover visitors. Since the average length of stay of the latter marginally decreased, it is not surprising that the growth rate of visitor expenditure was slower than that of arrivals. The number of day visitors in transit also declined by 10%.

Table 4

**BAHAMAS: INDICATORS OF MARINE PRODUCTION**

	Volume landed (tons)					Growth rates				
	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984
Crawfish	486	273	396	367	434	9.7	-43.8	45.1	-7.3	18.2
Conch	257	353	311	347	252	16.3	37.4	-11.9	11.6	27.4
Turtle	23	19	18	18	24	50.0	-17.4	-5.3	-	33.3
Other	1 267	1 367	1 303	1 451	985	49.6	7.9	-4.7	11.4	-32.1
<b>Total</b>	<b>2 033</b>	<b>2 013</b>	<b>2 028</b>	<b>2 183</b>	<b>1 695</b>	<b>25.0</b>	<b>-1.0</b>	<b>0.8</b>	<b>7.6</b>	<b>-22.4</b>

Source: ECLAC, on the basis of official data.

Table 5

**BAHAMAS: INDICATORS OF TOURISM**

	1982	1983	1984 <sup>a</sup>	Growth rates	
				1983	1984
Total number of visitors	1 947 740.0	2 224 090.0	2 325 000.0	14.2	4.5
Stopover visitors	1 101 130.0	1 239 750.0	1 305 000.0	12.6	5.2
Cruise-ship visitors	719 590.0	854 000.0	907 000.0	18.7	6.2
Total number of hotels and guesthouse	191.0	200.0	209.0	4.7	4.5
Average number hotel and guesthouse rooms	11 786.0	13 233.0	13 792.0	12.3	4.2
Average number hotel and guesthouse beds	25 631.0	29 039.0	28 019.0	13.3	-3.5
Average hotel and guesthouse room occupancy rate <sup>b</sup>	58.0	63.3	61.0	...	...
Average length of stay of stopover visitors <sup>c</sup>	5.56	5.34	5.15	...	...
Total visitor expenditure <sup>d</sup>	654.4	770.2	800.0	17.7	3.9
Stopover visitors	611.1	715.0	744.0	17.0	4.0
Cruise-ship visitors	39.2	49.1	50.0	25.2	1.8
<b>Total visitor arrivals by place of origin</b> (Percentage breakdown)					
United States	82.7	84.8	86.7		
Canada	7.5	7.0	6.5		
United Kingdom	2.0	1.4	1.4		
Other European countries	3.2	2.2	1.5		
Caribbean, Latin American and other countries	4.6	4.6	3.9		

Source: Bahamas Ministry of Tourism.

<sup>a</sup>Provisional figures.

<sup>b</sup>Percentages.

<sup>c</sup>Number of nights.

<sup>d</sup>Millions of Bahamas dollars.

Table 6

## BAHAMAS: INDICATORS OF CONSTRUCTION

	1981"	1982"	1983	1984	Growth rates
					1984
Building permits issued					
Number	1 047	2 061	3 019	3 541	11.3
Value <sup>b</sup>	99	188	160	215	34.4
Buildings started					
Number	1 046	1 206	1 567	1 733	10.6
Residential buildings started					
Value <sup>b</sup>	40	58	79	85	7.6
Commercial/ industrial buildings started					
Number	113	109	165	194	17.6
Value <sup>b</sup>	63	81	29	37	27.6
Building completions					
Number	621	653	934	1 165	24.7
Value <sup>b</sup>	35	54	185	75	-59.4

Source: Central Bank of the Bahamas and data supplied to ECLAC.

<sup>a</sup>New Providence only.      <sup>b</sup>Millions of Bahamas dollars.

The industry is becoming increasingly concentrated in New Providence, which raised its share of visitor arrivals from 54% in 1983 to 58% in 1984. That of Grand Bahama Island fell in 1984 to 25%, the remaining 17% of visitors being distributed among the Family islands.

Tourism policy in 1984 tended to set its sights on **diversifying** the geographical origin of guests. Because of the realities of international exchange rates this has tended in practice to mean diversifying the origin of guests from destinations within the United States, primarily by shifting the focus of policy from the South and East Coast markets solely so as to include the West Coast. This also has the positive effect of increasing business in the summer months. An important side-effect of dependence on the United States is, however, the reduced length of stay of stopovers, since travellers are tending to spend short vacations at closer destinations and longer vacations in distant places.

Policy efforts to resuscitate activity in Grand Bahama Island and enlarge the share of the Family islands in the industry have not been well-rewarded so far. Nevertheless, a policy study completed in 1984 will result in further endeavours to upgrade facilities in Grand Bahama Island, while special events and more intensive promotional effort will aim at increasing consumer awareness of the Family islands.

iii) *Construction.* The contribution of construction continued to decline in 1984, although this must be seen in relation to a particularly dynamic growth rate in the early 1980s. Central Bank estimates indicate that construction expenditure, deflated by the United States construction cost index, fell by 16% in 1984. This followed a decrease of 7% in 1983.

The trend of the past two years seems about to change, since building permits issued in 1984 increased by 34% over 1983 and the number and value of buildings started rose in relation to the previous year (see table 6). The major share of activity was in residential rather than commercial construction. A further examination of the data also shows that the increased activity was taking place in New Providence and the Family islands, while the rate of new construction in Grand Bahama Island was declining.

Public policy has tended to encourage home ownership and has provided incentives for low-income purchasers. A three-year housing incentive programme was put into effect in July 1984 to assist persons wishing to acquire dwellings costing less than Bhs\$ 35 000. The scheme was expected to assist 2 000 home-owners. In addition, the Bahamas Mortgage Corporation, which commenced operations in November 1983, is government-sponsored, and its objective is to extend mortgages to potential home-owners unable to satisfy conventional lending criteria. Mortgages of the value of

Bh\$ 10 million were extended in 1984, though the efforts of the Central Bank to control liquidity temporarily reduced the supply of National Insurance funds available for this facility.

Starts made on commercial building also increased in relation to the previous year, but represented somewhat less in both volume and value than did residential building. Credit extended by the commercial banks for construction was also 4% below its 1983 level.

Public sector activity concentrated mainly on road repair and maintenance, airport construction and improvements. For a number of reasons, including not only a desire to reduce the budget deficit, but also absorptive bottlenecks, capital expenditure was 48% lower than the figure budgeted for the year.

iv) *Manufacturing.* The contribution of the manufacturing sector to the gross domestic product remained small, even though Central Bank estimates suggest an increase of about 20% in exports from this sector. It is, however, in process of changing its composition. In the 1970s manufacturing was dominated primarily by petroleum refining for the United States East Coast and by cement production to service the building boom in nearby Florida. Since that time cement output has steadily declined and subsequently dwindled to nothing. Similar shifts in the pattern of production and consumption of petroleum in the United States are rendering the refining and transshipment facilities in Grand Bahama less relevant, so throughput and employment have accordingly been decreasing. The production of aragonite has also shown a downward trend.

Future growth potential has been identified in light manufactures. The production of pharmaceuticals for export to the United States continues to be a profitable business. Efforts to revitalize Freeport activities in Grand Bahama Island and develop similar facilities in New Providence were expedited in 1984. New impetus was given by the designation of the Bahama Islands as a beneficiary under the Caribbean Basin Economic Recovery Act. Exports of wearing apparel and wearing apparel components have been identified as areas of potential growth under the United States law 807. Close proximity to the United States, is considered to give the Bahamas a comparative advantage in such activities.

Concomitantly, a programme of import substitution is being attempted in light manufactures, though this is subject to constraints due to the limitations of domestic human and material resources and the revenue benefits accruing to government from imports. Agro-industry to process fish and locally-grown fruits and vegetables holds out most promise. Processing facilities for fish came on stream in 1984, operating at reduced capacity. They should become fully operational in 1985. A Food Technology Complex was also completed in 1984 to step up the processing and preservation of locally-produced foodstuffs.

Efforts to attract foreign investment under the Industries Encouragement Act continued, with nine companies registered in 1984, a number similar to the 1983 figure.

Table 7

**BAHAMAS: PETROLEUM IMPORTS FOR LOCAL CONSUMPTION**

	1982	1983	1984	Growth rates		
				1982	1983	1984
Total imports						
Volume <sup>0</sup>	6 525.0	6 784.0	6 412.0	-16.0	4.0	-9.5
Value <sup>b</sup>	221.3	219.2	212.8	-20.1	-0.9	-2.9
Total domestic consumption						
Volume <sup>a</sup>	3 157.0	3 243.0	3 416.0	0.3	2.7	5.3
Value <sup>b</sup>	119.0	112.8	121.3	-3.6	-5.2	7.5
Foreign bunkers						
Volume <sup>a</sup>	3 368.0	3 541.0	2 726.0	-27.1	5.1	-23.0
Value <sup>b</sup>	102.3	106.4	91.4	-33.4	4.0	-14.1

Source: Central Bank of Bahamas, *Quarterly Review*.

<sup>a</sup>Thousands of barrels.      <sup>b</sup>Millions of Bahamas dollars.

Table 8

## BAHAMAS: RATIOS OF SELECTED AGGREGATES

	1979	1980	1981	1982	1983	1984
Petroleum <b>imports<sup>a</sup></b> /total imports	0.32	0.36	0.33	0.28	0.26	0.23
Petroleum <b>imports<sup>a</sup></b> /domestic exports	1.03	1.49	0.57	1.00	0.90	0.71
Petroleum <b>imports<sup>a</sup></b> /gross domestic product	0.16	...	0.22	0.16	0.15	...
Total foreign currency debt/gross domestic product	0.05	0.03	0.07	0.10	0.11	...
Total external <b>debt</b> /domestic exports	0.32	0.20	0.50	0.66	0.66	0.51
Petroleum imports and external debt/ domestic exports and net total receipts	0.34	0.48	0.48	0.49	0.49	0.40
Total external debt <sup>b</sup>	...	...	57.60	148.00	162.70	153.60

Source: **ECLAC** estimates, on the basis of official data.

<sup>a</sup>Petroleum imports for local consumption. <sup>b</sup>Millions of Bahamas dollars.

Table 9

## BAHAMAS: BALANCE OF PAYMENTS

(Millions of US dollars)

	1981	1982	1983	1984
Exports of goods	176	222	245	298
Imports of goods	-829	-782	-849	-906
Trade balance (goods)	-653	-560	-604	-608
Other goods, services and income (net)	581	511	597	596
Unrequited transfer payments	-3	-4	7	2
Balance on current account	-75	-53	0	-10
Long-term capital	141	72	16	-18
Official sector	54	47	13	-8
Private sector	87	25	3	-10
Short-term capital	22	-1	-17	-17
Errors and omissions	-79	-15	11	84
Balance on capital account	84	56	10	49
Global balance	11	3	10	39
Total variation in international reserves (- sign indicates an increase)	-11	-3	-10	-39

Source: **Central Bank** of the Bahamas.

v) *Energy*. Imports of petroleum for domestic consumption went up by 5% in volume and 7% in value (see table 7). Increased consumption of most products was recorded.

Fuel imports for foreign bunkering declined in volume by 23% **and** in value by 14%. This gives a somewhat false impression about petroleum consumption, since bunkering is a service industry contributing to the transport account. Nevertheless, petroleum imports continued to fall in importance in relation both to total imports and to domestic exports (see table 8).

Recent data for the generation and consumption of electricity are not available for all the Bahamas. Provisional estimates for New Providence based on the first nine months of 1984 indicated increases of 13% in electricity generated and 10% in electricity **sold** over generation and sales during the same period in 1983. Domestic household consumption also went up by almost 10%, while sales for commercial and industrial purposes did so by 11%.

### 3. The external sector

The deficit on the merchandise account increased only marginally in 1984, thanks to good export performance and a relatively low rate of growth of imports (see table 9). Notably, oil imports decreased, mainly owing to the reduction in foreign bunkerage.

The services account surplus marginally declined, despite strong performance in tourism. Expenditure of Bahamians travelling abroad increased and transport showed a lower level of performance. This was partly due to the fall in ships' bunkerage, but the major drain on the services account came from the heavier interest payments made by the Bahamas Government to meet its external debt (see table 10).

Private transfer payments abroad remitted by persons living in the Bahamas rose by 30% while government transfers to the Bahamas decreased, thus accounting for the 71% decline in net transfers.

The long-term capital account moved into deficit in 1984 from a surplus in previous years. This was due in part to reduced inflows but also to repayments by both public and private sectors.

Table 10

#### BAHAMAS: INDICATORS OF EXTERNAL DEBT

(Millions of Bahamas dollars)

	1982	1983	1984 <sup>a</sup>
Public external debt	93.5	113.4	113.0
Servicing of total external debt	...	11.0	18.6
Amortization	...	15	0.2
Interest payments	...	9.5	18.4

Source: Central Bank of the Bahamas.

<sup>a</sup>Provisional figures.

Table 11

#### BAHAMAS: EVOLUTION OF DOMESTIC PRICES<sup>a</sup>

	1981	1982	1983	1984
<b>December to December variations</b>				
Consumer price index (all items)	<b>8.3</b>	4.6	3.5	4.6
Food	12.1	3.3	3.5	2.1
Housing	<b>6.1</b>	5.3	6.9	4.5
Clothing and footwear	<b>5.1</b>	10.0	3.7	5.0
Transport	<b>4.2</b>	7.4	3.6	6.4
Health and personal care	<b>7.8</b>	5.0	2.9	8.0
Recreation and reading matter	13.7	-2.0	5.7	8.8
Other goods and services	10.8	1.9	3.7	9.0
<b>Variation between annual averages</b>				
Consumer price index (all items)	11.1	6.0	4.0	3.9
Food	14.8	6.8	1.4	1.7
Housing	8.4	5.6	7.4	4.8
Clothing and footwear	8.3	7.6	5.3	6.0
Transport	6.6	5.4	6.4	5.0
Health and personal care	10.6	6.0	4.7	2.3
Recreation and reading matter	12.1	2.8	4.7	5.7
Other goods and services	10.8	4.0	4.0	5.6

Source: Bahamas Department of Statistics, Retail Price Index.

<sup>a</sup>New Providence Island only, where 60% of the Bahamas population lives.



Table 12

## BAHAMAS: MONETARY BALANCE

	Millions of Bahamas dollars				Growth rates			
	1981	1982	1983	1984	1981	1982	1983	1984
<b>Money (M<sub>1</sub>)</b>	149	158	178	230	4.2	6.0	12.7	29.2
Currency outside banks	37	41	45	51	12.1	10.8	9.8	13.3
Demand deposits	112	117	133	179	1.8	4.5	13.7	34.6
Factors of expansion	575	683	756	834	11.0	14.4	11.2	10.3
Foreign assets (net)	-3	37	63	111	...	...	...	76.2
Domestic credit	578	646	693	723	12.7	11.8	7.9	4.3
Government (net)	113	112	150	163	25.6	-0.9	33.9	8.7
Private sector	466	533	547	560	10.4	14.4	2.6	3.1
<b>Factors of absorption</b>	426	525	577	604	13.6	17.4	10.8	4.7
Quasi-money	324	409	452	469	13.3	17.9	11.5	3.8
Savings deposits	101	108	123	141	6.3	6.9	13.9	14.6
Time deposits	213	258	280	292	22.4	21.1	8.5	4.3
Other deposits	10	43	48	36	...	530.0	11.6	-25.0
Other items (net)	103	116	125	135	17.0	12.6	10.3	8.0

Source: Central Bank of the Bahamas, *Quarterly Review*, and data supplied to ECLAC.

Still unreconciled at the time of writing was a credit of US\$ 84.6 million under errors and omissions. A portion of this might correspond to tourism earnings and perhaps other merchandise exports. The result, in any event, was a balance-of-payments surplus and a net accumulation of reserves of US\$ 39 million in 1984.

The public external debt decreased slightly in 1984, albeit interest payments increased by 93 %.

#### 4. Prices

Judged on the basis of variation between annual averages, the consumer price index continued to fall, averaging 3.9% for 1984. The index for variations between December 1983 and December 1984, however, indicated a growth of 4.6% which exceeded the 3.5% recorded for 1983 (see table 11).

Food prices rose to a moderate extent, while health care and recreation recorded increases.

#### 5. Monetary and fiscal policy

##### a) Monetary policy

In 1984 a policy of credit restraint was maintained, with emphasis on credit for productive purposes.

The money supply ( $M_1$ ) as at December 1984 showed a significant expansion in relation to the same period in the previous year, demand deposits increasing by 34% (see table 12).

While net foreign assets increased by 76%, domestic credit was confined to an expansion rate of 4.3%. This was in fact slower than the rate of inflation for the period. Credit to the Government continued to grow faster than credit to the private sector; however, government efforts to attain fiscal balance were reflected in the steep drop in the rate of growth, from 34% in 1983 to just under 9% in 1984. Credit to the private sector expanded marginally faster than the previous year, but lagged behind the rate of inflation.

Quasi-money increased by 3.8%, and savings deposits by 14.6%, again growing faster than time deposits.

A breakdown of commercial bank credit by sector shows a modest growth rate of 1.9% for outstanding credit (see table 13). Tourism and to a lesser extent transport were the only sectors recording an increase in 1984. Personal loans declined by 10% and credit to government contracted by 2.7%.

Prime rate and bank rates remained unchanged, at 11% and 10%, respectively.

Table 13

**BAHAMAS: SECTORAL DISTRIBUTION OF LOANS AND  
ADVANCES BY COMMERCIAL BANKS**

	Millions of Bahamas dollars (at year end)			Growth rates		
	1982	1983	1984	1982	1983	1984
Agriculture and fisheries	5.4	6.0	5.7	-15.6	11.1	-5.0
Manufacturing and quarrying	13.8	13.6	13.3	...	-1.4	-2.2
Distribution	78.6	81.3	79.2	-4.1	3.4	-2.6
Tourism	41.0	43.0	52.3	...	4.9	21.6
Entertainment and catering	15.2	18.3	15.0	...	20.4	-18.0
Transport	13.9	13.5	13.6	...	-2.9	0.7
Public corporations	50.7	33.3	25.0	...	-34.3	-24.9
Construction	47.2	42.7	41.0	14.8	-9.5	-4.0
Government	60.2	72.8	70.8	...	20.9	-2.7
Financial institutions	2.2	7.0	1.6	...	218.2	-77.1
Professional and other services	30.7	35.2	34.0	...	14.7	-8.4
Personal loans	215.3	230.6	253.7	0.5	7.1	-10.0
Miscellaneous	15.1	17.6	21.3	...	16.6	21.0
Total	589.1	614.9	626.5	28.7	4.4	1.9

Source: Central Bank of the Bahamas, *Quarterly Review*.

Table 14

**BAHAMAS: CENTRAL GOVERNMENT INCOME AND EXPENDITURE**

	Millions of Bahamas dollars				Growth rates			
	1981	1982	1983	1984	1981	1982	1983	1984
1. Current income	282	274	290	326	15.6	-2.8	5.8	12.4
Tax revenue	208	208	238	262	3.5	-	14.4	10.0
Imports	146	150	168	185	4.3	2.7	12.0	10.1
Services	16	15	16	18	-	-6.3	6.7	12.5
Stamps	16	16	20	20	-	-	25.0	-
Other	29	27	34	38	-	-6.9	25.9	11.8
Non-tax revenue	75	66	52	64	74.4	-12.0	-21.2	23.0
2. Current expenditure	244	262	294	320	17.3	7.4	12.2	8.8
Wages and salaries	134	146	166	184	16.5	9.0	13.7	10.8
Goods and services	69	62	70	73	21.1	-10.1	12.9	4.3
Transfer payments and subsidies	40	55	58	63	11.1	37.5	5.5	8.6
3. Savings on current account	38	12	-4	5	5.6	-68.4	5.5	...
4. Capital expenditure	46	40	21	18	17.9	-13.0	-47.5	-14.3
Capital formation	34	28	15	13	47.8	-17.6	-46.4	-13.3
Acquisition of assets	-	-	-	-	-	-	-	-
Other	10	12	5	4	-37.5	20.0	-58.3	-20.0
5. Total expenditure (2+4)	289	302	314	338	17.0	4.4	4.0	7.6
Net lending	55	49	52	8	100.0	-10.9	6.1	-84.6
Fiscal deficit	62	78	77	20	675.0	25.8	-1.3	-71.4
Total national debt	362	489	507	500	24.0	35.1	3.7	-1.4

Source: Central Bank of the Bahamas, *Quarterly Review*.

b) *Fiscal policy*

The fiscal deficit for 1984 was reduced by 71% in relation to the previous year (see table 14).

Current income rose by 12%. Tax revenue, which increased by 10%, benefited from higher customs duties on cigarettes, beer, wine, spirits and petroleum. Stamp duties were also put up and so was the insurance premium tax, from 1% to 3%. Non-tax revenue also increased by 23%.

Current expenditure expanded by 9%, reflecting an 11% rise in wages and salaries of public-sector workers. Subsidies continued to grow, at a rate of 8%. Nevertheless, the current account moved into a surplus of Bhs\$ 5 million as compared to a deficit of Bhs\$ 4 million in 1983.

Capital expenditure for the year **fell** by 14%, so that the growth of total expenditure was kept down to a rate of less than 8%.

The total national debt was marginally reduced from the previous year's figure, by 1.4%. The external debt **also** slightly declined. Interest payments to service the national debt increased and represented a growing proportion of total expenditure.



## BARBADOS

### 1. Recent economic trends: Introduction and summary

Barbados experienced real economic growth of about 3% during 1984. The sugar crop was 17% larger than in the previous year. Arrivals of stop-over visitors were up by 12 %, and estimated visitor expenditure increased by 13%. The Canadian market showed considerable improvement; however, most of the gains were made at the expense of the United States market. In spite of the substantial advances achieved in the export of electronic components, the growth rate of the manufacturing sector declined in comparison with previous years. Among the contributory factors was the stagnation in the regional markets for manufactured goods resulting from the foreign exchange problems of Jamaica and Guyana and the licensing policies of Trinidad and Tobago as well as from sluggish domestic demand.

The decline in manufacturing resulted in lay-offs, as several factories closed down or instituted short **shifts**. In addition, many firms in the distribution sector laid off workers as a result of reduced domestic demand. Unemployment, as a percentage of the labour force, rose to 17% on average in 1984 **from** an average rate of 15% in 1983. Containment of the rate of price increase continued, and the average annual rate of inflation was 4.6%.

The financial position of the government weakened during the year as total expenditure increased and revenue lessened. The fiscal deficit represented 14.5% of total government expenditure as compared with 13.7% in 1983. Government was forced to rely heavily on domestic sources to finance the deficit (see tables 1 and 2).

The provisional **balance-of-payments** data showed a decreasing deficit on current account, due to improved exports. The capital account remained positive, and there was a **balance-of-payments** surplus of US\$ 5.5 million.

### 2. Trends in economic activity

#### a) *Agriculture*

Provisional estimates of the gross domestic product at current prices place the contribution of sugar at Bd\$ 59 million in 1984 as compared with Bd\$ 57 million in 1983, an increase of 3.5% .

During 1984, output of sugar, for the first time since 1980, reached 100 000 tons, produced from 813 000 tons of cane and reflecting a significant (21%) increase over 1983 (see table 3). This expansion was due to more favourable crop conditions, including a reduction in cane fires. Small farmers supplied 10% of the cane harvested, a proportion marginally higher than in 1983.

Some 14 000 hectares of canes were planted in 1984, only very slightly less than in the previous year. However, the small farming sector's contribution decreased significantly from nearly 3 000 hectares in 1983 to 2 300 hectares, a decline of 20% which can be attributed to increasing production costs in face of falling sugar prices.

Sugar exports during 1984 amounted to 86 000 tons as compared with 73 500 in 1983, a change of 17%. Sugar export earnings for 1984 were Bd\$ 57 million or 48% above the preceding year's (see table 9). Production costs in 1984 were projected at Bd\$ 197 per ton as compared with Bd\$ 1 223 per ton, the provisional figure given for 1983. The government was forced to extend the price support scheme for the industry for a third consecutive year; this extension was to be financed by a bond issue of Bd\$ 15 million.

During 1984, non-sugar agriculture and fisheries production continued its upward trend, contributing Bd\$ 82 million to the gross domestic product, 5 % above the 1983 value of Bd\$ 79 million. The sub-sector represented 4% of the GDP during 1984, a marginally smaller proportion

than in 1983. Food crops contributed **Bd\$** 41 million, as compared with **Bd\$** 40 million in 1983. Livestock and fisheries accounted for **Bd\$** 21 million and **Bd\$** 20 million respectively, as against **Bd\$** 18 million and **Bd\$** 19 million in 1983.

In 1984 production of all vegetables fell below its 1983 level. Factors making for this decline were the heavy rains and a decrease in the number of hectares under cultivation. During 1984 the number of hectares under vegetable crops was reduced by 19%, thus totalling 2 000 hectares as compared with 2 500 hectares in 1983.

The cotton industry was revived in 1984 after a three-year break and 69 000 kg of lint and 44 000 kg of seeds were produced from 20 hectares. Foreign exchange earnings from cotton exports to Japan were **Bd\$** 135 000.

There were good supplies of most vegetables during the year and as a result, average prices of tomatoes, cabbages and yams were lower than in 1983.

Production of beef, mutton and veal declined, while chicken and pork recorded reasonable increases over the previous year. Milk production expanded by 12%. The total fish catch decreased by 11%, as compared with an increase of 88% in the previous year. This decline is partially explained by the fact that data were not available for landings by all ice boats (see table 4).

Table 1  
BARBADOS: **MAIN** ECONOMIC INDICATORS

	1982	1983	1984
<b>A. Basic economic indicators</b>			
Gross domestic product at factor cost (millions of current Barbados dollars) <sup>a</sup>	1 784 <sup>b</sup>	1 899 <sup>b</sup>	2 075 <sup>c</sup>
Per capita gross domestic product (current prices)	7 103	7 541	8 218
Population (thousands of inhabitants)	251	252	253
Growth rates			
<b>B. Short-run economic indicators</b>			
Gross domestic product (current prices)	4.6	6.4	9.3
Per capita gross domestic product	4.3	6.2	9.0
Current value of exports of goods	15.8	38.1	9.7
Current value of imports of goods	-5.1	13.7	5.3
Consumer price index			
December to December variation	6.9	5.5	5.1
Variation between annual averages	10.3	5.3	4.6
Money supply	-1.3	16.2	-2.5
Wages and salaries <sup>d</sup>	12.5		11.3
Rate of unemployment <sup>e</sup>	13.8	17.1	17.1
Current income of government	8.8	12.3	2.7
Total expenditure of government	-6.6	8.1	3.6
Fiscal deficit as a percentage of total government expenditure	17.1	13.7	14.5
Millions of US dollars			
<b>C. External sector</b>			
Merchandise trade balance	-345	-350	-337
Balance on current account	-42	-50	-16
Variation in net international reserves (- sign indicates an increase)	-33	-21	-5.5
External debt	144	174	163

Source: Central Bank, Statistical Service, *Barbados Economic Report 1984, Economic and Financial Statistics*, April 1985.

<sup>a</sup>Since 1975 the Barbados dollar has been linked to the US dollar at a rate of US\$ 1.00 = **Bd\$** 2.00. <sup>b</sup>Revised figures. <sup>c</sup>Provisional figures. <sup>d</sup>Data relate to approximate average annual percentage increase. <sup>e</sup>Per cent. Not a growth rate.

Table 2

**BARBADOS: GROSS DOMESTIC PRODUCT, BY  
ECONOMIC ACTIVITY, AT FACTOR COST**

	Millions of Barbados dollars		Percentage breakdown		Growth rates	
	1983 <sup>o</sup>	1984 <sup>b</sup>	1983	1984 <sup>b</sup>	1983	1984 <sup>b</sup>
Gross domestic product	1 898.9	2 075.0	100.0	100.0	6.4	9.3
Goods	523	564.9	27.6	27.2	12.3	8.0
Agriculture and fishing	135.5	141.4	7.1	6.8	11.0	4.3
Mining and quarrying	16.3	29.4	0.9	1.4	1.1	80.4
Manufacturing	238.7	264.1	12.6	12.7	16.1	10.6
Construction	132.5	130.0	7.0	6.3	8.6	-1.9
Basic services	206.9	239.0	10.9	11.5	15.3	15.5
Electricity, gas and water	52.8	68.0	2.8	3.3	18.3	28.8
Transport, storage and communications	154.1	171.0	8.1	8.2	14.3	11.0
Other services	1 169.0	1 271.1	61.5	61.3	2.6	8.7
Wholesale and retail trade	378.4	412.2	19.9	19.9	-4.9	8.9
Tourism	186.5	206.8	9.8	10.0	3.0	10.9
Finance, insurance, real estate and business services	258.9	270.9	13.6	13.1	3.5	4.6
General services	80.9	85.7	13.6	13.1	3.5	4.6
Government services	264.3	295.5	13.9	14.2	13.4	11.8

Source: Barbados Statistical Service  
<sup>o</sup>Revised figures.   <sup>b</sup>Provisional figures.

Table 3

**BARBADOS: SUGAR PRODUCTION - AREAS AND AVERAGE YIELDS**

Year	Thousands of hectares respect	Cane milled (thousands of tons)	Cane/hectare (tons per hectare) (1/2)	Average sugar yields (tons per hectare)(1/5)	Sugar <sup>a</sup> output (thousands of tons) (5)
	(1)	(2)	(3)	(4)	(5)
1979	15.9	1 052	66.3	7.4	118.5
1980	16.1	1 204 <sup>b</sup>	74.9	8.5	136.6
1981	15.8	962 <sup>b</sup>	60.7 <sup>b</sup>	6.2	97.5
1982	15.3 <sup>b</sup>	766	48.5	5.8	89.1
1983	14.1	705	50.1	5.1	86.0
1984 <sup>c</sup>	14.1	813	57.8	7.1	100.4

Source: Barbados Sugar Industry, Ltd.  
<sup>a</sup>Includes syrup.   <sup>b</sup>Revised figures.   <sup>c</sup>Provisional figures.

b) **Manufacturing**

The manufacturing sector contributed Bd\$ 264 million to the gross domestic product in current prices. This was an increase of almost 11% over the previous year. The index of industrial production rose by almost 5%; output of electronic products grew by 30% and increases were recorded in clothing, petroleum products and electricity and gas (see table 5). Most manufacturing activities were affected by difficulties in securing licences for exports to Trinidad and Tobago. Decreases in production, as indicated by the Index of industrial production, were noted for chemicals, non-metallic mineral products, beverages and tobacco and other manufactures. Mining and quarrying operations showed a 40% increase in 1984, and crude petroleum output expanded by 76%, while quarrying production declined by 29%.

c) **Construction**

The construction sector's performance was tempered by the slackening of both government and private building activity. Public construction declined by 6% and private construction by 3%. The contribution of this sector to the gross domestic product at current prices was Bd\$ 130 million, that is, 2% less than in 1983.

d) **Energy**

Domestic crude oil production in 1984 amounted to 635 000 barrels, 67% more than the 380 000 barrels produced in 1983. This level of output supplied over half (52%) of the island's crude oil requirements, as compared with 37% in 1983. It outstripped the island's storage capacity and the Barbados National Oil Company had to export 21 500 barrels to Curacao.

Table 4  
BARBADOS: INDICATORS OF AGRICULTURAL PRODUCTION

	Tons			Growth rates		
	1982	1983	1984 <sup>c</sup>	1982	1983	1984 <sup>c</sup>
Production of main crops						
Sugar cane <sup>b</sup>	766	705	813	-20.4	-8.0	15.3
Root crops						
Sweet potatoes	3 700	4 300	3 100	23.3	16.2	-27.9
Yams	4 500	4 500	5 300	12.5	-	17.8
Vegetables						
Beans	509	533	493	-0.2	4.7	-7.5
Beets	480	509	482	-5.3	6.0	-5.3
Cabbage	1 577	1 700	1 308	12.7	7.8	-23.1
Carrots	2 416	2 600	2 359	12.6	7.6	-9.3
Cucumbers	1 701	2 000	1 744	-5.9	17.6	-12.8
Onions	476 <sup>c</sup>	764	549	20.2	60.5	-28.1
Pumpkins	493	576	543	-6.3	16.8	-5.7
Tomatoes	1 208	1 300	1 274	7.6	7.6	-2.0
Other vegetables	1 247	1 486	1 291	-4.6	19.2	-13.1
Livestock production						
Beef	376	334	279	-9.0	-11.2	-16.5
Pork	1 300	713	755	38.0	-45.2	5.9
Mutton	21	30	21	-58.8	42.9	-30.0
Poultry	6 700	6 133	6 550	11.7	-8.5	6.8
Eggs	1 567	1 047	1 880	...	-33.2	79.6
Milk	7 041	7 758	8 730	...	10.2	12.5
Fish	3 472	6 522	5 774	...	87.8	-11.5

Source: Barbados Economic Report, 1984.

<sup>a</sup> Provisional figures.

<sup>b</sup> Thousands of tons.

<sup>c</sup> Revised figures.



Table 5

## BARBADOS: INDICATORS OF INDUSTRIAL PRODUCTION

	1983 <sup>a</sup>	1984 <sup>*</sup>	Growth rates	
			1983	1984 <sup>*</sup>
<b>Production index</b>				
Total <b>all industries</b>	105.0	109.8	5.0	4.6
Mining and quarrying	121.8	171.4	21.8	40.7
Electricity and gas	116.1	121.7	16.1	4.8
Manufacturing	102.6	104.5	2.6	1.9
Food	99.3	100.2	-0.7	0.9
Beverages and tobacco	98.1	90.6	-1.9	-7.6
Clothing	106.2	111.9	6.2	5.4
Wooden furniture	117.3	115.9	17.3	-1.2
Chemicals	97.1	83.9	-2.9	-13.6
Petroleum products	97.5	99.6	-2.5	2.2
Non-metallic mineral products	84.2	77.4	-15.8	-8.1
Electronic products	122.2	158.8	22.2	30.0
Other manufactures	97.8	90.6	-2.2	-7.4
<b>Volume</b>				
Production of some manufactured goods				
Sugar and molasses <sup>c</sup>	86.0	100.4	-3.5	16.7
Rum <sup>d</sup>	4 879.0	4 709.0	4.0	-3.5
Beer <sup>d</sup>	8 919.0	6 919.0	1.2	-22.2
Margarine <sup>e</sup>	3 489.0	2 776.0	32.9	-20.4
Lard <sup>f</sup>	1 429.0	1 217.0	-5.4	-14.8
Malt beverages <sup>d</sup>	4 110.0	3 514.0	14.0	-14.5
Non-alcoholic beverages <sup>d</sup>	16 816.0	16 316.0	-3.4	-3.0
Animal feeds <sup>c</sup>	43.0	43.0	-14.0	0.0
Milk products <sup>g</sup>	8 288.0	8 638.0	-2.9	4.2
Cigarettes <sup>e</sup>	241.0	238.0	-11.1	-1.2
Crude petroleum <sup>h</sup>	63.9	101.0	55.5	58.1
Natural gas <sup>h</sup>	387.0	688.0	25.2	77.8
Gasoline <sup>h</sup>	58.5	56.6	3.7	-3.2
Diesel oil <sup>h</sup>	48.3	45.9	-0.6	-5.0
Fuel oil <sup>h</sup>	96.2	110.5	-9.5	14.9
Other indicators				
Electricity generated <sup>t</sup>	354.0	360.0	5.0	1.7

Source: Barbados Statistical Service, *Monthly Digest of Statistics*.

<sup>a</sup>Revised figures.

<sup>b</sup>Provisional figures.

<sup>c</sup>Thousands of tons.

<sup>d</sup>Thousands of litres.

<sup>e</sup>Tons.

<sup>f</sup>Converted to fresh

milk equivalent.

<sup>g</sup>Millions of cubic feet.

<sup>h</sup>Millions of kWh.

There was also a corresponding increase in gas production, which reached 25.3 million cubic metres as compared with 21.3 million cubic metres in 1983.

Imports of crude oil in 1984 comprised 588 000 barrels, i.e., 9% less than in 1983.

Imports of **reformat** increased by 11% from 250 000 barrels in 1983 to 278 000 barrels in 1984. In addition, 9 000 tons of liquefied petroleum gas (LPG) were imported, as compared with 8 500 tons in 1983. The total cost of crude oil, reformat and liquefied petroleum gas supplies was Bd\$ 64 million as against **Bd\$ 66 million** in 1983.

In 1984, a total of 327 million **kWh** of electricity was consumed, 3% more than in 1983. The average price of electricity was maintained at 32.8 cents per kWh during 1984.

Natural gas consumption rose to 10.3 million cubic metres, 0.9 million cubic metres more than in the previous year. Household consumption of natural gas was 1.9 million cubic metres, the same as in 1983. The industrial and commercial sectors consumed 8.4 million cubic metres, in comparison with 7.5 million cubic metres in 1983 (see table 6).

In 1984 execution of the Wind Energy Project financed by the Inter-American Development Bank began. During the year the feasibility study to determine the economic viability of converting refuse into electricity was completed. Work on the Wave Collection Programme continued. The object of the programme is to determine whether the island possesses a wave régime capable of justifying the installation of engineering works for the production of electricity.

e) *Employment*

The number of unemployed as a percentage of the labour force was 17% as an average for the year, or 2% higher than the 15% recorded in 1983. The labour force represented 63% of the total adult population (see table 7). The male component increased to 75.2% in 1984 from the 1983 figure of 75%, while the female component declined by 0.7% from the 54.6% recorded during the previous year.

Table 6

BARBADOS: COMMERCIAL ENERGY CONSUMPTION 1980-1984

	1980	1981	1982	1983	1984 <sup>o</sup>	Growth rates	
						1983	1984 <sup>o</sup>
<b>Petroleum products</b>							
<b>Total<sup>b</sup></b>	1 321.0	1 298.4	1 322.3	1 267.7	1 374.8	-4.1	8.4
Gasoline	346.5	346.8	342.0	354.7	355.7	3.7	0.3
Diesel oil 48/52	268.3	261.7	249.5	247.0	219.7	-1.0	-11.1
Diesel oil 43/47	43.9	48.2	46.9	48.1	68.6	2.6	42.6
Kerosene	48.4	41.6	39.1	39.1	37.3	-	-4.6
Gas oil	7.6	3.6	2.4	0.9	0.3	-62.5	-66.7
Fuel oil	606.3	596.3	642.4	577.9	693.2	-10.0	20.0
<b>Electricity<sup>c</sup></b>	282.1	300.6	310.1	317.4	326.7	2.4	2.9
Natural gas <sup>d</sup>	5.6	5.8	6.1	9.4	10.3	54.1	9.6
Liquefied petroleum gas <sup>e</sup>	8 545.0	9 137.0	9 036.0	8 451.0	8 888.0	-6.5	5.2

Source: Barbados Economic Report, 1984.

<sup>a</sup>Provisional figures.

<sup>b</sup>Thousands of barrels.

<sup>c</sup>Millions of kWh.

<sup>d</sup>Millions of cubic metres.

Table 7

BARBADOS: SELECTED DATA ON EMPLOYMENT AND UNEMPLOYMENT<sup>a</sup>

	1981	1982	1983	1984*
<b>Thousands of persons</b>				
Total number of adults in population	176.8	173.6	175.9	176.9
Labour force	114.3	112.0	112.6	112.3
Employed	101.9	96.6	95.7	93.1
Unemployed	12.4	15.4	16.9	19.2
Not in labour force	62.5	61.6	63.4	64.6
Unemployed as a percentage of labour force	10.8	13.8	15.0	17.1
Labour force as a percentage of total adults	64.6	64.5	64.0	63.5

Source: Barbados Statistical Service.

<sup>a</sup>Annual estimates based on household sample surveys.

<sup>\*</sup>Provisional figures.

Table 8

## BARBADOS: IMPORTS/EXPORTS AND VISIBLE TRADE BALANCE

*(Millions of Barbados dollars)*

Year	Imports	Exports			Balance on visible trade
		Domestic production	Re-exports	Total	
1980 <sup>o</sup>	1 070.7	300.2	156.2	456.4	-614.3
1981 <sup>o</sup>	1 165.9	298.8	149.8	448.6	-717.3
1982 <sup>o</sup>	1 106.6	374.1	145.6	519.7	-586.9
1983	1 258.0	581.6	135.9	717.5	-540.5
1984 <sup>b</sup>	1 324.7	583.7	203.7	787.4	-537.3

Source: Barbados Statistical Service.

<sup>a</sup>Revised figures. <sup>b</sup>Provisional figures.

Table 9

## BARBADOS: DOMESTIC EXPORTS OF GOODS (FOB)

	Millions of Barbados dollars			Percentage breakdown		Growth rates	
	1982	1983	1984 <sup>o</sup>	1983	1984 <sup>o</sup>	1983	1984 <sup>o</sup>
	<b>Total domestic exports</b>	374.1	581.6	583.7	100.0	100.0	<b>55.5</b>
<b>Main traditional exports</b>	81.1	56.0	78.6	9.6	13.5	-30.9	40.4
Sugar	63.3	38.7	57.3	6.7	9.8	-38.9	48.1
Molasses and syrup	6.9	7.1	8.4	1.2	1.5	-2.9	18.3
Rum	5.4	4.9	6.5	0.8	1.1	-9.3	32.7
Lard and margarine	5.5	5.3	6.4	0.9	1.1	-3.6	20.8
<b>Non-traditional exports</b>	184.9	332.7	398.9	57.2	68.3	79.9	19.9
Clothing	65.6	70.4	64.8	12.1	11.1	7.3	-8.0
Electrical components	119.3	262.3	334.1	45.1	57.2	119.9	27.4
Other exports	108.1	192.9	106.2	33.2	18.2	78.4	-44.9

Source: Barbados Statistical Service.

<sup>o</sup>Provisional figures.

Employment in tourism and distribution, which between them accounted for 21% of the labour force in 1984, decreased on average by about 7%. There were also a number of redundancies in the manufacturing sector, particularly among manufacturers of clothing, reflecting depressed regional markets and slower domestic sales.

## 3. The external sector

a) *Merchandise trade*

i) *Exports.* Visible exports in 1984 totalled Bd\$ 787.4 million an increase of 9.7% over 1983. The decline which this growth rate signified in comparison with the increase of 38.1% in the preceding period was due largely to the stagnation in domestic exports. The only commodities which exhibited appreciable increases were electronic components and sugar. Exports of clothing decreased as a result of the contraction in demand in both CARICOM and extra-regional markets. In terms of value, molasses and syrup, rum and lard and margarine showed some small increases (see tables 8 and 9).

ii) *Imports.* Total visible imports in 1984 amounted to Bd\$ 1 325 million, representing an increase of 5% over 1983. Retained imports for the electronics sub-sector contributed to a slight increase in imports of raw materials. Retained imports of construction materials declined by 3%. Imports of consumer goods also fell by 1.4%, reflecting a reduction in imports of motor cars and other durables (see tables 8 and 10).

b) *Services trade*

Total visitor arrivals in 1984 numbered 470 000 —an increase of 8% over the 1983 figure. Long-stay visitors rose from 330 000 in 1983 to 370 000 in 1984, i.e., by 12%. Visitors from the United States accounted for 38% of stop-over visitors. Arrivals from Canada rose by 26% to 76 000, and there was a marginal increase in arrivals from the **CARICOM** region, despite a 10% fall in visitors from Trinidad and Tobago. Arrivals from the United Kingdom and Europe declined. The number of cruise-ship passengers fell by 3%.

After a decrease in average length of stay from 8.3 nights in 1982 to 6.4 nights in 1983, the average length of stay of stop-over visitors improved to an estimated 7.5 nights in 1984. The tourism sector contributed Bd\$ 207 million, or 10%, to the gross domestic product in 1984, in comparison with Bd\$ 187 million, or 9.8% in 1983. Estimated visitor expenditure was Bd\$ 568 million in 1984, an increase of 13% over its 1983 level (see table 11).

c) *Balance of payments*

In spite of export expansion, the balance of payments remained under severe pressure during the year. As the outcome of an increase in tourist expenditure and a reduction in the visible trade balance, the deficit on current account fell appreciably during 1984. Substantial capital outflows from the government and the private sector for amortization payments were offset by official loans, resulting in a provisional global **balance-of-payments** surplus of US\$ 5.5 million. At the end of the year, foreign reserves increased by US\$ 5.5 million, as compared with an increment of US\$ 22 million in 1983 (see table 12).

Table 10  
BARBADOS: RETAINED IMPORTS, BY ECONOMIC FUNCTION  
AND/OR END USE

	Millions of Barbados dollars			Growth rates	
	1982	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Total imports	1 106.6	1 258.0	1 324.7	13.7	5.3
Consumer goods	321.7	350.3	345.8	8.9	-1.3
Food and beverages	161.6	156.5	160.4	-3.2	2.5
Other non-durable goods	81.4	93.5	90.9	14.9	-2.8
Durable goods	31.6	50.9	43.8	61.1	-13.9
Other manufactures	47.1	49.4	50.7	4.9	2.6
Intermediate goods	368.6	517.5	522.0	40.4	0.1
Fuels	84.8	59.3	68.1	-30.0	14.8
Textiles	38.9	43.6	31.7	12.1	-27.3
Others	244.9	414.6	422.2	69.3	1.8
Capital goods	265.5	241.1	236.7	-9.2	-1.8
Machinery	187.2	180.1	177.7	-3.8	-1.3
Construction materials	78.3	61.0	59.0	-22.1	-3.3
Unclassified goods	6.8	4.2	16.5	-38.2	292.9
Total retained imports	962.6	1 113.1	1 121.0	15.6	0.1

Source: Central Bank of Barbados, *Economic and financial Statistics*, April 1985.

<sup>a</sup>Provisional figures.

Table 11

## BARBADOS: SELECTED TOURISM STATISTICS

	1981	1982	1983	1984	Growth rates	
					1983	1984
Total visitors <sup>a</sup>	488.4	414.6	430.8	466.8	3.9	8.4
Stopover visitors	352.6	303.8	328.3	367.7	8.1	12.0
From:						
United States	74.5	75.5	114.0	140.2	51.0	23.0
Canada	69.9	59.6	53.2	67.3	-10.7	26.5
United Kingdom	72.1	51.1	47.7	46.3	-6.7	-2.9
Europe	29.6	21.6	17.3	16.8	-19.9	-2.9
CARICOM countries	86.9	81.6	83.9	84.4	2.7	0.2
Other countries <sup>b</sup>	19.6	14.4	12.2	12.7	-15.3	4.1
Cruise-ship visitors <sup>b</sup>	135.8	110.8	102.5	99.1	-7.5	-3.3
Hotel and guesthouse beds	14.1	14.1	14.8	14.8	5.0	-
Average length of stay of stopover visitors <sup>c</sup>	9.5	8.3 <sup>d</sup>	6.4	7.5	-22.9	17.2
Hotel bed occupancy rate <sup>e</sup>	54.0	45.5	46.7	...	2.6	...
Estimated visitor expenditure <sup>f</sup>	523.7	502.2	503.2	568.3	0.2	12.9

Source: Barbados Statistical Service.

<sup>a</sup>Total arrivals, including cruise-ship visitors (thousands).<sup>b</sup>Thousands.<sup>c</sup>Number of nights.<sup>d</sup>Revised figures.<sup>e</sup>Percentage. <sup>f</sup>Millions of Barbados dollars.

Table 12

## BARBADOS: BALANCE OF PAYMENTS

(Millions of dollars)

	1981 <sup>o</sup>	1982 <sup>o</sup>	1983 <sup>o</sup>	1984 <sup>n</sup>
<b>Balance on current account</b>	-125.0	-42.0	-50.0	-16.0
Merchandise trade balance	-412.0	-345.0	-350.0	-337.0
Exports of goods	164.0	205.0	274.0	324.0
Imports of goods	-576.0	-549.0	-625.0	-660.0
Services balance (net)	270.0	280.0	280.0	300.0
Unrequited transfer payments	18.0	24.0	21.0	20.0
<b>Balance on capital account</b>	100.0	75.0	71.0	22.0
Long-term capital	95.0	39.0	50.0	18.0
Official sector	67.0	42.0	43.0	15.0
Private sector	28.0	-2.5	7.5	3.5
Short-term capital	44.0	33.0	30.0	17.0
Errors and omissions (net)	-37.0	2.5	-9.0	-13.0
<b>Global balance</b>	-25.0	33.0	21.0	5.5
Total variation in reserves (- sign indicates an increase)	25.0	-33.0	-21.0	-5.5
Special Drawing Rights				
IMF reserve position				

Source: ECLAC estimates based on data from the Central Bank of Barbados, Statistical Service, *Barbados Economic Report*, 1984.<sup>o</sup>Revised figures.<sup>n</sup>Provisional figures.

## 4. Wages and prices

## a) Wages

During 1984, wage negotiations were concluded in a number of sectors. For most sectors the average wage increases ranged from 7% to 16%, and for the sub-sectors between 3% and 20%. On account of the distribution of employment by sector and the proportional receipt of wage increases by sector, the weighted average wage increase for 1984 was 11%.

b) *Prices*

The rate of inflation (measured as the annual average of increases in the monthly index of retail prices) was 4.6%, as against 5.3% in 1983. The variation in retail prices between December 1983 and December 1984 was 5.1%, in comparison with 5.5% for the preceding period. On this basis, increases were recorded for food and beverages, housing, medical and personal services and transport. A marginal decrease was noted for clothing and footwear (see table 13).

5. Monetary and fiscal policy

a) *Monetary policy*

In 1984 commercial bank deposits increased by 11%, as compared with 7% in the two previous years. Time deposits rose by 21%, partly as a result of the accumulation of funds by insurance companies. Savings deposits grew by 7% (see table 14).

At the end of 1984, outstanding loans and advances from the commercial banks stood at Bd\$ 807 million, which represented an increase of 4% over their 1983 figure. Net bank credit to the manufacturing sector was slightly higher than in 1983, reflecting depressed **intra-regional** demand for the island's goods. In spite of higher occupancy rates, the financial position of the tourist industry remained weak and credit to the tourism and entertainment sector declined by 3%. As a result, commercial banks and the Barbados Development Bank were forced to reschedule medium- and long-term hotel loans.

Following an increase in credit, in June the Central Bank of Barbados tightened its control over the flow of funds to the distribution sector, and by the end of the year, credit to that sector had been reduced by 6%. Net new credit to the personal sector increased by 5%. However, there was a noticeable decrease in the demand for car loans and in short-term loans for home improvement. In addition, financial companies, which had been brought under the selective credit control guidelines of the Central Bank in 1983, could no longer attract prospective borrowers for consumer items away from commercial banks (see table 15).

Table 13

BARBADOS: EVOLUTION OF DOMESTIC PRICES

(March 1980 = 100)

	1982	1983	1984
Variation December to December			
Consumer price index	6.9	5.5	5.1
Food and beverages	2.5	7.1	4.0
Alcoholic beverages and tobacco	17.3	8.8	2.8
Housing	10.1	4.2	14.0
Fuel and light	12.7	3.3	1.9
Clothing and footwear	-1.5	3.6	-0.3
Medical and personal services	14.9	3.0	11.7
Transport	15.1	2.6	5.7
Variation between annual averages			
Consumer price index	10.3	5.3	4.6
Food and beverages	7.3	2.7	4.0
Alcoholic beverages and tobacco	13.4	10.7	6.2
Housing	21.4	9.3	8.5
Fuel and light	2.6	7.6	2.6
Clothing and footwear	4.2	2.2	0.7
Medical and personal services	15.9	7.6	11.7
Transport	18.8	5.8	5.3

Source: Barbados Statistical Service.

Table 14

## BARBADOS: COMMERCIAL BANKS' LIABILITIES

(As at December 31)

	Millions of Barbados dollars			Growth rates		
	1982	1983	1984 <sup>a</sup>	1982	1983	1984 <sup>a</sup>
Total deposits	880.0	941.6	1 046.2	7.1	7.0	11.1
Demand deposits	167.0	200.1	209.6	-3.1	19.8	4.7
Time deposits	300.8	302.1	365.3	22.3	0.4	20.9
Savings deposits	412.3	439.4	471.3	2.2	6.6	7.3
Balance due to Central Bank of Barbados	16.2	26.1	24.3	200.0	61.1	-6.9
Balance due to other local banks	13.5	13.0	8.5	-12.9	-3.7	34.6
Other liabilities	124.4	127.9	124.0	42.7	2.8	-3.0
Foreign liabilities	75.4	102.8	107.8	-7.1	36.3	4.9
Total liabilities	1 109.6	1 211.3	1 310.8	9.8	9.2	8.2

Source: Central Bank of Barbados, *Economic and Financial Statistics*, April 1985.<sup>a</sup>Provisional figures.

Table 15

## BARBADOS: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

(As at December 31)

	Millions of Barbados dollars			Growth rates		
	1982	1983	1984 <sup>a</sup>	1982	1983	1984 <sup>a</sup>
Total	680.2	776.4	807.2	4.8	14.1	4.0
Agriculture (including fisheries)	32.5	39.0	38.8	22.6	20.0	-0.5
Mining and quarrying	15	2.4	2.3	-44.4	60.0	-4.2
Manufacturing	115.6	120.9	123.3	11.6	4.6	2.0
Distribution	92.8	114.1	107.4	-2.3	23.0	-5.9
Construction	32.3	30.8	35.6	-28.7	-4.6	15.6
Tourism (including entertainment)	114.6	119.6	116.1	17.8	4.4	-2.9
Government and statutory bodies	10.0	14.2	15.5	35.1	42.0	9.2
Public utilities	37.6	58.3	59.6	11.9	55.1	2.2
Personal	131.0	152.8	160.4	-6.0	16.6	5.0
Other	112.3	124.3	148.2	14.1	10.7	19.2

Source: Central Bank of Barbados, *Economic and financial Statistics*, April 1985.<sup>a</sup>Provisional figures.

Interest on Treasury bills, which had reached a peak of 13.8% in 1981, steadily declined to 7.19% by December 1984. The prime lending rate was between 10.5% and 11.5% in 1984. The average lending rate on selected loans, which was fixed at 11.5% in June 1983, was raised to 12% in July 1984. The Barbados Bank rate remained at 16% throughout the year.

The money supply at the end of 1984 stood at Bd\$ 301 million, 2.5 % below the Bd\$ 309 million recorded at the end of 1983. Of this sum, Bd\$ 118 million represented currency outside banks. Demand deposits decreased by 6% in order to provide liquidity to the business sector. Savings and time deposits increased by 13% (see table 16).

b) *Fiscal policy*

Government revenue grew more slowly than expenditure in 1984 and a mini-budget was introduced in October to supplement the provisions of the regular April budget. Wage increases of

12% swelled current expenditure, while subsidies and transfer payments were higher than in 1983. The current account surplus was much smaller than in the previous year and the overall deficit rose to Bd\$ 95 million.

Current revenue in 1984 was Bd\$ 561 million, which represented an increase of 3% over 1983. The poor profit performance of the corporate sector and the weak demand for imports as well as for locally-produced goods were mainly responsible for the sluggish growth of revenue. Import duties fell by almost 7%, partly because of the drop in imports of motor cars. However, receipts from the hotel

Table 16

BARBADOS: MONETARY BALANCE

	Millions of Barbados dollars			Growth rates		
	1982	1983	1984 <sup>o</sup>	1982	1983	1984 <sup>o</sup>
Money supply	266	309	301	-1.3	16.2	-2.5
Currency outside banks	111	114	118	...	3.2	3.5
Demand deposits	155	195	183	-1.9	25.4	-6.0
Factors of expansion	1 173	1 291	1 376	12.9	<b>10.1</b>	6.6
Foreign assets (net)	185	227	239	46.9	23.1	5.0
Domestic credit	988	1 064	1 137	8.2	7.7	6.9
Government (net)	261	249	270	22.5	-4.7	8.4
Private sector	727	815	867	3.6	12.1	6.4
Factors of absorption	906	982	<b>1 075</b>	16.9	8.4	9.5
Quasi-money (savings and time deposits)	706	735	829	9.0	4.2	12.7
Other items (net)	<b>200<sup>b</sup></b>	247	246	63.3	23.5	-0.4

Source: Central Bank of Barbados, *Economic and Financial Statistics*, April 1985.

<sup>o</sup>Provisional figures.      <sup>b</sup>Revised figures.

Table 17

BARBADOS: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of Barbados dollars			Growth rates		
	1982	1983	1984 <sup>o</sup>	1982	1983	1984 <sup>o</sup>
<b>1. Current revenue</b>	486	546	561	8.8	12.3	2.7
Tax revenue	436	479	490	10.7	9.9	2.3
Direct	197	199	189	18.7	10	-5.0
Indirect	239	280	301	4.8	17.2	7.5
On foreign trade	73	90	84	-20.7	23.3	-6.7
Non-tax revenue	50	67	71	-3.8	34.0	6.0
<b>2. Current expenditure</b>	462	486	533	4.4	5.4	9.5
<b>3. Savings on current account (1 - 2)</b>	24	60	28	434.8	142.7	-53.3
<b>4. Capital expenditure</b>	<b>124<sup>b</sup></b>	<b>121</b>	123	-33.3	-2.3	1.2
5. Net lending	...	26	...	...	...	...
<b>6. Total expenditure and net lending (2 + 4 + 5)</b>	586	633	656	<b>•6.6</b>	8.1	3.6
<b>7. Fiscal deficit (1 - 6)</b>	-100	-87	-95	-44.9	-12.4	9.6

Source: Central Bank of Barbados, *Economic and Financial Statistics*, April 1985.

<sup>o</sup>Provisional figures.      <sup>b</sup>Revised figures.



Table 18

## BARBADOS: NATIONAL DEBT, 1980-1984

*(Millions of Barbados dollars)*

	1980	1981	1982	1983	1984
Total debt	493.2	683.4	760.0	861.3	950.9
Domestic					
Short-term	194.0	277.5	308.0	346.8	414.8
Long-term	135.3	146.5	165.1	167.2	170.8
Total	329.3	424.0	473.1	514.0	585.6
Foreign					
United Kingdom	0.1	...	...	0.6	0.4
Euro-dollars	30.7	93.7	88.9	106.1	95.0
Canada	29.0	30.9	29.3	17.9	29.2
International institutions	64.1	93.8	127.7	154.0	163.7
Other	40.0	41.0	41.0	58.7	77.0
Total	163.9	259.4	286.9	347.3	365.3

Source: Central Bank of Barbados, *Economic and Financial Statistics*, April 1985.

and restaurant sales tax rose by 11%, reflecting brisker business activity on the part of hotels and restaurants. Personal income taxes increased by 4%. Other taxes improved with increases in the rate of stamp duty.

The government's current expenditure in 1984 amounted to Bd\$ 533 million, a sum 9% larger than that recorded in 1983. Wages and salaries accounted for 45%, subsidies and transfer payments for 32%, interest payments for 12% and purchases of goods and services for 11% of total current expenditure. Growth in expenditure occurred mainly in the areas of health, education, defence and security, and transport and public works.

Capital expenditure in 1984 was Bd\$ 123 million, as compared with Bd\$ 121 million in 1983.

The surplus on current account was only about half the 1983 figure and provided financing for a mere 23% of government capital expenditure. The shortfall in revenue forced the government to borrow from domestic sources. Two-thirds of the public sector's financing requirements came from the commercial banks, which contributed Bd\$ 37 million, and the National Insurance Scheme which provided Bd\$ 31 million. Foreign sources contributed Bd\$ 17 million towards financing the deficit (see table 17).

The national debt at the end of December 1984 was Bd\$ 951 million, as against Bd\$ 861 million at the end of 1983. Total domestic debt increased by 14% to **Bd\$ 585** million and represented 61% of total debt. Short-term domestic debt went up by 20% in relation to 1983, while long-term domestic debt rose by 2%.

Foreign borrowing increased by 10%, reaching Bd\$ 365 million. The largest debt was that owed to the international institutions, which stood at Bd\$ 163 million, an increase of 6% over the 1983 level (see table 18).



## BELIZE

### 1. Recent economic trends: Introduction and summary

In 1984 the economy of Belize showed a growth rate of 1.3% in real terms. However, the growth in real output was unevenly spread with the manufacturing and construction sectors showing strong growth while output in agriculture declined by 3.3%. The rate of increase in consumer prices was 5.6% (see table 1).

There was a decline in the production of sugar and bananas but a marked increase in the output of citrus. The other industry which showed particularly strong growth was garments, which increased production from 0.8 million garments in 1983 to 2.0 million in 1984.

Tourist arrivals, as well as visitor expenditure, increased during the year under review.

The growth in real output was reflected in the reduction of the visible trade deficit to B\$ 69.9 million in 1984. The deficit was offset in part by a surplus on invisible trade, and the current account of the balance of payments showed a deficit of B\$ 15 million, while the capital account recorded a small surplus of B\$ 0.2 million. The net international reserves of the Central Bank fell from B\$ 14.4 million to minus B\$ 4.3 million.

Preliminary estimates for the fiscal year 1984-1985 indicate that the Central Government ran a deficit of B\$ 20.6 million on its overall operations. The deficit was financed entirely by Central Bank credit. Commercial bank credit to the public sector fell by approximately B\$ 11.1 million, but credit to the private sector increased from B\$ 124.7 million in 1983 to B\$ 135.8 million in 1984. In January 1984, the prime rate was reduced from 14% to 12%.

Against this background of deteriorating international reserves and high public deficit, the government adopted a financial adjustment programme in support of which it entered into a standby arrangement with the International Monetary Fund (IMF) in the amount of SDR 7.1 million in December 1984. This programme aims at strengthening the finances of the public sector and restoring the balance of payments to a surplus position.

### 2. Trends in economic activity

#### a) *Growth of the main sectors*

i) *Agriculture.* Agriculture is the most important sector in the economy of Belize, not only in terms of employment, but also as a foreign exchange earner. However, in 1984 the performance of this sector was disappointing because there was a decline in output in real terms of 3.3%. Provisional estimates of the gross domestic product (GDP) at 1980 prices place the contribution of agriculture to the GDP at B\$ 61.1 million in 1984 compared with B\$ 63.2 million in 1983 (see table 2).

Sugar cane reaped in 1984 totalled 1 040 000 long tons, a decline of 90 900 long tons compared with the previous year. Production of sugar in 1984 amounted to 103 000 long tons as against 114 000 long tons in 1983. Unseasonably heavy rains and low cane yields were the main causes of the decrease in production. Sugar exports in 1984 totalled 93 876 long tons, of which 34 481 long tons were exported to the United States, 42 995 long tons were shipped to the EEC and 16 400 long tons sold on the free world market. Domestic household use was about 5 000 long tons while industrial use was approximately 1 000 long tons.

Export receipts from sugar were B\$ 65.1 million: a decline of B\$ 5.8 million from the 1983 level (see table 3).

Oranges and grape fruit delivered to the two processing companies in 1984 amounted to 1 468 000 boxes compared with 928 000 boxes in 1983. Citrus deliveries were abnormally low in 1983, due mainly to a dispute between the growers and the processing factories. Canker disease and

frost destruction of the Florida citrus crop were mainly responsible for increased demand for imports of citrus juices and concentrates in the United States. Export receipts from citrus concentrates totalled B\$ 19.5 million in 1984 compared with B\$ 13.7 million in 1983.

Banana production in 1984 was 523 000 boxes, 8 000 boxes less than in 1983. However, on account of the increase in the export price, banana exports were valued at B\$ 6.1 million in 1984 —an increase of B\$ 1.3 million over 1983.

Provisional data for 1984 indicate that there was a decline in production of most of the other agricultural products.

The production of pork and beef declined but there was an increase in the output of poultry.

There was an overall decrease in the seafood catch. The volume of conch increased, but decreases were recorded for lobster and other type of seafood.

Production of forestry products increased by 15% to 8 200 000 board feet (see table 4).

ii) *Manufacturing.* The manufacturing sector contributed B\$ 44.2 million to the GDP in 1984: an increase of 7.5% over the previous year. Garments registered the greatest increase (151.7%), and export earnings amounted to B\$ 29.6 million compared with B\$ 16.8 million in 1983. This increase was the result of the revival of the United States economy, which is the primary market. Other increases in output were recorded for fertilizers, cigarettes, batteries and citrus concentrates. On the other hand, decreases occurred in respect of molasses, nails, roofing, beer and stout and flour (see table 5).

Table 1

BELIZE: MAIN ECONOMIC INDICATORS

	1982	1983	1984 <sup>a</sup>
<b>A. Basic economic indicators</b>			
Gross domestic product at factor cost (millions of Belize dollars at 1980 prices)	297.0	299.1	303.4
Per capita gross domestic product (at 1980 prices)	1 936.0	1 897.0	1 869.0
Population (thousands of inhabitants)	153.4	157.7	162.1
<b>Annual growth rates</b>			
<b>B. Short-run economic indicators</b>			
Gross domestic product	-0.8	0.7	1.3
Per capita gross domestic product	-3.4	-2.0	-1.5
Current value of exports of goods	-23.5	-14.7	21.4
Current value of imports of goods	-21.0	-9.7	11.8
Consumer price index	..	..	..
November to November	..	..	5.6
Money supply (M <sub>1</sub> )	-11.8	7.6	26.6
Rate of unemployment (percentage)	..	..	14.0
Current revenue of government	..	-1.4	17.3
Total expenditure of government	..	-4.7	0.3
Fiscal deficit as percentage of total government expenditure	26.0	23.1	17.4
Millions of US dollars			
<b>C. External sector</b>			
Trade balance (goods and services)	..	..	-55.7
Balance on current account	..	..	-15.0
Variation in net international reserves	..	..	-13.1
External debt	..	68.4	69.3

Source: ECLAC, on the basis of data provided by various government departments.

<sup>a</sup>Preliminary figures.

Table 2

BELIZE: GROSS DOMESTIC PRODUCT, BY KIND OF  
ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of Belize dollars at 1980 prices				Percentage breakdown		Growth rates	
	1981	1982	1983	1984 <sup>o</sup>	1983	1984 <sup>o</sup>	1983	1984 <sup>o</sup>
Gross domestic product	299.5	297.0	299.1	303.0	100.0	100.0	0.7	1.3
<b>Primary</b> activities	75.6	81.9	83.4	80.6	27.9	26.7	1.8	-3.4
Agriculture	59.2	61.8	63.2	61.1	21.1	20.2	2.3	-3.3
Forestry	4.7	8.4	5.6	5.5	1.9	1.8	-33.3	-1.8
Fishing	10.9	10.9	13.8	13.2	4.6	4.4	26.6	-4.3
Mining	0.8	0.8	0.8	0.8	0.3	0.3	-	-
Secondary activities	64.0	57.9	59.1	63.6	19.7	21.0	2.1	7.6
Manufacturing	43.3	40.3	41.1	44.2	13.7	14.6	2.0	7.5
Electricity	3.8	4.6	4.6	4.8	1.5	1.6	-	4.3
Construction	16.9	13.0	13.4	14.6	4.5	4.8	3.1	9.0
Services	159.9	157.2	156.6	158.8	52.4	52.3	-0.4	1.4
Trade and tourism	56.1	50.9	49.6	50.6	16.6	16.7	-2.6	2.0
Transport	29.3	30.1	30.7	31.8	10.3	10.5	2.0	3.6
Finance	11.4	11.6	11.7	11.7	3.9	3.9	0.9	-
Real estate	14.6	14.9	14.9	14.9	5.0	4.9	-	-
Public administration	31.7	31.7	31.7	32.0	10.6	10.6	-	0.9
Other services	16.8	18.0	18.0	17.8	6.0	5.7	-	-1.1

Source: Central Statistical Office.

<sup>o</sup>Preliminary figures.

Table 3

BELIZE: SUGAR CANE - SUGAR AND MOLASSES PRODUCTION

Crop year	Acreage harvested <sup>a</sup>	Cane reaped <sup>b</sup>	Sugar produced <sup>b</sup>	Molasses produced <sup>b</sup>	Tons of cane per acre	Tons of cane per ton of sugar
1979-1980	61.0	1 013.5	103.3	32.3	16.6	9.8
1980-1981	61.0	970.1	97.7	32.0	15.9	9.9
1981-1982	62.0	1 095.5	106.0	37.7	17.7	10.3
1982-1983	61.0	1 132.0	114.3	37.7	18.6	9.9
1983-1984	61.0	1 041.1	103.1	32.6	17.1	10.1

Source: Department of Agriculture.

<sup>a</sup>Thousands of acres. <sup>b</sup>Thousands of tons.

iii) *Construction*. The contribution of the construction sector to the GDP in 1984 was B\$ 14.6 million: an increase of 9% over the previous year. Some of the major projects undertaken in the public sector were the reconstruction of highways and bridges and the extension of the water and sewerage system. Loans and advances from the commercial banks to the building and construction industry partly financed the growth in the private sector.

**Table 4**  
**BELIZE: AGRICULTURE, FISHING AND FORESTRY**

	1982	1983	1984 <sup>h</sup>	Growth rates	
				1983	1984 <sup>h</sup>
Sugar cane <sup>b</sup>	1 096.0	1 132.0	1 041.0	3.3	-8.0
Oranges <sup>i</sup>	1 065.0	750.0	1 124.0	-29.6	49.9
Grape fruit <sup>i</sup>	703.0	178.0	344.0	-74.7	93.3
Bananas <sup>i</sup>	524.0	531.0	523.0	1.3	-1.5
Corn <sup>d</sup>	47.0	38.8	34.7	-17.4	-10.6
Rice <sup>d</sup>	17.5	13.5	10.8	-22.9	-20.0
Red kidney beans <sup>e</sup>	3 900.0	4 000.0	1 632.0	2.6	-59.2
Honey <sup>i</sup>	480.0	543.0	624.0	13.1	14.9
Cocoa <sup>i</sup>	39.0	108.0	352.0	176.9	225.9
Livestock production					
Pork (fresh) <sup>g</sup>	350.0	500.0	459.0	42.9	-8.2
Beef (fresh) <sup>g</sup>	2 000.0	2 100.0	2 025.0	5.0	-3.6
Poultry <sup>e</sup>	5 500.0	5 700.0	6 000.0	3.6	5.3
Seafood production <sup>e</sup>	1 440.0	1 724.0	1 441.0	19.7	-16.4
Forestry production					
Sawn wood <sup>g</sup>	8 600.0	7 088.0	8 154.0	-17.6	15.0

Source: Department of Agriculture and Central Statistical Office.

<sup>a</sup>Preliminary figures.

<sup>b</sup>Thousands of tons.

<sup>c</sup>Thousands of boxes.

<sup>d</sup>Millions of pounds.

<sup>e</sup>Thousands of pounds.

<sup>f</sup>In slaughterhouses.

<sup>g</sup>Thousands of feet.

**Table 5**  
**BELIZE: INDICATORS OF INDUSTRIAL PRODUCTION**

	1982	1983	1984 <sup>h</sup>	Growth rates	
				1983	1984 <sup>h</sup>
<b>Production of some manufactured goods</b>					
Sugar <sup>b</sup>	106.0	114.3	103.1	7.8	-9.8
Molasses <sup>b</sup>	37.7	37.5	33.5	0.5	-10.7
Citrus concentrates <sup>i</sup>	1 386.0	965.0	1 071.0	-30.4	11.0
Processed milk <sup>d</sup>	701.0	975.0	...	39.1	...
Garments <sup>e</sup>	577.0	781.0	1 966.0	35.4	151.7
Nails <sup>d</sup>	300.0	300.0	245.0	...	-18.3
Roofing <sup>d</sup>	595.0	600.0	284.0	0.8	-52.7
Cigarettes <sup>f</sup>	56.5	57.4	64.6	1.6	12.5
Beer and stout <sup>c</sup>	818.0	850.0	630.0	3.9	-25.9
Batteries	4 836.0	5 000.0	5 555.0	3.4	11.1
Flour (wheat) <sup>d</sup>	10 900.0	10 992.0	2 528.0	0.8	-77.0
Fertilizers <sup>g</sup>	3 600.0	3 080.0	4 641.0	-14.4	50.7
<b>Other indicators</b>					
Electricity generated <sup>h</sup>	63 897.0	65 501.0	66 617.0	2.5	1.7

Source: Central Statistical Office.

<sup>a</sup>Preliminary figures.

<sup>b</sup>Thousands of long tons.

<sup>c</sup>Thousands of gallons.

<sup>d</sup>Thousands of pounds.

<sup>e</sup>Thousands.

/Millions.

<sup>f</sup>Short tons.

<sup>g</sup>Thousands of kWh.

b) *Employment*

The Belize Labour Force Survey 1983-1984 indicated that the total labour force was 47 325 persons of which 31 965 (67.5%) were males and 15 360 (32.5%) females. The total employed labour force amounted to 40 700: 29 045 males (71.4%) and 11 655 females (28.6%). Agriculture absorbed 12 210 persons (30%) of the employed labour force, community services 6 512 (16%) and government 6 261 (15.4%). Commerce and manufacturing employed 11.2% and 10.3% of the labour force, respectively. These five sectors accounted for 82.9% of the total employed labour force.

Total unemployment stood at 14% of the labour force —males 9.1% and females 24.1%.

The survey also revealed that paid employees (that is, excluding employers and own-account workers) earned an average annual income of B\$ 6 000. Of these, 20.9% earned less than B\$ 3 000 a year, 43.6% earned between B\$ 3 001 and B\$ 6 000, 20.1% earned between B\$ 6 001 and B\$ 9 000 and 15.4% earned more than B\$ 9 000 a year.

## 3. The external sector

a) *Merchandise trade*

i) *Exports.* Total exports in 1984 totalled B\$ 188.5 million: an increase of B\$ 33.2 million over 1983. Domestic exports rose by 9.2% to B\$ 142.3 million and re-exports by 84.8% to B\$ 46.2 million. The main domestic exports which recorded increases were garments, citrus concentrates, bananas and molasses. On the other hand, decreases were recorded for sugar, fish products and sawn wood (see tables 6 and 7).

Detailed information is not yet available with respect to the destination of exports, but preliminary information indicates that the United States and the United Kingdom were the major destinations for domestic exports, and Mexico the principal destination of re-exports.

ii) *Imports.* Preliminary information indicates that imports in 1984 were B\$ 258.4 million: an increase of B\$ 27.3 million over the previous year. Firm data are not yet available for the whole of 1984 but partial information suggests that the major increases were probably in the food and chemical sections of the SITC (see table 8).

After a decline in 1983, stopover visitors increased by 37.7% to reach 88 430 in 1984. The United States continued to be the main source of stopover visitors, accounting for 30.6% in 1984.

There were marginal increases in the average number of hotel and guest house rooms and beds, but there was no change in the average occupancy rate. The average length of stay of visitors rose from 4.5 nights to 5 nights in 1984. Estimated stopover visitor expenditure in 1984 was B\$ 21.4 million: an increase of 15.1% over the previous year (see table 9). Approximately 33% of the hotel rooms are located on the Cayes.

b) *Balance of payments*

The current account of the balance of payments registered a deficit of B\$ 15 million in 1984. A deficit of B\$ 76.5 million was recorded on visible trade (adjusted), which was partly offset by a surplus of B\$ 61.5 million on invisible transactions and transfers. The official services account contributed B\$ 38.8 million of this surplus, of which B\$ 35.2 million was due to receipts in respect of the British forces garrison. The other main item was **unrequited** transfers, which showed outward transfers of B\$ 18.9 million, reflecting in large part emigration and repatriation of funds while the inward transfers of B\$ 59.6 million consisted of official transfers of B\$ 15 million and private transfers of B\$ 44.6 million, to which individual remittances made a substantial contribution.

The capital account showed a small surplus of B\$ 0.2 million. Net private capital outflows were B\$ 10 million and official indebtedness increased by B\$ 10.8 million. By the end of the year foreign reserves had increased by B\$ 13.1 million.

No official balance of payments statements were prepared for the years 1982 and 1983 (see table 10).

Table 6

**BELIZE: IMPORTS, EXPORTS AND VISIBLE TRADE BALANCE***(Millions of Belize dollars)*

Year	Imports	Domestic exports	Re-exports	Total exports	Visible trade balance
1980	299.5	163.7	57.6	221.3	-78.2
1981	323.9	149.5	88.5	238.0	-85.9
1982	256.0	119.6	62.4	182.0	-74.0
1983	231.1	130.3	25.0	155.3	-75.8
1984 <sup>a</sup>	258.4	142.3	46.2	188.5	-69.9

Source: Central Statistical Office.

<sup>a</sup>Preliminary figures.

Table 7

**BELIZE: EXPORTS CLASSIFIED BY SITC SECTION**

	Millions of Belize dollars				Percentage breakdown		Growth rates	
	1981	1982	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Total domestic exports	149.5	119.6	130.3	142.3	100.0	100.0	8.9	9.2
Sugar	85.3	66.7	70.9	65.1	54.4	45.7	6.3	-8.2
Molasses	2.4	1.8	1.2	2.3	0.9	1.6	-33.3	91.7
Bananas	4.3	4.3	4.8	6.1	3.7	4.3	11.6	27.1
Citrus concentrates	13.0	14.1	13.7	19.5	10.5	13.7	-2.3	42.3
Fish products	14.5	13.3	15.0	11.8	11.5	8.3	12.8	-21.3
Garments	22.1	12.6	16.8	29.6	12.9	20.8	33.3	76.2
Sawn wood	2.4	3.7	2.7	2.1	2.1	1.5	-27.0	-22.2
Other	5.5	3.1	5.2	5.8	4.0	4.1	67.7	11.5

Source: Central Statistical Office.

<sup>a</sup>Preliminary figures.

Table 8

**BELIZE: IMPORTS CLASSIFIED BY SITC SECTION***(Millions of Belize dollars)*

	1981	1982	1983	1984 <sup>ab</sup>
Total imports	323.9	256.0	231.1	147.3
Food	79.8	58.9	46.8	32.8
Beverages	7.1	5.7	5.0	3.3
Crude materials, except fuels	4.9	3.2	0.7	0.8
Mineral fuels and lubricants	51.3	45.6	60.0	22.9
Animal and vegetable oils and fats	1.0	0.6	0.6	0.6
Chemicals	22.9	22.5	16.5	11.5
Manufactured goods	39.5	33.1	28.4	18.6
Machinery and transport equipment	57.5	48.9	43.4	30.3
Miscellaneous manufactured articles	58.3	35.4	28.1	25.5
Miscellaneous transactions and commodities	1.6	2.1	1.6	1.0

Source: Central Statistical Office.

<sup>a</sup>January-July. <sup>b</sup>Preliminary figures.



Table 9

## BELIZE: SELECTED TOURISM STTISTICS

	1982	1983	1984 <sup>a</sup>	Growth rates	
				1983	1984 <sup>a</sup>
Total stopover visitors	67 337.0	64 229.0	88 430.0	-4.6	37.7
Total number of hotels and guest houses	138.0	150.0	150.0	8.7	-
Average number of hotel and guest house rooms	1 377.0	1 481.0	1 491.0	7.6	0.7
Average number of hotel and guest house beds	2 234.0	2 484.0	2 498.0	11.2	0.6
Average occupancy rate (percentage)	40.0	40.0	40.0	-	-
Average length of stay (nights)	4.5	4.5	5.0	-	11.1
Total stopover visitor expenditure <sup>b</sup>	17.7	18.6	21.4	5.1	15.1

Source: Belize Tourist Board.  
<sup>a</sup>Preliminary figures. <sup>b</sup>Millions of dollars.

Table 10

## BELIZE: BALANCE OF PAYMENTS, 1984

(Millions of Belize dollars)

	Credit	Debit	Balance
Balance on current account	311.2	326.2	-15.0
Visible trade (adjusted)	183.4	259.9	-76.5
Transport	9.6	5.4	4.2
Travel	15.0	9.6	5.4
Official services	40.8	2.0	38.8
Private services	0.5	9.6	-9.1
Unrequited transfers	59.6	18.9	40.7
Investment income	2.3	20.8	-18.5
Balance on capital account	18.7	18.5	0.2
Official capital flows	16.6	5.8	10.8
Private capital flows	2.1	12.7	-10.6
Total before financing	329.9	344.7	-14.8
Financing items			
Gross foreign liabilities	8.6	...	8.6
Gross foreign assets	5.9	1.4	4.5
Central Bank	(5.9)	...	(5.9)
Central Government	...	(1.4)	(-1.4)
Total after financing	344.4	346.1	-1.7
Net errors and omissions	...	...	1.7

Source: Central Bank of Belize.

#### 4. Wages and prices

##### a) *Prices*

The rate of inflation (as measured by the Consumer Price Index) rose by 5.6% over the twelve-month period up to the fourth quarter of 1984. Food prices increased 3.8% while clothing and miscellaneous services increased 11.6% and 10%, respectively. The price of household goods showed no significant change (see table 11).

The increase in inflation over the year is explained partly by a rapid increase in demand financed by credit expansion. This inflationary impact was offset in part by lower prices for imported consumer and capital goods due to the appreciation of the Belize dollar against the currencies of its non-United States dollar trading partners and Mexico.

#### 5. Monetary and fiscal policy

##### a) *Monetary policy*

In 1984 commercial bank deposits stood at B\$ 142 million compared with B\$ 136.6 million at the end of the previous year. Demand deposits rose by B\$ 7.5 million to B\$ 28.6 million and savings deposits increased from B\$ 30.9 million to B\$ 32.3 million, while time deposits declined 4%. The foreign liabilities of the banking sector decreased by B\$ 6.9 million to B\$ 42.5 million (see table 12).

Commercial bank loans and advances increased by 14.2% to B\$ 161.5 million, while those of the Development Finance Corporation (DFC) rose from B\$ 28.8 million to B\$ 30 million. Loans from the commercial banks to the distribution sector accounted for 28.4% of total loans and advances, government and public utilities 14.2%, manufacturing 12.3% and agriculture 10.3%. On the other hand, loans and advances from DFC to the agriculture sector accounted for 57% of total loans and advances, 14.3% went to building and construction and 7% to the tourism sector (see table 13).

The money supply at 31 December 1984 stood at B\$ 57.1 million: an increase of 26.6% over 1983. Of this sum, B\$ 22.8 million represented notes and coins in active circulation and demand deposits (adjusted) rose by B\$ 10.6 million to B\$ 34.3 million. The increase in adjusted demand deposits can be attributed to increased activity stimulated partly by a strong increase in domestic credit of the commercial banks both to the public and private sectors of the economy.

Total domestic credit from the banking system expanded by B\$ 22.2 million to B\$ 222.4 million. Net credit to the non-financial public sector increased by B\$ 11.1 million to B\$ 86.6 million, while credit to the private sector rose by 8.9% to B\$ 135.8 million (see table 14).

Table 11

#### BELIZE: EVOLUTION OF DOMESTIC PRICES

	1982	1983	1984
November to November variation			
Consumer price index (all items)	9.3	3.3	5.6
Food	5.2	0.5	3.8
Clothing and footwear	8.8	4.2	11.6
Household items, utilities, fuels	10.9	2.6	-0.6
Miscellaneous	3.3	3.7	10.0
Variation between annual averages			
Consumer price index (all items)	9.6	6.0	...
Food	5.3	2.8	...
Clothing and footwear	9.1	6.5	...
Household items, utilities, fuels	11.4	6.4	...
Miscellaneous	3.5	4.1	...

Source: Central Statistical Office, Ministry of Finance, Belize.

**Table 12**  
**BELIZE: COMMERCIAL BANK LIABILITIES**

(As at 31 December)

	Millions of Belize dollars				Growth rates	
	1981	1982	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Total deposits <sup>b</sup>	105.1	114.1	136.6	142.0	19.7	4.0
Demand deposits	22.8	20.6	21.1	28.6	2.4	35.5
Savings deposits	27.8	26.6	30.9	32.3	16.2	4.5
Time deposits	54.5	66.9	84.6	81.1	26.5	-4.1
Balances due to Central Bank	...	...	...	...	...	...
Balances due to other local financial institutions	0.2	1.5	0.1	0.8	-99.3	700.0
Capital and reserves	8.2	8.4	10.3	10.6	22.6	2.9
Foreign liabilities <sup>c</sup>	42.9	48.2	49.4	42.5	2.5	-14.0
Other liabilities	14.0	20.6	17.3	27.2	-16.0	57.2
Total liabilities	170.4	192.8	213.7	223.1	10.8	4.4

Source: Central Bank of Belize.

<sup>a</sup>Preliminary figures.

<sup>b</sup>Excludes deposits in foreign currency.

<sup>c</sup>Includes deposits in foreign currency.

**Table 13**  
**BELIZE: DISTRIBUTION OF COMMERCIAL BANK LOANS**

	Millions of Belize dollars			Growth rates		
	1982	1983	1984 <sup>a</sup>	1982	1983	1984 <sup>a</sup>
Government services	14.4	15.1	19.0	245.9	4.9	25.8
Public utilities	0.6	2.2	3.9	-29.4	266.7	77.3
Agriculture	22.7	17.2	16.7	-5.7	-24.2	2.9
Commercial fishing	0.5	0.9	0.8	27.6	80.0	-11.1
Forestry	2.8	1.0	1.5	3.3	-64.3	50.0
Manufacturing	15.0	18.6	19.9	26.7	24.0	7.0
Tourism	1.4	1.1	1.2	43.6	-21.4	9.1
Building and construction	12.6	13.1	15.4	5.9	4.0	17.6
Real estate	1.4	3.1	4.7	13.9	121.4	51.6
Financial institutions	0.3	1.4	6.0	-15.9	366.7	328.6
Distribution	44.4	42.7	45.9	22.3	-3.8	7.5
Professional services	0.8	0.9	0.9	-18.3	12.5	-
Transport	2.0	3.5	2.7	14.3	75.0	-22.9
Entertainment	0.9	0.7	0.8	92.4	-22.2	14.3
Mining and exploration	1.9	5.0	6.0	-	163.2	20.0
Personal loans	10.7	14.9	16.1	-2.2	39.3	8.11
Total	132.3	141.4	161.5	21.5	6.9	14.2

Source: Central Bank of Belize.

<sup>a</sup>Preliminary figures.

During the year, the Central Bank of Belize continued its policy of maintaining interest rates that followed the international market but which were also weighted by the internal demands of economic activity and liquidity.

After a 2% reduction of the commercial banks' prime lending rate in January 1984, interest rates remained stable during the year. The Central Bank's decision to reduce interest rates was influenced by complaints from the business sector that local lending rates were excessively high, especially in the context of falling international rates.

The Treasury bills discount remained relatively stable during the year around 9.7%. The interest rates paid by the commercial banks on savings and time deposits during the fourth quarter of 1984 were 5.2% and 9% respectively.

The required minimum ratio between the commercial banks' average cash balances with the Central Bank and their average deposit liabilities was increased from 5% to 7% on 1 November 1984. The commercial banks are also required to maintain, on average, minimum holdings of approved liquid assets equal to 20% of their average deposit liabilities. In 1984, the banks maintained an average monthly level of excess liquid assets of B\$ 14 million a month, compared with the required minimum average holding of B\$ 28 million a month. This level of excess liquidity permitted the banks to finance a marked increase in loans and advances by running down their inventory of Treasury bills.

#### b) *Fiscal policy*

Preliminary estimates for the 1984-1985 fiscal year indicate an overall budget deficit of B\$ 20.6 million compared with a deficit of B\$ 27.3 million in the fiscal year 1983-1984. The current account is estimated to have been in balance, compared with a deficit of B\$ 13 million in 1983-1984.

Current revenues are estimated to have increased by 17.3% from B\$ 77.5 million in 1983-1984 to B\$ 90.9 million in 1984-1985. Revenue from income tax increased by 34.9%, due partly to collections of arrears. Revenues from taxes on goods and services rose by B\$ 3.2 million to B\$ 11.7 million, mainly on account of the introduction of an excise tax on soft drinks as well as increases in the excise tax on beer. The estimated increase in revenues from taxes on international trade and transactions mainly reflects an estimated additional B\$ 2.7 million from a new stamp duty of 1.25% on foreign currency sales and a B\$ 1.8 million increase in receipts from stamp duties (customs).

Table 14

#### BELIZE: MONETARY BALANCE

	Millions of Belize dollars				Growth rates	
	1981	1982	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Money supply (M <sub>1</sub> )	47.5	41.9	45.1	57.1	7.6	26.6
Currency outside banks	19.0	20.6	21.4	22.8	3.9	6.5
Demand deposits (adjusted)	28.5	21.3	23.7	34.3	11.3	44.7
Factors of expansion	140.2	156.6	179.4	194.3	14.6	8.3
Foreign assets (net)	0.5	-13.9	-20.8	-28.1	49.6	35.1
Domestic credit	139.7	170.5	200.2	222.4	17.4	11.1
Government (net) and public sector	43.4	55.2	75.5	86.6	36.8	14.7
Private sector	96.3	115.3	124.7	135.8	8.2	8.9
Factors of absorption	92.7	114.7	134.3	137.2	17.1	2.2
Quasi-money	82.3	93.6	116.1	113.1	24.0	-2.6
Savings deposits (adjusted)	27.8	26.6	30.9	32.4	16.2	4.9
Time deposits (adjusted)	54.5	67.0	85.2	80.7	27.2	-5.3
Other items	10.4	21.1	18.2	24.1	-13.7	32.4

Source: Central Bank of Belize.

<sup>a</sup>Preliminary figures.

Table 15

**BELIZE: OPERATIONS OF CENTRAL GOVERNMENT**

	Millions of Belize dollars			Growth rates	
	1982- 1983	1983- 1984	1984- 1985 <sup>a</sup>	1983- 1984	1984- 1985 <sup>a</sup>
Total current revenue	78.6	77.5	90.9	-1.4	17.3
Income tax	18.6	15.2	20.5	-18.3	34.9
Taxes on goods and services	8.2	8.5	11.7	3.7	37.6
Taxes on international trade and transactions	38.2	41.8	47.6	9.4	13.9
Other tax revenue	2.3	2.3	2.0	...	-13.0
Non-tax-revenue	11.3	9.7	9.1	-14.2	-6.2
<b>Total current expenditure</b>	87.3	90.5	90.9	3.7	0.4
Wages and salaries	41.8	43.2	43.4	3.3	0.5
Pensions	4.1	4.0	4.3	-2.4	7.5
Goods and services	24.5	25.2	25.5	2.9	12
Interest payments	5.6	7.2	8.4	28.6	16.7
Subsidies and transfers	11.3	10.9	9.3	-3.5	-14.7
Savings on current account	-8.7	-13.0	...	49.4	...
Capital revenue and grants	13.1	13.4	7.1	2.3	-47.0
Capital revenue	0.3	0.3	1.5	...	400.0
Grants	12.8	13.1	5.6	2.3	-57.3
Capital expenditure and net lending	36.7	27.7	27.7	-24.5	...
Development expenditure	27.5	24.4	23.1	-11.3	-5.3
Transfers to N.F.P.E.	9.2	3.3	1.0	-64.1	-69.7
Net lending and equity	...	...	3.6	...	...
Total revenue	91.7	90.9	98.0	-0.9	7.8
Total expenditure	124.0	<b>118.2</b>	118.6	-4.7	0.3
Overall balance	-32.3	-27.3	-20.6	-15.5	-24.5

Source: Central Bank of Belize.

<sup>a</sup>Preliminary figures.

Table 16

**BELIZE: EXTERNAL DEBT***(As at 31 December)*

	Millions of US dollars	
	1983	1984
<b>Total</b>	68.4	69.3
Caribbean Development Bank	27.0	26.0
International institutions	3.2	4.4
Canada	9.8	9.2
United Kingdom	17.5	15.5
Euro-dollar	1.6	2.7
United States of America	4.6	6.8
CARICOM countries	2.5	2.5
Mexico	2.2	2.2

Source: Central Bank of Belize.

The estimated current expenditure of B\$ 90.9 million was marginally higher than the expenditure of B\$ 90.5 million in fiscal year 1983-1984. The increase of B\$ 1.2 million in interest payments was offset partly by a decrease of B\$ 1.6 million in subsidies and transfers.

Development expenditure fell from B\$ 24.4 million to B\$ 23.1 million, while transfers decreased by B\$ 2.3 million to B\$ 1 million. These decreases were offset by an increase of B\$ 3.6 million for net lending and equity, made up of the Central Government purchase in Belize Sugar Industries (B\$ 2.5 million) and an equity contribution of B\$ 1 million to the Development Finance Corporation (see table 15).

External public debt outstanding at the end of December 1984 stood at US\$ 69.3 million, i.e., US\$ 0.9 million higher than at the end of 1983. Total external public debt with a final maturity of more than 12 years was US\$ 49.7 million compared with US\$ 49.6 million at the end of 1983. Payments of interest and principal in 1984 were US\$ 2.8 million and US\$ 2.3 million, respectively. The largest liability of US\$ 26 million was to the CDB. This represented a decrease of US\$ 1 million from 1983.

The country benefited from the appreciation of the Belize dollar along with the United States dollar in 1984. This valuation adjustment is estimated to have reduced Belize's outstanding debt by US\$ 5 million in cases where the currency of liability was not the United States dollar (see table 16).

## DOMINICA

### 1. Recent economic trends: Introduction and summary

The slowdown in economic activity evident in the Dominican economy over the past two years appears to have been arrested, and the gross domestic product for 1984 showed moderate growth (4.3%), compared to the low rates of 2.3% and 2.5% experienced in 1982 and 1983 respectively (see table 1).

This moderate recovery from the low activity levels of the previous years derives mainly from an upsurge in agricultural production (which increased by 6.2 % ) and the higher levels of construction activity. The services sector (which accounts for about 50% of GDP) registered moderate growth, led by transport and communications, banking and utility services, which grew by 5%, 2.9% and 2.5% respectively, partly reflecting the increased economic activity and the further restoration of electricity and telephone services. The manufacturing sector, however, was adversely affected by the weak demand for its products in the CARICOM market and output suffered a slight decline of 1%.

The steady improvement seen in the central government finances over the past few years continued, and the current account registered a small surplus of EC\$ 0.2 million in contrast with the deficit of EC\$ 4.9 million registered in 1982-1983. The **balance-of-payments** current account deteriorated slightly, as a result of a decline in domestic exports and an EC\$ 34 million increase in imports.

Despite the increase in economic activity, the money supply and domestic credit expanded at a slower rate than in 1983, although growth of credit nevertheless outpaced that of deposits, thereby leading to a worsening of the liquidity position of the commercial banks. The rate of inflation moderated further, and while no data are available on employment, it is estimated that unemployment fell significantly during 1984 as a result of increased employment on the major road project at present underway, which is due for completion by December 1985.

### 2. Trends in economic activity

#### a) *Agriculture*

Notwithstanding the **efforts** made at diversification, and in spite of the proneness to inclement weather and the fact that farming land is often inaccessible and on steep gradients, the agricultural sector remains the mainstay of the Dominican economy, both in the export and domestic sectors, accounting for nearly 30% of the gross domestic product **and over** 44% of domestic exports. Bananas are still the main export crop, but through the efforts made at tree crop diversification many other crops are now being grown and, increasingly, a number of these are being exported to markets within the region. Total agricultural production grew by 6.2 % during 1984 (see table 2), the performance of the sector being primarily due to the continued upsurge in banana production, exports of which increased to 32 632 tons, as well as other crops such as citrus fruits, mangoes, coffee, bay oil and cut flowers. By contrast, coconut production continued to be affected by the long gestation period of the trees planted as part of the rehabilitation efforts after the hurricanes of 1979 and 1980, and production declined.

Bananas are the backbone of **the agricultural** sector and the economy as a whole, and in spite of a decline in their contribution to the total value of exports, they remain Dominica's main earner of foreign exchange. The crop is the largest user of agricultural land, and is mainly produced on small holdings. The newly reorganized Dominica Banana Marketing Corporation is still responsible for banana production and marketing as well as the provision of a range of services including disease control, processing facilities, technical services and input services. The banana industry is now in a relatively sounder position both in terms of improved fruit quality and a slight increase in export volume (see table 3).

Total banana production during 1984 increased by more than 11% over the 1983 level despite the fact that it was seriously affected by the windstorm of July 1984 and heavy rains in October and November 1984, which resulted in an estimated 20% reduction in production during the July-December period. The Field Pack System has brought new impetus to the industry. Its progress was slow at first, but it is now moving satisfactorily and by the end of 1984, 54% of the production was being processed under this system by 680 registered field packers. Grower's confidence in the industry has also improved, as is evidenced by the improved husbandry and new plantings seen around the island, but it is unfortunately not matched by adequate availability of inputs. The quality of the Dominican bananas sent to the United Kingdom market has been consistently good, comparing favourably with that of fruit from dollar country sources, and the demand for Windward Field-Pack bananas on that market is strong.

The industry is still burdened by massive debts, and although some success has been achieved in reducing its current liabilities, repayment of long-term loans is now due. Efforts were made during 1984 to achieve a further rescheduling of debts and thus allow the industry a breathing space to enable production to reach the 50 000 tons per annum level at which it is felt that debt repayments could be made without inflicting undue strains on the industry.

Table 1

DOMINICA: MAIN ECONOMIC INDICATORS

	1982	1983	1984
<b>A. Basic economic indicators</b>			
Gross domestic product at factor cost (EC\$ millions at 1977 prices) <sup>a</sup>	100.1	102.6	107.0
Population (thousands)	80.9	81.3	82.5
Per capita gross domestic product (EC\$ at 1977 prices)	1 237.0	1 262.0	1 297.0
<b>Growth rates</b>			
<b>B. Short-run economic indicators</b>			
Gross domestic product	2.3	2.5	4.3
Per capita domestic product	-1.4	2.0	2.8
Terms of trade (goods)	8.9	9.9	...
Current value of exports (goods)	27.5	12.4	-6.9
Current value of imports (goods)	-4.4	-5.1	28.3
Consumer prices (December to December)	4.0	2.7	2.1
Consumer prices (variation between annual averages)	4.4	4.1	2.2
Money supply (M <sub>1</sub> )	...	...	...
Rate of unemployment	15.0	...	...
Current income of government <sup>b</sup>	1.8	20.8	10.5
Total expenditure of government	-0.5	17.9	19.8
Fiscal deficit/total expenditure of government <sup>c</sup>	28.5	25.0	32.6
<b>Millions of dollars</b>			
<b>C. External sector</b>			
Merchandise balance	-23.1	-17.6	-32.2
Balance on current account	-3.8	-4.2	-6.9
Balance on capital account	0.5	2.3	6.3
Overall balance	-3.3	-1.9	-0.6
External public debt	23.5	32.9	27.7

Source: ECLAC, on the basis of official data.

<sup>a</sup>National accounts data are given in East Caribbean dollars. Since 1976 the EC dollar has been pegged to the US dollar at a rate of EC\$ 2.70 = US\$ 1.00.

<sup>b</sup>Fiscal year 1 July - 30 June.

<sup>c</sup>Percentage.



Table 2

## DOMINICA: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

(Constant 1977 prices)

	Millions of EC dollars			Percentage breakdown		Growth rates	
	1982	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Gross domestic product	100.0	102.6	107.0	100.0	100.0	2.5	4.3
Goods	47.8	47.6	50.8	46.5	47.4	-0.4	6.7
Agriculture	29.6	29.8	31.7	29.1	29.6	0.8	6.2
Mining	0.8	0.8	0.9	0.8	0.8	-1.3	11.4
Manufacturing	8.6	8.7	8.7	8.5	8.1	2.0	-1.0
Construction	8.8	8.3	9.5	8.1	8.9	-5.6	15.0
Basic services	8.1	10.3	10.7	10.0	10.0	27.2	3.9
Electricity and water	1.8	2.0	2.0	1.9	1.9	8.2	2.5
Transport and communications	6.2	8.3	8.7	8.1	8.1	33.9	5.1
Other services	44.4	44.6	45.6	43.8	42.6	.	2.2
Commerce	11.7	11.4	11.6	11.2	10.8	-2.1	14
Hotel and restaurants	1.0	1.1	1.3	1.1	1.2	14.6	14.5
Real estate and ownership of dwellings	5.7	5.8	5.9	5.7	5.5	1.9	1.0
Financial institutions and insurance	5.8	5.8	6.0	5.7	5.6	0.5	2.9
Government services	22.6	22.9	23.4	22.4	21.9	1.5	2.0
Other services	1.2	1.2	1.2	1.2	1.1	1.7	1.7
Imputed bank service charges	3.6	3.6	3.8	3.5	3.5	0.6	4.1

Source: Statistical Division, Ministry of Finance of Dominica.

<sup>a</sup>Preliminary figures.

Coconut production declined 6% in 1984 following the 55% increase in 1983, and it still remains below the pre-hurricane level. A **CIDA-financed** project aimed at rehabilitation and expansion of production was begun in 1981 and continued throughout 1984. The rehabilitation component of the project has been completed, with some 2 700 acres replanted, while in the expansion phase some 2 100 acres have been planted to date. Through this project, approximately 5 1/2 miles of road have been constructed to facilitate penetration into new coconut-producing areas. It is anticipated that by the end of 1985 production should regain the pre-hurricane level.

Production of the main citrus crops —**grapefruit** and **lime**— showed moderate increases during 1984 of 3.4% and 2.9% respectively. However, continued difficulties were experienced in the marketing of grapefruit, and in 1984 no more than 50 000 cartons were exported. Since the ruby-red grapefruit enjoys better prospects in the export market, it has been decided not to expand production of seedless (white) grapefruit, and a programme is now being undertaken with a view to diversification to ruby red-grapefruit under the Tree Crop Diversification Project funded by the British Development Division (BDD). Lime production, which declined in 1983, increased slightly during 1984. A lime rehabilitation project funded by the European Development Fund (EDF), which commenced in 1984, is aimed at upgrading approximately 1 000 acres of lime plantations. Most of the progress has been concentrated in the south of the island, and some 120 acres have been planted on the **Soufriere** Estate. There is considerable potential for increased lime production in Dominica, but this will largely depend on the progress made in transferring land to smallholders.

Bay oil production and exports increased during 1984. In an effort to diversify essential oil production, a patchouli oil development scheme has been started, and pilot distillation and commercial trials have been carried out. Prospects look good, and it is expected that full commercial production will be entered into during 1985. Dominica has a favourable natural environment for the

growing of coffee and cocoa, and in its efforts at crop diversification, rehabilitation of these two crops is in progress, resulting in a 13.3% increase in coffee production during 1984. Under the present coffee project, which aims at rehabilitating 200 acres by the end of 1985, 120 acres involving approximately 200 farmers have been completed so far.

In a further effort at diversifying crop production and reducing the dependence on bananas, a Tree Crop Diversification Project involving the planting of 1 500 acres of tree crop, which had been begun in 1978, was completed in 1984. The project benefitted approximately 1 600 farmers and the total acreage planted includes 620 acres of oranges, 125 acres of avocado, 420 acres of ruby-red grapefruit, and 310 acres of mangoes, production of which increased by 53.5% in 1984 (see table 3).

Livestock production has traditionally played a marginal role in the agricultural development of Dominica, but in recent years the Government has committed more attention and resources to an expanded development effort. The livestock development programme presently being undertaken is mainly concerned with sheep, goats, pigs and, to a lesser extent, rabbits. With assistance from IFAD, CIDA, and USAID, the Government has upgraded facilities for multiplication and improved stud services at the village level, as well as improved veterinary services.

Data on fisheries are not available, but the indications are that performance in this sub-sector improved during 1984. In October, high seas caused loss of fishing gear and damage to boat houses, but with assistance from FAO these will be replaced during 1985.

Table 3

DOMINICA: INDICATORS OF AGRICULTURAL PRODUCTION

(Tons)

	1982	1983	1984 <sup>a</sup>	Growth rates	
				1983	1984 <sup>a</sup>
<b>Production of major crops</b>					
Bananas	31 628	33 940	36 618	7.3	7.9
Coconuts	2 291	3 563	3 351	55.5	-6.0
Grapefruit	8 169	4 897	5 065	-40.1	3.4
Limes	5 921	5 525	5 687	-6.7	2.9
Oranges	2 206	2 012	2 027	-8.8	0.7
Cocoa beans	439	422	429	-3.9	1.7
Coffee	153	323	366	111.0	13.3
Bay oil	16	16	18	-	12.5
Cut flowers	10	11	20	10.0	81.8
Cassava	765	765	842	-	10.0
Mangoes	129	142	218	10.0	53.5
<b>For export</b>					
Bananas	27 478	29 305	32 632	6.6	11.4
Grapefruit	2 653	2 484	2 345	-6.4	-5.6
Oranges	345	526	513	52.5	-2.5
Plantain	310	502	622	61.9	23.9
Dasheen	174	331	513	90.2	24.8
Avocado	28	67	90	139.3	34.3
Yams	...	70	91	...	30.0
Tannia	123	174	226	41.5	29.9
<b>For domestic consumption</b>					
Bananas	4 150	4 635	3 986	11.7	-14.0
Avocado	115	105	112	-8.7	6.7
Plantains	1 087	742	715	-31.7	-3.6
Grapefruit	5 516	2 413	2 720	-56.3	12.7
Dasheen	11 610	11 500	11 712	-0.9	1.8
Oranges	1 861	1 486	1 514	-2.2	1.9

Source: Ministry of Agriculture of Dominica.

<sup>a</sup>Preliminary figures.

Table 4

## DOMINICA: INDICATORS OF MANUFACTURING PRODUCTION

	1982	1983	1984	Growth rates		
				1982	1983	1984
Laundry soap <sup>a</sup>	5 220	4 858	2 424	1.8	-6.9	-50.1
Toilet soap <sup>a</sup>	2 074	1 713	1 645	4.3	-17.4	-4.0
Animal feed <sup>a</sup>	313	795	789	44.2	154.0	-0.8
Copra <sup>a</sup>	1 629	2 722	2 589	118.6	67.1	-4.9
Crude coconut oil <sup>b</sup>	257	407	387	119.7	58.4	-4.9
Edible coconut oil <sup>b</sup>	150	204	175	0.7	36.0	-14.2
Soft drinks <sup>c</sup>	197	200	196	-11.7	1.5	-2.0
Cigarettes <sup>a</sup>	150	133	...	0.7	-11.3	...
Pipe tobacco <sup>e</sup>	8	...	...	0.0	...	...
Preserves <sup>f</sup>	347	...	...	-0.2	...	...
Electricity <sup>g</sup>	15 523	18 225	...	24.6	15.9	...

Source: Statistical Division, Ministry of Finance of Dominica

<sup>a</sup>Tons. <sup>b</sup>Thousands of gallons. <sup>c</sup>Thousands of cases. <sup>d</sup>Thousands. <sup>e</sup>Thousands of pounds.  
<sup>f</sup>Thousands of kg. <sup>g</sup>KWH.

Dominica has two commodity-specific export organizations (for bananas and citrus fruit), other export crops being handled by private trading concerns and middlemen. The Dominica Banana Marketing Corporation is the most important marketing organization on the island and is responsible for organizing the collection and packaging of bananas and negotiating through WINBAN with GEEST Industries to ensure successful marketing of the island's bananas in the United Kingdom. The Co-operative Citrus Growers' Association, for its part, is responsible for the marketing of grapefruit, oranges and fresh limes. In recent years it has concentrated on supplying fruit to the United Kingdom market, but as this has become increasingly difficult, due to the fall in the value of the pound sterling and increased competition from other growers, it is now seeking to increase the volume sold to the region and to penetrate the United States market.

Government policy in this area, however, is to encourage private marketing, and to this end, the Hucksters' Association (involving approximately 200 "hucksters" or middlemen) was launched in 1984 to market produce regionally. Farm to Market Ltd. also concentrates on marketing regionally, with primary emphasis on the Trinidad and Tobago, Barbados and Antigua and Barbuda markets. The Agricultural Marketing Board has been dissolved and a new organization, the Dominica Marketing Corporation, which will in essence be an amalgamation of the External Trade Bureau and the previous marketing board, is in the process of being formed. However, this organization is expected to be more service-oriented. A market intelligence unit which collects price, production and other market information within the island and also tries to obtain information from Dominica's trading partners both within and outside the region was established in the Ministry of Agriculture in 1984. This Unit is at present trying to establish ties with other market intelligence services within the region in an effort to increase the flow of information between countries and thereby enhance the prospects for further development in regional trade.

## b) Manufacturing

The share of the manufacturing sector in the GDP increased during the 1980s from 6.1% in 1979 to 8.0% in 1984. However, manufacturing is still at a very underdeveloped stage, with one industry —the manufacture of coconut products— dominating output in the sector. Dominica Coconut Products contributes about 75% to 80% of total manufacturing output, is the largest employer in the sector, and the second largest earner of foreign exchange in the economy as a whole. This industry experienced severe difficulties in exporting within the CARICOM region during 1984, and mainly as a result of this, manufacturing output suffered a slight decline of 1.0% (see table 4). Output and employment in the garment industry also declined during the year. The full impact of the poor performance of these industries on the sector was, however, cushioned to a large extent by the

increased output of paints and galvanized sheets. Some new industries, including candle production and the bottling of spring water, commenced operation during 1984. The snorkelling industry also expanded, and production of prefabricated houses increased.

The Government remains committed to its policy of diversification of the economic base through encouragement of the private sector. Dominica, like the other OECS countries, offers fiscal incentives such as duty-free concessions and freedom from tax during the first years of new venture under the Harmonized Fiscal Incentive Scheme. Factory space is also supplied, and 66 000 sq.ft. of additional factory space was provided for lease in 1984. The Industrial Development Corporation (IDC) is the agency responsible of identifying and promoting private manufacturing projects, through both domestic and foreign investment. During 1984 a total of twelve projects offering prospects of creating some 250 jobs including agro-processing, garments, furniture production, hotel facilities, paper products and **handicrafts**, were granted **fiscal** incentives through the IDC. The agency has also been actively seeking to attract foreign investors to the island, but with only limited success so

Table 5

DOMINICA: SELECTED TOURISM INDICATORS

	1982	1983	1984	Growth rates	
				1983	1984
Total visitors (thousands)	22.8	28.5	27.0	25.0	12.7
Stopover visitors	18.9	19.7	22.2	4.2	12.7
Cruise-ship visitors	2.4	6.1	3.2	154.2	-47.5
Excursionists	15	2.7	1.6	8.0	-40.7
Average length of stay of stopover visitors <sup>a</sup>	8.2	11.0	...	34.1	...
Hotel and guest house beds <sup>b</sup>	358.0	...	...	...	...
Estimated visitor expenditure <sup>c</sup>	10.8	...	...	...	...

Source: Statistical Division, Ministry of Finance of Dominica, and data supplied to ECLAC.

<sup>a</sup>Days. <sup>b</sup>Number of beds. <sup>c</sup>Millions of EC dollars.

Table 6

DOMINICA: IMPORTS OF GOODS, CIF

	Millions of EC dollars			Percentage breakdown		Growth rates		
	1982	1983	1984	1983	1984	1982	1983	1984
Total	128.2	121.7	156.1	100.0	100.0	-4.4	-5.1	28.3
Consumer goods	64.9	58.5	71.1	48.1	45.5	1.9	-9.9	21.5
Food and live animals	30.0	27.0	32.4	22.2	20.8	1.4	-10.0	20.0
Beverages and tobacco	4.1	3.9	4.8	3.2	4.9	-4.7	-4.9	23.1
Manufactures, including durables	30.8	27.6	33.9	22.7	21.7	3.4	-10.4	22.8
Intermediate goods	34.8	31.7	37.7	26.0	24.2	-7.4	-9.0	18.9
Crude materials	3.8	2.4	2.6	2.0	1.7	22.6	-36.8	8.3
Mineral fuels	10.4	10.1	15.4	8.3	9.9	-9.6	-2.9	52.5
Chemicals	14.3	14.6	13.9	12.0	8.9	-6.5	2.1	-4.8
Animal and vegetable oils	6.3	4.6	5.8	3.8	3.7	-18.2	-26.9	26.1
Capital goods	28.5	31.4	47.3	25.8	30.3	-13.1	10.2	50.6
Machinery and transport equipment	18.9	23.2	38.9	19.1	25.0	-19.6	22.8	67.7
Miscellaneous items	9.6	8.2	8.4	6.7	5.3	3.2	-14.6	2.4

Source: Statistical Division, Ministry of Finance of Dominica.

Table 7

## DOMINICA: EXPORTS OF GOODS, FOB

	Millions of EC dollars			Percentage breakdown		Growth rates		
	1982	1983	1984	1983	1984	1982	1983	1984
Total	66.0	74.2	69.1	100.0	100.0	27.4	12.4	-6.9
Main traditional exports	33.5	37.5	37.9	50.5	54.8	20.1	11.9	1.1
Bananas	26.9	30.3	30.1	40.8	43.6	9.3	12.6	-0.7
Citrus fruit	2.3	2.2	1.9	3.0	2.7	64.3	-4.3	-13.6
Coconut oil	3.0	3.3	4.5	4.4	6.5	-	10.0	36.4
Lime oil and juice	0.4	0.7	0.2	0.9	0.3	57.1	75.0	-71.4
Bay oil	0.9	1.0	1.2	1.3	1.7	0.0	11.1	20.0
Main non-traditional exports	25.1	25.7	22.0	34.6	31.8	22.4	2.4	-14.1
Soap	23.4	20.4	14.9	27.5	21.6	14.1	-12.8	-27.0
Galvanized sheets	1.3	3.5	6.6	4.7	9.6	...	169.2	88.6
Garments	0.4	1.7	0.5	2.3	0.7	...	325.0	-70.6
Other exports	2.9	9.1	7.3	12.3	10.6	31.8	213.8	-19.8
Re-exports	4.5	1.9	1.9	2.6	2.7	275.0	-57.8	-

Source: Statistical Division, Ministry of Finance of Dominica.

far. Most of the industries are therefore domestically-owned, with a few joint-owned and foreign-owned enterprises.

The outlook for 1985 appears favourable, and the sector should experience some positive growth during that period.

### c) *Tourism*

The tourism sector in Dominica contributes very little to GDP. However, efforts have been made in recent years to develop the sector through increased promotion of Dominica as an island offering unspoilt natural **attractions**. During 1984 stopover visitors to the island increased by 12.7% but the number of cruise-ship visitors declined. While data on tourist expenditure are not available, the hotel and restaurant sector experienced growth of 14.5% (see table 5).

The number of visitor arrivals by air had in recent years been positively affected by the increased utilization of the Canefield Airport. Plans are underway to extend the runway and to build a terminal at the airport. Dominica also has underway a major road programme, and it is anticipated that improvement in the road network should improve tourism prospects in the medium term.

### 3. The external sector

Following an improvement in 1983, the deficit on the trade account widened significantly during 1984 to EC\$ 87 million: an **increase** of nearly EC\$ 40 million over the 1983 figure. This was the result of a 28.3% increase in imports, while domestic exports decreased by 7.0%. The large increase in imports was principally the result of an increase in machinery and equipment for the road project, with food and manufactured goods the other major contributors (see table 6).

Domestic export revenue went down in 1984 as a result of the decline in receipts from the two main foreign exchange earners. Bananas, whose price is denominated in pound sterling, are the most important export, but because of the depreciation in the value of the pound sterling, export earnings from this source declined in 1984 in spite of the sizeable increase in the volume of banana exports.

Exports of soap also suffered a **marked** decline, due to the problems experienced in selling within the CARICOM market. Exports of both toilet and household soap declined on all the **markets** in the region, with the drop in exports to Jamaica and Trinidad and Tobago being the most significant (see table 7).

The **balance-of-payments** current account deficit widened to EC\$ 18.6 million in 1984 from EC\$ 11.3 million and EC\$ 10 million in 1983 and 1982 **respectively**. **Net** capital inflows increased to EC\$ 17 million, so that the net deficit was EC\$ 1.6 million. Total government and State-guaranteed debt at the end of 1984 is estimated at EC\$ 74.7 million, which includes EC\$ 28 million owed to the International Monetary Fund.

#### 4. Prices, wages and employment

As it has to import much of its food and other essential products, Dominica benefited in 1984 from the low inflation rate of its main trading partners as well as the continuous depreciation of the pound sterling. During the last quarter of 1984, there was actually a decline in the Consumer Price Index (see table 8). Information on **employment** is not available, but it may be noted that during 1984 one of the garment factories went out of operation, with a loss of 58 jobs, and a coconut product establishment laid off some workers in early 1984, although these were recalled later in the year. On the other hand, there was increased employment in construction, particularly on the road project. The overall effect on the level of employment is not known for sure, but it is estimated that unemployment actually declined during 1984.

#### 5. Monetary and fiscal policy

Despite the increase in real economic growth, money and credit aggregates expanded at a slower pace in 1984 than in the previous year. The growth of deposits was slower than that of credit, thereby worsening the liquidity position of the commercial banks. At December 1984, their loan/deposit ratio was 82%: a significant deterioration of eight percentage points compared with the liquidity level at the end of the previous year. Reduced liquidity was also reflected in lower holdings of foreign **assets**, which **fell by** EC\$ 3.25 million (23%), **and increased foreign liabilities of** EC\$ 520 000 (62%). This had the effect of reducing the net foreign assets position to EC\$ 9.4 million, compared to EC\$ 12.2 million in 1983.

The growth rate of domestic credit slowed during 1984, when credit outstanding increased by 13.7% (to EC\$ 109.5 million at the end of the year) compared with a rate of 15.2% in 1983. The

Table 8

#### DOMINICA: EVOLUTION OF DOMESTIC PRICES

	1981	1982	1983	1984
<b>Variation December to December</b>				
Consumer price index (all items)	<b>8.1</b>	4.0	2.7	2.1
Food	6.6	0.0	-0.2	0.7
Alcohol and tobacco	2.3	13.7	2.0	1.2
Housing	1.3	14.6	11.2	9.7
Fuel and light	<b>9.1</b>	3.8	-0.6	-2.5
Household and miscellaneous items	16.2	9.8	8.2	1.7
Clothing and footwear	14.7	4.4	15.8	0.1
Services	16.6	12.5	0.0	7.7
<b>Variation between annual averages</b>				
Consumer price index (all items)	13.3	4.4	4.1	2.2
Food	<b>15.8</b>	1.9	-0.4	0.7
Alcohol and tobacco	<b>2.8</b>	9.0	6.6	2.0
Housing	<b>2.8</b>	7.4	13.3	10.5
Fuel and light	16.2	4.2	-1.2	-1.8
Household and miscellaneous items	15.9	11.6	13.0	2.1
Clothing and footwear	14.8	6.5	16.2	2.0
Services	14.4	9.4	7.3	4.9

Source: Statistical Division, Ministry of Finance of Dominica.

Table 9

## DOMINICA: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

	Millions of EC dollars			Growth rates		
	1982	1983	1984	1982	1983	1984
Agriculture	10.9	10.1	5.1	-4.4	-7.3	-49.5
Manufacturing	3.8	6.2	6.7	-11.6	63.2	8.1
Distributive trade	15.3	19.3	19.1	5.5	26.1	-1.0
Tourism	2.7	3.6	4.7	42.1	33.3	30.6
Transport	6.1	7.3	8.7	-9.0	19.7	19.2
Public utilities	0.1	0.3	0.5	+66.6	328.6	66.7
Building and construction	3.4	7.9	10.4	88.9	132.4	31.6
Government and statutory bodies	17.1	14.4	18.7	-10.5	-15.8	29.9
Personal loans	19.5	20.1	22.7	18.2	3.1	12.9
Other advances	2.3	4.9	10.1	17.1	113.0	106.1
<b>Total</b>	83.7	96.3	<b>109.5</b>	3.8	<b>15.1</b>	13.7
Long-term loans as a percentage of total	48.5	53.7	43.4	1.5	10.7	-19.2

Source: East Caribbean Central Bank.

Table 10

## DOMINICA: CENTRAL GOVERNMENT REVENUE AND EXPENDITURE

	Millions of EC dollars			Growth rates	
	1982/ 1983	1983/ 1984	1984/ 1985"	1983/ 1984	1984/ 1985"
1. <b>Current revenue</b>	57.7	69.7	75.7	20.8	8.6
Direct and indirect taxes	49.4	60.2	65.0	21.9	8.0
Non-tax revenue	8.3	9.5	10.7	14.5	12.6
2. <b>Current expenditure</b>	<b>62.6</b>	69.5	74.1	11.0	6.6
Wages and salaries	35.8	39.6	42.2	10.6	6.6
Goods and services	12.0	13.5	13.0	12.5	3.7
Interest	4.7	6.3	6.9	34.0	9.5
Other	10.1	10.1	12.0	-	18.8
3. <b>Savings on current account (1-2)</b>	-4.9	0.2	1.6	...	...
4. <b>Capital revenue</b>	0.5	0.2	0.1	-60.0	-50.0
5. <b>Capital expenditure</b>	25.7	34.6	50.6	34.6	46.2
6. <b>Total expenditure (2 + 5)</b>	88.3	<b>104.1</b>	124.7	17.9	19.8
7. <b>Fiscal deficit/surplus</b>	-30.6	-34.4	-49.0	12.4	42.3

Source: Ministry of Finance of Dominica.

"Preliminary figures.

largest share of credit went to statutory bodies and government corporations and to the construction sector. The former absorbed approximately 95 % of the loans to the public sector, while borrowing by the construction sector was EC\$ 2.6 million (3.6%) above that of the previous year. Loans to the personal sector increased by 12.9%, primarily as a result of borrowing to finance house and land purchases. In contrast, credit extended for consumer durables actually declined by 8% (see table 9). Credit for tourism continued to improve, increasing by EC\$ 1 million to total EC\$ 4.7 million at the

end of the year, reflecting the increased activity in the tourism sector. Borrowing by the manufacturing sector rose by 8% compared to the rapid increase of 63% experienced in 1983, reflecting the contraction of activity in the sector in 1984.

The improvements achieved in the central government finances over the past two years continued into 1984 and a small (EC\$ 1.6 million) surplus on the current account is estimated for the 1984-1985 period. This was primarily the result of increases in current revenue, especially tax revenue. Motor vehicle licensing was computerized during 1984, leading to an increase in revenue from this source. In order to increase the efficiency of the consumption tax, there was an overall review of this tax and the rate structure was rationalized into a total of 4 taxes ranging from 10% to 40%, compared to the previous 8 or 10 rates which ranged from 5% to 70%. Consumption tax and import duties are estimated to have increased during 1984 (see table 10).

The government continued to pursue its policy of containing public expenditure. However, current expenditure registered a small increase over the 1983 total, this being mainly accounted for by increases in wages and salaries. The heavy rains in late 1984 also caused expenditure to increase beyond that expected and it is projected that, because of these additional expenditures, Dominica will exceed the expenditure ceiling agreed for the 1984-1985 fiscal year. In keeping with its policy of reducing the demands on central government finances from statutory corporations, the Dominica Agricultural Marketing Board ceased operation during 1984. The Government also continued its policy of containing employment in the public sector. Fiscal policy in the past 3 to 4 years has sought to increase government revenue and keep a strict check on government expenditure.

Capital expenditure increased significantly during 1984, primarily as a result of increased inflows of foreign capital.



## GRENADA

### 1. Recent economic trends: Introduction and summary

After registering a growth rate of about 5% in 1982, Grenada's economy declined in 1983 and 1984, with the real gross domestic product (GDP) falling by 2% in 1983 and by 1.6% in 1984 (see table 1). The rate of inflation, as measured by the consumer price index, also dropped from a level of 7.7% in 1982 and 5.6% in 1984.

The main sectors remained depressed and agriculture and construction experienced further declines of 2.6% and 26.5% from the 1983 level (see table 2). However, improvement was noted in the tourism sector, as well as in government services.

The deficit on the trade balance widened considerably in 1983 to over EC\$ 123 million and although there was a reduction in its level in 1984, it remained high at EC\$ 108 million. This was largely due to the weak performance of the export sector, in which both traditional crops as well as non-traditional exports destined for the regional market were adversely affected. Earnings from merchandise exports amounted to EC\$ 46.2 million the lowest level in the last four years. Imports also fell, mainly because of the delay in the implementation of the public-sector investment programme established after October 1983.

The balance-of-payments current account deficit dropped from EC\$ 91.3 million in 1982 and EC\$ 78.2 million in 1983 to EC\$ 54 million in 1984, which is about 23% of GDP. This deficit was financed largely through official grants, which doubled from the level of 1983.

### 2. Trends in economic activity

#### *Evolution of the main sectors*

i) *Agriculture.* Agriculture remains the most important sector in Grenada's economy, mainly through the production of export crops, nutmeg, mace, cocoa, bananas and fresh fruit. According to the 1981 population census, it provides employment for nearly 25% of the labour force and in 1984 it contributed 20% of GDP.

The sector has been experiencing a general decline over the last few years and its 1984 performance reflected the same trend. The main factors contributing to the declining performance include the use of outdated farming techniques, the widespread presence of crop disease, particularly affecting cocoa and bananas, lack of incentive to farmers due to the depressed prices of commodities on international markets, scarcity of foreign exchange for importation of inputs such as fertilizers and other chemicals, inadequate support systems and uncertainty of land tenure policy.

Cocoa and bananas, two of the major export products, registered drops in output of 10% and 21.7% respectively in 1984 (see table 3). In the case of cocoa, it is estimated that about 40% of the total crop was affected by disease and about 10% to 20% of the crop loss is attributed to this. Attempts are being made to combat the problem: the Cocoa Association allocates nearly 30% of its total expenditure to pest control, and assistance is being provided by the Government of Canada to rehabilitate cocoa over a ten-year period.

Banana cultivation in Grenada is carried out in mixed stands where other tree crops such as cocoa nutmeg are also grown. This has contributed to the fall in production, as total banana acreage shrinks with the expansion of other tree crops. In addition, the problem of moko disease has had debilitating effects.

Nutmeg and mace have shown significant increases in 1984 over the production levels of 1983, increasing 46.1% and 60% respectively. While the increase in nutmeg production may be due to cyclical trends, that of mace is attributed to the improved attention paid by farmers to the collection of

their produce. The percentage of mace to nutmegs has risen from 6.9% in 1983 to 8.6% in 1984, since farmers have been encouraged by favourable prices on the world market.

Fruit production showed a slight improvement over 1983, but root crops experienced declines, while vegetables registered sharp increases.

The performance of the fishing subsector could not be evaluated because of the lack of information.

ii) *Manufacturing*. Contributing only about 3% to GDP in 1984, the manufacturing industries have not performed well. Generally, output declined, with edible oil, coconut meal, malt and rum falling in output by nearly 49%, 41%, 36% and 29.2% respectively (see table 4).

An increase of about 13% was noted in the case of poultry feed. The production of flour increased by 1.1% over the 1983 level which in turn had dropped by more than 4% from 1982. This can be attributed to the reduced demand of the export markets of Dominica and Jamaica. Although data on production of clothing, furniture and agro-industry products were not available, it seems that output was severely curtailed, mainly because of fall in demand both at home and abroad.

iii) *Construction*. Although the sector declined more than 20% for the second consecutive year, it continued to be one of the major sectors of the economy, contributing nearly 8% to GDP in 1984.

Most activities were related to the public sector, among them the new International Airport and road construction, financed mainly from external sources. There was a considerable slowdown both in 1983 and 1984, with declines of over 20% and 26.5%, respectively (see table 2).

Table 1  
GRENADA: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984 <sup>a</sup>
<b>A. Basic economic indicators</b>				
Gross domestic product at factor cost (millions of EC dollars at 1980 prices)	172.8	180.9	177.2	174.3
Population (thousands)	91.0	92.0	92.0	92.0
Per capita gross domestic product	1 899.0	1 966.0	1 926.0	1 895.0
Growth rates				
<b>B. Short-run economic indicators</b>				
Real gross domestic product at factor cost	...	4.7	-2.0	-1.6
Real per capita gross domestic product	...	3.5	-2.0	-1.6
Current value of exports of goods	...	-2.4	2.0	-9.6
Current value of imports of goods	12.2	7.2	0.8	-11.6
Consumer price index (variation between annual average)	...	7.7	6.1	5.6
December to December	...	7.0	6.5	3.4
Money supply (M <sub>1</sub> )	...	...	15.7	18.5
Unemployment rate	...	...	...	34.8 <sup>b</sup>
Current income of government	...	...	8.5	7.0
Fiscal deficit/total expenditure of government	...	57.5	51.2	46.7
Millions of dollars				
<b>C. External sector</b>				
Trade balance (goods)	-112.6	-125.7	-123.3	-108.0
Balance on current account	-63.2	-91.0	-78.3	-54.0
Variation in international reserves	2.7	-0.6	-0.3	-1.1
External debt	70.9	91.1	130.6	130.1
Exchange rate	...	...	...	2.7

Source: ECLAC, on the basis of official data, and World Bank.

<sup>a</sup>Preliminary figures. <sup>b</sup>Estimated - assuming labour force remained at 1981 census level.

Table 2

**GRENADA: GROSS DOMESTIC PRODUCT, BY KIND  
OF ECONOMIC ACTIVITY, AT FACTOR COST  
(1980 prices)**

	Millions of EC dollars				Growth rates		
	1981	1982	1983	1984°	1982	1983	1984°
<b>Total gross domestic product</b>	160.7	180.9	177.2	174.3	4.7	-2.0	-1.6
<b>Goods</b>							
Agriculture, fisheries and forestry	35.6	34.5	38.9	37.9	-3.1	12.8	-2.6
Mining and quarrying	1.6	2.3	1.8	1.8	4.4	-21.7	-
Manufacturing	4.8	5.7	4.7	4.7	18.8	-17.5	-
Construction	8.8	23.2	18.5	13.6	163.6	-20.3	-26.5
<b>Basic services</b>							
Utilities	3.7	3.7	3.6	3.7	...	-2.7	2.8
Transport and communications	12.5	13.8	13.1	13.1	10.4	-5.1	-
<b>Other services</b>							
Wholesale and retail trade	30.6	31.9	30.7	31.6	4.3	-3.8	2.9
Hotels and restaurants	7.4	7.1	7.4	7.8	4.1	4.2	5.4
Finance and housing	10.7	11.9	11.9	11.9	1.2	-	-
Government services	35.4	36.1	36.1	37.7	2.0	-	4.4
Miscellaneous services	9.6	10.7	10.5	10.5	11.5	-1.9	-

Source: Ministry of Finance.

°Preliminary figures.

Table 3

**GRENADA: INDICATORS OF AGRICULTURAL PRODUCTION**

	Tons				Growth rates		
	1981	1982	1983	1984°	1982	1983	1984°
<b>Total production of traditional export crops</b>							
Nutmeg	3 479	3 035	2 418	3 532	-12.8	-20.3	46.1
Mace	241	228	150	240	-5.4	-34.2	60.0
Cocoa beans	2 023	2 492	2 599	2 338	23.1	4.3	-10.0
Bananas	14 677	13 971	13 817	10 821	-47.8	-1.1	-21.7
<b>Fruit</b>							
Citrus	3 598	3 699	3 435	3 305	2.8	7.1	-3.8
Mangoes	1 839	1 931	1 727	1 769	5.0	-10.6	2.4
Avocados	1 422	1 493	1 571	1 587	5.0	5.2	1.0
Sapodillas	247	185	198	456	-25.1	7.0	130.3
Soursop	473	521	555	709	10.1	6.5	27.8
<b>Rood crops</b>							
Yams	481	506	455	499	5.2	10.1	9.7
Sweet potatoes	270	296	276	109	9.6	6.8	60.5
Dasheen and eddoes	291	378	391	352	29.9	3.4	10.0
Tannias	148	155	140	95	4.7	9.7	-32.1
<b>Vegetables</b>							
Carrots	26	27	26	30	3.8	-3.7	15.4
Tomatoes	45	54	49	...	20.0	-9.3	...
Cabbages	30	33	32	61	10.0	3.0	90.6

Source: Ministry of Agriculture and Natural Resources, Statistics Section.

°Preliminary figures.

iv) *Tourism*. Revenue from tourism in 1984 accounted for over 35% of exports of goods and non-factor services. Tourist expenditure increased by 17.4% in 1984, which is an encouraging development compared with the drop of nearly 15% in 1983 from its level of the previous year (see table 5).

The number of cruise ship calls declined by 18.8%. Total visitor arrivals decreased almost 11%, while cruise ship visitors fell by almost 32%. This decline was partially offset by a 21.5% increase in stopover visitors.

The number of stopover visitors from the United States increased by nearly 60% compared to 1983, partly because of a resurgence of interest in Grenada as a tourist destination and the strengthening of the United States dollar, which encouraged Americans to travel abroad.

Table 4  
GRENADA: INDICATORS OF MANUFACTURING PRODUCTION

	1982	1983	1984 <sup>o</sup>	Growth rates	
				1983	1984 <sup>o</sup>
Production of major manufactures					
Flour <sup>b</sup>	4 927.0	4 720.0	4 772.0	-4.2	1.1
Poultry feed <sup>b</sup>	1 255.0	1 586.0	1 789.0	26.4	12.8
Laundry soap <sup>b</sup>	86.0	26.0	22.0	-69.7	-15.4
Coconut meal <sup>b</sup>	98.0	105.0	62.0	7.1	-40.9
Rum <sup>c</sup>	77.0	72.0	51.0	-6.5	-29.2
Beer <sup>c</sup>	270.0	247.0	247.0	-8.5	-
Malt <sup>c</sup>	136.0	103.0	66.0	-24.3	-35.9
Edible oil <sup>c</sup>	318.0	258.0	133.0	-18.9	-48.4
Cigarettes <sup>d</sup>	99.0	128.0	126.0	29.3	-1.6
Clothing <sup>d</sup>	6.7	3.5	1.4	-47.8	-60.0
Furniture <sup>d</sup>	0.6	0.4	0.04	-33.3	-90.0

Source: Central Statistical Office.

<sup>a</sup>Preliminary figures.

<sup>b</sup>Tons.

<sup>c</sup>Thousands of gallons.

<sup>d</sup>Millions of EC dollars.

Table 5  
GRENADA: SELECTED TOURISM INDICATORS

	1982	1983	1984 <sup>o</sup>	Growth rates	
				1983	1984 <sup>o</sup>
Total visitors <sup>b</sup>	85.4	82.7	73.7	-3.2	-10.9
Of which:					
Stopover visitors	23.3	32.5	39.5	39.5	21.5
Cruise ship visitors	62.1	50.2	34.2	-19.2	-31.9
Average length of stay of stopover visitors <sup>c</sup>	8.5	8.5	8.5	-	-
Number of cruise ship calls	103.0	80.0	65.0	-22.3	-18.8
Number of yacht calls	668.0	802.0	...	20.1	...
Hotel and guest-house beds	...	...	...	...	...
Estimated visitor expenditure <sup>d</sup>	46.6	39.7	46.6	-14.8	17.4

Source: Ministry of Tourism.

<sup>a</sup>Preliminary figures.

<sup>b</sup>Thousands.

<sup>c</sup>Days.

<sup>d</sup>Millions of EC dollars.

Table 6

## GRENADA: MERCHANDISE EXPORTS

	Thousands of EC dollars		Percentage breakdown		Growth rates		
	1983	1984°	1983	1984°	1982	1983	1984°
Total <b>merchandise</b> exports	51 090	46 170	100.0	100.0	-2.4	1.2	-9.6
Main traditional exports	31 496	27 276	61.7	58.5	-18.6	-17.1	-13.4
Nutmegs	9 517	5 715	18.6	12.4	-4.6	16.7	-40.0
Mace	2 263	1 214	4.4	2.6	47.1	10.1	-46.4
Cocoa	10 967	12 142	21.5	26.3	-34.6	-12.1	10.7
Bananas	8 749	8 205	17.1	17.8	-11.3	-1.7	-6.2
Non-traditional exports	18 110	15 616	35.5	33.9	47.2	37.9	-13.8
Fresh fruit	12 784	13 707	25.0	29.7	245.4	181.7	7.2
Clothing	3 526	1 421	6.9	3.1	-1.6	-47.3	-59.7
Flour	397	4	0.8	...	20.0	-70.0	-99.0
Furniture	385	43	0.8	0.1	-9.1	-34.6	-88.9
Wheat bran	418	243	0.8	0.5	...	...	-41.9
Other exports							
Clover	450	171	0.9	0.4	...	...	-62.0
Cinnamon	150	27	0.3	0.1	...	-66.9	-82.0

Source: Ministry of Finance, Central Statistical Office.

°Preliminary figures.

### 3. The external sector

i) *Exports*. The overall earnings from exports declined almost 10% in 1984 (see table 6). A combination of factors such as reduced volumes, declines in international prices of commodities, and loss on foreign exchange contributed to the unfavourable performance of the export sector.

Nearly 90% of merchandise exports are **agricultural** products comprising traditional crops (i.e., nutmeg, mace, cocoa and bananas), which account for almost 60% of the total, and fresh fruit, which contributes 30%. The significant increase in the share of fruit in exports is an encouraging indicator of diversification away from the traditional crops.

Nutmeg exports continued to experience weak markets and falling prices, and a fall both in volume (-28%) and value (-40%) was noted in 1984.

Although the output of mace increased in 1984, the volume exported declined significantly by 68.7% as the bulk of the produce was used to increase stocks, which had been heavily depleted by the end of 1983. Earnings declined by 46.4%, since the impact of the reduction in volume on earnings was somewhat lessened by the price increase of over 71 % due to severe shortages of good quality mace on the international market.

Income from bananas fell by 6.2% compared with that of the previous year. **Most** of Grenada's banana crop is directed to the United Kingdom through WINBAN, the regional marketing agency. Hence, the depreciation of the pound sterling against the **United States** dollar, to which the EC dollar is pegged, has contributed to the loss of earnings from bananas.

Cocoa enjoyed an increase in price of 14% in 1984 and total earnings rose by 10.7%. This increase would have been higher had it not been for foreign exchange losses due to the same reason that affected bananas.

Exports of fresh fruit, which over recent years have become the main component in non-traditional exports, registered a growth in value of 7.2% over the 1983 figure. This growth is modest compared with the impressive achievement of 1983, when earnings were three times those of 1982.

The slowdown in 1984 resulted from the trade restrictions imposed by Trinidad and Tobago, the main market for most of the non-traditional commodities. It is estimated that Grenada's exports in 1984 to Trinidad and Tobago dropped by about 20% compared with the previous year.

ii) *Imports.* Merchandise imports, at EC\$ 154 million, represented an 11.5% reduction from the 1983 figure of EC\$ 174 million, which had been almost the same as in 1982. Airport-related imports, which had represented a little over 13% of the total in 1983, were still significant in 1984 at almost 9%. The other major components included machinery and transport equipment, food, manufactured goods, and mineral fuels and related materials, representing 22.4%, 20%, 12% and 9.7% respectively of total imports in 1983. In 1982, imports from CARICOM countries accounted for 30% while North America (United States and Canada) and the European Economic Community (the United Kingdom: 15%) provided 25.6% and 23.2% of the total, respectively.

Although information on the composition of imports and direction of trade was not available for 1984 at the time of writing, there was no evidence that suggested a significant shift since 1982, perhaps with the exception of airport-related imports.

iii) *Balance of payments.* With the weak performance of the export sector, the trade balance continued to be negative at EC\$ 108 million in 1984 (see table 7). This was an improvement of 12.4% over the 1983 figure of EC\$ 123.3 million, largely as a result of reduced imports related to the construction of the new international airport. Net tourism revenue contributed 32% more than the previous year, and a small increase was observed for net current transfers. The current account deficit, although substantially lower than in 1982 and 1983, remained high at EC\$ 54 million. Most of this deficit was financed through official grants, which were almost double the 1983 level. Net public borrowing dropped in 1984 by nearly 65% as compared to 1983, when there was a sharp increase of almost 55% over the 1982 figure.

Table 7  
GRENADA: **BALANCE OF PAYMENTS**  
(Millions of EC dollars)

	1980	1981	1982	1983	1984 <sup>o</sup>
Trade balance	-99.1	-112.6	-125.7	-123.3	-108.0
Merchandise exports, FOB	47.0	51.3	50.1	51.1	46.2
Merchandise imports, CIF	146.1	163.9	175.8	174.4	154.2
Of which:					
Airport related	(10.5)	(17.3)	(23.2)	(23.0)	(13.5)
Services	37.3	21.3	4.7	15.9	22.4
Of which:					
Tourism (net)	40.5	33.5	35.4	28.4	37.5
Interest payments	-1.4	-1.6	-2.4	-3.2	-5.9
Current transfers (net)	25.9	28.1	29.7	29.2	31.6
Current account balance	-35.9	-63.2	-91.3	-78.2	-54.0
Capital account	34.8	41.6	91.9	72.1	55.9
Official grants	34.3	34.8	45.1	34.6	68.0
Public borrowing (net)	3.5	20.2	25.7	39.7	14.0
Disbursements	4.9	22.1	27.3	41.3	19.7
Amortization	1.4	1.9	1.6	1.6	5.7
Other (including errors and omissions)	-3.0	-13.5	21.1	-2.2	-26.2
SDR allocation	1.4	1.1	-	-	-
Overall balance financing	0.3	20.6	-0.6	-6.1	1.9
IMF	-	15.7	-2.4	3.2	-3.2
ECCB	0.8	2.2	2.2	-1.4	-
Changes in reserves (- sign indicates an increase)	1.1	2.7	-0.6	-0.3	-1.1
Arrears	-	-	-	4.6	2.4

Source: Ministry of Finance and World Bank data.

<sup>o</sup>Preliminary figures.

Table 8

## GRENADA: EVOLUTION OF DOMESTIC PRICES

(January 1979 = 100)

	1982	1983	1984
Variation December to December			
All items consumer price index	7.0	6.5	3.4
Food	3.7	5.2	1.7
Alcohol and tobacco	14.0	7.8	3.5
Clothing and footwear	4.1	12.3	13.3
Housing	27.1	0.3	-12.4
Fuel and light	-2.3	0.05	1.6
Furniture	54.2	17.4	28.2
Transport	4.9	5.4	0.0
Household supplies	24.4	6.9	-4.7
All other	3.4	13.8	10.7
Variation between annual averages			
All items consumer price index	7.7	6.1	<b>5.6</b>
Food	5.0	5.6	4.4
Alcohol and tobacco	11.0	9.0	4.9
Clothing and footwear	8.7	5.6	15.6
Housing	10.9	16.6	-8.8
Fuel and light	-1.0	-2.1	2.1
Furniture	60.6	4.9	20.3
Transport	10.5	6.8	0.0
Household supplies	17.2	14.8	-0.5
All other	3.9	5.4	16.4

Source: Central Statistical Office.

Table 9

## GRENADA: MONETARY BALANCE

	Millions of dollars			Growth rates	
	1982	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Money	51.9	60.1	76.8	15.7	27.8
Currency outside banks	29.7	41.3	45.1	38.9	9.2
Demand deposits	22.2	18.8	31.7	-15.5	68.6
Factors of expansion	133.5	159.7	184.0	19.6	15.2
Foreign assets (net)	-12.2	9.7	39.1	...	303.1
Domestic credit	145.7	150.0	144.9	3.0	-3.4
Government (net)	53.8	62.7	52.5	16.4	-16.3
Private sector	80.8	78.2	83.2	-3.3	6.4
Factors of absorption	81.6	99.7	107.2	22.2	7.5
Quasi-money (savings and time deposits)	84.5	86.9	96.2	2.8	10.7
Other items (net)	-2.9	12.8	11.0	...	-14.1

Source: International Monetary Fund (IMF), *International Financial Statistics*, September 1985.<sup>a</sup> Preliminary figures.

#### 4. Prices, wages and employment

The rate of inflation, as measured by the change in the consumer price index, dropped from 7.7% in 1982 and 6.1% in 1983 to 5.6% in 1984 (see table 8).

A significant decline was noted in housing costs, which dropped by 8.8% as compared to a 16.6% increase in 1983. There was a slowdown in the growth rate of prices of food, alcohol and tobacco. However, the prices of clothing and furniture increased considerably. Price controls were removed from a number of items including basic foods such as wheat flour, milk, chicken and eggs.

Verifiable information on wages was not available. However, it is estimated that wages increased by an average of 13.1%, with rises ranging from 15% in the private sector to 11.25% in the public sector.

According to the 1981 population census, the labour force consists of 31 640 persons. Agriculture provides employment for nearly 25%, while commerce and construction occupy 11.9% and 8.2% respectively. According to government sources it is estimated that about 11 000 people are currently unemployed.

#### 5. Monetary and fiscal policy

##### a) *Monetary policy*

Government policy in 1984 was aimed at increasing liquidity and net foreign assets of the commercial banks as well as increasing credit availability to the productive sectors. The total money supply ( $M_1$ ) increased almost 28%, to EC\$ 76.8 million (see table 9).

This was largely due to an increase in demand deposits of almost 69%. The central government's share of demand deposits increased substantially (47%), while that of the statutory bodies and government corporations more than doubled.

When the money supply is broadly defined ( $M_2$ ) to include quasi-money, the increase for the same period was 18%. Growth of about 7.5% was observed in savings and time deposits.

Net foreign assets increased substantially from US\$ 9.7 million in 1983 to US\$ 39 million in 1984.

Total domestic credit dropped by over 3% in 1984, from about EC\$ 150 million to EC\$ 145 million. The Government's decision to lower its indebtedness and increase deposits in order to free

Table 10

#### GRENADA: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

	Millions of EC dollars		Percentage breakdown		Growth rates	
	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Total	97.6	100.8	100.0	100.0	1.3	3.3
Agriculture	3.2	3.7	3.3	3.7	-3.1	15.6
Manufacturing	5.5	7.9	5.6	7.8	-5.2	43.6
Distributive trade	27.5	24.0	28.2	23.8	4.6	-12.7
Tourism	6.4	9.6	6.6	9.5	-11.1	50.0
Transportation	7.0	9.0	7.2	8.9	27.3	28.6
Public utilities	0.7	1.4	0.7	1.4	-82.5	100.0
Construction	9.3	5.3	9.5	5.3	75.5	-43.0
Personal loans	17.0	20.1	17.4	19.9	-12.4	18.2
Government statutory bodies	15.0	9.8	15.4	9.7	12.8	-34.7
Other advances	6.0	10.0	6.1	9.9	11.1	66.7

Source: East Caribbean Central Bank (ECCB).

<sup>a</sup>Preliminary figures.



Table 11

**GRENADA: CENTRAL GOVERNMENT REVENUE AND EXPENDITURE**

	Millions of EC dollars			Growth rates	
	1982	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
<b>Current revenue</b>	74.4	81.3	87.4	8.5	7.0
<b>Tax revenue</b>	65.8	70.4	77.1	6.5	8.7
<b>Of which:</b>					
Income tax	9.8	10.7	14.3	9.2	3.4
Consumption tax	5.7	5.9	6.7	3.5	13.6
Import duty	11.8	10.4	12.2	<b>-11.9</b>	17.3
Stamp duty	12.0	16.8	15.5	40.0	-7.7
Export duties	4.0	3.7	3.2	-7.5	-13.5
<b>Current expenditure</b>	71.6	74.4	86.7	3.9	<b>16.5</b>
Savings on current account	2.8	6.9	0.7	146.4	-89.9
Capital expenditure	103.6	92.2	77.4	-11.0	16.1
Total expenditure	175.2	166.6	164.1	-4.9	-1.5
Fiscal deficit/surplus	-100.8	-85.3	-76.7	...	...
<b>Financing</b>					
External grants	45.0	34.6	68.0	...	...
External borrowing (net)	24.9	38.6	14.0	...	...
Other external financing (including IMF)	-0.7	1.7	-4.4	...	...
Domestic borrowing (net)	31.6	10.4	-9	...	...

Source: Ministry of Finance, and World Bank data.  
<sup>a</sup>Preliminary figures.

resources for the other sectors reduced net credit to government by 16%. Credit to the private sector increased 6%. Furthermore, the interest rate policy was reviewed to encourage savings and the prime rate was allowed to increase to 16%. However, interest rates in general remained low and the prime rate remained at the same level in real terms as that of December 1983, i.e., 10.5%. While the other rates ranged between 10.5% and 12.5%, the rates for savings and time deposits ranged between 2.5% and 8.0%. This general situation may be a reflection of the uncertainty of the market, while awaiting the outcome of the December 1984 elections.

The distributive trade sector continued to be the main sector absorbing commercial bank credit, and although this was lower than the 1983 level, it absorbed almost 24% of the total (see table 10). The increase in credit to tourism, manufacturing and agriculture was 50.0%, 43.6% and 15.6%, respectively. However, it should be noted that the percentage share of these sectors remained low at 9.5% for tourism, 7.8% for manufacturing and 3.7% for agriculture. Personal loans continued to absorb a relatively high share of almost 20% in 1984.

b) *Fiscal operations*

During 1984, the Government's current revenue increased by 7% over its 1983 level (see table 11). Although there was a decline of about 14% in export duties, due to the weak performance of the export sector, overall tax revenue showed an increase of about 8%, thanks to improved collection and additional income, mainly from personal income tax.

Current expenditure rose by nearly 17% to almost EC\$ 87 million, while capital expenditure dropped to EC\$ 77.4 million from its 1983 level of EC\$ 92.2 million, mainly as a result of delays in activities related to the International Airport and to other projects begun prior to the year under review. Transport and transport-related activities accounted for almost 68% of the capital

programme, and of these activities the International Airport's share was over 70%. Savings on current account dropped from almost EC\$ 7 million in 1983 to EC\$ 0.7 million in 1984 and the share of external financing of the capital programme increased sharply from about 67% in 1982 to over 99% in 1984. A substantial portion of this external financing was in the form of grants, which reduced the Government's reliance on external borrowing. Outstanding debt is estimated to have reached a level of almost EC\$ 130 million: equivalent to over 55% of the GDP.

## GUYANA<sup>1</sup>

### 1. Recent economic trends: Introduction and summary

The Guyana economy registered a substantial recovery in economic activity during 1984. This was primarily the result of **significant** improvements in the major productive sectors, particularly bauxite, and led to a 17% growth in the gross domestic product (GDP) at current prices. Even though the inflation rate was expected to be about 30%, the positive effect on economic growth was evident, since real growth of GDP was estimated at 6%, after years of decline. Preliminary estimates indicate that per capita GDP increased by almost 5% in real terms (see table 1).

The decline in economic activity observed in 1982 and 1983 was interrupted in 1984 as a consequence of rapid improvements in the key production sectors. Preliminary estimates show a 47% increase in the real value added in the mining sector, as a result of a 7% increase in dried metal-grade bauxite production and a 64% rise in calcined bauxite production. At the same time, there was significant recovery in the rice subsector, with the real value of output rising 24% as the result of an increase in the acreage harvested and the generally favourable weather conditions. The value added in the sugar subsector is estimated to have declined some 4% as a result of the falling levels of production, resulting from unusually heavy rainfall during the latter part of 1984. Performance in other manufacturing activities was mixed, yet sufficiently positive to ensure a turnaround compared with the previous three years. Noticeable increases were observed in the output of margarine and stockfeed.

There was continued difficulty in attracting sufficient capital inflows to finance both public and private investments. As a result, continued reliance on the domestic banking system was necessary to provide the necessary working capital for the government. In 1984, the rehabilitation of many public sector corporations, especially in bauxite and sugar, had to be financed. At the end of 1984, the internal national debt stood at over **G\$ 4 billion**, with the net international reserves of the banking system standing at minus **G\$ 1 487 million** and a build-up of deposits on external payments arrears amounting to **G\$ 465 million**. The external public debt was estimated at over **US\$ 683 million**.

During the year, Guyana effected three major devaluations of its currency in an attempt to restore internal and external equilibrium in its economy. In January 1984 the Guyana dollar was devalued by 25% *vis-a-vis* the United States dollar and the basis for determining the exchange rate moved from the United States dollar to a basket of hard currencies that included the pound sterling, the deutsche mark, the Japanese yen, the French franc and the Netherlands guilder. This was designed to reflect the changes in the currency values of Guyana's major trading partners. This arrangement, however, led to periodic changes in the external value of the Guyana dollar, and in October the currency was further devalued by 13%, primarily because of the strengthening of the United States dollar. In spite of these devaluations, the value of total exports was estimated to have increased some 37%, as a result of increasing counter-trade arrangements. There was a further 27% decrease in the level of consumer goods imported in 1984, led by the rapidly declining values of food imports (down 38%) as a result of the government's policy of developing domestic agriculture in order to provide nutritional self-sufficiency.

<sup>1</sup>The exchange rate of the Guyana dollar in recent years has been as follows:

October 1975 - 1 June 1981	: <b>US\$1.00</b> = G\$2.55
1 June 1981 - December 1983	: US\$1.00 = G\$3.00
11 Jan. 1984 - 5 Oct. 1984	: US\$1.00 = <b>G\$3.75</b>
5 Oct. 1984 - 13 Oct. 1984	: <b>US\$1.00</b> = G\$4.12
13 Oct. 1984 - Dec. 1984	: US\$1.00 = G\$4.25
Average 1984	: <b>US\$1.00</b> = G\$3.83

As a consequence of these external developments, there was a considerable improvement in the deficit on merchandise trade, with the resource gap averaging 32% of GDP, compared to 39% in 1983. The **balance-of-payments** current account deficit was marginally lower, standing at minus G\$ 434 million at the end of 1984, with the deficit on the overall account estimated to be slightly improved as a result of concessional capital inflows. The current account deficit was financed by the accumulation of commercial arrears, while the build-up of external arrears payments amounted to US\$ 625 million.

There was continued substantial growth in the money supply owing to the 26% expansion of domestic credit and the increase in wages and salaries of public sector employees. As a result of the 15% rise in nominal wages and the adjustment in the basic daily wage rate, demand and savings deposits registered considerable increases. Because of these developments, and the rapid devaluation, the rate of inflation was estimated at 30%. The fiscal performance of the central government continued to deteriorate, with a 70% increase in the deficit on current account, and the faster growth rate of total expenditure led to an estimated G\$ 456 million increase in the deficit on the overall balance. Almost 88% of this deficit was expected to be financed from domestic sources.

Table 1  
GUYANA: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984°
<b>A. Basic economic indicators</b>				
Gross domestic product at factor cost (G\$ millions at 1977 prices)	989	886	801	845
Population (thousands)	769	776	782	788
Per capita gross domestic product (G\$ at 1977 prices)	1 286	1 142	1 024	1 072
Per capita gross domestic product (G\$ at current prices)	1 755	1 611	1 534	1 789
Annual growth rates				
<b>B. Short-run economic indicators</b>				
Gross domestic product at factor cost (1977 prices)	<b>-0.3</b>	-10.4	-9.6	5.5
Per capita gross domestic product (1977 prices)	-1.1	-11.2	-10.3	4.7
Current value of exports of goods	-1.8	-25.7	-00.0	36.6
Current value of imports of goods	20.2	-30.0	-12.0	14.1
Terms of trade (1977 = 100)	-23.3	-33.5	-19.9	16.9
Consumer price index				
Urban: December to December variation	29.0	19.3	9.6	...
Urban: variation between annual averages	22.2	20.9	15.1	...
Money supply	17.3	27.4	20.8	18.3
Current revenue of government	24.5	-2.0	2.8	6.1
Total expenditure of government	10.0	31.8	-27.0	...
Fiscal deficit as a percentage of total expenditure	50.7	63.8	50.0	...
Millions of Guyana dollars				
<b>C. External sector</b>				
Trade balance (merchandise)	-235	-116	-165	-58
Balance on current account	-475	-426	-468	-434
Balance on capital account	347	86	31	...
Variation in net international reserves	90.3	159.2	190.2	636.9
External debt (US\$ million)	635.7	462.2	702.8	682.5

Source: ECLAC, on the basis of official figures.

° Preliminary figures.

Table 2

## GUYANA: TOTAL SUPPLY AND DEMAND

	Millions of Guyana dollars at current prices			Percentage breakdown		Growth rates	
	1982	1983	1984 <sup>a</sup>	1982	1984 <sup>o</sup>	1983	1984 <sup>a</sup>
<b>Total supply</b>	2 483	2 428	2 852	171.7	167.8	-2.2	17.5
Gross domestic product at market prices	1 446	1 455	1 700	100.0	100.0	0.6	16.8
Imports of goods	1 037	973	1 152	71.7	67.8	-6.1	8.2
<b>Total demand</b>	2 483	2 428	2 852	171.7	167.8	-2.2	17.5
Domestic demand	1 691	1 753	1 970	116.9	115.9	3.7	12.4
<b>Investment (gross)</b>	380	395	390	26.3	22.9	3.9	-1.3
Public	320	335	310	22.1	18.2	4.7	-7.5
Private	60	60	80	4.1	4.7	0.0	33.3
Consumption	1 311	1 358	1 580	90.7	92.9	3.6	16.3
Public	435	465	550	30.1	32.4	6.9	18.3
Private	876	893	1 030	60.6	60.6	1.9	15.3
Exports of goods	793	675	882	54.8	51.9	-14.8	30.7

Source: Statistical Bureau, Ministry of Finance and Planning.

<sup>a</sup>Preliminary figures.

## 2. Trends in economic activity

### a) Global trends

Preliminary estimates for 1984 indicate a moderate contraction in the global resource gap. This gap stood at 17% of GDP (at market prices) in 1982, then rose to 20.5% in 1983, but is estimated at 15.9% for 1984. Domestic investment expenditure fell by just over 1%, mainly as a result of the 8% decline in public investment expenditure, since private investment expenditure rose by over 33%. While both imports and exports showed remarkable recovery compared with 1983, the export performance was better, partly because of the exchange rate deterioration due to rapid devaluations and the apparent 9% reduction of the foreign resources gap (see table 2).

The steady decline in the share of goods in the total product since 1980 was interrupted, largely on account of the improved output in the agriculture, mining and quarrying and manufacturing sectors.

### b) Evolution of the main sectors

i) *Introduction.* As a consequence of the improved performance of the productive sectors, GDP at current prices is estimated to have increased by 17% in 1984. In real terms, the growth was 6%, which represents a substantial improvement over the 10% decreases experienced in 1982 and 1983. The reversal in economic performance was partially influenced by the establishment of a more market-oriented economy, which allowed the available resources to be more mobile and responsive to changes in the price structure and the level of demand (see table 3).

The deteriorating rate of exchange of the currency and the new marketing arrangements (counter-trade), gave rise to an export drive among manufacturing concerns in an effort to obtain hard currency. This encouraged the greater use of existing capacity —plant and equipment and local raw materials— by the productive sectors. During 1984, programmes were initiated to increase the productivity of most plants, since the majority were underutilized.

The main factor responsible for this recovery was the re-emergence of the bauxite and rice sectors as the major income-generating sectors. These performances acted as a catalyst for the expansion of the economy, allowing for increased exports and continued growth of the non-traditional manufacturing sector.

Notwithstanding the increase in economic activity, the real effect must be viewed against the background of an unstable currency and the rising level of domestic prices. In addition, the existence of a strong "parallel" market has made it exceedingly difficult to value imports, exports and production levels and even to use a deflator in respect of domestic prices.

ii) *Agriculture*. This sector contributed almost 24% of total GDP in 1984 (somewhat more than in 1982 and 1983), generating some G\$ 3.2 billion. Although growth at current prices was estimated at 19%, the expansion in terms of real prices was calculated at only 4% in 1984. Sugar cane continued to dominate the sector, contributing almost 40% of the agricultural GDP, with the rice subsector contributing 21%. However, the value added in domestic crop production slowed somewhat, showing an increase of about 4.5% in 1984 as against 11% and 3% in 1982 and 1983 respectively. There were favourable performances in the other subsectors of agriculture. Evidently, the agricultural diversification programme accelerated economic recovery during 1984.

Sugar production remained an important export activity, despite falling output. A large part of the population is still dependent on this industry for a livelihood, either directly or indirectly. The government has attempted to restructure the industry, and as a consequence the subsidy on sugar as

Table 3

GUYANA: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of 1977 Guyana dollars				Percentage breakdown		Growth rates			
	1981	1982	1983	1984 <sup>a</sup>	1981	1984 <sup>a</sup>	1981	1982	1983	1984 <sup>a</sup>
Gross domestic product	989	886	801	845	100.0	100.0	-0.5	-10.4	-9.6	5.5
Agriculture, forestry and fishing	219	216	193	200	22.1	23.7	2.3	-1.4	-10.6	3.6
Sugar	99	95	83	80	10.0	9.5	11.2	-4.0	-12.6	-3.6
Rice	38	42	34	42	3.8	5.0	-2.6	10.5	-19.0	23.5
Other crops	36	37	41	43	3.6	5.1	0.0	2.8	10.8	4.5
Livestock	26	22	15	15	2.6	1.8	-7.1	-15.4	-31.8	-
Forestry	7	8	7	6	0.7	0.7	-12.5	14.3	-12.5	-14.3
Fishing	13	12	13	14	1.3	1.7	-7.1	-7.7	8.3	7.7
Mining and quarrying	124	85	66	97	12.5	11.5	-11.3	-31.4	-22.3	47.0
Bauxite/Alumina	114	...	...	...	11.5	...	-14.3	...	...	...
Other	10	...	...	...	1.0	...	42.8	...	...	...
Manufacturing and processing	140	122	99	100	14.2	11.8	6.1	-12.8	-18.8	1.0
Sugar milling	33	32	28	27	3.3	3.2	10.0	-3.0	-12.5	-3.6
Rice milling	7	10	8	10	0.7	1.2	0.0	42.8	-20.0	25.0
Other	100	80	63	63	10.1	7.5	5.3	-20.0	-21.2	-
Construction	71	64	61	61	7.2	7.2	1.4	-9.8	-4.7	-
Services	435	399	382	387	44.0	45.8	-0.7	-8.3	-4.3	1.3
Distribution	85	68	55	58	8.6	6.9	-4.5	-20.0	-19.1	5.5
Transport and communications	64	63	63	65	6.5	7.7	-	1.6	-	3.2
Rent of dwellings	16	16	16	17	1.6	2.0	-	-	-	6.3
Financial services	42	40	40	40	4.2	4.7	2.4	-4.8	-	-
Government	207	191	187	187	20.9	22.1	-	-7.7	-2.1	-
Other	21	21	21	20	2.1	2.4	-	-	-	-4.8

Source: Statistical Bureau, Ministry of Finance and Planning of Guyana.  
<sup>a</sup>Preliminary figures.

Table 4

## GUYANA: INDICATORS OF AGRICULTURAL PRODUCTION

	1982	1983	1984 <sup>o</sup>	Growth rates			
				1981	1982	1983	1984 <sup>n</sup>
<b>Production of major agricultural crops for export<sup>b</sup></b>							
Sugar cane	3 907	3 631	...	14.6	-6.8	-7.1	...
Rice	182	148	184	-1.8	9.6	-18.7	24.3
<b>For domestic consumption<sup>c</sup></b>							
Root crops	20 865	24 948	...	-	14.2	19.6	...
Plantains	13 041	15 876	...	-	15.0	21.7	...
Citrus	10 890	10 890	...	2.1	-	-	...
Maize	680	816	...	-59.5	-	20.0	...
Tomatoes	2 993	2 994	...	4.8	15	-	...
Pineapples	1 906	2 268	...	-	2.5	19.0	...
Bananas	4 990	4 990	...	-	-	-	...
Coconuts <sup>d</sup>	48	50	...	19	11.6	4.2	...
<b>Indicators of livestock production</b>							
<b>Beef<sup>e</sup></b>	2 270	2 206	1 411 <sup>f</sup>	27.8	8.8	-2.9	-30.1 <sup>f</sup>
<b>Pork<sup>e</sup></b>	1 134	795	920 <sup>n</sup>	-3.2	16.7	-29.9	39.8 <sup>f</sup>
Mutton, goat <sup>e</sup>	53	53	...	37.0	43.2	-	...
Poultry <sup>e</sup>	7 128	3 837	3 446	-	-31.7	-46.2	3.2
<b>Indicators of fishery production<sup>e</sup></b>							
Fish	21 233	24 257	25 372	8.0	13.8	14.2	4.6
Shrimp	3 279	2 756	2 039	-13.3	7.8	-16.0	-26.0

Source: Statistical Unit, Ministry of Agriculture of Guyana.

<sup>a</sup>Preliminary figures. <sup>b</sup>Thousands of tons. <sup>c</sup>Tons. <sup>d</sup>Millions of nuts. <sup>e</sup>January-November. <sup>f</sup>January-November 1984 with respect to the same period in 1983.

well as some uneconomical activities in this subsector has been dropped. Indications are that the sugar cane output continued to decline in 1984. Factors contributing to this decline included unfavourable weather conditions, both before and during harvesting operations. The incentive to boost production was further dampened by the low sugar prices, as against the high cost of production. The planting and tillage methods, insufficient maintenance of plant and equipment due to lack of adequate spares (causing unnecessary factory and mechanical downtime), shortage of trained personnel and shortage of harvesting labour resulted in low productivity, low yields per acre and declining quality of the sugar cane.

In an effort to stem this decline, the industry was granted a low-interest loan of G\$ 144 million for rehabilitation of plant and equipment.

There was significant recovery in the rice sector in 1984, with the value added increasing by 20%, and production growing by over 24%. In real terms, however, the product is estimated to have decreased by some 4% during 1984. The new marketing arrangements, counter-trade, and the restructuring of the rice sector to promote competition and efficiency have played a significant part in the production of 184 000 tons of rice (milled) registered during the year (see table 4).

As a consequence of the new policies, more hectares were placed under rice cultivation, with improved water management and general pest, weed and disease control. In addition, assistance was offered to farmers in the form of machinery for land preparation and harvesting. The policies now applied allow for faster payments to farmers and improvement in rice grading methods.

During the year, the Agricultural Development Authority (ADA) and the National Agricultural Research Institute (NARI) have been working together on the biological control of rice and coconut pests and the use of rice straw in stockfeed for cattle. The two agencies have initiated research into the cause of "tractor-wheel rots", which are responsible for a 15% to 30% reduction in rice yield.

The performance of other domestic crops continued to be of significance to the economy during 1984. Real growth was estimated at 5%. Although no production data are available for the year, indications are that physical output increased substantially, especially in response to the declining volumes of imported food and the extensive use of rice as a main item in the country's counter-trade arrangements.

Indicators up to November 1984 suggest that there was a mixed performance in the livestock subsector. Whereas pork and poultry meat output was expected to have increased as a result of the availability of larger supplies of stockfeed, that of beef and mutton was expected to have declined substantially. The poor state of pastures and the inability to keep them in good condition away from the main commercial centre have been partly responsible for the falling rates of growth in beef production. The National Dairy Development Programme has begun activities in pasture improvement and the establishment of a dairy farm.

Development in the fishing and forestry subsectors was not as significant in 1984, with growth in the value of output of both subsectors almost 50% slower than 1983. Whereas the fish catch rose by just over 4%, the amount of shrimp landed continued to show a decline. However, the 20% drop would indicate that not all shrimp netted are reported to the fishing authority, but that some are sold on the high seas.

iii) *Mining and quarrying.* There was substantial improvement in this sector during 1984 following the deteriorating performances in the previous three years, and after many years of decreasing values, real growth was measured at 47% so that the sector contributed more than 11% to GDP (see table 3). Mainly responsible for this recovery was an increase in the demand for bauxite and the implementation of improved management policies, partly based on the recommendations of the recent World Bank/IDA-financed study of the bauxite sector.

During 1984, increases were recorded for all the by-products of the bauxite industry, except alumina. Whereas production of dried bauxite rose slowly by about 7% to 782 000 tons, the estimated output of the main metal-grade calcined ore rose 64% to 517 000 tons, recovering from the 24% and 20% decreases evidenced in 1982 and 1983 respectively. However, the world market share of calcined bauxite fell from over 80% in 1969 and the early 1970s to just over 50%.

At the same time, major emphasis has been placed on refractory-grade bauxite and the newer abrasive bauxite, de-emphasizing the metal-grade ore, particularly in the light of the downturn in the aluminium industry. As a result, the output of aluminous cement-grade bauxite rose by about 25% to 15 000 tons, while some 47 000 tons of abrasive bauxite were produced. There was no alumina or alumina hydrate production in 1984 (see table 5).

Table 5

GUYANA: INDICATORS OF MINING PRODUCTION

	Production, volume				Growth rates			
	1981	1982	1983	1984 <sup>a</sup>	1981	1982	1983	1984 <sup>a</sup>
Dried bauxite <sup>b</sup>	971	764	734	782	-0.6	-21.4	-3.9	6.5
Calcined bauxite <sup>b</sup>	513	392	315	517	-14.6	-23.6	-19.7	64.1
Alumina <sup>b</sup>	170	73	-	-	-19.4	-57.0	-	-
Aluminous cement-grade bauxite <sup>b</sup>	27	16	12	15	-47.0	-47.0	-25.0	25.0
Gold <sup>c</sup>	599	269	143	328	92.0	-55.1	-46.9	129.4
Diamonds <sup>d</sup>	9 533	11 492	12 362	7 496	-	20.5	7.5	-39.4

Source: Statistical Bureau, Ministry of Finance and Planning of Guyana.

<sup>a</sup>Preliminary figures. <sup>b</sup>Thousands of tons. <sup>c</sup>Kilogrammes. <sup>d</sup>Metric carats.



Table 6

## GUYANA: INDICATORS OF MANUFACTURING PRODUCTION

	1982	1983	1984 <sup>a</sup>	Growth rates			
				1981	1982	1983	1984 <sup>b</sup>
Sugar <sup>c</sup>	292	256	232	12.0	-4.9	-12.4	-2.7
Margarine <sup>d</sup>	813	45	30	-16.6	-66.4	-94.5	38.1
Stock feed <sup>e</sup>	32	25	24	-1.8	-39.7	-21.9	8.0
Rum <sup>f</sup>	4 733	13 397	15 377	-4.5	19.9	...	23.8
Cigarettes <sup>g</sup>	430	408	344	4.1	-28.6	-5.2	-7.8
Soap <sup>d</sup>	2 301	1 205	279	16.7	-1.0	...	-76.4
Timber <sup>h</sup>	199	189	157	30.7	8.7	-5.1	-10.7
Refrigerators <sup>h</sup>	16 700	8 660	7 426	...	5.3	-48.6	34.7
Edible oil <sup>e</sup>	3 637	5 851	...	8.5	5.2	60.8	...
Molasses <sup>i</sup>	...	...	...	19.5	...	...	...
Stoves <sup>h</sup>	7 196	...	1 219	...	-61.8	...	-58.8
Flour <sup>j</sup>	8	-	-	-5.6	-76.5	-	-
Matches <sup>j</sup>	182	156	108	-2.5	2.4	-14.2	-30.7
Textiles <sup>k</sup>	844	1 109	1 389	280.7	-51.5	31.3	29.7
Beer and stout <sup>e</sup>	...	7 905	7 092	...	...	...	1.3

Source: Statistical Bureau, Ministry of Finance and Planning of Guyana; Energy Unit, National Energy Authority, Ministry of Energy and Natural Resources of Guyana.

<sup>a</sup>January-November. <sup>b</sup>January-November 1984 with respect to same period in the previous year. <sup>c</sup>Thousands of tons.

<sup>d</sup>Tons. <sup>e</sup>Thousands of litres. <sup>f</sup>Millions of units. <sup>g</sup>Thousands of cubic metres. <sup>h</sup>Units. <sup>i</sup>Millions of litres.

<sup>j</sup>Thousands of boxes. <sup>k</sup>Thousands of metres.

In an attempt to rehabilitate the bauxite industry, the government entered into new marketing arrangements. The use of existing capital stock was encouraged, since only a minimal quantity of spares was needed to rehabilitate production facilities, and external technical assistance was also provided to ensure the speedy recovery of the industry.

As regards other mining activities, the reported output of gold increased some 129%, while the extraction of diamonds fell more than 39%. In an attempt to capitalize on the higher gold prices, the State has imposed harsher penalties on gold smugglers and made it mandatory to declare all gold recovered to the Gold Board Authority.

iv) *Manufacturing*. Manufacturing production increased only 1% at constant prices during 1984. This is attributed to the decline in imported consumer goods and the effects of the export drive, designed to obtain foreign exchange. Apart from the recovery in sugar and rice, there were mixed performances in the non-traditional sector.

Full recovery of the sector did not occur as expected during 1984, in spite of the decision to reactivate underutilized productive capacity and to supply spares and raw materials for manufacturing concerns. The latter was evident from the growing size of the import bill for industrial machinery.

Sugar manufacturing recorded a 4% decline in production, whereas rice milling output grew 25% (see table 3).

The output of sugar fell by 11 000 tons to just over 245 700 tons, partly as a result of the declining quality of cane supplied to the factories and partly due to the short supply of spares vitally needed in earlier years for rehabilitation of the sugar factories and related machinery. In order to combat the declining rate of production in this major activity, the government planned to offer a loan of G\$ 144 million to the industry, at a more suitable rate of interest than those at present obtained on the open market. In addition, a decision was taken to link the local price of sugar to the production costs of reasonably efficient sugar enterprises. The sugar subsidy was therefore removed, and the price of sugar went up to G\$ 0.30 per lb. The last such price adjustment was granted in 1978. To further reduce costs, the Sugar Corporation decided to offer sugar stocks only ex-factory, thereby stopping the practice of delivery to wholesalers at the Corporation's own expense.

As regards the non-traditional manufacturing sector, there was a 4% recovery in its value added, which thus accounted for 71% of total manufacturing value output, though this was a somewhat smaller rise than in previous years.

Although no full-year production data are available for 1984, the indications are that there were mixed performances among the manufacturing concerns. There was an increase in the number of refrigerators assembled, to meet the demand for additional storage capacity, but the shortages of L.P.G. and kerosene and the re-introduction of charcoal as a fuel alternative had a negative impact on the number of stoves produced.

The current scarcity of foreign exchange to purchase raw materials has encouraged the use of indigenous resources, thus saving foreign exchange and keeping the relevant industries operational. As a result, there were signs of increases in the production of stockfeed and beer —**commodities** that permit the substitution of some input materials.

Other concerns which showed signs of improvement in production include the textile mill, which produced more than 1 390 000 metres of cloth through November 1984: some 30% more than in the corresponding period in 1983. While the production of rum was expected to increase, however, the output of soap, cigarettes and matches was expected to suffer substantial reductions during 1984. The output of soap was deliberately restricted to allow for a greater portion of the raw material to be used in the production of margarine and edible oil. It was expected that Dominica would fill the gap created by this decision (see table 6).

Timber production was expected to rise in order to help meet the needs of the building industry, affected by the shortages of bricks and cement, whilst there were signs of an increased supply of charcoal for use as a household fuel in place of kerosene and L.P.G.

During 1984, an attempt was initiated to improve data collection in the manufacturing sector, while at the same time providing for coverage of additional commodities. This was done for the express purpose of identifying areas where scarce resources could best be used. However, the existence of the non-official "parallel" transactions has invalidated somewhat the traditional statistical measurements of production.

v) *Energy*. Renewed activity in the productive sectors meant that the country remained a net importer of energy. During 1984, Guyana recorded a 43% growth in the value of imports of hydrocarbons, although there was only a 10% rise in the volume imported. The fact that, **at a time** of falling fuel prices, Guyana recorded a rapid increase in the unit cost of hydrocarbon imports was the consequence of repeated currency devaluations during the year.

The volume of imports of the different petroleum products showed varying rates of change, resulting in a shortfall in supply to some industries. While the volumes of aviation fuel and motor gasoline imported fell by some 6% and 3% respectively, diesel fuel and gas oil decreased by more than 12%. Although kerosene imports rose by 1%, there was an 8% decline in L.P.G. imports, reflecting the **government's** policy of encouraging the consumption of charcoal as a suitable fuel alternative. Special stoves have been built to enable the use of this form of fuel. At the same time, there was a substantial 35% rise in the importation of Bunker "C" fuel, commensurate with increased economic activity (see table 7).

Table 7  
GUYANA: VOLUME OF IMPORTS OF SELECTED HYDROCARBONS

	1981	1982	1983	1984	Growth rates		
					1982	1983	1984
Aviation gasoline"	2 864	1 923	2 158	2 031	-32.9	12.2	-5.9
Motor gasoline <sup>a</sup>	60 348	59 780	65 131	63 337	-1.0	8.9	-2.8
Kerosene (illuminating) <sup>1</sup>	30 995	35 414	32 628	35 790	14.3	-7.9	9.7
Diesel oil <sup>b</sup>	177 503	137 992	136 771	119 752"			
Gas oil <sup>a</sup>	16 497	9 085	10 072	-	-44.9	10.9	-
Liquified petroleum gas <sup>d</sup>	6 916	14 461	14 222	13 104	109.1	-1.7	-7.9
Bunker "C" fuel oil <sup>a</sup>	332 344	247 612	193 956	261 956	-25.5	-21.7	35.0

Source: Energy Unit, Ministry of Inergy and Natural Resources of Guyana.

<sup>a</sup>Thousands of litres.

<sup>b</sup>Includes blended diesel and cetane-47.

<sup>1</sup>Includes gas oil. No cetane-47 was imported.

<sup>d</sup>Thousands of kilograms.

Table 8

## GUYANA: VOLUME OF IMPORTS OF SELECTED HYDROCARBONS

*(Thousands of Guyana dollars)*

	1981	1982	1983	1984	Growth rates		
					1982	1983	1984
Aviation gasoline	3 302	2 571	2 576	2 769	-22.1	2.1	7.5
Motor gasoline	44 029	46 417	44 589	53 388	5.4	-3.9	19.7
Kerosene (illuminating)	22 029	28 189	23 322	31 436	28.0	-17.3	34.8
Diesel oil <sup>a</sup>	127 898	97 052	92 312	114 322	-24.1	-4.9	23.8
Gas oil	12 150	6 962	6 743	-	-42.7	-3.1	-
Liquified petroleum gas <sup>a</sup>	9 075	9 477	9 197	10 661	4.4	-3.0	15.9
Bunker "C" fuel oil <sup>a</sup>	169 404	117 791	99 069	184 477	-30.5	-15.9	86.2
Subtotal <sup>b</sup>	388 758	308 526	278 077	397 053	-20.6	-9.9	42.8

Source: Energy Unit, Energy Authority, Ministry of Energy and Natural Resources of Guyana.

<sup>a</sup>Includes blended diesel and cetane-47.<sup>b</sup>Subtotals may not agree because of rounding.

The cost of fuel imports, which grew because of the decreasing values of the Guyana dollar, rose 43% in 1984 and thus accounted for more than 47% of merchandise imports (see table 8).

The most significant increases in the values of imported hydrocarbons were in Bunker "C" fuel oil, kerosene, diesel fuel and gas oil.

Efforts to attract foreign investment for exploration of oil deposits are continuing. At the same time, the Energy Unit continued to identify suitable local materials for conversion into usable forms of energy as part of the government's programme to reduce external dependence on fuel, especially for domestic use, and also to save on foreign exchange.

Preliminary estimates indicate that the basic form of energy, electricity, continued to be in short supply. The unstable supply of electricity resulted in damage to plant and machinery, interrupting production and causing a loss of man-hours and earnings.

### 3. The external sector

i) *Merchandise trade.* As a result of the improvement in the main productive sectors of the economy and the recovery in the OECD countries, the value of merchandise exports increased by more than 36% in 1984. This recovery, following years of declining values, was generated through increases in the export values of bauxite and rice due to new marketing arrangements, mostly through counter-trade. As a consequence of this revival, the level of merchandise imports increased by some 14%, as more than 76% of total merchandise imports consisted of intermediate goods (mostly fuels and lubricants) for the productive sectors. At the same time, the level of non-oil imports rose slightly in spite of the continuing decline in the amount of consumer goods imported.

Bauxite, which provided 38% of exports in 1983, accounted for more than 43% of export earnings in 1984, as a result of the rapid increase in the volume of calcined bauxite exported. Preliminary estimates indicate that although the volume of sugar exported fell by just under 1%, the earnings from this commodity rose by almost 2% in spite of the low price of 45 U.S. cents per pound. On the other hand, the export earnings from rice continued to increase (by 25%), and there was a 9% increase in the quantity exported. The turnaround in export activity was partially the result of bilateral counter-trade agreements entered into with a number of countries (see table 9).

Apart from the considerable increases in the volume and value of molasses exports, the indications are that there were further reductions in the export earnings from non-traditional exports. In addition, the slowdown in intra-CARICOM trade, hampered by foreign exchange shortages and the growing level of protectionism in the region, had adverse effects on recovery in the non-traditional export sector.

In contrast to the previous two years, when the value of imports registered substantial decreases, the level of merchandise imports showed a rapid 14% growth in 1984, spurred on by the sharp increase in export values. In spite of this increase, however, the relative share of import spending was still only some 60% of GDP in 1984, as against 68% in 1982. The growth of expenditure on imports was a consequence of increasing demand by the manufacturing sector for intermediate goods to boost domestic exports. As a result, the intermediate goods classification accounted for more than three-quarters of total imports, registering an increase of 25 % in 1984. The continued decline in expenditure on consumer goods highlighted the policy of self-sufficiency and the stricter régime of import licensing for such goods. As a result, the value of food imports decreased by 38%, and

**Table 9**  
**GUYANA: VALUE AND VOLUME OF SELECTED EXPORT PRODUCTS**

*(Value in millions of Guyana dollars; volume in thousands of tons)*

	1982	1983 <sup>b</sup>	1984 <sup>b</sup>	Growth rates		
				1982	1983 <sup>b</sup>	1984 <sup>a</sup>
<b>Total value of exports</b>	724.0	580.0	792.0	-25.7	-20.0	<b>36.6</b>
Of which domestic exports	702.8	560.0	...	-26.3	-11.9	...
<b>Traditional exports</b>						
Bauxite - dried/calcined:						
Value	59.1	61.8	76.4	-24.3	4.6	23.6
Volume	1 076.0	1 026.0	1 328.0	-28.6	-4.6	29.4
Bauxite - dried:						
Value	59.1	61.8	76.4	-24.3	4.6	23.6
Volume	703.0	720.0	778.0	-30.5	2.4	7.9
Bauxite - calcined:						
Value	187.6	158.2	267.6	-27.7	-15.7	69.2
Volume	373.0	306.0	550.0	-24.8	-18.0	79.7
Sugar:						
Value	266.9	221.0	225.0	-18.6	-17.2	1.8
Volume	255.0	196.0	195.0	-4.5	-23.1	-0.5
Rice:						
Value	56.8	65.0	80.9	-48.4	14.4	24.5
Volume	35.0	44.0	48.0	-55.1	25.7	9.1
<b>Non-traditional exports</b>						
<b>Run:</b>						
Value	14.0	...	...	-42.1	...	...
Volume <sup>b</sup>	2 278.0	...	...	-28.9	...	...
Molasses:						
Value	6.3	2.2	3.5	-51.9	-65.1	59.1
Volume	116.0	78.0	81.0	36.9	-32.8	3.8
Timber:						
Value	13.5	13.3	20.2 <sup>b</sup>	-10.2	-1.5	-6.8 <sup>b</sup>
Volume <sup>c</sup>	33.0	19.0	14.0 <sup>d</sup>	-8.3	-57.6	-15.9 <sup>d</sup>
Shrimp:						
Value	2.6	...	...	-66.7	...	...
Volume <sup>e</sup>	261.0	...	...	-45.2	...	...
Diamonds:						
Value	0.2	...	...	-66.7	...	...
Volume <sup>f</sup>	2.0	...	...	-33.3	...	...
Other exports - Value	59.3	...	...	26.2	...	...
Re-exports - Value	72.7	...	...	263.5	...	...

Source: Statistical Bureau, Ministry of Finance and Planning.

<sup>a</sup>Preliminary figures.

<sup>b</sup>Thousands of proof gallons.

<sup>c</sup>Thousands of cubic metres.

<sup>d</sup>January-September 1984.

<sup>e</sup>Tons.

<sup>f</sup>Thousand carats.

Table 10

## GUYANA: IMPORTS BY ECONOMIC CLASSIFICATION (CIF)

	Millions of Guyana dollars			Growth rates		
	1982	1983	1984 <sup>a</sup>	1982	1983	1984 <sup>a</sup>
Total goods imported	846.4	745.0	850.0	-30.0	-12.0	14.1
Consumer goods	111.0	75.0	55.0	-31.0	-32.4	-26.7
Food	38.9	21.0	13.0	-40.1	-46.0	-38.1
Intermediate goods	586.7	520.0	650.0	-31.1	-11.4	25.0
Fuels and lubricants	328.5	290.0	390.0	-23.7	-11.7	34.5
Capital goods	140.6	144.0	140.0	-25.3	2.9	-2.8
Agricultural and industrial machinery	78.5	11.3	50.0	-12.4	-85.6	342.5
Building materials	36.5	38.4	20.0	-37.3	5.2	-48.0
Miscellaneous imports	8.1	6.0	5.0	-4.7	-13.0	-19.7

Source: Statistical Bureau, Ministry of Finance and Planning; Research Unit, Bank of Guyana.

<sup>a</sup>Preliminary figures.

accounted for only 24% of consumer imports. Although total imports of capital goods fell some 3% in 1984, the value of agricultural and industrial machinery imported **rose** by almost G\$ 38 million, as major industries sought to rehabilitate existing plant and equipment as part of the intensified production programme. As a result of the above performances, the balance on merchandise trade improved somewhat in 1984 and the deficit was reduced to G\$ 58 million —almost G\$ 107 million less than the 1983 figure (see table 10).

ii) *Balance of payments*. In spite of reductions in the deficits on the trade and resource balances, the current account nevertheless reached a deficit of G\$ 434 million in 1984. The deficit on merchandise balance was reduced by 65 %, while the current account deficit stood at 31 % of GDP in 1984, compared to 39% in 1983 (see table 11).

It had been expected that funds to finance the current account deficit would be obtained from international donors and official borrowing. However, indications are that the level of net capital inflows was insufficient to prevent the overall **balance-of-payments** account from continuing to show a serious deficit.

During the year, the government entered into a number of bilateral arrangements with some principal creditors for a deferral of payment of principal and rescheduling of debts. At the same time, the debt service ratio was expected to be lower in 1984, as a result of the rescheduling of debts and the non-payment of external interest obligations. The ratio of the **balance-of-payments** deficit to GDP (at current prices) was therefore expected to improve slightly in 1984.

As a result of these financial developments, the external reserve position worsened in 1984, with the net international reserves being estimated at minus US\$ 663 million. The build-up of deposits on external payments arrears amounted to G\$ 465 million at the end of December 1984, while Guyana's **external** public debt was estimated to be about US\$ 683 million.

#### 4. Prices and wages

The rate of inflation as measured by the Urban Guyana Price Index, which had slowed somewhat in 1983, is estimated to have accelerated sharply in 1984 as a consequence of currency devaluations in the past 18 months. Data available for the period **January/June** 1984 reflect an inflation rate of almost 26% compared with the same period in **1983**. Indications are that the annual rate could be about 30%, given the currency adjustments (see table 12).

**During** the year, the domestic price structure was seriously affected by both internal and external developments. Internally, there were increases in consumption and production taxes, as well

as travel taxes, while a hucksters' licence was also introduced. Further, in addition to the removal of the subsidy on sugar and the subsequent price increase, the Sugar Corporation decided to sell sugar ex-factory, thus adding the transportation cost to the price of the commodity. At the same time, the value of imports of goods and services totalled almost G\$ 1 335 million —some 95% of the GDP at current prices— directly inflating local prices.

In the absence of full-year data, indications are that the higher rate of inflation was spurred on not only by the strong external pressures but also by the existence of the growing illegal parallel market. Furthermore, during 1984 the basic daily wage was raised to G\$ 25 and public sector salaries rose some 15%, with retroactive payments to 1984. As a result, overall expenditure on consumption goods and travel increased.

Indications are that the food category continued to dominate the Consumer Price Index, with increases in the price of the few foreign foods imported and rises in the domestic price of the basic products —oil, rice, margarine, sugar, etc. However, milk and milk products remained scarce in the official markets. As a consequence of lower food imports, available domestic produce continued to be sold at higher prices.

Table 11

GUYANA: BALANCE OF PAYMENTS

(Millions of Guyana dollars)

	1982	1983	1984 <sup>a</sup>
Exports of goods and services	973	676	883
Merchandise exports	724	580	792
Sugar	246	208	276
Rice	...	65	82
Bauxite	272	220	344
Services	69	96	91
Travel and transportation	31	38	36
Imports of goods and services	1 194	1 146	1 335
Merchandise imports	846	745	850
Consumer goods	111	75	55
Fuels and lubricants	328	290	390
Other intermediate goods	258	230	260
Capital goods	141	144	140
Services	354	401	485
Investment income	...	173	183
Travel and transportation	77	107	155
Merchandise balance	-116	-165	-58
Services balance	-285	-305	-394
Balance on goods and services	-401	-470	-452
Net unrequited transfers	-25	2	18
Balance on current account	-426	-468	-434
Net capital inflows			
Public	90	-100	...
Private	-4	-	...
Other	-	17	...
Arrears payments	-	114	...
Balance on capital account	86	31	...
Errors and omissions	-26	-	...
Balance of payments deficit	-366	-436	...

Source: "Guyana: Estimates of the Public Sector, Current and Capital Revenue and Expenditure, 1984", as presented to the National Assembly, January 1985.

<sup>a</sup>Preliminary figures.

Table 12

## GUYANA: EVOLUTION OF DOMESTIC PRICES (URBAN GUYANA)

(1970 = 100)

	1981	1982	1983	1984 <sup>a</sup>
Variation between annual averages				
Consumer price index (all items)	22.2	20.9	15.1	25.9
Food	27.7	29.3	20.9	33.4
Clothing	36.1	14.7	8.5	8.6
Housing	7.5	4.8	6.1	5.2
Other	12.8	11.4	4.0	12.4

Source: Statistical Bureau, Ministry of Finance and Planning.

<sup>a</sup>January-June 1984 with respect to same period of the previous year.

Table 13

GUYANA: RETAIL PRICES OF SELECTED PETROLEUM PRODUCTS<sup>a</sup>

(Guyana dollars per litre)

Year	Motor gasoline		Kerosene	Diesel oil	Fuel oil	LPG <sup>b</sup> 100 lb.	LPG <sup>b</sup> 20 lb.
	Regular	Premium					
1972	.17	.20	.11	.10	.07	...	...
1976	.46	.49	.26	.30	.24	...	...
1977	.55	.60	.28	.34	.26	...	...
1978	.65	.71	.28	.34	.27	39.85	...
1979	.95	1.00	.50	.64	.42	63.00	...
1980	1.12	1.17	.82	.81	.66	63.00	...
1981	1.31	1.37	.99	.98	.69	79.32	...
1982	1.31	1.37	.97	1.00	.71	95.32	15.00
1983	1.31	1.37	1.01	1.00	...	97.41	19.76
1984	1.95	2.03	1.50	1.61	1.31	123.90	26.20

Source: Energy Unit, National Energy Authority, Ministry of Energy and Natural Resources.

<sup>a</sup>Prices represent last price in particular year. <sup>b</sup>Cost per cylinder.

There were substantial increases in the unit price of petroleum products, which were mostly in short supply throughout the year. Major increases of around 48% were recorded for motor gasoline and kerosene, while there were also increases in the price of diesel fuel and gas oil, which rose to about G\$ 1.61 per litre, as well as substantial increases in the price of the main household fuel, L.P.G. (see table 13).

## 5. Monetary and fiscal policy

a) *Monetary policy*

Preliminary official bank estimates for 1984 indicate a substantial growth in monetary resources held by the banking system and a further expansion in domestic credit. While the level of monetary resources grew some G\$ 281 million in 1984, nominal domestic credit expansion was about G\$ 843 million, thanks to moderate improvements in public finances. This resulted in a further

reduction in the net foreign assets held by the banking system to minus G\$ 485 million. Deposits of external trade arrears in commercial banks, totalling some G\$ 488 million at the end of September 1984, are not included (see table 14).

The decision of the commercial banks to limit the size of deposits and regulate the minimum balances of savings has had varying effects on the level of deposits. On the one hand, the level of non-interest-bearing deposits increased 19%, while on the other, there was a contraction in the growth rate of savings deposits. The Savings Scheme Act of 1983 fostered a 14% rise in long-term savings deposits. This Act allows for public servants to hold specific tax-free savings deposits for set periods.

Improvements in economic activity were partially responsible for the expansion in the level of domestic credit offered by the banking system. This growth was estimated at 26% in 1984. At the same time, the continued deterioration of public sector operating finances accounted for the considerable growth in net government borrowings to finance capital and current activities. As a result, the public sector absorbed more than 88% of the G\$ 3 569 million of domestic credit extended by the banking system in 1984. The amount of credit offered to the private sector increased more than 20%, reflecting a standard rate of growth over the past three years.

In other monetary developments, the government, faced with a US\$ 700 million deficit at the beginning of 1984 and the appreciating United States dollar, applied exchange rate adjustments on 11 January and 5 and 13 October 1984 which brought the Guyana dollar to \$ 3.75, \$ 4.12 and \$ 4.25, respectively to the United States dollar. Since 6 October 1984, the adjustment has been on a weekly basis with respect to the movement of a basket of currencies comprising the yen and currencies of major European trading partners but excluding the United States dollar. This measure sought to arrest the rapidly deteriorating foreign exchange situation and reduce the parallel market premiums.

The government has continued to monitor the circulation and supply of foreign currency through the system of "Foreign Currency Accounts" set up in 1983. A foreign exchange shop has also been put into operation as an additional effort to obtain hard currency believed to be available in Guyana.

Table 14

GUYANA: MONETARY BALANCE

(Millions of Guyana dollars)

	Balance at end of			Growth rates		
	1982	1983	1984 <sup>a</sup>	1982	1983	1984 <sup>a</sup>
Money ( $M_1$ )	436.6	508.1	619.7	23.9	16.4	22.0
Currency outside banks	230.7	268.7	335.6	24.2	16.5	24.9
Demand deposits	205.9	239.2	284.1	23.7	16.2	18.8
Factors of expansion	1 833.2	2 323.8	2 545.9	38.1	26.8	9.6
Net international reserves	-661.5	-867.4	-1 487.8	-38.3	-31.1	-71.5
Domestic credit	2 494.7	3 191.2	4 033.7	37.8	27.9	26.4
Government (net)	1 866.6	2 191.8	3 012.7	60.6	17.4	37.4
Official entities	311.9	617.6	556.3	-19.2	98.0	-9.9
Private sector	316.2	381.8	464.7	20.3	20.7	21.7
Factors of absorption	1 396.6	1 815.7	1 926.2	59.7	30.0	6.1
Quasi-money ( $M_2$ )	832.7	1 025.7	1 195.2	29.1	23.2	16.5
Savings deposits	468.6	618.2	730.6	22.0	31.9	18.2
Time deposits	364.1	407.6	464.6	39.6	11.9	14.0
Other items	563.9	790.0	731.0	145.6	40.1	-7.5

Source: Research Unit, Bank of Guyana.

<sup>a</sup> Preliminary figures.



Table 15

## GUYANA: CENTRAL GOVERNMENT REVENUE AND EXPENDITURE

	Millions of Guyana dollars		Growth rates		
	1983°	1984°	1982	1983°	1984°
Current revenue	565.9	600.2	-1.4	2.8	6.1
Tax revenue	487.9	544.5	-5.6	7.6	11.6
Income (companies and personal)	200.0	224.0	9.8	-13.4	12.0
Production and consumption	178.9	204.8	-13.8	16.2	14.5
Trade and travel taxes	72.2	76.7	-32.9	62.2	6.2
Non-tax revenue	78.0	55.7	24.2	-19.6	-28.6
Current expenditure	895.5	1 159.2	-5.1	17.1	29.4
Personal emoluments	231.0	289.6	-1.1	2.3	25.4
Other	664.5	869.6	-6.6	23.3	30.9
Interest	426.1	556.4	19.7	47.6	30.6
Transfers	64.7	67.3	-18.8	-17.5	4.0
Savings on current account	-329.6	-559.0	-13.3	53.7	69.6
Capital receipts	2.3	51.2	-84.1	-30.3	...
Capital expenditure	395.5	671.0	101.5	-50.9	69.7
Total expenditure	1 291.0	1 830.2	30.3	-17.8	41.8
Total revenue	568.2	651.4	-4.4	2.6	14.6
Fiscal deficit (-) or surplus (+)	-722.8	-1 178.8	62.3	-28.9	63.1
Financing of the deficit					
Net external borrowing	120.0	40.9	-	-	-
Net domestic bank borrowing	324.6	820.7	-	-	-
Net other domestic borrowing	278.2	317.2	-	-	-

Source: "Guyana: Estimates of the Public Sector, Current and Capital Revenue and Expenditure, 1985", as presented to the National Assembly, and data supplied by the Statistical Bureau, Ministry of Finance and Planning.  
°Preliminary figures.

b) *Fiscal policy*

During 1984, current revenues increased some 6%, as a result of the government's efforts to reduce the level of consumption expenditure through increased direct and indirect taxes, while simultaneously reducing or abolishing food subsidies. However, the government's current expenditure rose by more than 29% to G\$ 159 million in 1984, as a result of increased wages and salaries awarded to public servants, retroactive to 1981. The net effect of this action was a further increase in the deficit on current account (see table 15).

The indications are that there were capital inflows that served to finance the expansion of capital expenditure for the completion of ongoing projects and the rehabilitation of plant and machinery. Capital expenditure was projected at G\$ 670 million. As a consequence, it was forecast that the overall deficit on central government fiscal performance would be further increased, in spite of new arrangements for the rescheduling of debts and the deferment of overdue debt service and payments. However, it was expected that interest on domestic loans would be paid as it fell due.



## JAMAICA

### 1. Recent economic trends: Introduction and summary

In 1984, economic policy gave priority to removing the foreign exchange constraints to development which Jamaica has faced since the early 1970s. A managed float of the exchange rate, which was the cornerstone of policy in 1983, was again pursued relentlessly throughout 1984 with the objective of changing the relative prices of domestic and foreign products to reorient and diversify domestic production for export (see table 1).

A strictly controlled domestic money supply was used to complement the exchange rate policies, resulting in a contraction of private consumption of potential exports as well as of imports. Efforts were also made to reduce public consumption and increase revenue in order to reduce the fiscal deficit, to complement the foregoing policies and to contain the rising national debt. At the same time that consumption was curtailed, measures were also adopted to induce investment and increase the supply of exports and import substitutes.

Progress was made towards some policy objectives, although a number of unforeseen events both at the national and international levels made the pace of transformation slower than had been hoped. Similar policy objectives are therefore likely to continue, perhaps with increased stringency, in 1985.

### 2. Trends in economic activity

#### a) *Global trends*

In spite of the fact that no real growth of the GDP was registered in 1984, some progress was made in the battle to adjust the economy and reduce a number of its imbalances (see table 2).

Domestic demand was contained during the year, falling by almost 10% in real terms. The excess of demand over GDP now stands at 5%, representing a major reduction from the previous year, when the gap was 13%. Reduced real consumption was recorded in both the public and private sectors, and total consumption fell as a proportion of GDP. This contraction is attributable to increased taxation, the abolition of subsidies, tighter money policies and restrictions on credit (the money supply declined in real terms). Consumption was also significantly curtailed by increased prices caused by the downward float of the Jamaican dollar. The 31% inflation rate in 1984 was almost twice that of the previous year, though contained to some extent by the reduced demand.

Domestic investment fell in real terms, but it did so more slowly than consumption and now accounts for a slightly higher share of GDP than in 1983. A greater proportion of domestic investment was financed by domestic savings, and foreign financing amounted to 43%, compared with 53% and 62% in the two previous years. At the same time, the flow of new foreign investment projects oriented towards structural adjustment and increased exports has been sustained, with 138 new projects being implemented by the Jamaican National Investment Promotion Company (JNIP) during the year, valued at J\$ 352 million and employing 5 800 persons.

The domestic developments outlined above had their corollary in the external sector. The merchandise trade account improved by 32% with increased exports of goods (mainly agricultural products) and an almost equal reduction of imports. Earnings from tourism were higher, but increased costs of servicing the external debt contributed to an increase in the deficit of the services sector.

While the price of adjustment has been high, with real standards of living having declined significantly in 1984, it seems so far to have taken place without a significant increase in the rate of unemployment. However, this has been partly due to increased migration.

b) *Evolution of the main sectors*

i) *Agriculture*. The strong performance of 1983 continued in 1984 with real growth estimated to exceed 8% (see table 3). The traditional export crops —**sugar**, **bananas** and **citrus**— continue to stagnate and decline, suffering from a lack of adequate supplies of fertilizers, chemicals and equipment as well as low labour productivity (see table 4). While more sugar cane was brought to the mills, less sugar was produced and earnings from sugar exports declined. Performance of the banana industry was even less satisfactory, with exports of this product falling by 52%. Climatic conditions must bear a portion of the responsibility, however, since a cold spell in early 1984 caused underpeel discolouration: a condition which disqualifies such fruit from the export market. At the same time, however, there was increased local consumption of bananas at the expense of exports as imported substitutes became more expensive with devaluation later in the year. Production and export earnings of the other traditional export crops such as **coffee**, **cocoa** and **pimento** continued to be good, but in the case of citrus **fruit** production decreased by 16%, although earnings nevertheless increased.

While these traditional crops still dominate agricultural export earnings, efforts are being made to increase the output of a range of other food crops, and it is here that the degree of transformation in the sector must be judged. Thus, domestic food crops such as vegetables, yams and plantains have shown strong performance (of the order of 20% growth) and helped to increase export earnings as well as substituting for imported food. Exports of cucumbers, green peppers and other vegetables did particularly well, and although the increased production of yams was not reflected in increased export earnings, which fell by 16%, this was no doubt due to increased local consumption.

Table 1

**JAMAICA: MAIN ECONOMIC INDICATORS**

	1981	1982	1983	1984 <sup>a</sup>
<b>A. Basic economic indicators</b>				
Gross domestic product at purchaser's prices (millions of 1974 Jamaican dollars)	1 888	1 889	1 922	1 927
Population (thousands)	2 068	2 099	2 136	2 175
Per capita gross domestic product (Jamaican dollars at 1974 prices)	913	899	900	885
<b>Growth rates</b>				
<b>B. Short-run economic indicators</b>				
Gross domestic product	3.3	0.04	1.7	-
Per capita gross domestic product	-6.4	-1.5	0.1	<b>-1.6</b>
Consumer price index				
December - December	4.6	6.5	16.7	31.2
Variation between annual averages	11.9	6.5	11.3	27.8
Money	...	6.1	21.3	14.5
Wages and salaries (current Jamaican dollars)	13.6	...	10.5	14.9
Rate of unemployment (percentages)	25.9	27.4	26.4	25.4
Current income of government	26.7	-0.2	11.9	22.5
Total expenditure of government	3.4	-11.3	19.6	25.2
Fiscal deficit/total expenditure of government (percentages)	36.3	50.1	36.1	41.2
<b>Millions of US dollars</b>				
<b>C. External sector</b>				
Trade balance	-282	-359	-274	-134
Balance on current account	-338	-419	-362	-318
Balance on capital account	123	301	230	499
Variation in net international reserves	170	...	...	...
External debt	2 293	2 740	3 097	...

Source: ECLAC, on the basis of official data.

<sup>a</sup>Preliminary figures.

Table 2

## JAMAICA: TOTAL SUPPLY AND DEMAND

	Millions of Jamaican dollars at current prices		Percentage breakdown			Growth rates	
	1983	1984	1970	1983	1984	1983	1984
	Total supply	10 336		137.4	153.1		17.9
Gross domestic product at market prices	6 750	8 839	100.0	100.0	100.0	16.2	30.9
Imports of goods and services	3 585		37.4	53.1		21.1	
Total demand	10 336		137.4	153.1		17.9	
Domestic demand	7 618	9 266	104.2	112.8	104.8	16.2	21.6
Gross domestic investment	1 502	1 852	31.6	21.0	22.0	17.0	23.3
Total consumption	6 116	7 414	72.6	90.6	83.9	16.0	21.2
General government	4 691	5 827	11.7	21.1	18.0	11.1	11.3
Private	1 425	1 587	60.9	69.5	65.9	17.6	24.2
Exports of goods and services	2 118		33.2	40.2		22.9	

Source: Jamaica, Department of Statistics, *National Income and Product, 1983* and National Planning Agency projections.

Table 3

JAMAICA: GROSS DOMESTIC PRODUCT, BY KIND OF  
ECONOMIC ACTIVITY, AT PURCHASERS' VALUES

	Millions of Jamaican dollars at 1974 constant prices			Percentage breakdown		Growth rates	
	1982	1983	1984	1983	1984	1983	1984
	Total gross domestic product	1 889	1 922	1 922	100.0	100.0	1.8
Goods	675	694	688	36.1	35.8	2.8	-0.8
Agriculture, forestry and fishing	143	151	164	7.9	8.5	5.5	8.2
Mining and quarrying	117	118	115	6.1	6.0	0.9	-2.6
Manufacturing	301	307	291	16.0	15.1	1.9	-5.1
Construction and installation	114	118	118	6.1	6.1	3.4	0.6
Basic services	151	157	158	8.1	8.2	4.2	1.0
Electricity and water	24	25	25	1.3	1.3	3.3	2.4
Transport, storage and communications	127	132	133	6.9	6.9	4.3	0.7
Other services	1 064	1 072	1 076	55.8	56.0	0.8	0.3
Distributive trade	310	288	284	15.0	14.8	-7.0	-1.3
Finance and insurance	154	188	186	9.8	9.7	22.5	-1.0
Real estate and business services	229	234	245	12.2	12.8	2.2	5.0
Government services	369	373	365	19.4	19.0	1.0	-2.0
Miscellaneous household and imputed	123	129	133	6.7	6.9	5.1	2.7

Source: Jamaica, Department of Statistics, *National Income and Product, 1983* and National Planning Agency projections.

Livestock production showed a general increase with the exception of poultry meat and fish, the former declining by 14% while the latter remained constant.

The favourable performance of non-traditional agriculture is attributable to a number of factors including increased farm-gate prices, better access to credit (which increased by 50%) and more assured export markets through export contracts. The drastic currency depreciation has also effected a change in the relative prices of domestic and imported food, thus stimulating domestic production. While it may be premature to form a firm judgement, it is nevertheless clear that policy objectives are being met in non-traditional agricultural production for the second consecutive year.

ii) *Mining*. The performance recorded in mining conceals the underlying uncertainty faced by that sector (see table 5). In 1984, the volume of bauxite mined increased 14% and the volume of bauxite exported increased by a healthy 51%, although alumina production declined 10%. The strong resurgence of gypsum production, which increased 30%, is also worthy of note. Notwithstanding these results, however, the sector's production declined in real terms by 2.6%.

The increase of bauxite exports is attributable to the final shipment by Reynolds Jamaica Mines to United States government stockpiles prior to its closure in Jamaica, as well as to a new contract for sales to the USSR. The decline in alumina production, for its part, was due to industrial disputes and does not augur well for an industry in the throes of rapid change. A significant decline in bauxite shipment was observed as from the third quarter of 1984, and this trend is likely to continue into 1985.

Jamaican bauxite and a portion of its alumina is traditionally destined for refineries in the southern United States, but these have been rendered uneconomic by new developments in the industry globally and natural gas price increases in the United States. Added to the problems of low

Table 4

JAMAICA: INDICATORS OF AGRICULTURAL PRODUCTION

	1982	1983	1984 <sup>a</sup>	Growth rates	
				1983	1984 <sup>a</sup>
Index for agriculture, <b>forestry</b> and fishing (1974= 100)					
Agriculture	93.6	98.7	...	5.4	...
Export	67.1	65.1	...	-3.0	...
Domestic	98.1	106.4	...	8.5	...
Livestock	111.1	117.1	...	5.4	...
Forestry	31.4	44.4	...	41.4	...
Fishing	118.0	120.0	...	1.7	...
Production of some important export crops					
Sugar cane milled <sup>b</sup>	2 482	2 286	2 384	-7.9	4.3
Bananas <sup>bc</sup>	22	23	11	4.5	-52.2
Citrus fruit <sup>d</sup>	932	681	571	-26.9	-16.2
Pimento <sup>e</sup>	1 734	2 708	3 150	56.2	16.3
Copra <sup>e</sup>	18 000	17 350	19 168	-3.6	10.5
Cocoa <sup>e</sup>	2 381	3 454	2 704	45.1	21.7
Coffee	291	326	325	12.0	0.3
Indicators of meat production					
Cattle slaughtered (thousands of head)	61	68	71	11.5	4.4
Hogs slaughtered (thousands of head)	118	113	121	-4.2	7.1
Poultry meat <sup>b</sup>	27	33	28	22.9	-14.1
Eggs (millions)	84	100	120	18.2	20.6

Source: Jamaica, Department of Statistics.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Thousands of tons.

<sup>c</sup> Exports only.

<sup>d</sup> Thousands of boxes.

<sup>e</sup> Tons.

Table 5

## JAMAICA: INDICATORS OF MINING PRODUCTION

	1982	1983	1984 <sup>a</sup>	Growth rates		
				1982	1983	1984 <sup>a</sup>
<b>Index of mining production</b> (1974 = 100)	<b>59.4</b>	<b>58.8</b>	...	<b>-29.1</b>	-1.0	...
<b>Production of principal mineral (thousands of tons)</b>						
<b>Bauxite (mined)</b>	8 447	7 683	8 734	-27.8	-9.0	13.7
<b>Alumina</b>	1 761	1 907	1 713	-31.1	8.3	-10.2
<b>Gypsum (mined)</b>	107	108	140	-40.5	0.9	30.0

Source: Jamaica, Department of Statistics.

<sup>a</sup>Preliminary figures.

domestic productivity and a lack of cheap indigenous energy, future prospects for the industry are not bright, since global supply now exceeds demand, with resultant depressed world prices, and marginal producers are being forced out of production.

iii) *Manufacturing*. In 1984, manufacturing production declined 5% and the sector's contribution to GDP shrank by 1%. Difficulties have been experienced on the local market because of a general contraction in domestic demand. The other main outlet for local manufacturers—the CARICOM market—has been depressed by increased protectionism, as a result of which Jamaica's exports to CARICOM declined 37% in 1984. For both markets, manufacturers have also had difficulty obtaining foreign exchange to purchase raw materials.

There were, however, some notable exceptions to the general reduction in output (see table 6). Rum and alcohol increased by 15% and exports of apparel and clothing accessories registered an increase of 115%. The latter item is one which has been selected for special priority under the structural adjustment programme, since it is labour-intensive and has access to the United States market under the Law 807 programme. Investment in this type of manufacturing is quite high, with 27 new projects being implemented by the Jamaican National Investment Promotion Company (JNIP) for 1984. These projects will give an initial increase in employment of 2 700 jobs, with a subsequent projected increase of 6 000. For manufacturing as a whole, 47 projects employing 3 500 persons were implemented during the year.

The increase in rum production is also intended to take advantage of third country markets in line with the structural adjustment programme.

For the local market, consumption patterns changed somewhat, with condensed milk production declining due to reduced demand while flour production, judged on the basis of the first nine months, has registered an increase of 40%. The production of cornmeal increased by 38%.

Electricity sales to manufacturing and industrial users declined by 1%, while sales to residential users declined by 3%. The output of petroleum products declined significantly, the drop in production of the most widely used types being between 30% and 40%. This was due in part to reduced domestic demand, but also to a shortage of foreign exchange to purchase imported crude, which restricted the supply.

iv) *Construction*. Only marginal growth was registered in this sector, which had expanded by 3.5% in the previous year. A number of factors contributed to this reduced performance. Credit assigned by commercial banks to construction and land development contracted by 10% in real terms, while central government expenditure has also contracted, due to the effort to attain fiscal balance.

There has been a decline in the production of essential inputs for the construction industry, such as cement and steel. This was partly due in both cases to industrial disputes in early 1984 (see table 7). At the same time, imports of construction materials fell. Not surprisingly, employment in the sector went down by 4% compared with the previous year.

v) *Tourism*. This sector is of critical importance for economic development, since the long-term growth of the minerals industries (currently the second most important activity) can no longer be

assured. In fact, earnings from tourism are not significantly below those from bauxite and alumina, and direct employment in tourism already far outstrips that in the mining, quarrying and refining subsector.

In 1984 tourism continued to grow in importance, with miscellaneous services now contributing almost 6% of GDP and growing by 3% over 1983. Visitor arrivals increased almost 8% and expenditures by 9% (see table 8). As in the case of other tourist destinations in the Caribbean, the United States continues to increase its dominance as the major source of visitors, now accounting for 77% of arrivals. Unlike other Caribbean countries, Jamaica has not maintained a fixed parity with the appreciating United States dollar and so the relatively weak performance of other markets is not attributable to high cost.

With a slight reduction in the number of hotel and guesthouse rooms and an increase in visitors, room occupancy rates have continued to rise, the current figure being 60%. Efforts to improve tourism earnings in the off-peak periods through the promotion of special attractions are being

Table 6

**JAMAICA: INDICATORS OF MANUFACTURING ACTIVITY**

	1982	1983	1984	Growth rates	
				1983	1984
<b>Index of manufacturing production (1974 = 100)</b>	...	...	...	...	...
Production of selected manufactures					
Sugar <sup>a</sup>	216	218	195	1.4	-10.4
Flour (wheat) <sup>a</sup>	61	68	...	12.0	...
Animal feed <sup>a</sup>	202	239	238	18.2	-0.4
Rum and alcohol <sup>b</sup>	17	15	17	-14.5	15.0
Fertilizers <sup>a</sup>	19	27	...	42.6	...
Petroleum products <sup>b</sup>	955	1 154	...	20.9	...
Textile fabrics <sup>c</sup>	4 058	4 038	...	-0.5	...
<b>Indicators of manufacturing production</b>					
Electricity sales to industry and commerce by public utilities <sup>d</sup>	606	670	663	10.7	-1.1
Employment (thousands)	108	115	116	6.1	0.9

Source: Jamaica, Department of Statistics.

<sup>a</sup>Thousands of tons.

<sup>b</sup>Millions of litres.

<sup>c</sup>Thousands of yards.

<sup>d</sup>Millions of kWh.

Table 7

**JAMAICA: INDICATORS OF CONSTRUCTION ACTIVITY**

	1982	1983	1984	Growth rates	
				1983	1984
<b>Production of selected material</b>					
Cement <sup>a</sup>	261	307	286	17.6	-6.9
Paint <sup>b</sup>	...	...	...	...	...
Steel <sup>c</sup>	19	15	15	16.7	-5.2
Imports of construction material <sup>c</sup>	71	72	68	1.5	-5.9
Employment <sup>d</sup>	47	47	45	0.7	-4.7

Source: Jamaica, National Planning Agency, *Economic and Social Survey, 1984*.

<sup>a</sup>Thousands of tons.

<sup>b</sup>Thousands of litres.

<sup>c</sup>Millions of Jamaican dollars.

<sup>d</sup>Thousands.



Table 8

## JAMAICA: SELECTED TOURISM STATISTICS

	1982	1983	1984 <sup>o</sup>	Growth rates	
				1983	1984 <sup>o</sup>
Total visitors <sup>b</sup>	670	783	844	16.8	7.8
Of which:					
Stopover	468	566	603	21.1	6.6
Cruise	194	210	231	8.1	9.9
Total number of hotels	88	86	94	9.1	-2.1
Total number of guest houses			51	-	168.4
Average number of hotel and guest house rooms	19	19	7 113	5.6	-5.8
Average number of hotel and guest house beds <sup>b</sup>	7 155	7 554	14 567	8.1	-6.2
Average hotel and guest house bed occupancy rate <sup>c</sup>	14 364	15 522	55.8	9.2	4.9
Average hotel and guest house room occupancy rate <sup>c</sup>	48.7	53.2	60.4	9.9	3.1
Average length of stay <sup>d</sup> (stopover visitors)	53.3	58.6	9.0	-5.2	-2.2
Total visitor expenditure <sup>e</sup>	9.7	9.2	12	18.8	9.4
Of which:					
Stopover visitors	329	390	425	18.4	9.1
Cruise visitors	7	10	12	36.6	23.7
Percentage of total visitor arrivals					
United States	69.1	75.1	77.5		
Canada	17.1	13.5	13.1		
United Kingdom	3.8	3.8	3.7		
Other Europe	4.2	2.7	1.7		
Caribbean	4.0	3.5	2.6		
Latin America (South and Central)	1.1	0.7	0.8		
Other	0.7	0.7	0.6		

Source: Bank of Jamaica, Jamaica Tourist Board.

<sup>o</sup>Preliminary figures.<sup>b</sup>Thousands.<sup>c</sup>Percentage.<sup>d</sup>Days.<sup>e</sup>Millions of US dollars.

rewarded, as demonstrated by the fact that earnings for the quarter July to September rose by 22% over the corresponding period in 1983. The length of stay of stopover guests, however, declined marginally to an average of nine nights although this figure still compares favourably with competing Caribbean destinations.

The number of cruise ship visitors increased 10%, while the earnings from such visitors increased by 24% as a result of the now competitive prices of local Jamaican products compared to other regional destinations.

vi) *Employment and unemployment.* Although the rate of unemployment declined only marginally between April and October 1984, the decline was somewhat more significant when compared with 1983 (see table 9). Young people are most affected by unemployment, particularly the cohort 14-19 years with a 56% rate at October 1984. This age-group is closely followed by the group 20-24, with 40%. In both groups, female unemployment rates are significantly higher.

At the same time the number of people employed fell during 1984, particularly in mining, commerce, public administration and other services. This reflects the prevailing economic conditions in each of those sectors.

The seeming paradox of declining employment and a falling unemployment rate is explained by a decline in the labour force, the figure in October 1984 contracting to that already registered sometime between April and October 1983. The reduction which has taken place (mainly among

females of the 20-24 and 55-64 age groups) might be explained by the fact that those losing their jobs tended to leave the labour force either through external migration or through retirement. Nevertheless, the job-seeking rate also increased in the last quarter of 1984 to a figure of 11.3%, the percentage of women actively seeking employment being higher than in the case of men.

### 3. The external sector

#### a) *The allocation of foreign exchange and the auction system*

Efforts by Jamaica to establish some equilibrium in the market for foreign exchange continue to be watched with interest, since they highlight some of the difficulties attendant on dismantling the efforts to maintain artificial exchange rates which have existed for many years. The following comments are therefore intended to update the reader on those changes which have taken place since the 1983 survey, in which the system was described.

It will be recalled that in November 1983 the previously operated dual or parallel exchange rates were unified and other administrative controls removed. A twice-weekly auction was established whereby banks could bid within a specified band for the available foreign currency. The banks in turn established the daily spot rates within that band. The mid-point of the band was adjusted fortnightly, on the basis of a weighted average of the spot rates for transactions in the previous fortnight.

In early March 1984 the auction was widened to include individuals and companies having foreign liabilities in excess of US\$ 50 000. Those with liabilities of less than US\$ 50 000 could bid through the banks, which could also bid on their own account. Banks in turn were required to surrender all foreign exchange purchases to the Bank of Jamaica, which would control the supply of foreign exchange put up for bids. Bids continued to operate within predetermined bands having a total range of J\$ 0.30, and the clearing rate was determined by the highest bid which satisfied all demands or exhausted the available supply, whichever came first. The rate would in turn "crawl" upwards for the next auction if the upper ceiling of the band was consistently the selling rate.

As demand continued to outstrip the supply of foreign exchange put up for auction the exchange rate depreciated from J\$ 3.30 per United States dollar in January to J\$ 4.86 in November.

In November, the system was further modified to remove the system of crawling bands and allow more rapid movement in either direction. At the same time, successful bidders would now have to pay the rate at which they bid, irrespective of the clearing rate. Finally, a forward market was established whereby the Central Bank agreed to accept bids for the sale or purchase of United States dollars, with payment to be effected up to six months in the future.

Table 9

#### JAMAICA: EMPLOYMENT AND UNEMPLOYMENT

	1983		1984	
	April	October	April	October
Rate of unemployment				
National	25.8	26.7	25.6	25.4
Urban	29.2	30.8	30.3	28.9
Rural	22.8	23.5	21.5	22.2
Labour force <sup>a</sup>	963	985	985	971
Employed	715	723	733	725
Unemployed	249	263	252	247
Participation rates				
Both sexes	45.3	45.9	45.5	44.9
Male	49.6	50.2	49.5	49.6
Female	41.2	41.9	41.8	40.4

Source: Statistical Institute of Jamaica.

<sup>a</sup>Thousands.

Table 10

## JAMAICA: EXPORTS OF GOODS, FOB

	Millions of dollars			Percentage breakdown		Growth rates	
	1982	1983	1984°	1983	1984°	1983	1984°
<b>Total</b>	769	<b>686</b>	747	100.0	100.0	-10.8	8.9
<b>Main traditional exports</b>	603	518	568	75.6	76.0	-14.0	9.4
Of which:							
Bauxite	170	109	179	15.9	24.0	-35.9	63.8
Alumina	344	315	305	45.9	40.8	-8.6	-3.1
Sugar	49	57	46	8.4	6.1	16.7	-20.1
Bananas	5	7	2	1.0	0.2	44.9	-77.8
Citrus fruit	7	4	7	0.6	0.9	-44.9	73.7
Coffee	8	8	9	1.2	1.2	9.2	7.2
Cocoa	5	7	7	1.1	0.9	56.8	-9.7
<b>Main non-traditional exports</b>	143	154	163	22.5	21.9	7.7	5.6
Beverages and tobacco	22	25	20	3.6	2.7	13.4	-18.8
Manufactures	97	97	96	14.1	12.9	-0.1	-0.6

Source: Jamaica, Department of Statistics, and National Planning Agency.

° Preliminary figures.

The first two changes were intended to increase the risk to those making high bids. The adoption of a forward market was designed to take pressure off current bids, which were increasingly being used to finance future payments. Current expectations were being conditioned by past experience, i.e., that the rate would continue to depreciate. For much the same reasons existing credit arrangements remained unutilized as businessmen preferred to conduct transactions in cash.

Despite these modifications the rate continued to decline and stood at J\$ 4.95 by the end of December: a depreciation of 50% during the period under review. The forward market, perhaps due to unfamiliarity, was not yet being utilized at the end of the year.

#### b) *The balance of payments*

As can be seen from the foregoing, the thrust of domestic policy in 1984 was oriented to improving the balance of payments. These policy objectives have been partially achieved with a surplus being recorded for the calendar year 1984 compared with a deficit in 1983, yet the demand for foreign exchange still outstrips the supply.

The growth in exports was achieved mainly by the bauxite industry, although non-traditional food items continued to record solid growth. Traditional agricultural exports performed poorly, with reduced earnings from sugar, bananas and pimento (see table 10).

The growth of non-traditional exports was disappointing. Conceptually, this category of exports needs to be divided into CARICOM exports and third country exports. The programme of structural transformation aims to focus expansion on third country exports while maintaining as far as possible sales to the CARICOM market. In fact, however, exports to CARICOM declined drastically by 37% after showing modest growth in 1983. Exports to Jamaica's main CARICOM trading partner Trinidad and Tobago fell by 45%.

Non-traditional exports to third countries, however, showed promising performance in the case of food, which increased by 45%, and clothing accessories under the Law 807 programme, which increased by 115%.

Imports contracted by 7% due to the reduced money supply, limited foreign exchange, and the rapid depreciation of the currency with the removal of administrative controls (see table 11). Consumer goods imports registered the sharpest decline, followed by raw materials and capital goods. According to partial data, imports from CARICOM declined by almost 50%.

As a result, the deficit on the merchandise account was reduced by 32% compared with 1983 (see table 12).

Services turned in a mixed performance. The foreign travel account reflecting increased tourism earnings, registered a surplus of 7.7%, but investment income recorded an increased deficit of 65%, which is largely attributable to the higher cost of servicing the external public debt. Increased outflows of approximately 6.5% for other services such as passenger fares, insurance and port disbursements further eroded the earnings from tourism, leaving the services account as a whole with a greatly increased deficit. Increased private and official transfers, however, had the effect of reducing the current account deficit by 12% compared with 1983.

Official and private capital inflows increased, reflecting the variety of tight monetary policies pursued by the Government, and the overall balance of payments therefore moved from a deficit of US\$ 132 million to a surplus of US\$ 181 million in 1984.

The external debt continues to be a source of concern (see table 13). Aside from the steep increase in the cost of debt service already mentioned, the external public debt is expected to have grown further in 1984, although partial data seem to suggest a greatly reduced rate of growth. Government-guaranteed debt (mainly that of commercial banks) seems to have declined slightly. For more detailed analysis, however, it will be necessary to await more complete data.

#### 4. Monetary and fiscal policy

##### a) *Monetary policy*

The objective of monetary policy in 1984 was to restrict aggregate demand in order to improve the balance of payments and dampen the expected inflation caused by currency depreciation. At the same time, interest rates were increased in order to raise the level of domestic savings.

Over the year, bank interest rates moved from 11% to 16% by October, those on savings deposits increasing from a minimum of 11% to a minimum of 20%. The statutory liquid assets ratio moved progressively from 36% to 44% and a number of administrative changes were introduced in order to further increase the effect of the rate changes on the money supply. A ceiling of 12% was set on credit to the private sector as a whole, and consumer credit was targeted not to exceed the level outstanding at March 1983. By year-end, interest rates on loans had reached 26%, but this was still below the rate of inflation.

Table 11

#### JAMAICA: IMPORTS OF GOODS, CIF (Millions of dollars)

	Millions of dollars			Percentage breakdown			Growth rates	
	1982	1983	1984 <sup>a</sup>	1970	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Total	1 376	1 281	1 189	100.0	100.0	100.0	-6.9	-7.2
<b>Consumer goods</b>	230	201	155	30.0	15.7	13.0	-21.7	-22.9
Food	119	104	90	12.0	8.1	7.5	-12.4	-13.9
Other non-durables	48	56	43	9.0	4.4	3.6	18.8	-24.5
Durables	64	40	22	9.0	3.1	1.9	-37.0	-44.5
Raw materials	821	786	747	32.0	61.4	62.8	-4.2	-5.0
Fuels	405	397	354	6.0	31.0	29.8	-1.9	-10.9
Other	416	389	393	26.0	30.3	33.0	-6.6	1.0
Capital goods	325	294	288	38.0	23.0	24.2	-9.3	-2.2
Construction materials	71	72	68	7.0	5.6	5.7	1.5	-6.0
Transport equipment	71	57	42	5.0	4.5	3.5	-15.4	-27.0
Other machinery and equipment and capital goods	182	165	178	26.0	12.8	15.0	-9.5	8.0

Source: Jamaica, Department of Statistics, and National Planning Agency.  
<sup>a</sup>Preliminary figures.

Table 12

## JAMAICA: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984 <sup>a</sup>
<b>Balance on current account</b>	-175	-338	-419	-362	-318
Trade balance	-27	-282	-359	-274	-134
Exports of goods and services	1 359	1 400	1 245	1 220	1 294
Goods FOB	963	974	767	686	739
Real services <sup>a</sup>	396	426	477	534	555
Transport and insurance	114	98	98	102	111
Travel	241	284	336	399	424
Imports of goods and services	1 386	1 682	1 603	1 494	1 428
Goods FOB	1 038	1 297	1 209	1 124	1 034
Real services <sup>a</sup>	348	385	394	369	393
Transport and insurance	217	246	244	224	207
Travel	12	14	30	25	20
Factor services	-230	-179	-195	-182	-302
Profits	-112	-3	29	-1	-
Interest received	11	15	13	23	18
Interest paid	-151	-213	-248	-207	-322
Others	22	22	11	3	2
Private unrequited transfers	82	123	134	95	118
Balance on capital account	248	123	301	230	499
Official unrequited transfer	9	1	16	7	9
Long-term capital	231	128	356	143	405
Direct investment	28	-12	-16	-19	-
Portfolio investment	-	-	-	-	-
Other long-term capital	204	139	371	162	405
Official sector <sup>b</sup>	279	150	384	188	405
Loans disbursed	395	404	642	625	890
Amortization payments	-115	-254	-258	-429	-485
Commercial banks <sup>b</sup>	-	-	-	-	-
Loans disbursed	-	-	-	-	-
Amortization payments	-	-	-	-	-
Other sectors <sup>b</sup>	-75	-11	-12	-26	-
Loans disbursed	47	38	37	18	-
Amortization payments	-122	-49	-50	-44	-
Short-term capital	38	12	-65	79	110
Official sector	71	4	-113	175	-
Commercial banks	-11	19	-12	-26	-
Other sectors	-22	-11	60	-70	110
Errors and omissions (net)	-30	-17	-5	-	-25
Global balance <sup>c</sup>	73	-215	-118	-132	181
Total variation in reserves (- sign indicates an increase)	-83	170	...	...	...
Monetary gold	-	-	-	-	-
Special Drawing Rights	1	-1	...	...	...
IMF reserve position	-	-3	...	...	...
Foreign exchange assets	-42	24	...	...	...
Other assets	-	-10	10	27	-
Use made of IMF credit	-42	160	...	...	...

Source: 1980-1983: International Monetary Fund, *Balance of Payments Yearbook*, March 1985; 1984: ECLAC, on the basis of official data.

<sup>a</sup> Real services also include other official and private transactions, but not factor services.

<sup>b</sup> In addition to loans received and amortization payments made, this entry includes net loans granted and other assets and liabilities.

<sup>c</sup> The global balance is the sum of the current account balance plus the balance on capital account. The difference between total variation in reserves (of opposite sign) and the global balance represents counterpart items: monetization of gold, allocation of Special Drawing Rights, and variations due to valuation changes.

A further contraction of liquidity was caused by the establishment of a deposit scheme for the payment of arrears of foreign obligations contracted prior to February 1984. This scheme attracted deposits of over J\$ 200 million.

The result of these policy measures was a sharp curtailment of domestic credit compared to 1983 (see table 14). Credit to the private sector fell just outside the targets set in early 1984, standing at 12.5% by year-end. The contraction of credit to government was in real terms more severe, since it grew by only 3% in nominal terms. The deterioration of the international reserves continued to work against the goal of contraction, although the rate of deterioration moderated and was not only slightly greater than inflation.

Table 13

**JAMAICA: INDICATORS OF EXTERNAL DEBT**

(Millions of US dollars)

	1982	1983	1984 <sup>a</sup>	Growth rates	
				1983	1984 <sup>o</sup>
External public debt	2 740	3 097	3 178	13.0	2.6
Bank of Jamaica	998	1 178	1 195	18.0	1.5
Government guaranteed	295	269	265	-8.8	-1.6
Government direct	1 447	1 651	1 704 <sup>b</sup>	14.1	4.2*
Servicing of external debt	408	371	...	-9.1	...
Amortization	187	176	...	-5.7	...
Interest payments	222	195	...	-11.9	...
Total external debt <sup>c</sup>	2 740	3 097	...	13.0	...
Long- and medium-term (over 5 years)	1 327	1 493	...	12.6	...
Short-term (under 5 years)	1 413	1 604	...	13.5	...
Percentage of short-term debt	...	...	...	...	...
Servicing of total external debt <sup>c</sup>	408	371	...	-9.1	...
Amortization	187	176	...	-5.7	...
Interest payments	222	195	...	-11.9	...

Source: Bank of Jamaica.

<sup>a</sup>Preliminary figures.

<sup>b</sup>Up to November.

<sup>c</sup>Information on private debt incomplete.

Table 14

**JAMAICA: MONETARY BALANCE**

	Millions of Jamaican dollars			Growth rates	
	1982	1983	1984 <sup>o</sup>	1983	1984 <sup>o</sup>
Money	729	884	1 012	21.3	14.5
Currency outside banks	313	373	433	19.0	16.2
Demand deposits	416	512	579	22.9	13.2
Factors of expansion	2 532	2 047	1 200	-19.2	-41.4
Foreign assets (net)	-1 676	-3 587	-4 800	-114.0	-33.8
Domestic credit (net)	4 208	5 634	5 999	33.9	6.5
Government (including official entities)	2 724	3 749	3 857	37.6	2.9
Private sector	1 595	2 030	2 285	27.3	12.5
Factor of absorption	1 803	1 163	187	-35.5	-83.9
Quasi-money (savings and time deposits)	1 630	2 097	2 439	28.6	16.3

Source: Bank of Jamaica.

<sup>o</sup>Preliminary figures.

Table 15

## JAMAICA: COMERCIAL BANK LOANS AND ADVANCES

*(Millions of Jamaican dollars)*

	1982	1983	1984 <sup>a</sup>	Growth rates	
				1983	1984 <sup>a</sup>
Loans and advances outstanding	1 963	2 247	2 746	24.7	22.0
Of which:					
Agriculture	231	265	401	14.7	51.3
Manufacturing	397	520	681	31.3	31.0
Construction and land development	326	514	617	57.7	20.0
Central and local government	31	107	44	245.2	-58.0
Personal	168	173	143	3.0	-17.3
Distribution	126	134	107	6.3	-20.1

Source: Bank of Jamaica.

<sup>a</sup>Preliminary figures.

Table 16

## JAMAICA: CENTRAL GOVERNMENT REVENUE AND EXPENDITURE

*(Millions of Jamaican dollars)*

	1982	1983	1984 <sup>a</sup>	Growth rates	
				1983	1984 <sup>a</sup>
Current revenue	1 502.1	1 680.9	2 059.4	11.9	22.5
Customs	109.9	130.5	131.2	18.7	0.5
Excise duties	21.5	22.5	22.6	4.6	0.4
Consumption taxes	385.0	422.4	447.2	9.7	5.9
Income tax	591.6	677.4	735.3	14.5	8.5
Stamp duty	78.4	102.5	151.4	30.7	47.7
Other	315.7	325.4	571.7	3.1	75.7
Special bauxite transactions	-	112.2	-	-	-
Current expenditure	1 473.5	1 910.3	2 742.5	29.6	43.6
Wages, salaries, subsidies and transfers	1 329.8	1 470.0	1 689.2	10.5	14.9
Interest payments	143.7	440.0	1 053.3	206.2	139.4
Savings on current account	28.6	-229.4	-683.1	-	-
Capital revenue	29.3	4.5	11.3	-84.6	151.1
Capital expenditure	877.4	901.5	777.4	2.7	-13.8
Amortization	182.4	295.2	257.4	61.8	-12.8
Other	695.0	606.3	520.0	-12.8	-14.2
Total expenditure	2 350.9	2 811.8	3 519.9	19.6	25.2
Fiscal surplus (+) or deficit (-)	-1 177.2	-1 014.2	-1 449.2	-	-
Financing of deficit	1 305.4	1 108.6	1 222.9	-	-
Foreign	660	543.4	713.0	-	-
Domestic bank	470.2	663.7	99.9	-	-
Domestic non-bank	175.2	-98.5	410.0	-	-
Residual	-128.2	-94.4	226.3	-	-

Source: Bank of Jamaica.

<sup>a</sup>Preliminary figures.

Commercial bank credit to government, personal loans and loans to the distributive sector fell sharply, while credit to the productive sectors kept pace with inflation in manufacturing, and exceeded it significantly in agriculture (see table 15).

**b) Fiscal policy**

The policy objective for 1984 was to reduce the budget deficit by both expanding revenues and curtailing expenditures. Efforts to increase domestic revenue would have been difficult, particularly in the face of a stagnating economy and drastically reduced demand. In fact, the increases which occurred were due mainly to transfers from the Capital Development Fund amounting to J\$ 266 and bauxite barter arrangements. Revenue from other taxes such as stamp duty benefited from an increased tax rate, as did hotel taxes and travel taxes. Those taxes dependent upon import consumption, particularly of luxuries, however, went down as a consequence of reduced consumption of such items. Nevertheless, current revenue recorded an increase of 22% in 1984 (see table 16).

Efforts to contain expenditures were not as successful. Despite politically unpopular measures to reduce wage and salary costs through redundancies in the public sector, the hoped-for effect did not appear in the short run due to the redundancy payments which it was necessary to make. There was in fact a nominal increase of 15% in the growth rate of expenditure under this item. The main cause of the increased recurrent expenditure, however, was an increase of 139% in interest payments and this serves to highlight the extremely difficult task faced by the Government in its efforts to achieve fiscal balance. The deficit on current account therefore widened, although a decrease in capital expenditure contained the growth of the overall fiscal deficit to 42% in nominal terms.

In order to keep within the targets for borrowing from the domestic banking system, the deficit was financed primarily by foreign borrowing.

**c) Domestic prices**

The rate of inflation for the full year, as measured by the consumer price index, was 31.2% when compared with December 1983, while the variation between annual averages was 27.8% (see table 17).

The most obvious cause of inflation was the increased cost of imports and the high import content of domestic production. Other contributory factors were the imposition of high taxes and the

Table 17

**JAMAICA: EVOLUTION OF DOMESTIC PRICES**

	1982	1983	1984
<b>Variation December to December</b>			
<b>Total</b>	<b>6.5</b>	16.7	31.2
Food and drink	7.5	17.3	31.6
Housing	8.7	7.4	47.0
Clothing and accessories	3.4	14.0	16.1
Personal expenses	6.0	22.5	29.9
<b>Variation between annual averages</b>			
<b>Total</b>	<b>6.5</b>	11.3	<b>27.8</b>
Food and drink	6.1	12.0	28.4
Housing	10.1	7.7	32.1
Clothing and accessories	3.4	8.1	16.8
Personal expenses	7.7	16.6	29.0

Source: Jamaica, Department of Statistics.



removal of subsidies. A further factor was defensive reactions, since some producers increased prices even when the proportion of foreign inputs was low, in order to sustain real earnings. Thanks partly to severe controls on domestic demand, however, the rate of inflation was contained reasonably well under the circumstances and was within earlier projections which anticipated a figure of 30-33%.

Food costs increased at the average rate, the biggest increases being in meat, fresh poultry and dairy products. Housing expenses moved faster than average at 47%, due to increased rentals, electricity, telephone and water rates, household furniture and home furnishings.



## MONTSERRAT

### 1. Recent economic trends: Introduction and summary

The Montserrat economy experienced some growth during the year under review. The gross domestic product (GDP) at current prices increased by almost 10% while the consumer price index rose by 6%. Real GDP (at 1977 prices) increased by 5.7% (see table 1).

### 2. Trends in economic activity

#### a) *Evolution of the main sectors*

i) *Agriculture, fisheries, forestry and livestock.* After a decline in 1983, agricultural production increased in 1984 and its contribution to the GDP at constant 1977 prices was EC\$ 15 million:<sup>1</sup> an increase of about 67% over 1983. The contribution of forestry and fisheries was practically the same as in the previous year. Livestock's contribution was EC\$ 0.5 million compared with EC\$ 0.4 million in 1983. During the year, production of certain vegetables increased and it was only necessary to import carrots, tomatoes, cabbage and string beans for brief periods. Exports of fruit and vegetables totalled EC\$ 149 500 compared with EC\$ 51 500 in 1983. However, exports of live plants were valued at EC\$ 208 500, a decline of 35% (see tables 2 and 8).

The operation of the abattoir has facilitated an expansion in the sale of locally produced meat. All of the island's requirements of ground beef were met from local supplies, while an increased proportion of the fresh pork and chicken consumed was produced locally.

A significant development in 1984 was the establishment of beekeeping along commercial lines. The island became entirely self-sufficient in honey and shipments were made to St. Maarten and Antigua.

There was a marked improvement in the marketing of local produce. This improvement can be attributed to programmed production, restricted importation, intensive field monitoring and reporting and availability of export outlets.

ii) *Manufacturing.* The manufacturing sector in Montserrat is quite small and is centered around enclave-type assembly industries producing garments, plastic and polypropylene bags and electronic items. Some of the other main industrial activities are the milling and weaving of Sea Island cotton and the production of concrete blocks, bread, soft drinks and leather. The contribution of this sector to the GDP in 1984, at constant prices, was EC\$ 3.5 million: a fall of about 2%. Domestic exports of the manufacturing sector were valued at EC\$ 3.7 million (at current prices) in 1984, contributing about 91% of total domestic exports (similar to the 1983 figures). The export of woven Sea Island cotton goods, electronic components and garments registered an increase of 64%, while export earnings of polypropylene and plastic bags and leather declined by 42%.

In electronics, the major firm was forced to lay off a substantial portion of its workers in 1984 because of a decline in sales. The garment industry greatly increased its sales during the year, however, as a result of improvement in efficiency and broadening of product lines.

The Montserrat Sea Island Cotton Company faced severe financial and marketing problems. For the financial year 1983-1984 the company incurred an operating loss of EC\$ 374 000. The management has taken several measures to restore the company to a viable entity, including a drastic cutback in production while trying to sell the accumulated finished goods inventory. In addition, the services of a marketing expert have been retained to provide technical support for the company's efforts to market and price its products competitively both within and outside the CARICOM area, and a Consultant has also been hired to broaden the product line, improve the existing lines and introduce new designs and graphics to enable the product to appeal to a wider market.

<sup>1</sup>The East Caribbean dollar is equivalent to 37 U.S. cents or US\$ 1 = EC\$ 2.70.

iii) *Construction and transportation.* Capital formation in this sector was EC\$ 12.7 million in 1984: marginally higher than the EC\$ 12.1 million in the previous year. The major projects undertaken during the year in the public sector were the completion of the second phase of the three-year road improvement scheme, expansion and improvements of the Bethel Clinic, the construction of a fishermen's shed at St. Peter's and preparatory work on the Plymouth port protection project.

The Government-owned air services acquired a new aircraft during the year. The expansion of routes to Guadaloupe, St. Kitts and Nevis by this aircraft will help to boost visitor arrivals from those areas and will also serve to back up the Twin Otter operations from Antigua.

iv) *Tourism.* Total tourist arrivals rose by 12% to 21 100 in 1984. Stopover visitors increased by 1 600 to 15 900 (an increase of 11% over 1983), while cruise ship visitors and air excursionists increased by almost 16% to 5 200. The hotel occupancy rate increased by 31%, while the average length of stay declined from 8.1 nights to 8 nights. Estimated tourist expenditure rose from EC\$ 16.2 million in 1983 to EC\$ 18 million in 1984 (see table 3). Of the stopover visitors, 40% remained in the island for 2 to 7 nights, 19% for 8 to 14 nights and 15% for 1 to 6 months. The largest percentage of visitors came from the United States (42.1%) followed by the CARICOM region, Canada and the United Kingdom with 30.6%, 9.4%, and 7.7% respectively.

Table 1

MONTSERRAT: MAIN ECONOMIC INDICATORS

	1982	1983	1984 <sup>a</sup>
<b>A. Basic economic indicators</b>			
Gross domestic product at market prices (millions of East Caribbean dollars)	71.0	<b>75.3</b>	<b>82.7</b>
Gross domestic product at market prices (millions of East Caribbean dollars at 1977 prices)	38.0	36.2	38.3
Population (number of inhabitants)	11 675	11 733	11 792
Per capita gross domestic product (East Caribbean dollars at 1977 prices)	<b>3 255</b>	3 086	3 246
Annual growth rates			
<b>B. Short-run economic indicators</b>			
Real gross domestic product	-7.4	-4.7	5.7
Per capita gross domestic product	-7.9	-5.2	5.2
Current value of domestic exports of goods	-21.8	55.1	-5.0
Current value of imports of goods	7.6	-2.0	-15.4
Consumer price index			
December to December variation	8.4	7.0	6.1
Variation between annual averages	9.8	4.7	5.5
Money supply	-19.0	13.9	2.7
Rate of unemployment	5.6	7.0	...
Current revenue of government	8.3	5.7	1.4
Total expenditure of government	-2.2	-6.2	3.5
Fiscal deficit as a percentage of total expenditure	...	...	<b>2.3</b>
Millions of EC dollars			
<b>C. External sector</b>			
Trade balance (goods)	-47.9	-41.7	-36.9
Balance on current account	...	-12.6	-23.2
Variation in net international reserves	0.2	-0.5	-0.6
External debt (public debt only)	5.2	5.5	5.8

Source: Statistics Department, Eastern Caribbean Central Bank; The Treasury, Government of Montserrat.

<sup>a</sup>Preliminary figures.

Table 2

## MONTserrat: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of EC dollars at 1977 prices		Percentage breakdown		Current prices	
	1983	1984 <sup>a</sup>	1983	1984	1983	1984
	Total gross domestic product at factor cost	36.2	38.3	100.0	100.0	75.3
Goods	8.3	9.0	22.9	15.0	15.0	16.1
Agriculture, fishing and forestry	0.9	1.5	2.5	3.9	2.5	3.1
Livestock	0.4	0.5	1.1	1.3	0.7	0.9
Mining and quarrying	0.3	0.4	0.8	1.0	0.7	0.9
Manufacturing	3.6	3.5	9.9	9.1	5.3	5.4
Construction	3.1	3.1	8.6	8.2	5.8	5.8
Basic services	4.4	4.7	12.2	12.3	10.3	11.7
Electricity and water	1.2	1.3	3.3	3.4	3.0	3.5
Transport and communication	3.2	3.4	8.9	8.9	7.3	8.2
Other services	23.5	24.6	64.9	64.2	50.0	54.9
Wholesale and retail trade	6.9	7.1	19.1	18.5	13.7	14.7
Hotels and restaurants	1.0	1.4	2.8	3.7	2.8	3.8
Government	5.4	5.8	14.9	15.1	11.1	12.7
Other	10.2	10.3	28.1	26.9	22.4	23.7

Source: Statistics Department, Government of Montserrat.  
<sup>a</sup>Preliminary figures.

Table 3

## MONTserrat: SELECTED TOURISM INDICATORS

	1982	1983	1984 <sup>a</sup>	Growth rates		
				1982	1983	1984
Total visitors <sup>b</sup>	24.9	18.8	21.1	16.4	-24.5	12.2
Stopover visitors <sup>b</sup>	15.0	14.3	15.9	-3.8	-4.7	11.2
Cruise ship visitors <sup>b</sup>	9.1	3.6	4.3	78.4	-60.4	19.4
Air excursionists <sup>b</sup>	0.8	0.9	0.9	14.3	12.5	0.0
Hotel and guest house beds	176.0	176.0	212.0	-4.3	0.0	20.5
Occupancy rate <sup>c</sup>	36.0	35.0	46.0	-25.0	-2.8	31.4
Average length of stay <sup>d</sup>	8.0	8.1	8.0	6.7	1.3	-1.2
Estimated tourist expenditure <sup>e</sup>	15.7	16.2	18.0	7.5	3.2	11.1

Source: Statistics Department, Government of Montserrat.  
<sup>a</sup>Preliminary figures. <sup>b</sup>Thousands. <sup>c</sup>Per cent. <sup>d</sup>Number of nights. <sup>e</sup>Millions of EC\$ at current values.

The hotel capacity increased with the opening of a new 18-room hotel in Plymouth towards the end of the year. The Vue Point Hotel recently embarked on an extension project which will provide, *inter alia*, conference facilities for 100 persons.

v) *Electricity and water*. Installed generating capacity remained at 5 megawatts but production rose by 1.5% and consumption by 3.8% in 1984 over 1983. Per capita consumption in 1984 was 933 kWh compared with 903 kWh in the previous year (see table 4).

The European Investment Bank has approved a loan of approximately EC\$ 2 million for purchase of a new 1.5 megawatt generating set in 1985. The generating set is expected to be commissioned early in 1986 and will replace plant that is due to be retired.

Water sold in 1984 amounted to 1.54 million gallons, compared with 1.51 million gallons in 1983.

In recognition of the important role which water plays in the process of social and economic development, the Government intends to undertake major renovation and development works in the entire supply, storage and distribution systems. The main sources of financing will be grants provided by the Canadian International Development Agency, the European Development Fund and the United Nations Development Programme.

vi) *Unemployment.* Information on the level of unemployment is not yet available, but it is believed that it was higher in 1984 than in 1983, when it amounted to 7% of the labour force.

Table 4

**MONTserrat: INSTALLED CAPACITY, PRODUCTION AND CONSUMPTION OF ELECTRICITY**

Year	Capacity (kWh X 10 <sup>3</sup> )	Production (kWh X 10 <sup>6</sup> )	Consumption (kWh X 10 <sup>6</sup> )	Per capita consumption (kWh)
1978	3.6	10.0	8.6	740
1979	3.6	10.2	8.8	760
1980	3.6	11.7	9.9	860
1981	5.0	12.0	9.9	860
1982	5.0	11.7	9.5	814
1983	5.0	13.0	10.6	903
1984 <sup>a</sup>	5.0	13.2	11.0	933

Source: Statistics Department, Government of Montserrat.

<sup>a</sup>Preliminary figures.

Table 5

**MONTserrat: BALANCE OF VISIBLE TRADE, 1976-1984**

*(Thousands of EC dollars)*

Year	Domestic exports	Re-exports	Total exports	Total imports	Balance of trade	Exports as a percentage of imports
1976	783	339	1 122	20 803	-19 681	5.4
1977	1 099	544	1 643	18 933	-17 290	8.7
1978	1 919	1 792	3 711	26 927	-23 216	13.8
1979	1 489	605	2 094	32 323	-30 229	6.5
1980	1 770	1 431	3 201	44 549	-41 348	7.2
1981	3 511	2 454	5 965	50 999	-45 034	11.7
1982	2 746	4 232	6 978	54 871	-47 893	12.7
1983	4 269	8 061	12 330	53 797	-41 467	22.9
1984 <sup>a</sup>	4 055	4 457	8 512	45 456	-36 944	18.7

Source: Statistics Department, Government of Montserrat.

<sup>a</sup>Preliminary figures.

Table 6

## MONTserrat: IMPORTS OF GOODS

	Millions of EC dollars			Percentage breakdown		Growth rates	
	1982	1983	1984 <sup>a</sup>	1983	1984	1983	1984
<b>Total imports</b>	54.9	53.8	45.5	100.0	100.0	-2.0	-15.4
Food, beverages and tobacco	13.9	14.4	14.0	26.8	30.8	3.6	-2.8
Crude materials	1.6	1.3	0.9	2.4	2.0	-18.7	-30.8
Fuel	5.7	6.4	5.0	11.9	11.0	12.3	-21.9
Manufactured goods	9.6	7.9	7.1	14.7	15.6	-17.7	-10.1
Machinery and transport equipment	12.6	12.3	9.6	22.9	21.1	-2.4	-22.0
Other	11.5	11.5	8.9	21.3	19.5	0.0	-22.6

Source: Statistics Department, Government of Montserrat.

<sup>a</sup>Preliminary figures.

Table 7

## MONTserrat: EXPORTS OF GOODS

	Thousands of EC dollars			Percentage breakdown		Growth rates	
	1982	1983	1984 <sup>a</sup>	1983	1984	1983	1984
<b>Total domestic exports</b>	2 746	4 269	4 055	100.0	100.0	55.1	-5.0
Food, beverages and tobacco	107	84	160	2.0	3.9	-21.5	90.5
Crude materials	407	323	209	7.6	5.2	-20.6	-35.3
Manufactured goods	167	144	102	3.4	2.5	-13.8	-29.2
Machinery	238	1 090	1 585	25.5	39.1	358.0	45.4
Miscellaneous manufactured goods	1 827	2 628	1 999	61.5	49.3	43.8	-23.9

Source: Statistics Department, Government of Montserrat.

<sup>a</sup>Preliminary figures.

## 3. The external sector

The value of imports continued to decline, reaching EC\$ 45.5 million in 1984: a reduction of 15.5% from the previous year. The four main categories of imports: food, beverages and tobacco; machinery and transport equipment; manufactured goods, and fuel, accounted for 78% of the value of merchandise imports in 1984, compared to 76% in 1983. Some of the decline in imports was due to exchange rate factors. One of the reasons for the decrease in the importation of machinery and transport equipment was the fact that the Public Works Department did not import as much in this category as in 1983, when a substantial part of its transport equipment was renewed. Consumers spent less on manufactured goods, but on account of the drought more food had to be imported. Data are not yet **available** on the origin of imports in 1984 (see tables 5 and 6).

After an increase of 55% in 1983, the value of domestic exports declined by 5% in 1984. Increases were recorded for electronic components (which are exported to the United States), garments, hot pepper, pepper paste, fruit and vegetables and Sea Island cotton goods. Exports of

polypropylene and plastic bags, live plants and leather declined (see table 8). Domestic exports to the CARICOM area were almost 54% of total domestic exports. Of these CARICOM exports, 30% went to the OECS (Organization of Eastern Caribbean States) countries and 21% to Trinidad and Tobago. Domestic exports to the United States and the United Kingdom came to 39% and 5% respectively. Domestic exports to the CARICOM MDC's (More Developed Countries) fell from 36% in 1983 to 23% in 1984. This decline was mainly due to the economic problems of Jamaica and Guyana and the licensing restrictions in force in Trinidad and Tobago. Re-exports fell from EC\$ 8.1 million in 1983 to EC\$ 4.5 million in 1984 (see tables 7 and 8).

Exports of goods and non-factor services declined from EC\$ 28.9 million in 1983 to EC\$ 27 million in 1984, while imports of goods and non-factor services increased from EC\$ 59.4 million to EC\$ 69.1 million, thus widening the trade deficit. Of the exports of goods and non-factor services, goods accounted for 31% (of which domestic exports accounted for 15%) and the remainder were re-exports. Domestic exports were made up almost entirely (approximately 91%) of manufactured items. Imports of goods accounted for 66% of the imports of goods and non-factor services. The decline in imports of goods was due to reductions in all categories (see tables 6, 7 and 9).

Table 8

**MONTserrat: MAIN DOMESTIC EXPORTS**

	Thousands of EC dollars			Growth rates	
	1982	1983	1984 <sup>a</sup>	1983	1984
Total domestic <b>export</b>	2 746	4 269	4 055	55.5	-5.0
Lime and lime juice	12	12	14	0.0	16.7
Hot peppers and pepper paste	42	38	48	-9.5	26.3
Fruits and vegetables	11	1	88	-90.9	0.0
Rum punch	21	32	4	52.4	-87.5
Live plants	388	319	209	-17.8	-34.5
Leather	118	85	35	-28.0	-58.8
Sea Island cotton goods	0	27	53	100.0	96.0
Electronics components	238	1 090	1 585	358.0	45.4
Garments	371	227	571	-38.8	151.5
Polypropylene and plastic bags	1 434	2 391	1 395	165.7	-41.7
Other	111	47	53	-57.7	12.8

Source: Statistics Department, Government of Montserrat.

<sup>a</sup>Preliminary figures.

Table 9

**MONTserrat: BALANCE OF PAYMENTS - CURRENT ACCOUNT**

(Millions of EC dollars)

	1983	1984 <sup>a</sup>
Exports of goods and non-factor services	28.9	27.0
Imports of goods and non-factor services	59.4	69.1
Trade balance	-30.5	-42.1
Net factor service payments	-0.5	-0.5
Transfer (net)	18.4	19.4
Current account balance	-12.6	-23.2

Source: Eastern Caribbean Central Bank, *Economic and Finance Review*, December 1984.

<sup>a</sup>Preliminary figures.



Table 10

**MONTserrat: EVOLUTION OF DOMESTIC PRICES**

	Variation between annual averages			Variation December to December	
	1982	1983	1984	1983	1984
<b>Consumer price index</b>	9.8	4.7	5.5	7.0	6.1
Food and beverages	4.9	0.2	7.2	6.9	8.3
Alcohol, beverages and tobacco	5.8	4.5	5.3	9.6	1.3
Rent	0.0	6.9	7.6	13.9	1.0
Gas, electricity and water	20.9	3.3	1.8	2.1	-1.9
Clothing and footwear	15.9	13.0	0.7	9.2	...
Household goods	16.0	8.1	5.3	5.1	6.7
Other, including services	6.9	3.5	7.4	5.1	8.9

Source: Statistics Department, Government of Montserrat.

Table 11

**MONTserrat: MONETARY BALANCE**

	Thousands of EC dollars			Growth rates	
	1982	1983	1984 <sup>a</sup>	1983	1984
<b>Money (M<sub>1</sub>)</b>	11 722	13 347	13 711	13.9	2.7
Currency outside banks	3 596	3 545	3 534	-1.4	-0.3
Demand deposits	8 126	9 802	10 177	20.6	3.8
<b>Factors of expansion</b>					
Net international reserves	48	524	1 077	991.7	105.5
Domestic credit	30 984	30 759	32 605	0.7	6.0
Government and public utilities	4 071	3 253	4 538	-20.1	39.5
Private sector	26 913	27 506	28 067	-22.0	20.4
<b>Factors of absorption</b>					
Quasi-money	26 548	26 736	28 368	0.7	6.1

Source: East Caribbean Central Bank

<sup>a</sup>Preliminary figures.

## 4. Prices and wages

The annual rate of inflation, as measured by the consumer price index, continued to decline. The December to December increase in retail prices was 6.1 % in 1984 compared with increases of 8.4% and 7% in 1982 and 1983 respectively (see table 10).

Government workers received a 5.4% increase in salaries and wages in 1984. It is expected that wage increases in the private sector will be approximately of the same magnitude as the increase given by the public sector.

Table 12

## MONTSERRAT: GOVERNMENT INCOME AND EXPENDITURE

	Millions of EC dollars at current prices			Growth rates		
	1982	1983	1984 <sup>a</sup>	1982	1983	1984 <sup>a</sup>
1. Current revenue	20.9	<b>22.1</b>	22.4	8.3	5.7	1.4
Tax revenue	15.6	17.4	18.7	11.4	11.5	7.5
Direct	6.5	8.0	8.6	20.4	23.1	7.5
Indirect	9.1	9.4	10.1	5.8	3.3	7.4
Other current revenue	5.3	4.7	3.7	0.0	-11.3	-21.3
2. Current expenditure	20.3	<b>21.8</b>	22.4	10.3	7.4	<b>2.8</b>
3. Savings on current account (1-2)	0.6	0.3	0.0	-33.3	-50.0	-100.0
4. Capital income	7.1	3.7	3.5	-27.6	-47.9	<b>-5.4</b>
Grants	6.9	3.6	3.4	19.0	-47.8	<b>-5.6</b>
Loans	0.2	0.1	0.1	-95.0	-50.0	0.0
5. Capital expenditure	7.0	3.8	4.1	-26.3	-45.7	<b>7.9</b>
6. Total income (1+4)	28.0	25.8	25.9	-3.8	-7.9	<b>0.0</b>
7. Total expenditure (2 + 5)	27.3	25.6	26.5	-2.2	-6.2	<b>3.5</b>
8. Government surplus/deficit (6 - 7)	0.7	0.2	-0.6	-41.7	-71.4	<b>-200.0</b>

Source: The Treasury, Government of Montserrat.

<sup>a</sup>Preliminary figures.

## 5. Monetary and fiscal policy

a) *Monetary policy*

The money supply grew by 2.7 % in 1984. Since government external borrowing is very limited, the international reserve holdings consist mainly of the net foreign assets held by the commercial banks, which stood at EC\$ 1.1 million in 1984 compared with EC\$ 0.5 million in the previous year. Total domestic credit in 1984 was EC\$ 32.6 million (an increase of 6% over 1983), with the private sector accounting for about 86% of this (see table 11).

At the end of 1984, personal loans and advances amounted to EC\$ 16.3 million, of which loans for house and land purchase accounted for EC\$ 11.8 million or about 73%. Loans to Government and public utilities were EC\$ 4.5 million, to the distributive trades EC\$ 5.2 million, tourism, entertainment and catering EC\$ 1.1 million, and to manufacturing approximately EC\$ 1 million.

Demand deposits increased by 4% to EC\$ 10.2 million, time deposits by 20% to EC\$ 6.9 million and savings deposits by 2% to EC\$ 21.6 million. Deposits held by individuals increased by EC\$ 1.5 million to EC\$ 21.6 million, while those held by business firms increased by 17% to EC\$ 5.1 million and deposits held by non-residents rose from EC\$ 8.4 million in 1983 to EC\$ 9 million. The lower rate of increase of deposits resulted in an increase in the ratio of loans to deposits from 82% to 85%.

During 1984, the prime lending rate ranged from 6% to 10%, while the range for other lending rates was from 6% to 16%.

b) *Fiscal policy*

Current revenue was EC\$ 22.4 million (an increase of 1.4% over the previous year), while current expenditure grew by 2.8% to EC\$ 22.4 million. Capital expenditure was EC\$ 4.1 million compared with EC\$ 3.8 in 1983. Capital income declined from EC\$ 3.7 million in 1983 to EC\$ 3.5 million in 1984. The majority of capital income was derived from grants from the United Kingdom and to a lesser extent from Canada, the United States and the European Development Fund.

The projected revenue of EC\$ 23.7 million for 1984 was not achieved, mainly because the declining value of imports adversely affected the Customs Department collections, and there was thus an overall deficit of EC\$ 0.6 million in 1984, compared with surpluses of EC\$0.7 million and EC\$ 0.2 million in 1982 and 1983 respectively (see table 12).

## NETHERLANDS ANTILLES

### 1. Recent economic trends: Introduction and summary

The Netherlands Antilles comprises six islands physically separated into two groups: the Leewards, consisting of Aruba, Bonaire and **Curaçao**, and the Windwards, six hundred miles to the north-east, comprising St. Maarten, St. Eustatius and Saba. Of the six, two islands —**Curaçao**, the site of the capital, and Aruba, with populations of 161 000 and 63 000 **respectively**— account for over 90% of the total population.

While legally and administratively a unified State, conceptually the islands may be considered as six small economies. The fact of their significant geographic separation has resulted in each island's having its own harbour, airport, electricity plant, and other major elements of infrastructure. The small size of the domestic markets has also precluded the establishment of any substantial number of domestically-oriented industrial enterprises.

Although no recent national accounts data are available, there are signs that the rate of economic growth has been declining over recent years (see table 1). The recession in the world economy and the downward trend in oil production and consumption, as well as changes in the petroleum policy of major consumer countries, have brought sharply into focus the vulnerability of the economy to events in the rest of the world. However, the country's per capita gross national product (GNP) is one of the highest in the Caribbean.

The Netherlands Antilles depends to a great extent for its economic viability on oil refining and tourism. Petroleum refining has been of paramount importance since World War I. The two refineries, one in Aruba and the other on **Curaçao**, have processed crude oil for export to the United States and account for a significant proportion of the gross domestic product (GDP). Refining has declined since 1973, partly because of the change in United States policy that resulted in increased protection for refineries in the United States and the United States Virgin Islands, and partly because of a general reduction in consumption in that market. Production has shown a downward trend since 1973.

The output of the refinery in Aruba, from which the island derives half its income has been decreasing in recent years, and by the end of 1984 a decision was reached to cease operations completely. A similar fate appears to await the refinery in **Curaçao**.

Apart from oil refining, the manufacturing sector is still at an early stage of development. Its major activity is ship repair, which by its very nature is externally oriented. A variety of vessels, including oil tankers and ore carriers, are repaired in the dry dock, but it has become apparent that ship-repair activity will probably decline, adding to the unemployment problem.

Transshipment activities continued to stagnate in 1984, as a result of petroleum developments in the United States and the reduced use of large oil tankers. The ship-repair industry remains in jeopardy in the depressed shipping market and continues to lose money despite considerable efforts to reduce overmanning and improve productivity. Traffic through the **Curaçao** harbour has declined significantly due to a combination of the reasons adumbrated above, and so have earnings from shiphandling.

In addition to the above activities is a substantial offshore banking sector, the main importance of which lies in its contribution to tax and foreign exchange receipts. Companies operating as financial subsidiaries or investment firms, banking, shipping and trading institutions, and holders of real estate and patents comprise the main elements of the offshore activity.

Confidence in the future of the offshore banking sector, which performed well in 1984, was seriously shaken by a decision of the United States to abolish withholding taxes on income from foreign investment. This means removing the incentive for a large part of the offshore business transacted in the Netherlands Antilles. While the impact of this decision will be delayed it will nevertheless cause a serious reduction in future revenues to the island government of **Curaçao**.

Tourism has grown rapidly since the 1960s and is now the largest provider of employment after the government sector, while it is second only to oil refining as an earner of foreign exchange. It is a diversified sector, with the various islands offering different attractions and drawing tourists from varying sources.

Tourism showed a mixed performance in 1984, with strong and sustained growth in St. Maarten, continued recovery in Aruba, though at a slowing pace, and no evidence yet that Curaçao has been able to adjust to changing patterns in the market.

Not surprisingly, the cumulative effect of these developments on the balance of payments has been negative, a reduction in imports having failed to compensate for the drop in earnings and an increase in capital outflows. This tendency has been exacerbated by expanding government expenditure in face of decreasing revenue.

Unemployment has increased in 1984, since the weak reactivation in the tourist sector has not been sufficient to offset declining performance elsewhere.

At the end of 1984, therefore, the Antilles face a problem of adjustment. Over the short term, emphasis will need to be placed on adjusting government expenditure to diminishing revenue and re-establishing external balance. In the medium to longer run, there is a need to restructure and improve the productivity of those activities having future potential while identifying new ones to replace declining industries and to provide productive employment for those persons not currently or efficiently employed.

## 2. Trends in economic activity

### a) Evolution of the main sectors

i) *Tourism.* Tourism is an important activity for all four major islands of the Netherlands Antilles. While it is the sole significant source of income and employment in St. Maarten and Bonaire (see table 2), it has been supplemented by other activities in Curaçao and Aruba. Indications for the future are, however, that tourism will be required to bear the major responsibility for the economic survival of both these islands as well.

Table 1

### NETHERLANDS ANTILLES: MAIN ECONOMIC INDICATORS

	1981	1982	1983	1984
<b>A. Basic economic indicators</b>				
Gross domestic product at market prices	...	...	...	...
Population (thousands)	232	234	236	237
Per capita gross domestic product	...	...	...	...
	Growth rates			
<b>B. Short-term economic indicators</b>				
Current value of exports of goods	-2.6	-11.6	12.5	...
Current value of imports of goods	-3.0	-12.4	-10.1	...
Consumer price index				
December to December	8.6	4.7	2.2	1.8
Variation between annual averages	12.2	7.6	1.5	2.4
Money supply	18.1	14.0	5.1	2.0
	Millions of NAf			
<b>C. External sector</b>				
Trade balance (merchandise)	-1 333.4	-1 088.0	-1 407.0	-1 256.0
Balance on current account	90.4	467.0	-80.0	-59.0
Balance on capital account	-7.9	-451.7	-11.0	-46.0
Variation in net international reserves (- sign indicates an increase)	-96.1	-90.8	47.2	70.0
Total international reserves (minus sold)	300.9	391.6	344.4	274.4

Source: ECLAC, on the basis of official data.

Table 2

## NETHERLANDS ANTILLES: SELECTED TOURISM STATISTICS

	1981	1982	1983	1984 <sup>a</sup>	Growth rates		
					1982	1983	1984 <sup>a</sup>
Stopover visitor <sup>b</sup>	603.9	635.9	589.7	687.0	5.3	-7.3	16.5
Aruba	221.3	220.2	195.2	210.8	-0.5	-11.4	8.0
<b>Curaçao</b>	176.3	174.4	111.0	130.0	4.9	-36.3	17.1
Bonaire	25.9	28.0	20.2	26.8	8.1	-27.8	32.7
St. Maarten	190.5	213.3	263.3	319.9	12.3	23.4	21.5
Cruise-ship visitor <sup>b</sup>	293.1	266.2	216.5	...	-10.1	-18.7	...
Aruba	54.7	51.1	39.1	30.1	-6.6	23.5	-23.0
<b>Curaçao</b>	128.4	110.0	104.1	121.0	-14.3	-5.4	16.3
Bonaire	12.0	6.8	0.3	2.93	-43.3	-95.6	...
St. Maarten	106.0	98.3	73.0	...	-7.3	-25.7	...
Cruise-ship calls							
Aruba	79.0	84.0	63.0	51.0	6.3	-25.0	-19.0
<b>Curaçao</b>	195.0	183.0	170.0	182.0	-6.1	-7.1	7.0
Bonaire	23.0	10.0	1.0	4.0	-56.5	-90.0	300.0
St. Maarten	148.0	153.0	181.0	122.0	3.4	18.3	-32.6
Average length of stay <sup>c</sup>							
Aruba	6.2	6.2	6.4	6.6	...	...	...
<b>Curaçao</b>	4.2	4.5	...	4.4	...	...	...
Bonaire	4.6	4.5	5.4	4.2	...	...	...
St. Maarten	...	...	...	...	...	...	...
Hotel occupancy rate <sup>d</sup>							
Aruba	86.2	77.2	74.1	79.8	...	...	...
<b>Curaçao</b>	72.5	64.9	47.5	51.3	...	...	...
Bonaire	...	...	...	...	...	...	...
St. Maarten	58.2	48.4	63.7	...	...	...	...
Estimated tourist expenditure <sup>e</sup>	667.7	617.9	383.4	381.5	-7.5	-38.0	-0.5

Source: Central Bank *Quarterly Bulletin*, Vol.4, 1984, Central Government of the Netherlands Antilles, and data supplied to ECLAC.

<sup>a</sup>Provisional figures.   <sup>b</sup>Thousands.   <sup>c</sup>Nights.   <sup>d</sup>Percentages   <sup>e</sup>Contribution to balance of payments (millions of NAf) measured on a cash flow basis.

In Aruba, tourism seems poised to shoulder a portion of this burden since it has managed to adjust fairly quickly to the decline in visitor arrivals from Venezuela. In **Curaçao**, where tourism had been oriented more strongly towards shoppers, the adjustment has not been as effective. Accordingly, stopover arrivals are now only 5 % below the previous peak year ( 1981 ) in Aruba, but still 30% below the previous peak year (1980) in **Curaçao**. Moreover, hotel facilities in **Curaçao**, which are government-owned, are in need of upgrading and require heavy subsidizing by the island government as they are now unprofitable. As government revenue falls, subsidies will become more difficult to obtain. The immediate prospect for tourism in **Curaçao** to take over as a growth area is not good without considerable reinvestment.

In general, the decline in tourist arrivals witnessed in 1983 has been arrested, since the total number of stopover visitors to the Antilles as a whole increased by 16% in relation to 1983. This increase in arrivals has been obtained, however, at the expense of net tourist earnings, which are estimated to have declined. Performance has been uneven over the various islands, tourist expenditure inflows declining by 50% in Bonaire, despite increased arrivals, and by 11 % in **Curaçao**. St. Maarten continues to record solid **improvements**, the number of stopover tourists rising by 21 %, though tourist expenditure has increased at a slower rate. In Aruba, inflows have remained constant.

The origin of visitors continues to change (see table 3). Visitor arrivals from Venezuela have maintained their downward trend, falling from 28% of all stopovers in 1982 to less than 8% in 1984, although the number of visitors from other parts of Latin America and the Caribbean has increased. Despite an unfavourable movement in the exchange rate, arrivals from Europe and the rest of the world have remained fairly constant. As in the case of other Caribbean destinations the share of tourists from the United States is still increasing, and now accounts for 60% of stopovers as compared to 44% in 1982.

Data on cruiseship visitors are not complete. Provisional indications are that all islands continue to suffer a decline in this respect, and cruiseship visitor expenditure is also expected to have decreased.

ii) *Oil refining.* An estimate of the economic contribution of the oil refining industry in Aruba and Curaçao is set out in tables 4 and 5.

As the world market for petroleum has adjusted to the upheavals of the 1970s, entrepot refineries have declined in importance. The impact of this decline will be particularly severe, since refining has been the mainstay of the economic structure of Curaçao and Aruba. In October 1984 Exxon stated that Lago would cease operations at the end of 1984. In the same month Shell

Table 3

NETHERLANDS ANTILLES: STOPOVER TOURISTS, BY PLACE OF ORIGIN

	Number of tourists			Growth rates	
	1982	1983	1984	1983	1984
United States	280 981	349 878	416 389	24.5	19.0
Venezuela	177 963	58 594	53 712	-67.1	-8.4
Other Latin American and Caribbean countries	93 201	98 599	123 754	5.8	25.5
Netherlands	18 206	18 123	18 566	-0.5	2.4
Other EEC countries	33 419	33 820	36 624	1.2	8.3
Rest of world	32 217	30 657	37 960	-4.8	23.8
Total	635 987	589 671	687 005	-7.3	16.5

Source: EC LAC, on the basis of official data.

Table 4

NETHERLANDS ANTILLES: CONTRIBUTION OF  
OIL REFINERIES TO ARUBA AND CURAÇAO

	Shell (Curaçao) 1983	Lago (Aruba) 1984
Direct employment	2 400.0	1 200.0
Indirect employment	8 300.0	4 650.0
Total employment as percentage of total island labour force	17.0	21.0
Estimated value added as a percentage of gross national product	25.0	39.0
Direct tax revenue (millions of NAf)	65.0	70.0
Total tax revenue (millions of NAf)	137.0	110.0
Direct tax revenue as a percentage of island income	10.0	35.0
Total tax revenue as a percentage of island income	22.0	55.0

Source: ECLAC, on the basis of official estimates.

Table 5

## NETHERLANDS ANTILLES: SELECTED PETROLEUM REFINING INDICATORS

	1980	1981	1982	1983	1984
Foreign exchange earnings from refineries (millions of NAf)	298.4	263.2	513.4	444.2	306.7
Production index (1975 = 100)	91.0	88.0	78.0	76.0	72.0

Source: Central Bank of the Netherlands Antilles.

Table 6

## NETHERLANDS ANTILLES: OFFSHORE FINANCIAL SERVICES

	1980	1981	1982	1983	1984
Number of companies registered	24 335.0	28 455.0	31 814.0	33 919.0	35 795
Tax revenue"	100.5	137.0	220.4	300.0	320.0
Operational expenditure"	141.4	188.8	193.2	219.3	211.9
Total assets/liabilities"	8 565.4	13 523.3	15 321.0	14 018.0	...

Source: Central Bank of the Netherlands Antilles.

"Millions of NAf.

announced conditions which would be necessary for it to continue operating. These included majority participation by the government, reduced costs of operation and increased output.

Whatever policy decisions are made by government, the long-term viability of the Shell Curaçao refinery is in jeopardy. With the nationalization of the Shell oilfields in Venezuela and a more independent petroleum policy in the United States, the Curaçao refinery has lost its strategic position for Shell as a crucial link between the source of crude oil in Venezuela and the major markets in the United States. It is therefore dependent upon Venezuelan policy regarding quantity and price, since it is designed for Venezuelan crude oil. It must now compete in an uncertain local market and sells most of its declining output in the Caribbean, whereas previously it sold approximately 75% of its output to the United States. The relative inefficiency of the refinery puts it at a further disadvantage in an industry suffering from overcapacity, and it has therefore been losing money. While efforts continue to be made to reduce overmanning, losses are expected to increase in 1985 and the future prospects of the industry as a whole are bleak. It is safe therefore to assume that the Antilles will need to find alternative ways to compensate for the decline of the petroleum refining sector.

iii) *Offshore financial sector.* Table 6 illustrates the continued growth of the offshore financial sector in 1984. Tax revenue, the bulk of which goes to the island government of Curaçao, rose by NAf 20 million, reaching NAf 320 million. Foreign exchange inflows to finance the operating expenses of trust companies and related activities went down slightly, from NAf 219 million to NAf 212 million. These inflows pay the wages and salaries of the persons—estimated at 1 200—directly employed by the sector, which is also estimated to employ an equal number of persons indirectly.

The future of the industry is now, however, in grave doubt. In July 1984 the withholding tax, which provided the rationale for the offshore financial sector, was abolished in the United States. The primary reason inducing United States businesses to maintain separate financing institutions in Curaçao has therefore gone. Unless the sector can adjust to satisfy new needs for international finance, the considerable benefits currently accruing to Curaçao will dwindle and disappear between 1986-1990.

iv) *Transport.* The net foreign exchange earnings of the transport sector increased by 12% in 1984 (see table 7). As many activities under this heading are indirectly derived from petroleum, however, they reflect the difficulties being experienced by that sector.

Earnings from ship-handling have diminished steadily since 1980, and fell by a further 88% in 1984. They are now insignificant, inasmuch as the traffic passing through Curaçao harbour, mainly large oil tankers, is greatly reduced.

Ship-repair and maintenance has in the past been a major source of income and employment for Curaçao, having brought in NAf 103 million in 1980. Earnings from this activity have declined steadily since that year, falling by a further 14% in 1984.

The Curaçao shipyards are ideally located to take advantage of traffic between the North Atlantic and South America as well as petroleum tankers moving to local and United States refineries. The smaller trade flows to South America, the changed patterns of the petroleum trade and the reduced activities of the local refineries have all impacted adversely upon the traffic seeking shipyard facilities in Curaçao. Added to this is the fact that new and more efficient competitors have emerged in the Caribbean basin. In Mexico, and the United States shipyards whose domestic business has slackened are competing more strongly in the international shipping market.

The continually appreciating currency as well as relatively unproductive labour have further eroded the competitiveness of the shipyards, which were threatened with closure until purchased and subsequently subsidized by the Curaçao island government. Since that time, the work force has been reduced by 25 % and some progress has been made in stepping up performance. The subsidy required for 1984 was 30% less than for the preceding year. At existing manning levels, the number of man/hours of work completed in 1984 was nevertheless 12% below break-even point, and further redundancies and wage reductions may be necessary before this is reached.

Earnings from storage and transshipment of petroleum have increased marginally after recording decreases for the past three years. Fees are derived from the transshipment of crude from large tankers, mainly transporting Middle East crude to small tankers for distribution. Currently large tankers are able to service Gulf ports of the United States directly and so the future prospects for a major increase in this activity are not good.

### 3. The external sector

Because of the extreme openness of the economy of the Netherlands Antilles as well as limitations in respect of other data, the balance of payments provides a convenient framework within which to analyse the external sector of the Antilles economy as a whole (see table 8).

On the basis of measurement of cash flows, the deficit on merchandise trade, excluding imports and exports of petroleum products, was almost 10% lower than in the previous year, thanks to an increase in exports and a decrease in imports (see tables 9 and 10).

While the data are incomplete, a breakdown of all imports and exports for the first three quarters of 1984 shows, however, an increase in the deficit of 143%. This reflects mainly the poor performance of the petroleum sector, in which imports declined in value by 12.5%, while exports contracted by 17% —a pointer to the industry's earnings. In general, the value of imports and exports

Table 7

#### NETHERLANDS ANTILLES: NET EARNINGS FROM SELECTED TRANSPORT SERVICES

	Millions of NAf						Growth rates	
	1979	1980	1981	1982	1983	1984	1983	1984
Ship handling	49.5	58.4	57.1	13.1	5.1	0.6	-61.0	-88.2
Storage fees	191.0	174.8	183.9	108.2	88.2	89.9	-18.5	1.9
Maintenance	68.5	103.0	88.6	81.8	40.8	35.0	-50.1	-14.2
Passenger fares	15.4	15.7	18.5	32.9	39.8	38.4	21.0	-3.5
Other	76.2	28.0	-39.5	-12.6	10.4	42.9	...	312.5
Total	340.6	379.9	308.6	223.4	184.3	206.8	-17.5	12.2

Source: Central Bank *Quarterly Bulletin*, Vol. 4, 1984



Table 8

## NETHERLANDS ANTILLES: BALANCE OF PAYMENTS - CASH FLOW BASIS

*(Millions of NAf)*

	1982	1983	1983 <sup>a</sup>	1984 <sup>a</sup>
Oil exports	9 160.6	8 088.3	...	...
Oil imports	8 539.3	7 680.2	...	...
Net	621.3	408.1	...	...
Non-oil exports	214.4	118.9	93.4	134.4
Non-oil imports	1 827.5	1 639.7	1 500.0	1 403.2
Net	-1 613.1	-1 520.8	-1 406.6	-1 268.8
Trade balance	-991.8	-1 112.7	...	...
Transport	632.6	464.5	184.3	206.8
Bunkerage	357.8	297.4	...	...
Storage fees	111.7	73.3	...	...
Other	163.1	93.8	...	...
Tourism	634.6	376.9	383.4	381.5
Investment income	-220.8	-118.8	15.9	-0.4
Government n.i.e.	240.2	335.7	318.5	341.6
Private transfer payments	-78.9	-80.3	-134.5	-139.4
Other services	100.1	52.3	113.2	112.9
Services balance	1 307.8	1 030.3	902.1	903.0
Unrequited transfer payments	-22.3	-26.4	...	...
Private	-64.7	-77.8	...	...
Government	42.4	51.4	...	...
Balance on current account	293.7	-108.8	...	...
Private capital	-244.8	-35.8	-123.0	-139.2
Securities	-40.9	-22.6	-123.0	-139.2
Real estate	0.5	-2.4	...	...
Loans	-6.8	9.1	...	...
Commercial banks foreign borrowing	-10.9	-7.2	...	...
Short-term capital	-186.4	-12.7	...	...
Government capital	19.4	34.1	112.4	93.0
Loans	26.4	25.5	...	...
Other	-7.0	8.6	...	...
Balance on capital account	-225.4	-1.7	10.6	-46.2
Errors and omissions	18.4	63.3	45.0	35.3
Changes in international reserves <sup>b</sup>	-90.8	47.2	47.2	70.0
Total funded debt <sup>c</sup>	713.4	740.5	740.5	780.8

Source: Central Bank of the Netherlands Antilles.

<sup>a</sup>Based on a summary of external cash flows.<sup>b</sup>Minus sign indicates an increase.<sup>c</sup>To the Netherlands Government, incurred by Antillean Central and Island Governments in millions of Netherlands Guilders.

fell by 12% and 17%, respectively, reflecting the widespread slackening of economic activity, both in consumption and in investment, since the value of machinery and transport equipment imported also fell by 36%.

The services balance recorded no appreciable change in relation to 1983. Net tourism earnings fell slightly, while earnings from transport services as a whole grew by 12%. On the other hand, a marked change did take place in the flow of investment income, which showed an outflow of 0.4 million NAf for 1984, as compared with an inflow of NAf 16 million for the preceding year.

The deficit on capital account increased significantly in 1984, owing mainly to repayment of loans and a rise in the purchase of foreign securities. The latter activity has been motivated by the current favourable exchange rate,<sup>1</sup> high interest rates abroad, and limited and uncertain investment prospects at home. Government capital inflows shrank by 17%, mainly as a result of reduced project assistance from the Netherlands.

<sup>1</sup>The currency of the Netherlands Antilles is the guilder (NAf), and the rate of exchange in 1984 was NAf 1.80 per U.S. dollar.

In consequence of these developments a balance-of-payments deficit was recorded for the second year in succession.

The total external debt increased by a modest 5%, and international reserves (excluding gold) were reduced, now standing at NAf 274.4 million. Of this amount, NAf 62.8 million constitute the foreign assets of the commercial banks, which is a figure 28% higher than in 1983.

#### 4. Prices and wages

##### a) Prices

Table 11 shows that price increases in 1984 were moderate, averaging 2.4% over the previous year. This, nevertheless, represents a greater annual average variation than in the year before. The biggest increases were recorded for beverages and tobacco and for transport, all reflecting the rise in tax rates for these items.

Table 9

#### NETHERLANDS ANTILLES: ARUBA, BONAIRE AND CURAÇAO: IMPORTS BY SITC SECTIONS

SITC sections	Millions of NAf			Growth rates
	1983	1983 <sup>o</sup>	1984 <sup>o</sup>	1984 <sup>o</sup>
Food	280.0	208.3	197.8	-5.0
Beverages and tobacco	32.4	22.4	20.9	-6.7
Crude materials, inedible	11.6	8.6	10.0	16.3
Petroleum products	6 901.2	5 356.3	4 694.8	-12.5
Animal and vegetable oils and fats	3.9	2.7	3.4	26.0
Chemical products	146.7	88.3	136.6	54.7
Manufactured goods	212.0	157.8	125.5	-20.5
Machinery and transport equipment	343.8	275.1	175.7	-36.1
Miscellaneous and other articles	216.8	158.1	133.2	-15.7
<b>Total</b>	<b>8 148.3</b>	<b>6 286.7</b>	<b>5 498.1</b>	<b>-12.5</b>

Source: Bureau of Statistics, Curaçao.

<sup>o</sup> Figures relate to January-September.

Table 10

#### NETHERLANDS ANTILLES: ARUBA, BONAIRE AND CURAÇAO: EXPORTS BY SITC SECTIONS

SITC sections	Millions of NAf			Growth rates
	1983	1983 <sup>o</sup>	1984 <sup>o</sup>	1984 <sup>o</sup>
Food	181.0	5.1	7.1	39.2
Beverages and tobacco	12.8	-	-	-
Crude materials, inedible	29.3	7.0	18.4	162.8
Petroleum products	7 310.7	6 038.5	5 019.7	-16.9
Animal and vegetable oils and fats	3.4	-	-	-
Chemical products	81.0	45.4	41.2	-9.2
Manufactured goods	132.1	3.2	3.2	0.0
Machinery and transport equipment	220.5	17.1	9.2	-46.2
Miscellaneous and other articles	144.2	7.8	4.1	-47.4
<b>Total</b>	<b>8 115.3</b>	<b>6 124.2</b>	<b>5 103.2</b>	<b>-16.7</b>

Source: Bureau of Statistics, Curaçao.

<sup>o</sup> Figures relate to January-September.

Table 11

## NETHERLANDS ANTILLES: EVOLUTION OF CONSUMER PRICE INDEX

*(Aruba, Bonaire and Curaçao)*

	1983	1984
Percentage variation December to December		
Total-all items	2.2	1.8
Food	0.9	1.9
Beverages and tobacco	2.2	6.1
Clothing and footwear	2.5	-3.1
Housing	1.3	3.0
Household supplies	1.9	0.8
Medical care	6.2	2.8
Transport and communications	4.7	2.3
Recreation and education	0.4	2.7
Other	2.3	1.5
Variation between annual averages		
Total-all items	1.4	2.4
Food	0.5	2.6
Beverages and tobacco	1.0	5.8
Clothing and footwear	3.4	-4.4
Housing	1.1	2.4
Household supplies	1.2	1.6
Medical care	5.5	2.9
Transport and communications	2.1	4.3
Recreation and education	0.5	2.6
Other	1.6	2.3

Source: Bureau of Statistics, Curaçao.

b) *Wages and employment*

i) *Aruba*. The enterprise survey conducted by the Interdepartmental Working Group of the Netherlands Antilles estimates that the unemployment rate went up to approximately 13% in 1984, as compared with 9.6% in 1981. Nominal wages rose by 14% in the same period, with larger increases for construction workers.

On the whole, the upward movement of wages outstripped the inflation rate and wage moderation is of crucial importance if unemployment is not to continue to rise.

The distribution of wages shows that 40% of workers earned less than NAf 20 000 per annum, 31% between NAf 20 000 and NAf 30 000 and 29% over NAf 30 000.

ii) *Curaçao*. For *Curaçao*, the survey estimates that the rate of unemployment moved from 18% to 27%, between 1981 and 1984. Real wages are estimated to have risen by 8% in that time, with above-average increases being recorded in the non-industrial sector (40% of which is accounted for by government workers).

The distribution of wages shows that 35% of all workers earn less than NAf 20 000 per annum, 21% between NAf 20 000 to NAf 30 000 and 44% over NAf 40 000.

Towards the end of 1984, with the announcement that the Lago refinery would close, and the statement of the Shell conditions for continued operation, perceptions of the future by both management and workers changed drastically. Hopes of future growth have been given up, and expectations of growing redundancies and wage decreases have taken a hold. This trend was already evident in early 1984, with the reduction of fringe benefits for many workers, but by the end of the survey period expectations of wage and salary cuts and bigger reductions in 1985 were widespread.

While unemployment in *Curaçao* is high; the level of disguised unemployment due to over-manning, primarily in the government apparatus, is also considerable. As long as government revenue from the offshore sector remains high, the over-manning can be financed. With the spectre

of diminished offshore revenue, however, cuts will need to be made in government expenditure under this head. Over-manning in the shipyards has already been identified and reduced although further reductions will need to be made, if the yards are not to succumb completely.

Similar comments also apply to Aruba, for while the extent of over-manning is not thought to be as great, the need to adjust is more urgent, since revenue from the Lago refinery fell significantly in 1984, and will disappear by the end of 1985 (see table 12).

## 5. Monetary and fiscal developments

### a) *Monetary developments*

Total money supply ( $M_2$ ) declined by 2.8% in 1984, reflecting the decrease in economic activity. Net foreign assets dropped by 18% as a result of the overall deficit on the balance of payments. Domestic credit experienced very modest growth. The central and island governments were the major source of creation of money supply, mainly in the form of increased subsidies to enterprises (see table 13).

The increase in credit to the public sector was almost zero.

Table 12

### NETHERLANDS ANTILLES: ARUBA AND CURAÇAO: RATES OF EMPLOYMENT AND UNEMPLOYMENT

	Aruba		Curaçao	
	1981	1984	1981	1984
Labour force (thousands)	26.0	28.0	59.0	64.2
Unemployed	2.5	3.6	10.5	17.3
Rate of unemployment (percentage of total labour force)	9.6	13.0	8.0	27.0

Source: Interdepartmental Working Group Enterprise Survey, 1984, *The Netherlands Antilles*.

Table 13

### NETHERLANDS ANTILLES: MONETARY BALANCE

	Millions of NAf			Growth rates	
	1982	1983	1984	1983	1984
<b>Money (M<sub>2</sub>)</b>	474.8	493.0	466.7	3.8	-5.3
Currency outside banks	167.0	162.6	167.8	-2.6	3.2
Demand deposits	307.8	330.4	298.9	7.3	-9.5
<b>Factors of expansion</b>	1 613.9	<b>1 688.6</b>	1 640.5	4.6	-2.8
Foreign assets (net)	433.1	385.8	315.8	-10.9	-18.1
Domestic credit	1 180.8	1 302.8	1 324.7	10.3	1.7
Central government	135.6	124.5	129.5	-8.2	4.0
Island government	65.1	65.5	82.0	0.6	25.2
Private sectors	980.1	1 112.8	1 113.2	13.5	0.0
<b>Factors of absorption</b>	1 139.1	1 195.5	1 173.7	5.0	-1.8
Quasi-money (savings and time deposits)	884.2	942.9	920.3	6.6	-2.4
Other items	231.5	231.3	241.6	0.0	4.5
Long-term foreign loans	23.4	21.3	11.8	-9.0	-44.6

Source: International Monetary Fund, *International Financial Statistics*, June 1985.

Table 14

**NETHERLANDS ANTILLES: COMMERCIAL BANK LOANS, BY SECTOR<sup>a</sup>**

	Millions of NAf				Growth rates	
	1981	1982	1983	1984	1983	1984
<b>Manufacturing</b>	49.3	81.9	115.8	<b>116.9</b>	41.0	0.9
Electricity, gas and water	48.6	41.9	37.0	37.7	11.7	1.9
Construction	32.5	22.7	26.8	29.9	18.1	11.6
Trade	334.8	351.4	376.1	361.5	7.1	-3.9
Hotels and restaurants	38.3	37.8	60.3	58.9	59.5	-2.3
Transport, storage and communications	30.4	21.4	17.0	24.2	-20.1	42.3
Financial institutions and real estate	37.4	45.6	56.4	63.6	23.7	12.8
Other services	26.4	33.3	33.4	36.2	-	8.4
Personal	253.1	286.8	318.7	326.2	11.1	2.3
<b>Total private sector</b>	<b>850.8</b>	<b>922.8</b>	<b>1 041.5</b>	<b>1 055.1</b>	<b>12.9</b>	<b>1.33</b>

Source: Central Bank of the Netherlands Antilles.

<sup>a</sup>Figures relate to November of each year.

Commercial bank credit to the private sector recorded minimal growth (see table 14). It was being used mainly for transport, mortgages and construction. Credit to the major productive sectors contracted, reflecting the depressed economic situation.

Interest rates did not change significantly during the survey period.

b) *Fiscal developments*

Because of the relatively decentralized nature of government in the islands, it is sometimes necessary to treat them as separate yet linked economic entities. This is particularly relevant with respect to revenue and expenditure. In general, tax policy and rates are fixed by the central government. All direct taxes are, however, collected by the island governments, while indirect taxes go to the central government. Of the income and profit taxes collected by the island governments of Aruba and Curaçao, 25% is returned to the central government (see table 15, row ERNA net). In the case of import duties, gasoline duties and excise taxes collected by the central government for each island, 50% is returned to the respective island government. The transfers take place with a lag of 6 months in each fiscal year.

i) *Central government.* Central government revenue increased by 3.3% over the previous year. Expenditure declined, as did the deficit on current account.

A rise in revenue from foreign exchange transactions and gasoline sales was attributable to increases in the respective tax rates which came into effect in October 1983. Higher rates for liquor, beer and tobacco resulted, however, in reduced revenue. A 15% decrease in import revenue reflects lower levels of consumption and imports. ERNA receipts from the island of Curaçao went up 28%. Receipts from the economically troubled island of Aruba were suspended after the third quarter and were 19% below the previous year's.

Central government expenditure was reduced, although personnel costs, which comprise 61% of expenditure, rose slightly on account of increased staffing. The wage bill was contained somewhat by a reduction of fringe benefits to all staff. Financial support to the national airline was also reduced, and interest payments were 18% less, due to fewer outstanding Treasury bills and the lower cost of servicing debt denominated in Dutch guilders.

ii) *Aruba government.* Total revenue declined by 26%, while expenditure increased. After a surplus of NAf 10 million in 1983, the current account recorded a deficit of NAf 71 million for 1984.

Revenue was constant or slightly higher in 1984 than in 1983 from all sources except taxes on profits, which plummeted by 45%, primarily as a result of reduced tax payments by the financially troubled Lago oil refinery. This enterprise paid NAf 81 million less tax than in the previous year,

dropping by 63%. This demonstrates the fragility of the tax base upon which the island rests, since it is responsible for the 26% decline in total tax receipts.

Expenditure went up slightly but there was a huge **increase** in the fiscal deficit. With the closure of the refinery, expenditure will need to contract rapidly if a balance is to be maintained. The contraction, moreover, will need to come at a time when the island is gearing itself to administer its new constitutional position of *status aparte*.

The deficit was financed primarily by accumulated savings and by ERNA remittances withheld from the central government. The total dues outstanding to the central government stand at NAf 26 million.

Table 15

NETHERLANDS ANTILLES: REVENUE AND EXPENDITURE  
OF THE CENTRAL GOVERNMENT, ARUBA AND **CURAÇAO**

(Millions of NAf)

	Central Government			Aruba			Curaçao		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
Income tax	-	-	-	10	7	8	34	34	-
Wage tax	-	-	-	73	88	90	188	180	205
Profit tax	-	-	-	183	160	87	286	380	400
Vehicle tax	-	-	-	3	4	4	9	10	-
Hotel tax	-	-	-	3	3	3	1	1	-
Import duties	108	%	82	-	-	-	-	-	-
Foreign exchange tax	16	17	23	-	-	-	-	-	-
Excise tax on liquor, beer and tobacco	39	41	40	-	-	-	-	-	-
Excise tax on gasoline	4	9	22	-	-	-	-	-	-
Other taxes	13	15	16	4	4	5	5	4	14
Total tax receipts	180	178	184	<b>277</b>	266	197	523	609	619
ERNA net <sup>a</sup>	52	88	98	-	-	-	-	-	-
Other	6	65	61	10	9	10	21	16	15
Total revenue	238	331	342	287	275	207	544	625	634
Total expenditure	313	3 973	394	213	266	275	530	598	664
Balance	-75	-66	-52	74	10	-71	14	23	-30

Source: Central Bank of the Netherlands Antilles.

<sup>a</sup>Income and profit taxes collected by island governments of Aruba and Curaçao and returned to the central government.

Table 16

NETHERLANDS ANTILLES: DEVELOPMENT AID

(Millions of NAf)

	1983	1984
Aruba	34	22
<b>Curaçao</b>	46	46
Bonaire	7	8
St. Maarten	1	2
St. Eustatius	0	1
Saba	1	1
Central Government	4	6
Total	93	86

Source: Central Bank of the Netherlands Antilles.

iii) *Curaçao government.* In **Curaçao**, total revenue increased marginally while expenditure grew by 11%. The island's budget therefore moved from a surplus of NAf 27 million in 1983 to a deficit of NAf 30 million in 1984.

Revenue from the offshore sector went up by 7%, reaching NAf 314 million and representing almost 50% of total revenue. Wage and income taxes fell, due in part to increasing unemployment on that island. In overall terms, an erosion of NAf 13 million took place in earnings from sources other than the offshore sector. Dependence on this single source of revenue is therefore growing.

Increased expenditure on personnel costs, as well as on subsidies to the water distribution company, the drydock and government hotels, was recorded. Social security payments to almost 10 000 people are also increasing. The island government remitted NAf 80 million to the central government, NAf 72 million in ERNA payments and NAf 8 million in debt and interest payments. ERNA debt to the central government now stands at NAf 116 million.

The deficit of NAf 30 million was financed by accumulated savings. However, developments in the offshore sector do not augur well for the future of the **Curaçao** island government, since offshore revenue, upon which it is becoming increasingly dependent, will begin to diminish rapidly after 1986.

c) *Development aid*

Total development aid fell by 7%, mainly due to a decrease of 35% in aid to Aruba (see table 16). The decrease reflects lower expenditure on ongoing projects related to water and electricity production. Smaller outlays were also made for housing construction. In **Curaçao**, aid was used for housing construction, for the finalization of the container terminal and for support to the **Curaçao** drydock.

For the remainder of the islands, funds were spent on housing, water and electricity and road construction.





## SAINT CHRISTOPHER AND NEVIS

### 1. Recent economic trends: Introduction and summary

After experiencing a fall in economic activity in 1983, the economy of Saint Christopher and Nevis regained momentum in 1984, with the real gross domestic product increasing by 3.9% after having fallen by 4.7% in the previous year (see table 1). Estimates indicate that there were increases in both agricultural and manufacturing output, with the non-sugar subsector experiencing a good year (see table 2).

Marketing difficulties have resulted in a reduction of the country's sugar export quota to the United States. This has meant a loss of revenue to the sector, and a worsening of the profitability situation in the industry. The Government is actively seeking to address the question of increasing productivity in the sector, and efforts are being made to encourage small farmers.

The importance of tourism to the economy was recognized with the establishment of a Ministry to handle that activity. An estimated 64 000 visitors to the country enjoyed its hospitality and places of interest in 1984. This represented a 21 % increase in total arrivals in 1984 over the 1983 figure of 53 500. In this field, the Government has identified several projects whose implementation would serve to increase the attractiveness of the country to tourists.

The manufacturing sector performed creditably in 1984, despite the trading problems with CARICOM countries. These problems resulted in the loss of some jobs, but seemed to have led to a greater degree of domestic consumption of domestically produced commodities. In real terms, the manufacturing sector outstripped the economy as a whole, increasing by 9.4% (see table 2).

The Government was faced with a situation of falling revenue from the sugar industry and reduced customs revenue in 1984, while at the same time being committed to ongoing capital works. It therefore had to pursue policies of expenditure restraint and implement fiscal and administrative measures to maximize revenue. Tighter administration in the public utilities resulted in a substantial increase in the collection of electricity and telephone bills. The economy of Saint Christopher and Nevis is quite diversified, with the agricultural sector maintaining an important role. It seems clear that a shift out of sugar would increase the probability of greater profitability of the agricultural sector and permit increased substitution of agricultural imports. As soon as the problem of land holding and tenure has been solved, agricultural production can be modernized and made more efficient.

### 2. Trends in economic activity

#### a) *Evolution of the main sector*

i) *Agriculture.* Output in the agricultural sector, as measured by its contribution to GDP at constant 1977 prices, grew by 5.7% in 1984, with improved performances being observed in the main subsectors: crop farming, sugar cane, livestock and fishing (see table 2).

Sugar cane cultivation was for many years the major agricultural activity, but consequent upon changes in the patterns of world sugar production, this aspect of agricultural activity fell in importance. The country's quota of sugar exports to the United States of America was reduced by 25% to 12 727 tons, with repercussions on the foreign exchange earnings of the country, and the deteriorating exchange rate of the pound sterling *vis-a-vis* the United States dollar, to which the EC dollar is pegged, also brought about a loss of foreign exchange, as sugar prices to the European market are quoted in pounds sterling. In 1984, the world market price of sugar fell to 4.5 U.S. cents per pound, further contributing to the poor performance of this subsector.

The Government undertook a study of the sugar industry, as a prerequisite to rehabilitating it over a period of ten years. Among the elements of the rehabilitation project are the following: improving the productivity of the land; increasing labour productivity; minimizing or reducing labour costs; reviewing the administrative structure to cut administrative costs and overheads; utilizing by-products; preparing a long-term investment and development programme; and developing an efficient system of stock management and control (see table 3).

In non-sugar agriculture, efforts are being made to increase production and productivity so as to save foreign exchange through reduced imports and to produce an exportable surplus. To this end, there is a project (scheduled to start in 1985) that seeks to halt soil erosion and enhance soil conservation in St. Kitts, while in Nevis the emphasis is on land use and water development.

Table 1

**SAINT CHRISTOPHER AND NEVIS: MAIN ECONOMIC INDICATORS**

	1982	1983	1984 <sup>a</sup>
<b>A. Basic economic indicators</b>			
Gross domestic product at factor cost (millions of East Caribbean dollars at 1977 prices)	91.9	87.6	91.0
Population (thousands of inhabitants)	44.5	45.1	46.0
Per capita gross domestic product (East Caribbean dollars at 1977 prices)	2 065	1 942	1 978
Gross domestic product at market cost (millions of East Caribbean dollars at current prices)	142.7	137.7	146.6
Growth rates			
<b>B. Short-run economic indicators</b>			
Gross domestic product at factor cost (millions of East Caribbean dollars at 1977 prices)	6.1	-4.7	3.9
Per capita gross domestic product (East Caribbean dollars at 1977 prices)	2.5	-5.9	1.8
Current value of exports of goods and services	...	...	...
Current value of imports of goods and services	...	...	...
Consumer price index			
December to December	3.3	3.6	2.7
Variation between annual averages	1.9	2.5	2.7
Money supply ( $M_1$ and quasi-money)	11.2	12.1	12.4
Wages and salaries (nominal)	...	...	...
Rate of unemployment (%)	...	...	...
Current revenue of government	-11.0	0.8	5.1
Current expenditure of government	3.0	-0.1	4.8
Fiscal deficit as a percentage of total expenditure	20.6	20.3	21.0
Millions of EC dollars			
<b>C. External sector</b>			
Trade balance	-40.5	-67.5	37.0
Balance on current account	-18.4	-47.5	17.0
Balance on capital account	13.8	47.3	17.8
Variation in net international reserves	1.9	0.3	0.8
External debt	33.8	36.7	42.7

Source: Statistical Division, Planning Unit, Ministry of Finance of Saint Christopher and Nevis, and Eastern Caribbean Central Bank (ECCB).  
<sup>a</sup> Preliminary figures.

Table 2

SAINT CHRISTOPHER AND NEVIS: GROSS DOMESTIC PRODUCT, BY KIND OF  
ECONOMIC ACTIVITY, AT FACTOR COST  
(Millions of EC dollars at 1977 prices)

	1982	1983	1984 <sup>a</sup>	Percentage breakdown		Growth rates	
				1980	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Gross domestic product	91.9	87.6	91.0	100.0	100.0	-4.7	3.9
Goods	39.6	33.8	36.1	...	39.7	-14.7	1.1
<b>Agriculture</b>	16.6	14.1	14.9	...	16.4	-15.1	5.7
Crop farming	1.7	1.3	1.4	...	1.5	-23.5	7.7
Sugar cane	8.3	6.5	7.1	...	7.8	-21.7	9.2
Livestock	2.5	2.1	2.2	...	2.4	-16.0	4.8
Fishing	4.0	4.1	4.2	...	4.6	2.5	2.4
Forestry	0.1	0.1	0.1	...	0.1	-	-
Mining and quarrying	0.3	0.2	0.2	...	0.2	-33.3	-
Manufacturing	13.2	11.7	12.8	...	14.1	-11.4	9.4
Sugar	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...
Construction	9.5	7.8	8.1	...	8.9	-17.9	3.8
Basic services	10.4	10.6	10.8	...	11.9	1.9	1.9
Electricity and water	1.0	1.0	1.0	...	1.1	-	-
Transport	5.0	5.1	5.2	...	5.7	2.0	2.0
Communications	4.4	4.5	4.6	...	5.1	2.3	2.2
Other services	42.1	43.1	44.1	...	48.5	2.4	2.3
Hotels and restaurants	2.5	2.5	2.7	...	3.0	-	8.0
Commerce (wholesale and retail)	10.2	11.0	11.3	...	12.4	7.8	2.7
Government	17.5	17.5	17.6	...	19.3	-	0.6
Real Estate and housing	5.6	5.7	5.8	...	6.4	1.8	1.8
Finance, banking and insurance	5.0	5.0	5.1	...	5.6	-	2.0
Imputed banking service charges	1.3	1.4	1.6	...	1.8	7.7	14.3

Source: Statistical Division, Planning Unit, Ministry of Finance of Saint Christopher and Nevis.

<sup>a</sup>Preliminary figures.

Table 3

SAINT CHRISTOPHER AND NEVIS: SUGAR INDUSTRY FIELD  
PRODUCTION COSTS

	1981	1982	1983	1984
Cane production (thousands of tons)	338	350	276	...
Sugar production (thousands of tons)	32	36	28	...
Number employed (field/workers)	3 255	2 806	3 221	...
Wage cost (field workers, thousands of EC dollars)	11 280	12 005	10 279	...
Wage cost per ton of cane (EC\$)	33	34	37	...
Total field production cost per ton of cane (EC\$)	70	75	78	...
Cane revenue per ton of cane (EC\$)	36	49	50	...
Cost of field production per ton of cane as % of revenue per ton of cane	194.4	153.1	156.1	...

Source: Saint Kitts and Nevis Economic Memorandum, IBRD.

Small farmers have been encouraged to produce and have been able to provide the domestic market with eggs and an ample supply of poultry meat. Fish production has been on the increase in recent years, with an increase of 2.4% in the weight of fish landed in 1984. The Republic of China is providing technical assistance in a vegetable production project. Attention is being paid to increasing productivity in agriculture in an attempt to produce enough food to satisfy local demand, to produce an exportable surplus and to provide inputs for agro-industry while also providing opportunities for employment.

ii) *Tourism*. The precise contribution of tourism to the GDP is not known because of the problems of disaggregation of tourist transactions in activities other than those in the hotels and restaurants sector of the economy. The indications are, however, that in 1984 a greater percentage of the GDP than in the previous year was accounted for by tourism. The total number of visitors, including cruise ship visitors, is estimated to have risen by some 21% in 1984, while an increase of some 16% in stopover visitors was observed in that period. Analysis of arrivals by country of origin

Table 4  
SAINT CHRISTOPHER AND NEVIS: SELECTED TOURISM STATISTICS

	1981	1982	1983	1984 <sup>a</sup>	Growth rates		
					1982	1983	1984 <sup>b</sup>
Total visitors	46 334	45 721	53 469	64 866	-1.3	16.9	21.3
Stopover	35 484	34 575	34 274	39 866	-2.6	-0.8	16.3
Cruise/ship	10 850	11 146	19 195	25 000	2.7	72.2	30.2
Total number of hotels	18	19	21	21	5.6	10.5	-
Total number of guest houses	29	36	38	38	24.1	5.6	-
Average number of hotel and condominium rooms	480	495	559	635	3.1	12.9	13.6
Average number of hotel and condominium beds	885	908	980	1 111	2.6	7.9	13.4
Average hotel and guest house bed occupancy rate	22.52	19.68	18.18	...	-12.6	-7.6	...
Average hotel and guest house room occupancy rate	26.37	21.72	23.09	29	-17.6	6.3	25.6
Average length of stay (stopover visitors)	5.83	5.75	5.67	...	-1.4	-1.4	...
Total visitor arrivals (percentages)							
A. By country of origin							
United States	34.8	31.4	28.8	...			
Canada	5.8	7.1	6.0	...			
United Kingdom	7.2	7.8	8.3	...			
Other Europe	1.7	1.4	1.3	...			
Caribbean <sup>b</sup>	15.3	16.4	16.7	...			
Other	36.9	36.0	38.8	...			
B. By classification							
Tourists	86.8	88.9	86.2	...			
Hotel visitors	40.0	36.6	28.6	...			
Private visitors	46.2	51.8	56.8	...			
Apartment visitors	0.6	0.5	0.8	...			
Business visitors	10.1	8.3	10.5	...			
Excursionists	2.9	2.6	2.8	...			
Other	0.2	0.1	0.4	...			

Source: Statistical Division, Planning Unit, Ministry of Finance of Saint Christopher and Nevis.

<sup>a</sup>Preliminary figures. <sup>b</sup>OECS and other CARICOM countries.

Table 5

## SAINT CHRISTOPHER AND NEVIS: INDICATORS OF INDUSTRIAL PRODUCTION

	1981	1982	1983 <sup>o</sup>	1984 <sup>p</sup>
Sugar <sup>c</sup>	32.5	36.6	36.6	...
Molasses <sup>c</sup>	10.2	11.2	10.2	...
Beer and ale <sup>''</sup>	323	230	367	443
Aerated water <sup>d</sup>	529	583	612	...
Clothing <sup>'</sup>	4 140	3 779	3 880	...
Footwear <sup>f</sup>	39	49	80	...
Electronic components <sup>g</sup>	690	4 663	3 300	4 400
Radios and television sets <sup>h</sup>	217	238	...	...
Concrete blocks <sup>g</sup>	925	...	1 250	...
Industrial gases <sup>'</sup>	208	182	197	...

Source: *Saint Kitts and Nevis Economic Memorandum*, IBRD, and ECLAC estimates.

<sup>a</sup> Preliminary figures. <sup>b</sup> Estimates. <sup>c</sup> Thousands of tons. <sup>d</sup> Thousands of gallons. <sup>e</sup> Thousands of pieces. <sup>f</sup> Thousands of pairs. <sup>g</sup> Thousands. <sup>h</sup> Dozens. <sup>i</sup> Thousands of pounds.

shows that visitors from the United States accounted for nearly 37% of the total, reflecting the continued recovery in the American economy. Visitor arrivals from the Caribbean countries accounted for some 16% (see table 4).

Cruise ship calls have been on the increase, moving up from 6 in 1979 to some 50 in 1984, when 25 000 cruise ship visitors landed. The prospects for tourism continue to be good, and promotion abroad is being increased. Planning is proceeding with a view to smoothing the distribution of tourists over the year. To this end, the off-season traffic must increase; new carriers and extra rooms are being added. The European market continues to be courted, with attention being paid to tour operators' packages. Modern audio-visual techniques are now being employed to assist in the promotion of the tourist product.

The size distribution of tourist accommodation units is skewed in favour of small hotels and guesthouses, which comprise about 80% of the hotel facilities. Government planners view tourism as being a possible catalyst for economic growth and development through its impact on other sectors of the economy. Accordingly, a number of incentives have been given to tourism. These include duty-free concessions on materials and vehicles to be used in the industry; the organization of training programmes; the facilitation of tourism through a new network of airline routes, and better airport facilities to process arrivals and departures.

In addition, work is being done to restore and maintain historic buildings and sites. A number of projects aimed at facilitating tourism have been drawn up: one successful move might be for the Government to develop nature trails and other aspects of inland facilities in addition to the usual beach and marine-oriented elements.

iii) *Manufacturing*. This sector contributed some EC\$ 20.6 million to the total GDP at current prices in 1984 —an increase of EC\$ 3 million over the previous year's contribution. In real terms, the sector's contribution to total GDP at factor cost rose by 9.5 % in 1984, outstripping the growth rate of total GDP (see table 2). This indicates that the manufacturing sector has been relatively buoyant in the period under review, despite a certain amount of disruption in trade with CARICOM member countries. The curtailment of exports led to a slight decrease in the number of jobs in the manufacturing sector, and it would appear that greater consumption of domestically produced commodities contributed substantially to the improved performance of the sector. The introduction of new businesses such as food processing and cabinet-making, making possible the creation of some 500 new jobs, is planned for 1985. An improvement in the CARICOM trading situation should permit a resumption of the pre-1984 trading levels (see table 5).

Investment promotion has been intensified by the Government, and factory shells are being constructed to provide an additional 80 000 square feet of space. This will be financed by a Caribbean Development Bank loan of US\$ 2.6 million.

iv) *Construction*. Activity in this sector increased by 9.3% in current terms in 1984, and by 3.8% measured at 1977 prices (see table 2). Its contribution to total GDP at 1977 prices was of the order of EC\$ 8.1 million, and construction activity was oriented towards strengthening the infrastructure to improve the provision of basic services that are a pre-requisite for economic development. Several tourist accommodation units were either expanded or upgraded, and facilities at the airport were improved to handle tourist arrivals and departures more efficiently. Road building and rehabilitation continued in 1984, contributing to the preponderance of government expenditure in the construction sector.

v) *Services*. Improved methods of billing and collection resulted in a near 30% increase—from EC\$ 6.2 million in 1983 to EC\$ 8.1 million a year later—in revenues collected by the electricity company in 1984. Generating capacity, while remaining in the vicinity of 6.3 MW, satisfied a larger proportion of the population as new consumers, both domestic and industrial, came on stream. A study aided by the Caribbean Development Bank (CDB) was undertaken with a view to increasing installed capacity, and to replacing underground mains. Implementation of the study's recommendations should soon follow.

The water supply in St. Kitts is, by and large, adequate, except in the Dieppe Bay and Parsons areas in the north of the island, where catchment areas need to be built. With a view to extracting greater quantities of groundwater, a well programme continued to be conducted with Canadian financing, and exploratory well-drilling continued in 1984. The main source of water remains surface water. Drilling is in progress in Nevis, and such activity should produce substantial results by the end of 1985. The rate structure of the water authority is thought to be outmoded, resulting in unrealistically low charges, and a revision is envisaged in 1985.

The collection of payments due to the telephone company doubled in 1984 compared with the figure for 1983. This performance was related to changes in management and an improvement in collection methods. At present, there are some 1 500 telephone lines in the system, which cannot accommodate much expansion. A limited direct international dialling capability has been installed,

Table 6

**SAINT CHRISTOPHER AND NEVIS: EXPORTS OF GOODS (FOB)**

(Thousands of EC dollars)

	1981	1982	1983	1984	Growth rates			
					1981	1982	1983	1984
<b>Total</b>	65 506	50 926	45 376	...	0.6	-22.3	-10.9	...
<b>Domestic</b>	60 482	46 659	43 043	...	-4.9	-22.9	-7.7	...
<b>Traditional exports</b>								
Sugar	39 766	29 921	...	...	2.0	-24.8	...	...
Molasses	880	1 429	...	...	-30.7	62.4	...	...
Copra	220	144	...	...	42.9	-38.0	...	...
Fish (including lobster and conch)	356	145 <sup>o</sup>	...	...	-12.7	-	...	...
Live animals	289	261	...	...	19.9	-9.7	...	...
Groundnuts (unshelled)	329	...	...	...	192	*	...	...
<b>Non-traditional exports</b>								
Electrical appliances	4 308	3 782	...	...	-19.3	-12.2	...	...
Clothing	4 597	6 943	...	...	-5.5	51.0	...	...
Footwear	1 851	2 564	...	...	-24.6	38.5	...	...
Beer	267	367	...	...	-13.6	37.5	...	...
Aerated water (soft drinks)	460	686	...	...	72.9	49.1	...	...

Source: Statistical Division, Planning Unit, Ministry of Finance of Saint Christopher and Nevis.

\*Excluding lobster and conch.

Table 7

## SAINT CHRISTOPHER AND NEVIS: BALANCE OF PAYMENTS

(Millions of EC dollars)

	1981	1982	1983	1984 <sup>a</sup>
<b>Balance on current account</b>	-9.5	-12.2	-39.5	-13.0
Merchandise balance (net)	-59.4	-61.0	-87.2	-62.5
Exports	67.0	55.1	48.0	53.8
Imports	-126.4	116.1	135.2	116.3
Services (net)	21.5	22.3	20.4	24.4
Private transfers (net)	24.1	20.7	20.1	21.5
Official transfers (net)	4.2	5.8	7.2	3.7
<b>Balance on capital account</b>	9.8	7.7	39.2	13.8
Official borrowing	3.7	1.6	2.9	5.8
Financial intermediaries	9.3	3.4	0.3	-4.2
Private direct investment	2.4	3.4	36.0	12.2
Errors and omissions	5.6	-0.8	-	-
<b>Global balance</b>	0.3	-4.5	-0.3	0.8
Financing	-0.3	4.5	0.3	-0.8
Net ECCB position	-	2.7	0.5	-
Change in foreign assets	-0.3	1.9	-0.3	-0.8
Net IMF position	-	-	-	-

Source: Data supplied to ECLAC.

<sup>a</sup>Preliminary figures.

but significant improvements in the service depend on the replacement of the existing hardware.

At current prices, the financial services offered by banks and insurance companies contributed EC\$ 8.6 million to the GDP in 1984. This was equivalent to some 5.9% of the total GDP, and represented an increase of 4.9% over the performance of the sector in the previous year. The services sector continued to impact heavily on economic activity, to some extent because of the absence of a large manufacturing sector.

b) *Employment and unemployment*

Data in this area are not up to date, because of the absence of a continuous household survey capability. Estimates, however, put the unemployment rate at between 20% and 25%. Migration continues to be a possible solution to the problem of unemployment, which is likely to increase in the face of a downturn in general economic activity and increasing numbers of entrants to the labour force.

## 3. The external sector

As regards merchandise trade, preliminary data for 1983 (the latest information available at the time of writing) indicate a widening of the trade deficit for that year. Imports were estimated to have been of the order of EC\$ 136.7 million, while total exports were estimated at EC\$ 45.3 million. Domestic exports, valued at EC\$ 43.0 million, were adversely affected by the trading difficulties in CARICOM. Exports of sugar continued to dominate total exports, but fell in terms of percentage of GDP from nearly 75% in 1978 to some 60% in 1983 (see table 6).

Contributing significantly to the relatively poor performance of the sugar subsector was the worldwide expansion of sugar production and the existence of substitutes for cane sugar, a decline in sugar consumption in several developed countries, and the depreciation of the pound sterling *vis-a-vis* the United States dollar, to which the East Caribbean dollar is pegged. Additionally, exports of sugar that were not protected by a preferential price faced a record low market price of 4.5 U.S. cents per pound. Indications are that non-traditional exports probably held their ground in 1983 and 1984.

Net inflows of public capital remained more or less at the level of the preceding three years. The overall capital account was, however, strongly influenced by movements in the inflows of private direct investment (see table 7).

In 1984, the trade balance (expressed as a percentage of GDP) stood at an estimated -42.6% in comparison to the -63.3% of the previous year. Further evidence of structural dependence on the rest of the world can be gleaned from an examination of the current account balance as a percentage of GDP. In 1984 this stood at -8.9% whereas the figure of the previous year was 28.7%. The overall balance as a percentage of GDP moved from -0.2% in 1983 to 0.5% in 1984.

#### 4. Wages and prices

##### a) *Wages*

Wage levels are more or less in line with those in other countries of the OECS group. Information on overall trends in wages is limited. The indications are that in the manufacturing sector the average annual wage increase slackened from 32 1/2% in 1980-1981 to 8% in 1983-1984. Other sectors experienced a similar deceleration in wage rates. In the government sector, after having risen by between 40% and 50% in 1981, salaries have remained unadjusted since then.

##### b) *Prices*

The rate of inflation, as measured by the consumer price index, was 2.7% in 1984 as a result of increases in housing, food, fuel and electricity. Partly offsetting these increases were decreases in the prices of clothing and footwear and household supplies. In the housing section of the index the sharp increase resulted largely from increases in house rents, the price of paints, galvanized sheets and nails (see table 8).

Table 8

#### SAINT CHRISTOPHER AND NEVIS: EVOLUTION OF DOMESTIC PRICES

(Index January 1978 = 100)

	1981	1982	1983	1984
Variation December to December				
Consumer price index (all items)	8.3	3.3	3.6	2.7
Food	7.8	1.3	2.9	1.8
Alcohol and tobacco	13.6	8.2	0.6	4.7
Housing	3.3	2.4	-0.2	36.8
Fuel and light	3.2	8.6	-0.4	3.9
Clothing and footwear	2.1	-1.9	7.8	-13.6
Household goods	16.7	2.7	-3.3	1.2
Transport	13.0	7.9	0.3	-
Miscellaneous	5.3	13.8	3.8	0.5
Variation between annual averages				
Consumer price index (all items)	8.0	1.9	2.5	2.7
Food	7.7	1.5	2.9	2.9
Alcohol and tobacco	12.0	7.6	4.7	1.6
Housing	2.4	2.2	-0.2	10.7
Fuel and light	3.2	5.7	-0.3	3.0
Clothing and footwear	21.4	-3.6	7.6	-1.8
Household goods	14.7	-0.4	-1.3	-0.2
Transport	0.6	8.2	0.4	-
Miscellaneous	3.5	3.7	3.7	2.1

Source: Statistical Division, Planning Unit, Ministry of Finance of Saint Christopher and Nevis.



Table 9

**SAINT CHRISTOPHER AND NEVIS: SECTORAL DISTRIBUTION  
OF COMMERCIAL BANK CREDIT**

*(As at 31 December of each year)*

	Millions of EC dollars		
	1982	1983	1984 <sup>a</sup>
Total	124.1	147.4	166.1
Agriculture	0.8	0.6	0.7
Manufacturing	5.3	4.4	4.5
Distributive trades	12.2	13.6	14.6
Tourism	8.1	10.7	11.3
Entertainment and catering	1.1	0.8	0.6
Transport	6.4	6.0	5.7
Construction	10.2	10.8	12.0
Public utilities	0.1	-	1.7
Government and statutory bodies	42.4	57.0	66.2
Professional and other services	5.1	8.1	6.8
Personal	23.7	27.7	34.6
Other	8.6	7.6	7.5

Source: ECCM, *Commercial Banking Statistics*, December 1984.

<sup>a</sup>Preliminary figures.

Table 10

**SAINT CHRISTOPHER AND NEVIS: SUMMARY OF EXTERNAL PUBLIC AND  
PUBLICLY GUARANTEED DEBT OPERATIONS<sup>a</sup>**

	Millions of EC dollars			
	1981	1982	1983	1984 <sup>b</sup>
Outstanding and disbursed debt at end of period	32.1	33.8	36.7	42.7
Of which:				
Central Government	13.2	14.3	16.2	20.5
Government guaranteed	18.9	19.4	20.5	22.1
Outstanding and disbursed debt at beginning of period				
Of which:				
Central Government	11.6	13.2	14.3	16.2
Government guaranteed	16.7	18.9	19.4	20.5
Plus:				
Net disbursements	3.8	1.6	3.0	5.9
Disbursements	4.6	2.4	3.8	7.3
Amortization payments	0.8	0.8	0.8	1.4
Valuation adjustment	-	-	-	-
Debt service payments	1.4	2.2	1.9	3.0
Amortization	0.8	0.8	0.8	1.4
Interest	0.5	1.4	1.1	1.6

Source: IBRD estimates.

<sup>a</sup>Excludes debt held by ECCB.      <sup>b</sup>Preliminary figures.

## 5. Monetary and fiscal policy

### a) *Monetary policy*

In the absence of a national Central Bank, the Government had some difficulty in conducting its programmes against the background of falling sugar prices and the consequent need to suspend the sugar levy. Monetary policy sought to allocate funds for loans to increase activities and facilities in tourism, fisheries and farming. Investment in the latter sectors, in addition to possessing the potential for generating greater employment, can help the tourism sector as well as reduce the country's dependence on imported foodstuffs. Apart from the substantial credit given to the vital distributive trades, the sectoral distribution of outstanding credit gives an indication of a credit policy that sought to facilitate growth in tourism (see table 9). The public sector investment programme for 1984-1987 for its part, reflects the emphasis on agriculture, industry and tourism.

The external public and publicly guaranteed debt continued to rise, reaching an estimated level of EC\$ 42.7 million at the end of 1984. Nearly 50% of this debt was incurred by the central government, with the rest being government guaranteed (see table 10).

The end of year figures reveal an increase of 11.5% in the narrowly defined money supply ( $M_1$ ), bringing it to EC\$ 38.8 million. Among the factors of expansion, loans and advances outstanding stood at EC\$ 166.1 million, representing a 12.7% increase over the amount of the previous year. At the same time, quasi-money increased by 12.7%, reflecting increased time and savings deposits. Throughout 1984, the prime lending rate of commercial banks ranged between 8% and 10%, as opposed to the 8% to 9% range of the previous three years (see table 11).

### b) *Fiscal policy*

The fall in sugar revenues, the contraction in external trade and their threat to the continued economic well-being of both the economy and hundreds of households influenced the Government's budget deficit. The suspension of the sugar levy meant a loss of revenue to the Government, as did the lower customs receipts due to the vagaries of external trade (see table 12).

The deficit was financed by domestic borrowing and, to a lesser extent, by foreign borrowing at concessionary rates. The Government expressed concern at the criteria used by the international lending agencies to determine which countries should qualify for concessionary credit. In 1984 the Government showed restraint in expenditure: wages and salaries increased by 4.2%, while capital expenditure fell by 15% to a figure of EC\$ 9.6 million.

Table 11

### SAINT CHRISTOPHER AND NEVIS: MONETARY BALANCE

	Millions of EC dollars			Growth rates	
	1982	1983	1984 <sup>a</sup>	1983	1984
<b>Money (<math>M_1</math>)</b>	34.0	34.8	38.8	2.4	<b>11.5</b>
Currency outside banks	14.3	12.7	10.1	-11.2	-20.5
Demand deposits	19.7	22.1	27.7	12.2	25.3
<b>Factors of expansion</b>	190.6	229.3	248.7	20.3	8.5
Foreign assets (net)	20.6	35.0	35.3	69.9	0.9
Domestic credit	130.1	153.8	172.5	18.2	12.2
Other	39.9	40.5	40.9	1.5	1.0
<b>Factors of absorption</b>	156.6	<b>194.5</b>	209.9	24.2	7.9
Quasi-money	140.1	160.4	180.7	14.4	12.7
Time deposits	77.0	84.0	105.2	9.1	25.2
Savings deposits	63.1	76.4	75.5	21.1	-1.2
Other	16.5	34.1	29.2	106.7	-14.4

Source: ECLAC, estimates based on Eastern Caribbean Central Bank figures.

<sup>a</sup>Preliminary figures.

Table 12

SAINT CHRISTOPHER AND NEVIS: GOVERNMENT OPERATIONS<sup>a</sup>

	Millions of EC dollars			Growth rates		
	1982	1983	1984 <sup>b</sup>	1982	1983	1984 <sup>b</sup>
<b>Revenue and grants</b>	54.8	55.2	55.6	-7.9	0.7	0.7
Current revenue	49.0	49.4	51.9	-11.1	0.8	5.1
Tax revenue	33.0	31.0	32.8	-16.7	-6.1	5.8
Non-tax revenue	16.0	18.4	19.1	3.2	15.0	3.8
Capital receipts	0.1	0.1	-	-	-	-
External grants	5.7	5.7	3.7	32.6	-	-35.1
Total expenditure	69.0	69.3	70.4	1.6	0.4	1.6
<b>Current expenditure</b>	58.5	58.0	60.8	3.0	-0.9	4.8
Personal emoluments	25.7	26.5	27.6	5.3	4.2	4.2
<b>Capital expenditure and net lending</b>	10.5	11.3	9.6	-5.4	7.6	-15.0
Current balance	-9.5	-8.6	-8.9	458.8	-9.5	3.5
Overall balance	-14.2	-14.1	-14.8	69.0	-0.7	5.0
Financing	14.2	14.1	14.8	69.0	-0.7	5.0
Net external concessionary borrowing	0.5	2.0	5.9	-64.3	300.0	195.0
Net ECCB borrowing	2.6	0.5	-	-	-80.8	-
Net change in foreign assets	1.8	-0.2	-0.5	...	...	...
Net domestic borrowing	9.3	11.8	9.4	29.2	26.9	-20.3
Bank	5.2	6.1	6.6	-36.6	17.3	8.2
<b>Non-bank<sup>c</sup></b>	4.1	5.7	2.8	...	39.0	-50.9

Source: Data supplied to ECLAC.

<sup>a</sup>Refers to operations of the Central Government until 18 September 1983, and to the combined operations of the Government of Saint Christopher and Nevis and the Nevis Island Administration thereafter. Public utilities are included in departmental operations in the budgetary accounts. <sup>b</sup>Preliminary figures. <sup>c</sup>Includes residuals.

In recognition of the importance of tourism, a Ministry of Labour and Tourism was created. As part of its mandate the newly-created Ministry of Natural Resources and Environment, is responsible for conserving elements of the natural heritage of the people of Saint Christopher and Nevis. The newly-formed Ministry of Women's Affairs, for its part, will monitor the evolution of the role of women in development.

In an effort to increase government revenues, a number of taxes and duties were either introduced or increased with effect from 1983. Among them were a 10% increase in import duties on alcoholic beverages; a rise in the cost of drivers' licences; raising of the *ad valorem* rate of travel tax from 3% to 7 1/2%; an increase in bank licence fees from EC\$ 3 000 to EC\$ 3 000; higher stamp duties, and an increase in the airport service charge.



## SAINT LUCIA

### 1. Recent economic trends: Introduction and summary

The recovery in the developed economies, and in the United States of America in particular, was a major determinant of the 5.4% rate of growth in the real gross domestic product (GDP) observed in the Saint Lucian economy in 1984. The implementation of the adjustment process and the slackened pace of inflation seem to have produced an atmosphere propitious for growth.

The agriculture, distribution and transport, storage and communications sectors performed well, with the basic services sectors recording a 9% increase in GDP at factor cost in 1977 prices (see table 1).

The Government has moved purposefully to foster diversification of the economy through its attempts to create a more vibrant agricultural sector to supply inputs for the developing tourism sector. Fisheries have been examined and encouragement is being given to fishermen to upgrade their equipment so that they can fish further afield.

The manufacturing sector continued to suffer from the trading difficulties prevailing in the CARICOM region, and in some instances actually had to shed employment in order to adjust to decreased demand. Manufacturers are examining the possibility of adopting measures to take advantage of the incentives offered under the terms of the Caribbean Basin Initiative (CBI).

The estimated 28% increase in the value of exports of bananas helped to bring the country's exports up to some EC\$ 129 million in 1984. As the value of imports, EC\$ 310 million, was even greater, however, this resulted in a slight worsening in the current account balance and in the overall balance of payments.

With the cessation of the Hess transshipment port project, construction activity subsided somewhat, leaving much of the slack to be picked up by the government sector. Despite the increase in revenues from tighter revenue collection measures, expenditures grew faster than revenue and produced a deficit on current account of EC\$ 17.6 million. Government borrowing to finance its expenditures resulted in a slight increase in the national debt.

### 2. Trends in economic activity

#### a) *Evolution of the main sectors*

i) *Agriculture.* Contributing some 14% of the total GDP at 1977 prices, the agriculture sector continued to be one of the three main sectors of the economy in 1984, providing food not only for the resident population but also for the tourist sector. In constant 1977 prices, the sector registered a 5.5% increase over the performance of the previous year (see table 2).

*Bananas.* About 70% of Saint Lucia's arable land (some 4 000 hectares) is under banana cultivation. Bananas account for some 50% of total domestic exports, and support over 60 000 persons. Following discussions held with the British Government on the supply and price of bananas, Saint Lucia stands to benefit from a possible restriction on the entry into the United Kingdom market of bananas from dollar area countries, in favour of Windward Island fruit that can meet the quality specifications. In order to ensure the highest possible quality of fruit, field packaging was embarked on in 1984 to a greater extent than before, with a resultant low rejection rate. An estimate puts the proportion of field packing in 1984 in the vicinity of 85%. In an attempt to assist small farmers, the Saint Lucia Banana Growers' Association introduced a system of Inland Buying Depots (IBD's) to which these farmers can sell their produce. The combined effect of the steady rehabilitation of bananas since 1980, the agreement with the British Government, and improved cultural practices resulted in a level of production of bananas of 67 096 tons, despite some drought experienced mainly in the south of the island (see table 3).

*Coconuts.* The impact of losses caused by diseases resulted in a further decline in production of coconuts in 1984. It is estimated that production declined 15.4% below the level of the previous year. In 1984, foreign exchange difficulties accounted for the loss of the country's main market for coconut oil (Jamaica). Much research and negotiation must be conducted in the immediate future in order to prevent the further deterioration of the industry (see table 3).

*Cocoa.* Production of this crop again increased in 1984, continuing a trend that had begun in 1981. The third year of increased production showed the effect of the rehabilitation of this crop after the effects of hurricane Allen in 1980. The Government is pursuing a policy of increased cocoa production as a part of its tree-crop diversification programme. The quality of the cocoa grown in Saint Lucia and in the other Caribbean countries is such that it is in great demand for purposes of blending with other grades that are not quite as good. The market is therefore assured.

*Other fruit and vegetables.* Indications are that the quantity of ginger produced declined somewhat in 1984. The decline was due in part to the devastation caused by insect pests, adverse prices, and the deterioration of the pound sterling, in which currency prices are quoted. The production of other fruits and vegetables continued to be satisfactory. A greater degree of organization has resulted in the establishment of a farmers' co-operative, and attempts are now being made to integrate agricultural production into the tourist sector, by supplying hotels and restaurants with domestically grown produce.

*Livestock and fisheries.* Through the Ministry of Agriculture, the Government has energetically promoted increased production of pork and eggs and both these products are on the verge of adequately supplying domestic demand. This level of production is the result of the

Table 1

SAINT LUCIA: MAIN ECONOMIC INDICATORS

	1982	1983	1984 <sup>a</sup>
A. Basic economic indicators			
Gross domestic product at factor cost (millions of dollars at 1977 constant prices)	192	196	206
Per capita gross domestic product at constant 1977 prices	1 545	1 552	1 609
Population (thousands of inhabitants)	124	126	128
Growth rates			
B. Short-run economic indicators			
Gross domestic product at factors cost (constant prices)	2.5	2.0	5.4
Per capita gross domestic product (constant prices)	0.8	0.5	3.7
Current value of exports of goods	-	14.6	0.6
Current value of imports of goods	-9.5	-9.6	7.5
Consumer price index			
December to December	0.6	1.3	1.2
Annual average variation	4.6	1.5	1.2
Millions of dollars			
C. External sector			
Trade balance (goods and services)	-206.6	-154.2	-165.8
Balance on current account	-119.9	-55.1	-59.4
Variation in net international reserves	10.8	...	...
External debt	64.9	84.2	84.4
Exchange rate EC\$ to US\$	2.7	2.7	2.7

Source: Various cables and data supplied to ECLAC.

<sup>a</sup>Preliminary figures.

Table 2

**SAINT LUCIA: GROSS DOMESTIC PRODUCT, BY KIND OF  
ECONOMIC ACTIVITY, AT FACTOR COST**

	Millions of 1977 EC dollars			Percentage breakdown		Growth rates	
	1982	1983	1984 <sup>b</sup>	1980	1984 <sup>b</sup>	1983	1984 <sup>b</sup>
	Gross domestic product	191.9	195.7	206.3	100.0	100.0	2.0
Goods	64.5	59.5	61.8	34.0	30.0	-7.8	3.9
Agriculture	24.1	27.5	29.0	11.8	14.1	14.1	5.5
Mining and quarrying	2.1	1.5	1.6	1.8	0.8	-28.6	6.7
Manufacturing	17.0	18.8	18.4	8.5	8.9	10.6	-2.1
Construction	21.3	11.7	12.8	11.9	6.2	-45.1	9.4
Basic services	24.6	26.8	29.0	23.5	14.0	8.9	8.2
Electricity, gas and water	6.0	6.6	7.5	3.1	3.6	10.0	13.6
Transport, storage and communications	18.6	20.2	21.5	10.4	10.4	8.6	6.4
Other services <sup>c</sup>	102.8	109.4	115.5	52.5	54.0	6.4	5.6
Wholesale and retail trade	30.0	30.3	31.2	...	15.1	1.0	3.0
Hotels and restaurants	13.4	14.6	16.8	...	8.1	9.0	15.1
Finance, insurance, real estate and business services	22.2	23.3	23.9	...	11.6	5.0	2.6
General services	7.6	8.0	8.4	...	4.1	5.3	5.0
Government services	39.1	43.1	45.5	...	22.1	10.2	5.6
Imputed banking service charge	(9.5)	(9.9)	(10.3)	...	5.0	-	-

Source: Statistical Department.

<sup>a</sup> Revised figures.<sup>b</sup> Preliminary figures.<sup>c</sup> Other Services adjusted for imputed banking service charges.

establishment of co-operatives in these areas of activity. Egg production increased by nearly 4% in 1984 to a total of 525 000 dozen eggs. The output of fresh pork stood at 32.7 tons in 1984. Plans are to encourage the increased production of poultry, cattle and sheep for meat.

A fishing facility in Castries was completed in 1984 with the assistance of CIDA and now receives the surplus catch of fishermen, thus making the price of fish more even throughout the year. Fishermen are being encouraged to upgrade their equipment to undertake fishing in deeper waters. Suggestions have been made to lending agencies to disburse loans selectively in favour of modern fishing vessels as opposed to dugout canoes. In order to place fishing on a firm footing, other storage facilities and other elements of infrastructure must be placed at strategic locations. Intra-CARICOM co-operation in training in fisheries is possible, and should be explored.

ii) *Manufacturing*. Industrial development continues to be constrained by the small size of the domestic market and the difficulty of winning both intra and extra-regional markets, given the foreign exchange problems of most would-be trading-partner countries. The sector's contribution to GDP at constant 1977 prices stood at 8.9%, reflecting a 2% contraction from the level of 1983, due in no small measure to the contraction of CARICOM trade. The manufacturing sector employs about 8% of the employed labour force, and is relatively well diversified in terms of activities. Much foreign investment capital has been attracted by the incentives offered to industrialists. While productivity is fairly high and wage costs are reasonable when compared with other countries in the Caribbean and Central America, conscious efforts must be made to preserve the labour environment so as to foster increased productivity and maintain a competitive edge in the search for foreign markets. The performance of the sector in 1984 reflected the poor state of trade within CARICOM, but indications are that manufacturing will be responsive to improvements in trade, once the difficulties of 1984 are overcome. The opportunities offered by the CBI and the Government's plans to establish a free zone in the general area of the international airport also promise to boost manufacturing production (see table 4).

Table 3

## SAINT LUCIA: INDICATORS OF AGRICULTURAL PRODUCTION

(Tons)

	1982	1983	1984 <sup>a</sup>	Growth rates	
				1983	1984 <sup>a</sup>
<b>Production of main crops</b>					
<b>Bananas</b>					
Total production	58 895.7	69 125.0	67 096.0	17.4	-2.9
Bananas - export	44 171.8	55 300.0	65 027.2	25.2	17.6
Coconuts (copra)	3 752.3	4 778.5	4 043.9	27.3	-15.4
Cocoa	15.2	49.8	44.7	227.6	-10.2
<b>Root crops</b>					
Sweet potatoes	295.2	296.6	...	0.5	...
Yams	647.7	712.5	...	10.0	...
Tannia	232.1	255.3	...	10.0	...
Ginger	114.7	126.7	120.7	10.5	-4.7
Dasheen	296.2	319.9	...	8.0	...
<b>Vegetables</b>					
Avocado	9.5	9.1	...	-4.2	...
Cabbage	174.6	183.3	...	5.0	...
Carrots	76.7	84.4	...	10.0	...
Cucumbers	88.9	86.4	...	-2.8	...
Lettuce	28.0	29.4	...	5.0	...
Melon	9.0	9.5	...	5.6	...
Ochro	9.3	10.0	...	7.5	...
Plantain	1 542.1	1 850.2	...	20.0	...
Pumpkin	20.5	21.6	...	5.4	...
Sweet peppers	9.8	10.5	...	7.1	...
Tomato	301.1	304.5	...	1.1	...
<b>Citrus</b>					
Grapefruit	268.6	256.8	...	-4.4	...
Limes	213.5	202.9	...	-5.0	...
Oranges	301.5	281.8	...	-6.5	...

Source: Ministry of Finance, Planning and Statistics; data supplied to ECLAC.

<sup>a</sup>Preliminary figures.

Table 4

## SAINT LUCIA: INDICATORS OF INDUSTRIAL PRODUCTION

	1982	1983	1984 <sup>a</sup>	Growth rates	
				1983	1984 <sup>a</sup>
<b>Production of selected manufactures</b>					
Copra <sup>b</sup>	3 752	4 778	4 044	27.3	-15.4
Coconut oil - raw <sup>c</sup>	2 796	3 328	2 791	19.0	-16.1
Coconut oil - refined <sup>c</sup>	1 682	2 432	2 078	44.6	-14.6
Coconut meal <sup>b</sup>	1 286	1 520	1 271	18.2	-16.4
Rum <sup>d</sup>	132	155	146	17.4	-5.8
Non-alcoholic beverages <sup>c</sup>	4 055	4 569	4 796	12.7	5.0
Clothing <sup>e</sup>	556	539	437	-3.1	-18.9
Laundry soap <sup>b</sup>	489	554	187	13.3	-66.2

Source: Statistical Department.

<sup>a</sup>Preliminary figures.<sup>b</sup>Tons.<sup>c</sup>Thousands of litres.<sup>d</sup>Thousands of proof gallons.<sup>e</sup>Thousand dozen.



Table 5

## SAINT LUCIA: ELECTRICITY PRODUCTION AND CONSUMPTION

Type of use	1982	1983	1984 <sup>a</sup>	Growth rates	
				1983	1984 <sup>a</sup>
<b>Domestic use</b>					
Number of consumers	14 296	14 828	14 627	3.7	-1.4
Thousands of kWh	14 298	15 958	17 663	11.6	10.7
<b>Commercial use</b>					
Number of consumers	1 726	1 812	2 828	5.0	56.1
Thousands of kWh	24 826	26 574	27 335	7.0	2.9
<b>Industrial use</b>					
Number of consumers	88	103	109	17.0	5.8
Thousands of kWh	6 133	6 762	7 480	10.3	10.6
<b>Street lighting</b>					
Thousands of kWh	1 033	996	1 956	-3.6	96.4
<b>Loss in transmission</b>					
Thousands of kWh	14 732	13 958	11 456	-5.3	-17.9
<b>Internal use</b>					
Thousands of kWh	3 282	3 906	3 871	19.0	-6.0
<b>Total generated</b>					
Thousands of kWh	63 852	68 158	69 761	6.7	2.4
<b>Total consumed</b>					
Thousands of kWh	49 120	54 200	58 305	10.3	7.6
<b>Revenue (net)</b>					
Thousands of EC dollars	21 899	24 226	26 232	10.6	8.3

Source: *Annual Statistical Digest, 1984*, Ministry of Finance, Planning and Statistics.

<sup>a</sup>Preliminary figures.

iii) *Construction*. The government sector provided the main impetus in this activity in 1984, through its programme of rehabilitation of roads. The tight liquidity situation restrained such activity in this area, but the sector nevertheless grew by 9.4% in real terms in 1984, in response to the construction of residential, commercial and industrial buildings and other elements of social and commercial infrastructure.

iv) *Energy and natural resources*. The country benefited from the lower prices of fossil fuels in 1984, when imports of petroleum and related products amounted to 10.4% of its total imports. The trend towards lower prices is evidenced by the 1% decline in the average price of fuel at the end of 1984 as against the price of one year earlier. Whereas there was an observed decline in the consumption of diesel oil, the opposite occurred in the case of gasoline.

The energy desk established by the Government identified the need to develop greater consciousness of the need for energy saving through a programme of public awareness. Plans have been formulated to implement a public sector energy auditing and refitting programme, the objective of which is to identify energy conservation opportunities in all government institutions and, where necessary, to refit with energy-efficient equipment. The Government has maintained interest in alternative sources of energy, and looks towards the geothermal energy project for the supply of electricity to the national grid. The total amount of electricity generated in 1984 was 69.7 million kWh: an increase of 2.4% with respect to 1983. The amount consumed, however, was 58 million kWh. Of this, some 13% was consumed by the industrial sector, while almost 47% was consumed by the commercial sector. Losses in transmission continued to decline (see table 5).

### 3. The external sector

#### a) *Merchandise trade*

i) *Exports.* The trading difficulties experienced in the CARICOM countries put a damper on that aspect of interaction between member countries. The inability to find alternative markets quickly led in many cases to overproduction and resulted in a downward adjustment of the labour force in many workplaces. The total value of Saint Lucia's exports increased by less than 1 % in 1984, with marked declines in sales of beverages and tobacco, manufactured goods and machinery. Exports of bananas, however, are estimated to have increased in value by some 28%, partly as a result of more efficient methods of packing that led to a lower rejection rate of fruit harvested. By and large, the markets for this product remained unchanged (see table 6).

ii) *Imports.* Imports increased in value by 7.5% in 1984, in response to events in the rest of the world. The falling prices of petroleum and related products had a favourable impact on the import bill for these items, and the much abated rate of inflation in trading partner countries was reflected in modest increases in the value of imports generally (see table 7).

iii) *Terms of trade.* The terms of trade deteriorated somewhat in 1984 as imported manufactured commodities continued to register more favourable average unit values than exports, which continued to be mainly primary products. Some little relief is possible if the present interest in agricultural production is sustained and if the economy moves to a greater extent in the direction of agro-industrial activity. In simple terms, the situation is that more and more exports are needed to pay for imports, the quantity of which increases at a slower rate than that of exports (see table 8). In recent years, the value of exports of goods and non-factor services as a percentage of GDP has constantly increased, reaching 64% in 1984. At the same time, there has been a reduction in the resource gap to 21% of GDP (see table 9).

#### b) *Services trade*

Tourism, a fairly new major component of economic activity in Saint Lucia, continued to expand and to provide employment for a large number of residents. The development of the tourism sector is viewed as a means to further diversify economic activity in the country. Greater local

Table 6  
SAINT LUCIA: MAJOR EXPORTS, FOB

	Millions of EC dollars			Growth rates	
	1982	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Total	112.0	128.3	129.1	14.6	0.6
Traditional exports					
Bananas •	42.2	50.2	64.2	19.0	27.9
Coconut oil (unrefined)	12	19	2.1	58.3	10.5
Coconut oil (refined)	7.1	5.7	6.4	-19.7	12.3
Coconut meal	0.4	0.3	0.3	-25.0	-
Cocoa	-	0.3	0.3	...	-
Fruit and vegetables	0.9	1.1	1.4	22.2	27.3
Spices	0.8	0.7	0.7	-12.5	-
Non-traditional exports					
Beer and ale	5.7	4.3	3.1	-24.6	-27.9
Paper and paperboard	14.2	11.8	13.2	-16.9	11.9
Lemonade and flavoured waters	2.0	2.4	1.0	20.0	-58.3
Clothing	11.1	15.5	19.7	39.6	27.1

Source: *Annual Statistical Digest, 1984*, Ministry of Finance, Planning and Statistics.

<sup>a</sup>Preliminary figures.

Table 7

## SAINT LUCIA: IMPORTS OF GOODS, CIF

	Millions of EC dollars			Percentage breakdown		Growth rates		
	1982	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>	1982	1983	1984 <sup>a</sup>
Total	318.7	288.4	310.0	100.0	100.0	-8.4	-9.6	7.5
Consumer goods	185.8	161.1	175.2	55.9	56.5	-7.0	-13.3	8.8
Food, beverages and tobacco	79.5	74.8	73.7	25.9	23.8	-5.4	-5.9	-1.5
Manufactured goods, including durables	109.3	86.3	101.5	29.9	32.7	-8.1	-21.0	17.6
Intermediate goods	78.3	77.5	79.9	26.9	25.8	-0.8	-1.0	3.1
Mineral fuels, lubricants and related materials	37.3	35.2	34.8	12.2	11.2	9.7	-5.6	-1.1
Animal and vegetable oils and fats	3.0	1.5	1.6	0.5	0.5	-23.1	-50.0	6.7
Chemicals	31.2	34.6	35.9	12.0	11.6	-8.0	10.9	3.8
Crude materials	6.8	6.2	7.6	2.1	2.5	-4.2	-8.8	22.6
Capital goods	54.6	49.9	54.0	17.3	17.4	-21.2	-8.6	8.2
Machinery and transport equipment	54.6	49.7	54.0	17.2	17.4	-21.1	-8.9	8.7
Miscellaneous items	-	0.2	-	0.1	-	-	-	-

Source: Ministry of Finance, Planning and Statistics, Saint Lucia, *Economic Review*, 1983, and *Statistical Bulletin No. 1*.

<sup>a</sup>Preliminary figures.

Table 8

## SAINT LUCIA: MAIN FOREIGN TRADE INDICATORS

(1975 = 100)

	1980	1981	1982	1983	1984 <sup>a</sup>
Volume of exports	113.5	141.6	129.8	136.9	179.7
Volume of imports	158.5	162.0	145.0	139.8	161.9
Average unit value - exports	159.6	171.4	186.2	196.8	181.6
Average unit value - imports	247.5	252.0	257.2	266.8	271.7
Terms of trade	64.5	68.0	72.4	73.8	66.8

Source: *Annual Statistical Digest*, 1984, Ministry of Finance, Planning and Statistics.

<sup>a</sup>Preliminary figures.

participation and stronger intersectoral linkages should result in a higher degree of retention of foreign exchange earned. In an attempt to foster greater activity in this sector, the Government has effected improvements in the physical infrastructure to accommodate larger airplanes and other carriers. Cruise ships are soon to be given better facilities. A duty-free shopping centre is scheduled to be established near the international airport in the south of the island.

In 1984, tourist arrivals increased by over 13%, partly in response to greater promotional efforts and to the provision of better facilities for visitors. The market for tourists continued to comprise the United States, the United Kingdom, the CARICOM countries and Canada, in that order. Hotel bed occupancy rates increased substantially in 1984. In the latter part of the year, periods of 100% hotel room occupancy rates were attained. Serious attention is being given to maximizing the

retention of earnings from tourism. To this end, shopping facilities are being constructed or encouraged at major tourist sites. Increased financing for more intensive promotion of Saint Lucia as a tourist destination promises to increase arrivals and earnings in 1985 (see table 10).

c) *The balance of payments*

As the economy of Saint Lucia is very open, the balance of payments is heavily influenced by the merchandise trade account. Indeed, the value of imports almost equals the total value of the current account. Being a member of the ECCB, Saint Lucia's overall **balance-of-payments** position by definition excludes net borrowing from the Bank and the IMF, as well as net changes in government foreign assets. Since the same currency is used in all of the ECC countries, capital moves freely among them.

Provisional figures for 1984 indicate a slight worsening of the current account balance. Whereas the deterioration in the terms of trade contributed to a widened trade deficit, the services balance improved slightly, partly as a result of the performance in tourism. Net private transfers

Table 9

SAINT LUCIA: EXPORTS AND IMPORTS OF GOODS

(As a percentage of gross domestic product)

	1981	1982	1983	1984 <sup>a</sup>
Exports of goods and non-factor services	56.2	54.9	63.5	64.0
Imports of goods and non-factor services	108.3	94.7	83.2	85.3
Resource gap	51.9	39.7	19.7	21.3

Source: *Performance and Prospects of the Saint Lucian Economy*, World Bank.

<sup>a</sup>Preliminary figures.

Table 10

SAINT LUCIA: SELECTED TOURISM STATISTICS

	1982	1983	1984 <sup>a</sup>	Growth rates	
				1983	1984 <sup>a</sup>
Total visitors <sup>b</sup>	98.2	105.4	116.5	7.3	13.3
Stopover visitors					
From:					
United States	13.0	20.3	22.9	56.2	12.8
Canada	14.1	10.5	12.8	-25.5	21.9
United Kingdom	13.9	17.2	18.4	23.7	7.0
Europe	12.3	11.4	11.7	-7.3	2.6
CARICOM	12.4	13.7	15.8	10.5	15.3
Cruise ship visitors <sup>b</sup>	33.8	33.3	37.2	-1.5	11.7
Hotel and guest houses beds	3 421.0	3 421.0	3 421.0	-	-
Average length of stay of stopover visitors <sup>c</sup>	9.5	9.5	10.3	-	8.4
Hotel bed occupancy rate	52.5	56.2	67.7	7.0	20.5
Estimated visitor expenditure <sup>d</sup>	41.4	42.3	42.9	2.2	1.4

Source: *Annual Statistical Digest, 1984*, Ministry of Finance, Planning and Statistics.

<sup>a</sup>Preliminary figures. <sup>b</sup>Thousands. <sup>c</sup>Days. <sup>d</sup>Millions of US dollars.

Table 11

## SAINT LUCIA: BALANCE OF PAYMENTS

(Millions of US dollars)

	1982	1983	1984 <sup>o</sup>
<b>Trade balance</b>	-76.5	-57.1	-61.4
Total exports, FOB	41.6	49.7	53.1
<b>Imports, CIF</b>	118.1	106.8	114.5
<b>Services balance</b>	19.1	24.7	25.4
Travel (net)	23.1	29.3	29.1
Receipts	32.5	39.7	43.7
Payments	9.4	10.4	14.6
Interest	-0.8	-1.3	-0.9
Receipts	0.2	0.1	0.1
Payments <sup>b</sup>	1.0	1.4	1.0
Profits from ECCB	1.4	1.7	1.3
Other factor services (net)	-4.6	-5.0	-4.1
<b>Private transfers (net)</b>	13.0	12.0	14.0
<b>Current account balance</b>	-44.4	-20.4	-22.0
<b>Capital account</b>	33.2	19.3	<b>15.3</b>
Official capital (net)	8.9	13.5	6.5
Grants (project-related)	3.4	6.9	6.3
Central government borrowing	5.7	6.8	0.3
Other <b>official</b> <sup>c</sup>	-0.2	-0.2	0.2
Commercial banks (net)	-1.4	-5.6	-0.3
Private direct investment	26.5	12.0	10.0
Currency holdings <sup>d</sup>	-0.8	-0.6	-0.9
<b>Errors and omissions</b>	12.4	0.9	6.3
<b>SDR allocation</b>	-	-	-
<b>Overall deficit</b>	1.2	-0.2	-0.4
<b>Financing</b>	-1.2	0.2	0.4
Borrowing from ECCB (net)	0.5	0.3	1.0
<b>IMF lending</b>	-1.6	-	-0.5
Government foreign assets (increase = -)	-0.1	-0.1	-0.1

Source: *Performance and Prospects of the Saint Lucian Economy*, World Bank.<sup>a</sup>Preliminary figures.<sup>b</sup>For government and government-guaranteed loans.<sup>c</sup>Includes disbursement of government-guaranteed loans

to the private sector.

<sup>d</sup>Increase in East Caribbean dollars in circulation.

increased by 16% and added some liquidity to the economy. The estimated inflow under this heading was US\$ 14 million in 1984 (see table 11).

Net capital inflows **were** of the order of US\$ 15.3 million in 1984: a near 20% decrease from the level of the previous year. This reflects the abatement in large-scale capital works. The data indicate that the greater part of these inflows were official.

#### 4. Wages, prices and employment

##### a) *Wages and employment*

In 1984, wage increases ranged from 10% to 26% over a two-year period. This is significantly lower than in earlier settlements, when increases of 11% to 50% were not uncommon. The largest wage increases were negotiated in the manufacturing, tourism **and** construction sectors. Despite the

Government's suggestion that wages should increase by no more than 10% per year, nominal wage increases outstrip the rate of inflation.

Estimates indicate that in order for the economy to absorb **all** of the new entrants into the labour force, some two to three thousand jobs must be created every year. The abatement in the rate of economic activity has meant the non-attainment of this goal. Whereas in 1983 the unemployment rate was of the order of 25%, the figure for 1984 is believed to have worsened slightly.

b) *Prices*

Table 12

SAINT LUCIA: EVOLUTION OF DOMESTIC PRICES

(April 1964 = 100)

	1981	1982	1983	1984 <sup>a</sup>
December to December variation				
All items retail price index	9.5	0.6	1.3	1.2
Food	10.6	-1.4	1.2	-0.6
Alcoholic beverages and tobacco	6.3	5.1	6.5	4.6
Housing	11.4	-	-0.7	0.5
Fuel and light	-0.2	3.4	-1.4	3.6
Household and miscellaneous items	29.0	10.1	2.5	3.6
Clothing and footwear	1.8	4.4	4.7	1.3
Services	1.1	1.0	-0.4	11.9
Variation between annual averages				
All items retail price index	15.1	4.6	1.5	1.2
Food	19.0	3.0	0.6	-0.1
Alcoholic beverages and tobacco	3.7	9.3	9.5	1.4
Housing	12.4	8.6	-0.2	-0.6
Fuel and light	8.1	2.6	-0.4	1.1
Household and miscellaneous items	8.4	21.0	4.2	5.0
Clothing and footwear	3.9	2.9	5.2	2.9
Services	9.4	0.5	0.5	10.9

Source: *Annual Statistical Digest, 1984*, Ministry of Finance, Planning and Statistics.

<sup>a</sup>Preliminary figures.

Table 13

SAINT LUCIA: ANALYSIS OF DOMESTIC CREDIT - COMMERCIAL BANKS

(Millions of EC dollars)

	At year end				
	1982	1983	1984	Growth rates	
				1983	1984 <sup>a</sup>
Net foreign assets	-13.3	1.7	18.4	...	982.4
Domestic credit (net)	170.2	160.8	171.5	-5.5	6.7
Net credit to central government	25.1	22.7	21.2	-9.6	-6.7
Of which: loans and advances	(12.1)	(17.1)	(19.1)	41.3	11.7
Credit to private sector	197.2	208.4	238.2	5.7	14.3
Net unclassified assets	-25.0	-28.4	-36.2	13.6	27.5

Source: *Quarterly Commercial Banking Statistics*, Eastern Caribbean Central Bank.

<sup>a</sup>Preliminary figures.

Table 14

SAINT LUCIA: COMMERCIAL BANK LOANS AND ADVANCES  
TO PRIVATE SECTOR"*(Millions of EC dollars)*

	At year end				
	1982	1983	1984 <sup>1</sup>	Growth rates	
				1983	1984 <sup>1</sup>
Total	216.3	230.2	264.0	6.4	14.7
Agriculture	8.6	8.1	9.6	-5.8	18.5
Manufacturing	19.1	17.3	24.5	-4.4	41.6
Distributive trades	36.5	41.4	35.9	13.4	-13.3
Tourism	23.3	24.3	28.9	4.3	18.9
Transport	11.5	7.8	11.0	32.2	41.0
Construction	6.2	6.2	6.9	-	11.3
Public utilities	1.6	2.8	2.2	75.0	-21.4
Personal and other advances	109.5	122.3	145.0	11.7	18.6

Source: *Quarterly Commercial Banking Statistics*, Eastern Caribbean Central Bank.<sup>1</sup>Includes loans and advances to some of the Statutory bodies and public enterprises.<sup>1</sup>Preliminary figures.

Table 15

SAINT LUCIA: SAINT LUCIA DEVELOPMENT BANK-  
CUMULATIVE LOAN APPROVALS*(February 1981 - January 1985)*

	Number	EC\$m	%
Agriculture (including fisheries)	267	2.3	100.0
Housing	427	7.3	44.0
Industry	25	5.5	33.1
Education	214	1.5	9.0
Total	933	16.6	100.0

Source: Data supplied to ECLAC.

The structural openness of the economy and its dependence on imports to satisfy basic consumption and other needs renders the domestic price level responsive to external price stimuli. The retail price index which is used to measure price changes is decidedly in need of revision and will soon be replaced by one that more pointedly addresses the questions of target groups and occasional discontinuities in supply. The Administration makes use of a price control system to discourage profiteering, but it is believed that the business community is fairly amenable to passing on to the consumer the benefits of reductions in import prices.

The rate of inflation as measured by the retail price index rose by 1.2% in 1984, reflecting the slackening in the prices of goods from non-dollar currency areas. A slight drop in the prices of food and housing was observed, while substantial increases in the prices of services and household items contributed heavily to the increase in the general price level (see table 12).

The Government must address the question of a wages policy and safeguard against the situation where excessive liquidity would fan the flames of 'demand pull' inflationary pressures.

## 5. Monetary and fiscal policy

### a) *Monetary policy*

Six commercial banks, 29 insurance companies, the Government-owned Saint Lucia Development Bank, the Saint Lucia Mortgage Finance Company and a number of local credit unions comprise the financial sector.

Table 16

### SAINT LUCIA: COMMERCIAL BANK LIABILITIES

(At year end)

	Millions of EC dollars			Growth rates	
	1982	1983	1984	1983	1984
Total deposits	219.7	244.8	270.2	11.4	10.4
Demand deposits	40.9	36.9	39.7	-9.8	7.6
Time deposits	94.9	119.6	139.9	26.0	17.0
Savings deposits	83.9	88.3	90.5	5.2	2.5
Balances due to the ECCB	0.4	-	-	-	-
Balances due to other					
local banks	23.0	18.4	16.4	82.0	-10.9
Balances due to other					
ECCB area banks	5.7	0.9	2.5	-84.2	177.8
Foreign liabilities	10.7	13.5	13.1	26.0	-3.0
Other liabilities	38.0	42.3	51.8	11.3	22.5
<b>Total liabilities</b>	<b>297.4</b>	<b>319.9</b>	<b>353.9</b>	<b>7.6</b>	<b>10.6</b>

Source: *Annual Statistical Digest, 1984*, Ministry of Finance, Planning and Statistics.

Table 17

### SAINT LUCIA: SUMMARY ACCOUNTS OF THE EAST CARIBBEAN CENTRAL BANK

(Millions of EC dollars)

	At end of year		
	1982	1983	1984
<b>Net international reserves</b>	133.8	134.8	208.7
Net position with banks in ECCA area	-46.3	-50.6	-187.4
<b>Net domestic assets</b>	24.3	31.0	<b>110.4</b>
Net claims on government	53.2	56.0	142.1
Of which:			
Saint Lucia	(12.4)	(13.3)	(13.3)
Treasury bills	(8.7)	(10.0)	(10.0)
Debentures	(3.7)	(3.3)	(3.3)
Net unclassified assets	-27.5	-23.8	-31.5
Currency in circulation	111.8	115.2	131.7
Of which:			
Saint Lucia	28.0	30.2	...

Source: *Performance and Prospects of the Saint Lucian Economy*, World Bank.



Table 18

## SAINT LUCIA: CENTRAL GOVERNMENT REVENUES

*(As percentage of calendar year GDP)*

Fiscal year ending 31 March	Total current revenue	Total tax revenues	Non-tax revenues	Taxes on		
				Income	Goods and services	Interna- tional trans- actions
1982	25.9	23.3	2.6	8.0	5.6	9.3
1983	29.2	25.6	3.6	9.7	5.8	9.8
1984	29.3	25.9	3.4	8.7	6.3	10.6
1985	28.8	26.3	2.5	8.8	6.3	10.8

Source: *Performance and Prospect of the Saint Lucian Economy*, World Bank.

Table 19

## SAINT LUCIA: CENTRAL GOVERNMENT OPERATIONS

*(Millions of dollars)*

	1982- 1983	1983- 1984	1984- 1985
1. Current revenue	106.1	111.3	117.7
Tax revenue	93.0	98.5	107.5
Direct	35.2	32.9	35.9
Indirect	57.8	65.6	71.6
Of which:			
On foreign trade	34.0	38.4	42.4
Non-tax revenue	13.2	12.8	10.2
2. Current expenditure	114.8	114.5	135.3
3. Savings on current account (1-2)	-8.7	-3.2	-17.6
4. Capital expenditure	24.5	25.7	34.6
5. Total expenditure (2 + 4)	139.3	140.2	169.9
6. Fiscal deficit (1-5)	-32.7	-28.9	-52.2

Source: Various sources, and data supplied to ECLAC.

Commercial banks increased their loans and advances to the private sector to the extent that the amount outstanding at the end of 1984 was more than 14% higher than the level of one year earlier. Significant increases in credit to the manufacturing, tourism and transport sectors was noted, together with a substantial increase in personal and other advances. Net commercial bank credit to the central government stood at EC\$ 21.2 million at the end of 1984 (see tables 13 and 14).

The Saint Lucia Development Bank, which was formed in 1981, had assets at the end of March 1984 of EC\$ 20 million. The Bank offers credit for housing, agriculture and fisheries, and industry. To date, some 44% of the value of loan approvals has been for housing (see table 15).

By the end of 1984, total deposits with commercial banks had risen by 10.4% over the figure of a year earlier. Time deposits had risen by 17%, while savings deposits had risen by 2.5%, in line with the incentives provided by the interest rate structure. Whereas the interest rate on savings deposits ranged between 3.0% and 6.33%, 3-month time deposits gained between 7.0% and 8.5% interest, and 12-month deposits earned between 7.5% and 10.0%. The prime lending rate ranged between 13.0% and 14.0%. Net domestic assets registered a sharp increase of 154% (see tables 16 and 17).

Table 20

SAINT LUCIA: SUMMARY OF EXTERNAL PUBLIC DEBT OPERATIONS<sup>a</sup>

	1982	1983	1984 <sup>b</sup>
Thousands of US dollars			
Outstanding debt at end of period	24 030	31 190	31 242
Outstanding debt at beginning of period	18 762	24 030	31 190
Net drawings	5 468	7 185	321
Drawings	6 518	8 179	1 173
Amortization (-)	-1 050	-994	-852
Valuation adjustment	-200	-25	-269
Debt service payments	2 088	2 399	1 824
Amortization	1 050	994	849
Interest	1 038	1 405	975
<b>Percentages</b>			
Debt outstanding/GDP	17.9	22.2	20.7
Net drawings/GDP	4.1	5.1	0.2
Debt service/exports of goods and tourism	2.8	2.7	1.9
Average interest rate <sup>c</sup>	5.5	5.8	3.1
Debt outstanding (growth rate)	28.1	29.8	0.2

Source: *Performance and Prospects of the Saint Lucian Economy*. World Bank.

<sup>a</sup> Excludes debt to the Fund and ECCB. <sup>b</sup> Preliminary figures. <sup>c</sup> Ratio of total interest payments to debt at beginning of period.

b) *Fiscal policy*

Revenues were by and large efficiently collected. Some 77% of the total revenue in the fiscal year 1984-1985 was accounted for by income taxes, consumption tax, import duties and stamp duty (see table 18).

Despite the increases in revenue, expenditure has risen at a faster rate and the deficit situation has been maintained. The main deficits have been incurred on the current account, to pay wage and salary settlements. The result is that there is relatively little left to finance capital development. Of the total budgetary provision for fiscal year 1985-1986 expenditure of EC\$ 215.3 million, some EC\$ 136.9 million has been earmarked for recurrent expenditure. Of the total sum budgeted, EC\$ 135.3 million was identified as coming from local revenues, while EC\$ 55.4 million was to come from external sources (see table 19).

The taxation system in force has been developed almost to the fullest. In 1984, however, the Government sought to collect an additional EC\$ 1.7 million through several fiscal measures. Thus, it introduced a Bill to amend the Insurance Act by imposing a gross turnover tax of 5% on premiums. The estimated EC\$ 800 000 per annum yield will be used on capital projects. The Government also proposed that all insurance business with respect to risks in Saint Lucia must be placed through agents with offices in Saint Lucia. The revenue accruing from this measure was estimated at EC\$ 79 000. A consumption tax was placed on whisky, which had become relatively cheap because of the depreciation of the pound sterling, and imported cigarettes were also more heavily taxed.

The outstanding debt at the end of 1984 stood at US\$ 31.2 million: slightly more than the figure one year earlier, and equivalent to some 20.7% of total GDP. Debt service payments were equivalent to some 2% of exports of goods, plus tourism (see table 20).

## SAINT VINCENT AND THE GRENADINES

### 1. Recent economic trends: Introduction and summary

During 1984 the gross domestic product (GDP) measured in 1977 prices reached an estimated EC\$ 118.2 million: an increase of 3.5% (see table 1). However, it should be noted that for the third consecutive year the GDP growth rate has been declining. Virtually every sector contributed to this expansion, but agriculture and transport accounted for the largest increases, with distributive trade and government services next in order of importance.

Agriculture, with a share in excess of 17% of GDP, has continued to be the single most important sector since its recovery from the natural disasters of 1979 and 1980. Manufacturing, despite the rapid increase in enclave manufacturing production in the last few years, accounts for just over 10%, roughly the same as in the last four years (see table 2).

Much of the growth in 1984 was induced by exports of goods and services: merchandise exports alone increased by over 30%. In contrast, imports were more restrained, growing by just about 9% and thus leading to a reduction in the chronic merchandise trade deficit. Saint Vincent and the Grenadines can therefore be said to be on a track of export-propelled growth. The tourism sector is relatively small and its relative share of GDP has been declining in recent years, although larger numbers of visitors are arriving each year.

Also contributing to the reduced deficit on the goods and services account of the balance of payments are the higher receipts of current transfer payments and increased capital account inflows. The balance of payments position is in fair shape, but the situation could worsen when debt and interest payments increase.

Increasing attention is being paid to strengthening public sector finances and implementation of a Review Committee's recommendations is expected to improve the fiscal situation in the next few years.

### 2. Trends in economic activity

i) *Agriculture.* Agriculture remains the most important productive sector of the economy, and in 1984 it improved its performance compared with the year before, directly contributing over 17% of the gross domestic product (GDP). In real terms, measured at 1977 prices, the sector's output grew by 4.5%. Agricultural exports continue to be the major component of merchandise exports. For the first six months of 1984, agricultural exports (SITC O) grew by 23% in value over the same period of 1983. But for the sharp appreciation of the EC dollar *vis-a-vis* the pound sterling (the United Kingdom is a principal destination of St. Vincent's agricultural exports), total agricultural export earnings would have increased even more.

Bananas remain the principal export commodity, with a 21% share of total domestic exports during 1984, but this share has declined from its 1982 peak of 28.7%. The industry continued its recovery following the natural disasters of 1979 and 1980 and the export volume increased by 18.8% between 1983 and 1984 to 32 762 tons. However, reflecting a 2.9% fall in the unit value, total export receipts increased by 15.3% to EC\$ 30.1 million (see table 3).

Banana producers' nominal income increased by only 2.4%, due to a sharp (13.5%) reduction in farmgate unit prices, and real farm incomes in this subsector may have declined. For the short term, it appears that reduction of post-harvest losses and improvement of quality are areas of prime concern, while at the same time the Banana Growers' Association should also focus on increased efficiency in its purchasing of inputs.

*Arrowroot.* Increased competition from more efficient arrowroot starch producers has resulted in a fall in the price of arrowroot starch on the world market. In the hope of an increase in world prices, large stocks were accumulated, which at the end of 1984 were equivalent to more than three times the export volume for that year. Financing of this large stock has resulted in large losses for the Arrowroot Industry Association and left it in a rather precarious financial situation. This in turn has resulted in a sharp decrease in farmgate prices and, in reaction, in reduced acreage under arrowroot—a process which is likely to continue (see table 4).

*Sugar.* Production of sugar increased to 2 747 metric tons in 1984, but this was considerably lower than the estimated breakeven production of 10 000 long tons. In addition, the industry suffered from low sugar cane yields per acre and low yields of sugar from the cane. Taking into account substantial interest payments on the large overdrafts of producers the production cost of sugar is estimated at around EC\$ 1.50 per pound compared with a domestic selling price of EC\$ 0.70 cents per pound and a world market price of less than 10 U.S. cents per pound during 1984. All these factors have resulted in substantial operational losses to the Saint Vincent Sugar Industry Limited. Between the second half of 1984 and early 1985 the industry was the subject of several critical reviews, and in May 1985 the Government of Saint Vincent and the Grenadines announced that the sugar industry would be phased out (see table 5).

*Other crops.* At the time of writing, 1984 production data were not available, but indications are that, with the exception of coconuts, most other commodities registered increased output. Much of this production is oriented towards the CARICOM and world markets, with export shares comprising well over 90% of the estimated production (see table 6).

Table 1

SAINT VINCENT AND THE GRENADINES: MAIN ECONOMIC INDICATORS

	1982	1983	1984 <sup>a</sup>
<b>A. Basic economic indicators</b>			
Gross domestic product at factor cost (millions of EC dollars at 1977 prices)	108.6	114.1	118.2
Population (thousands)	100.1	101.3	102.5
Per capita gross domestic product (dollars at 1977 prices)	1 085.0	1 126.0	1 153.0
	Growth rates		
<b>B. Short-run economic indicators</b>			
Gross domestic product (1977 prices)	5.9	5.1	3.5
Per capita gross domestic product	...	3.8	2.4
Current value of exports (goods)	33.8	25.8	33.3
Current value of imports (goods)	11.9	8.1	8.9
Consumer price index (December to December)	14.3	4.4	2.0
<b>Money supply</b>			
Current revenue of government	35.6	18.9	4.1
Total expenditure of government	29.3	7.2	12.1
Fiscal deficit as % of total government expenditure	8.5	-	7.9
	Millions of dollars		
<b>C. External sector</b>			
Trade balance	-88.8	-79.2	-62.4
Balance on current account	-2.2	-16.5	...
Variation in net international reserves	...	...	...
External debt	49.4	57.2	61.3

Source: Various ECLAC sources.

<sup>a</sup>Preliminary figures.

## SAINT VINCENT AND THE GRENADINES

Table 2

 SAINT VINCENT AND THE GRENADINES: GROSS DOMESTIC PRODUCT,  
 BY KIND OF ECONOMIC ACTIVITY

	Millions of 1977 EC dollars				Percentage breakdown		Growth rates		
	1981	1982	1983	1984 <sup>a</sup>	1980	1984 <sup>c</sup>	1982	1983	1984 <sup>c</sup>
Gross domestic product	102.6	108.6	114.1	118.2	100.0	100.0	5.9	5.1	3.5
Agriculture	17.7	18.7	19.6	20.5	13.1	17.4	5.8	10.9	4.5
Crops	11.2	15.2	16.1	16.9	9.4	14.3	34.9	6.0	5.0
Livestock	1.5	1.5	1.5	1.5	1.7	1.3	3.4	-3.3	2.0
Forestry	0.4	0.3	0.3	0.3	0.5	0.3	-29.5	3.2	6.3
Fishing	1.5	1.7	1.7	1.7	1.4	1.5	12.0	1.8	1.8
Mining and quarrying	0.3	0.3	0.3	0.4	0.3	0.3	-	9.7	2.9
Manufacturing	11.3	12.0	12.3	12.4	11.6	10.5	5.8	2.6	1.0
Electricity and water	3.3	3.6	3.7	3.8	3.4	3.2	9.4	2.2	2.2
Construction	11.4	11.5	12.2	12.6	11.7	10.6	1.0	6.0	3.0
Wholesale and retail trade	11.1	12.7	13.0	13.6	12.6	11.5	14.5	2.3	4.3
Hotels and restaurants	3.2	3.4	3.6	3.6	3.9	3.0	4.3	6.2	0.3
Transport	13.1	14.7	17.1	18.2	12.6	15.4	12.6	16.0	6.7
Road transport	11.1	12.4	14.6	15.3	10.6	13.0	12.1	17.4	5.0
Sea transport	1.2	1.4	1.6	2.0	1.1	1.7	19.3	12.7	25.0
Air transport	0.9	0.9	0.9	0.9	0.9	0.8	-1.1	1.1	2.3
Communications	5.7	6.0	6.1	6.3	4.7	5.3	4.9	2.9	2.9
Banks and insurance	4.1	4.2	4.2	4.3	4.2	3.6	1.5	1.4	1.9
Real estate and housing	4.5	4.6	4.7	4.8	4.6	4.0	2.2	1.9	1.5
Government services	17.8	17.5	17.8	18.3	17.9	15.5	-1.7	2.0	3.0
Other services	3.2	3.4	3.4	3.5	3.3	2.9	4.0	1.8	1.5
Less: imputed service charges	3.8	3.9	3.9	4.0	3.9	3.4	1.3	1.6	2.0

Source: Data supplied by OECS Secretariat.

<sup>a</sup>Preliminary figures.

Table 3

## SAINT VINCENT AND THE GRENADINES: BANANA PRODUCTION AND PRICES

Year	Production <sup>a</sup>	Export volume <sup>a</sup>	Export value <sup>b</sup>	Export price/ton <sup>c</sup>	Farmgate price/ton <sup>c</sup>
1982	26.4	26.7	24.3	909.8	453.9
1983	27.9	27.6	26.1	946.3	468.1
1984 <sup>11</sup>	33.0	32.8	30.1	918.7	404.9

Source: WINBAN, St. Vincent Banana Growers' Association, Statistical Office. Depending on source, slight variations in the data may occur.

<sup>a</sup>Thousands of tons.

<sup>b</sup>Millions of EC dollars.

<sup>c</sup>EC dollars per ton.

<sup>d</sup>Preliminary figures.

In this respect, the future prospects of the agricultural sector remain closely linked with the course of developments in other CARICOM countries.

ii) *Manufacturing*. This sector remains at an early stage of development, with a contribution of about 10% to the GDP in real terms. Most production units are small and are either based on enclave manufacturing activities or on the processing of agricultural produce. The production of two major commodities, arrowroot starch and sugar, has already been discussed under agriculture, and other production data are generally not available. Exports of mostly non-traditional manufacturing

Table 4

**SAINT VINCENT AND THE GRENADINES: PRODUCTION,  
EXPORTS AND STOCKS OF ARROWROOT**

Year	Production <sup>a</sup>	Export <sup>a</sup>	Stocks <sup>ab</sup>
1981-1982	2 106	366	1 966
1982-1983	2 208	1 240	2 788
1983-1984 <sup>c</sup>	1 725	960	3 649

Source: Ministry of Finance, Planning and Development (production data reflect crop years).  
<sup>a</sup>Thousands of pounds. <sup>b</sup>Year end. <sup>c</sup>Preliminary figures.

Table 5

**SAINT VINCENT AND THE GRENADINES: SUGAR SECTOR INDICATORS**

Year	Cane production <sup>a</sup>	Sugai: production <sup>a</sup>	Acreage	Molasses <sup>b</sup>	Rum <sup>b</sup>
1982	30 035	1 880	600.0	...	115
1983	33 610	2 307	...	286	120
1984 <sup>c</sup>	34 300 <sup>d</sup>	2 747	1 410	268	68

Source: Agricultural Statistics Unit.

<sup>a</sup>Metric tons. <sup>b</sup>Thousands of gallons. <sup>c</sup>Preliminary figures. <sup>d</sup>Estimates.

Table 6

**SAINT VINCENT AND THE GRENADINES: ESTIMATED  
PRODUCTION OF SELECTED COMMODITIES**

*(Tons)*

	1981	1982	1983
Sweet potatoes	1 369	1 450	1 084
Yams	696	929	1 251
Tannias	1 743	2 067	2 959
Eddoes/dasheen	4 322	5 443	8 428
Nutmegs	60	57	74
Mace	12	8	17
Carrots	181	159	71
Ginger	124	130	174
Peanuts	181	181	64
Tobacco	99	99	75
Plantains	5 080	1 988	1 473
Coconuts (thousands nuts)	9 924	10 519	...

Source: Ministry of Finance, Planning and Development, Statistical Unit and Ministry of Agriculture.

## SAINT VINCENT AND THE GRENADINES

Table 7

 SAINT VINCENT AND THE GRENADINES: INDICATORS  
OF CONSTRUCTION ACTIVITY

	1982	1983	1984 <sup>a</sup>
Planning permits			
Number of applications	339.0	307.0	300.0
Gross floor area <sup>b</sup>	441.0	448.0	460.0
Estimated value <sup>c</sup>	24.7	26.9	27.6
Imports of selected commodities			
Cement <sup>d</sup>	15 240.0	17 655.0	...
Paints <sup>e</sup>	189.0	182.0	...
Finished structural parts <sup>d</sup>	136.0	...	...
Lumber <sup>f</sup>	4 802	7 769	...
Other			
Loans for construction and land development <sup>c</sup>	7.0	8.6	9.5
House and land purchases	12.5	13.7	15.8

Source: Ministry of Finance, Planning and Development, Statistical Unit; ECCB.

<sup>a</sup>Preliminary figures. <sup>b</sup>Thousands of square feet. <sup>c</sup>Millions of dollars. <sup>d</sup>Tons. <sup>e</sup>Thousands of litres. <sup>f</sup>Cubic metres.

products (SITC sections 5 to 8) have increased significantly from EC\$ 4.7 million in 1980 to EC\$ 31.3 million in 1983, which indicates quite rapid expansion of the output of the enclave industries.

Apart from sugar, sugar by-products and arrowroot production, the agro-based industrial activities mainly comprise flour milling and food processing. Reflecting the decline in coconut production, the output of coconut oil declined by 30% in 1984 to about 140 000 gallons. In contrast, the output and exports of the flour mill increased substantially in 1984 by 11.4% and 22.9% in volume and by 26% and 16.4% in value, respectively.

To accommodate further expansion of the manufacturing sector, the Development Corporation expects to add 30 000 square feet of factory shell space in 1985.

iii) *Construction*. The construction sector grew by about 3% in 1984, and its contribution to GDP has remained at around 11% since 1980 (see table 2). The estimated value of planning permits for building works in 1984 remained at the 1983 level in real terms, but applications for subdivisions increased both in number and value. Credit for construction and land development and for the purchase of houses and land increased by about 11% to EC\$ 25.3 million in 1984 (see table 7).

iv) *Energy*. After suffering severe loadshedding problems in 1983, emergency capacity of 1 800 kW was added in 1984. This resulted immediately in sharp increases in peak demand (11.4%), total consumption (13.3%) and average consumption per consumer (9.1%) (see table 8).

As a result of an improved load factor and a decrease in transmission and distribution losses, total generation increased by 8.5%. As transmission and distribution losses still stand at 23%, however, there is room for further substantial improvement, and to achieve this the Saint Vincent and the Grenadines Government secured an EC\$ 4.5 million loan from the Caribbean Development Bank (CDB) to upgrade the electricity distribution system.

Plant capacity will again be expanded in 1985 when a 3.1 mW level unit will be commissioned. Over the years, Saint Vincent has become increasingly dependent on diesel generating plant. A UNDP-funded study completed in 1984 identified substantial economically viable hydroelectrical potential and the Government has given priority to the development of this indigenous resource, which will result in considerable fuel import savings.

v) *Tourism*. During 1984 the tourist industry continued the recovery which began in 1983, with a 32.6% increase in total visitor arrivals. However, most of this growth is to be attributed to the 86% increase in cruise ship visitors, since the number of stopover visitors increased only marginally and the number of visitors arriving by yacht actually declined (see table 9).

In the aftermath of the Grenada crisis of late 1983, many hotels in Saint Vincent and the Grenadines registered substantial cancellations during the 1983-1984 season. As a consequence, the number of hotel visitors declined, as well as the number of United States, Canadian and European visitors. On the other hand, the number of Caribbean visitors increased, and the Caribbean now comprises the most important market.

Although firm data are not available, the indications are that within the category of stopover visitors there has been a substantial shift towards cheaper accommodation like cottages, private homes and apartments, which has resulted in reduced average daily tourist expenditure. Total gross tourism receipts are therefore estimated to have increased by not more than about 5%.

St. Vincent and the Grenadines remain in urgent need of a long-term tourism strategy. The main short-term need is the improvement of the data base in this field, which would necessitate the implementation of a tourism expenditure and motivation study. With respect to strategy and planning, the Government has requested technical assistance from the Organization of American States.

Table 8

SAINT VINCENT AND THE GRENADINES: ELECTRICITY  
PRODUCTION AND CONSUMPTION

	1982	1983	1984 <sup>o</sup>
Total generated <sup>b</sup>	30.37	31.05	33.70
Total consumption <sup>b</sup>	23.33	22.83	25.86
Of which:			
Domestic	10.51	10.29	11.52
Commercial	8.30	8.15	9.18
Industrial	3.44	3.28	3.93
Transmission and distribution losses	7.04	8.22	7.84
Number of consumers	12 221.00	12 893.00	13 386.00
Average consumption per consumer <sup>c</sup>	1 909.00	1 771.00	1 932.00
Peak demand <sup>d</sup>	5 520.00	5 350.00	5 960.00
Installed capacity (kW) <sup>d</sup>	7 675.00	7 675.00	9 485.00
Of which:			
Hydro	1 970.00	1 970.00	1 970.00
Diesel <sup>e</sup>	5 705.00	5 705.00	7 515.00

Source: *Digest of Statistics 1983*, Statistical Office, Electricity Services.

<sup>a</sup>Preliminary figures. <sup>b</sup>Millions of kWh. <sup>c</sup>kWh per year. <sup>d</sup>Excludes 800 kW diesel capacity installed in Bequia.

Table 9

SAINT VINCENT AND THE GRENADINES: SELECTED TOURISM INDICATORS

	1982	1983	1984 <sup>o</sup>	Growth rates	
				1983	1984 <sup>o</sup>
Total visitors <sup>b</sup>	79.1	86.4	114.6	9.2	32.6
By air	46.2	47.4	47.4	2.6	-
By sea	32.9	38.9	67.2	18.2	72.8
Stopover visitors	37.1	37.7	38.5	1.6	2.1
Yachts	...	4.5	3.2	...	-28.9
Cruise ship visitors	20.9	34.4	64.0	64.6	86.0
Other excursionists	...	9.7	9.0	...	-7.2

Source: Department of Tourism, Caribbean Tourism Research and Development Centre (CTRC).

<sup>a</sup>Preliminary figures. <sup>b</sup>Thousands.



Table 10

SAINT VINCENT AND THE GRENADINES: IMPORTS/EXPORTS  
AND BALANCE OF VISIBLE TRADE

(Millions of EC dollars)

Year	Imports	Domestic exports	Re-exports	Total exports	Balance on visible trade
1980	154.2	40.3	1.4	41.7	-112.5
1981	157.1	63.4	1.5	64.9	-92.2
1982	175.8	84.8	2.2	87.0	-88.8
1983	190.0	106.7	4.1	110.8	-79.2
1984	207.0	142.2	2.4	144.8	-62.4

Source: Ministry of Finance, Planning and Development, Statistical Unit.

Table 11

## SAINT VINCENT AND THE GRENADINES: COMPOSITION OF DOMESTIC EXPORTS

(Millions of EC dollars)

Year	Traditional (SITC 0, 1, 4)	Non-traditional (SITC 5-8)	Other (SITC 2, 3, 9)	Total
1980	35.4	4.7	.2	40.3
1981	52.3	11.0	.1	63.4
1982	63.6	20.7	.5	84.8
1983	75.0			
1983 (January-June)	36.4	31.3	.4	106.7
1984		14.4	.6	51.4
1984 (January-June)	44.1	15.8	.2	60.1

Source: Ministry of Finance, Planning and Development, Statistical Unit.

## 3. The external sector (2.)

a) *Merchandise trade*

During 1984, for the fourth consecutive year, the growth rate of the value of exports exceeded that of imports and the merchandise trade deficit has thus been reduced by over 44% since 1980. The value of total domestic exports in 1984 rose by 33% over the figure of 1983. This growth is even more remarkable if bananas are excluded, as non-banana exports increased by over 39%. During the same period, imports grew by 9% and the proportion of domestic exports to GDP in 1984 increased from 0.3 to 0.6, while that of imports to GDP declined from 1.2 to 0.9. It appears that both the unit value and volume of exports have increased since 1980. One estimate shows the commodity terms of trade index standing at 110 in 1983 compared to a base of 100 in 1980; during 1982 and 1983 the import component of the price indexes actually declined (see tables 10 and 11).

Although agro-based commodities remain the principal component, the export of non-traditional manufactures (mainly from various enclave industries) has been growing in importance and now comprises about 30% of domestic exports as against 12% in 1980. Such a diversification, if accompanied by diversification of export markets as well, will render Saint Vincent and the Grenadines less vulnerable to currency fluctuations and/or an abrupt fall in primary commodity prices.

Taken together, the CARICOM group of countries is the major trading partner of Saint Vincent and the Grenadines. Within this grouping, Trinidad and Tobago stands out both for imports and exports. During 1983, exports to CARICOM accounted for some 56% of the total, with Trinidad's share amounting to 34%. The respective figures for imports are 22% and 13%, respectively. The United Kingdom and the United States account for second and third places in recent years.

With the notable exception of Trinidad and Tobago, the exports to the CARICOM MDC's reflect the subregion's internal trading problems. Exports to Guyana and Jamaica have all but disappeared, while those to Barbados registered their third successive year of decline. In contrast, trade with Trinidad and Tobago increased and that country has now been the major export market of Saint Vincent and the Grenadines ever since 1972. Trading problems within the CARICOM subregion, however, give cause for concern. While imports from CARICOM in 1984 remained relatively constant at around EC\$ 42 million, exports to that group have increased rapidly, and since 1982 Saint Vincent and the Grenadines has had a positive and increasing trade balance with the other CARICOM member States.

The volume of exports to the United Kingdom increased, but as the East Caribbean dollar appreciated against the pound sterling, the value of those exports remained stable. However, reflecting the increased purchasing power of the East Caribbean dollar, imports from the United Kingdom increased sharply in both volume and value. Value estimates of the composition of imports by end-use category up to 1983 show a relative stagnation of consumer goods and increases in purchases of intermediate and capital goods.

Table 12

SAINT VINCENT AND THE GRENADINES: BALANCE OF PAYMENTS

(Millions of US dollars)

	1981	1982	1983
Current account			
Exports of goods and non-factor services	48.7	52.4	62.4
Merchandise exports, <b>FOB</b> <sup>a</sup>	29.8	34.3	42.0
Non-factor services	18.9	18.1	20.4
Imports of goods and non-factor services	66.2	74.3	83.2
Merchandise imports, CIF	58.2	63.6	71.4
Non-factor services	8.0	10.7	11.8
Balance on goods and services	-17.5	-21.9	-20.8
Net factor income	-0.7	-1.8	-1.6
Investment income: receipts	1.4	1.1	1.3
Investment income: payments	-2.1	-2.9	-2.9
Net current transfers	17.4	17.6	19.4
Net private current transfers	12.5	13.0	16.0
Net official current transfers	4.9	4.6	3.4
Current account balance	-0.8	-6.1	-3.0
Capital account			
Direct investment	.05	0.6	3.0
Foreign borrowing (net)	2.7	2.3	2.6
Disbursements	3.2	2.8	3.3
Repayments	0.5	0.5	0.7
Net short-term capital	-2.0	6.4	-1.4
ECCA/ECCB	0.9	0.4	0.3
IMF	1.8	-	-
Errors and omissions	-2.0	-3.9	-1.3
Government foreign assets (+ = increase)	-0.2	-0.2	-0.2

Source: International Monetary Fund (IMF).

<sup>a</sup>There is a significant difference between merchandise exports reported by IMF and those reported by the government.

Table 13

## SAINT VINCENT AND THE GRENADINES: INDEX OF RETAIL PRICES

*(January 1981 = 100)*

	December to December variation		
	1982	1983	1984
All items consumer price index	4.8	5.1	2.1
Food and beverages	4.0	5.3	-2.1
Tobacco and alcohol	5.7	2.2	3.6
Clothing and footwear	4.3	4.3	-2.1
Housing	0.1	14.3	39.3
Fuel and light	3.8	5.2	4.5
Furniture, furnishings and domestic appliances	10.8	6.6	-4.9
Household supplies	9.4	2.9	0.8
Transport and communications	2.3	-0.8	0.9
Other	13.8	2.2	9.5

Source: Ministry of Finance, Planning and Development, Statistical Unit.

b) *Balance of payments*

Table 12 shows **balance-of-payments** data for the years 1981 to 1983. Although 1984 balance-of-payments data are not yet available, it is expected that the balance on goods and services will show a further improvement as a result of both the increase in tourism receipts and the reduction of the merchandise trade deficit.

## 4. Prices, wages and employment

a) *Prices*

The rate of inflation, as measured by the index of retail prices, increased by 2.1% in 1984, compared with 5.1% in 1983 and 4.8% in 1982. The indexes for food and beverages fell, possibly reflecting the increased output of agricultural produce and the appreciation of the EC dollar, especially against the pound sterling. With the recent increase in the rate of inflation of most trading partners of Saint Vincent and the Grenadines and the increases in indirect taxation, it is likely that the rate of inflation will **increase** in 1985 (see table 13).

b) *Wages*

No wage data are available, but indications are that wages and salaries have remained fairly stable during 1984.

c) *Population and employment*

According to the 1980 census, the population of Saint Vincent and the Grenadines was 97 845, and it is estimated that this had risen to 103 500 by 1984. Census data suggest that both the labour force and the number of possible new entrants to it will increase more rapidly than the population. Preliminary results from the 1984 Employment Survey indicate that 40% to 50% of the labour force is either unemployed or underemployed. These figures have to be interpreted with some caution, since a broad definition of "underemployed" was used. Nevertheless, the data appear to conform to the conclusions which were derived from the analysis of the population census.

Most of the economically active population is employed in the agricultural sector, but, as the underemployment data indicate, this sector's ability to create new employment will remain limited and new job opportunities will have to be created mainly in the manufacturing, construction and services sectors.

## 5. Monetary and fiscal policy

### a) *Monetary developments*

During the first six months of the year, claims of commercial banks on central and local government increased rapidly, but they declined even faster during the last six months. While the amount of long-term debentures increased, the amount of short-term loans and advances decreased from a peak of EC\$ 8.8 million in June to EC\$ 4.2 million in December. During the year, the public enterprises became net borrowers, reflecting their precarious financial situation. Altogether, credit to public enterprises grew by almost 25 %, most of this growth having been incurred during the *first* six months. In contrast, credit to the private sector showed moderate growth of 8.3%. Total money supply ( $M_1$ ) grew by 23%. This was due to an increase of 24% in currency outside banks and a 22 % increase in demand deposits. Net foreign assets registered a sharp rise of 280% (see table 14).

At the end of 1984, the net foreign assets position of the monetary system showed an improvement over the position at the end of 1983. This was solely due to an increase in the net foreign assets of the monetary authority, for within the commercial banking sector, net foreign liabilities increased while foreign assets decreased. Net domestic reserves of the commercial banking system increased sharply in the second half of 1984, as the result of a transfer of the special deposit requirement from the Treasury to the Central Bank and increases in deposits (see table 15).

Commercial bank loan data show that most sectors increased their borrowing during 1984 except tourism, transport, public utilities and government. Loans to agriculture and distributive trade increased by more than 27% and 30%, respectively (see table 16).

### b) *Fiscal policy*

The overall deficit on central government operations is increasing, although the figure of EC\$ 7.1 million registered during 1983-1984 was only about 3% of GDP (see table 17).

As the Government is well aware of the need to strengthen public sector finances, including those of the non-financial public sector enterprises, a new committee was established to examine and formulate policy recommendations on public sector financing and management of the public debt. Together with the administrative reforms which are now underway, the implementation of the committee's recommendations is expected to result in a substantial medium to long-term improvement of the country's public sector operations.

Table 14

#### SAINT VINCENT AND THE GRENADINES: MONETARY BALANCE

	Millions; of EC dollars			Growth rates		
	1982	1983	1984 <sup>a</sup>	1982	1983	1984 <sup>a</sup>
Money	34.9	41.0	50.4	3.7	17.3	23.0
Currency <b>outside</b> banks	17.5	20.1	25.0	14.3	14.8	24.3
Demand deposits	17.4	20.8	25.3	-5.2	19.8	21.7
Factors of expansion	144.4	159.1	188.7	14.1	10.2	18.6
Foreign assets	2.3	4.8	18.1	-85.5	106.5	279.9
Domestic credit	142.1	154.3	170.6	28.5	8.6	10.6
Government	24.6	18.9	18.3	53.7	-23.3	-3.0
Private sector	86.2	99.4	107.6	-3.6	15.4	8.3
Public enterprises	31.3	36.0	44.7	501.9	15.0	24.2
Factors of absorption	109.5	118.1	138.3	16.7	7.9	17.1
Quasi-money (savings and time deposits)	100.1	111.1	123.5	16.0	11.0	11.2
Other items (net)	9.3	7.0	14.9	43.4	24.8	112.0

Source: International Monetary Fund, *International Financial Statistics*, August 1985.

<sup>a</sup> Preliminary figures.

## SAINT VINCENT AND THE GRENADINES

Table 15

 SAINT VINCENT AND THE GRENADINES: CONSOLIDATED  
 COMMERCIAL BANK OPERATIONS

(Millions of EC dollars)

	As of end of year:		
	1982	1983	1984 <sup>a</sup>
<b>Assets</b>			
Foreign assets	28.89	26.48	22.94
Claims on other ECCB banks	12.57	8.60	5.90
Non-resident loans	2.20	1.85	3.05
Other foreign assets	14.12	16.03	13.99
<b>Domestic assets</b>	<b>165.67</b>	<b>176.15</b>	204.61
Claims on ECCB	7.98	3.95	19.46
Claims on government	12.36	12.68	10.67
Of which:			
Treasury bills	(1.00)	(1.00)	(1.00)
Debentures	(0.40)	(5.07)	(5.42)
Loans, advances	(10.96)	(6.61)	(4.25)
Claims on public enterprises	30.45	35.17	43.96
Claims on private sector	86.17	99.40	105.74
Other assets	28.71	24.59	24.78
Total assets	194.56	202.63	227.55
<b>Liabilities</b>			
Foreign liabilities	38.5	32.93	35.79
Balance due - ECCB banks	2.67	2.37	0.52
Non-resident deposits	28.04	24.56	27.99
Other foreign liabilities	7.79	6.00	7.28
Domestic liabilities	156.06	169.70	191.76
Balance due to ECCB	5.66	1.92	2.07
Deposits by:			
Government	0.23	5.84	3.78
Public enterprises	30.85	36.25	40.18
Resident private sector	86.65	95.66	108.67
Other liabilities	32.67	30.03	37.06
<b>Total liabilities</b>	<b>194.56</b>	<b>202.63</b>	<b>227.55</b>

Source: East Caribbean Central Bank (ECCB); International Monetary Fund (IMF).

<sup>a</sup>Preliminary figures.

 c) *Public sector debt*

At the end of the fiscal year 1983-1984, the total external debt incurred or guaranteed by the Government amounted to EC\$ 65.8 million. Most of this was on concessionary terms, which is reflected in a low average rate of interest and a high proportion of long-term debt. On the basis of the loans committed up to 30 June 1984, the current external debt is forecast to peak in the fiscal year 1987-1988, but total external indebtedness is expected to more than double as a result of new project-related loans, including those related to the Cumberland hydroelectric project. Provided that the Government succeeds in reducing the operating losses of the public enterprises and in mobilizing concessionary financing, current and future debt-servicing should remain manageable (see table 18).

Table 16

**SAINT VINCENT AND THE GRENADINES: SECTORAL DISTRIBUTION  
AND MATURITY OF COMMERCIAL BANK CREDIT**

	Millions of EC dollars			Growth rates	
	1982	1983	1984 <sup>a</sup>	1983	1984 <sup>a</sup>
Total	128.3	141.8	156.6	10.5	10.4
By sector					
Agriculture	9.3	9.7	12.4	4.3	27.8
Manufacturing	19.9	28.1	28.5	41.2	14
Distributive trade	17.2	14.8	19.4	-14.0	31.1
Tourism (including entertainment)	3.6	4.0	3.8	11.1	-5.0
Transport	5.1	7.8	7.6	52.9	-2.6
Public utilities	4.6	5.5	5.3	196	-3.6
Government and statutory bodies	18.3	14.0	13.6	-23.5	-2.9
Construction and land development	7.1	8.6	9.5	21.1	10.5
Personal	28.7	33.0	35.7	15.0	8.2
Other	14.5	16.5	20.9	13.8	26.7
By maturity					
Overdraft	60.5	63.0	74.3	4.1	17.9
Up to 1 year	6.4	7.7	8.0	20.3	3.9
1 - 3 years	15.2	15.4	19.1	1.3	24.0
Over 3 years	46.2	55.7	55.2	20.6	-0.9

Source: East Caribbean Central Bank (ECCB).  
<sup>a</sup>Preliminary figures.

Table 17

**SAINT VINCENT AND THE GRENADINES: CENTRAL GOVERNMENT  
REVENUE AND EXPENDITURE<sup>a</sup>**

(Millions of EC dollars)

	1981-1982 (actual)	1982-1983 (actual)	1983-1984 <sup>b</sup> (actual)	1984-1985 (approved)
Recurrent revenue	62.9	74.8	77.9	99.2
Recurrent expenditure	68.3	73.4	82.3	97.4
Surplus (+) or deficit (-)	-5.4	+ 1.4	-4.4	1.8
Capital revenue <sup>c</sup>	5.3	4.7	4.6	51.6
Capital expenditure	6.2	6.5	7.3	53.4
Surplus (+) or deficit (-)	-0.9	-1.8	-2.7	1.8
Overall surplus (+) or deficit (-)	-6.3	-0.4	-7.1	-

Source: Ministry of Finance, Planning and Development.

<sup>a</sup>Relates to financial year ending 30 June.

<sup>b</sup>Preliminary figures.

<sup>c</sup>Due to the sources of funding, there is a considerable divergence between estimated and actual capital inflows.

## SAINT VINCENT AND THE GRENADINES

Table 18

## SAINT VINCENT AND THE GRENADINES: INDICATORS OF EXTERNAL DEBT

*(Millions of US dollars)*

	1982	1983	1984 <sup>a</sup>
Debt outstanding at beginning of period	16.2	18.3	21.2
Disbursements	3.8	3.8	...
Payments of principal	-0.8	-1.1	-1.7
Adjustments	-0.9	0.2	...
Debt at end of period	18.3	21.2	22.7
Interest payments	0.6	1.1	1.4

Source: Ministry of Finance, Planning and Development (1983, 1984); IBRD (1982, 1983).

<sup>a</sup>Preliminary figures.

In contrast, the internal debt, which totalled EC\$ 72.7 million at **the end** of the fiscal year 1983-1984, is a more serious problem. This debt consists mainly of high-interest-bearing overdrafts and loans with a maturity of less than a year. In addition, most of this debt was incurred by financially weak public sector bodies and much of it was financed by one commercial bank, which is now suffering from reduced liquidity. As regards the public sector debtor bodies, their dependence on such short-term borrowing further aggravates their financial weakness.





## SURINAME

### 1. Recent economic trends: Introduction and summary

The suspension of Dutch aid meant for Suriname the loss of external resources equivalent to about 9% of the gross domestic product or some 90% of total net capital inflows. The continued suspension of this aid, together with the decline in the fortunes of the bauxite sector in 1982 and 1983 and a relatively poor performance in 1984, resulted in a situation where "hard-core" government expenditure could not be financed from revenues (see table 1).

In order to avert a collapse of the economy, pre-financing was embarked on, foreign exchange acquisition was tightened, and stringent credit policies were adopted.

The reduced quantum of foreign exchange for the financing of imports of raw materials adversely affected the goods-producing sectors, with the exception of the agricultural sector which, because of its relatively efficient organization, seems to have performed in 1984 somewhat better than it did in 1983. To some extent, this improved performance has been the result of government activity in the sector. Given the present economic climate, future growth in agriculture may depend on government investment.

In the bauxite sector—the major determinant of the general level of economic activity and the main earner of foreign exchange—output is estimated to have risen in 1984 following two years of declining production and exports. This increase may have been associated with a reduction in the government bauxite levy.

High costs of production in the manufacturing sector, exacerbated by a decree prohibiting the laying-off of workers, continued to inhibit entry into new markets. Prospects for improvement in the export performance of the sector continue to be affected by high production costs and distance from potential markets.

The effects of the international recession, as well as the suspension of Dutch aid, combined with the vagaries of international trade to bring about an estimated depletion of foreign exchange reserves to the extent of Sf. 115 million in 1984. Whereas the recourse to pre-financing has temporarily managed to sustain the economy, this practice cannot continue indefinitely. The alternatives must lie between a severe contraction in economic activity (especially those projects that are public-sector-led) and access to a line of credit.

### 2. Trends in economic activity

#### a) *Growth in the main sectors*

i) *Agriculture.* The agricultural sector ranks second in importance to the mining sector, both in terms of economic activity and foreign exchange earning power. Production and export of rice, bananas and oil palm, and production for domestic consumption of sugar and citrus fruit as well as a variety of vegetables have secured for the sector a share in the total GDP, at constant 1973 prices, of more than 9% (see table 2). Agricultural exports increased from US\$ 42.7 million in 1975 to US\$ 72.4 million in 1983, an increase of almost 70%. The sector has been organized efficiently, with most of the export crops being cultivated on large holdings. Government support to domestic agriculture has resulted in an improvement in the management of the smaller agricultural holdings. Shrimping has continued to be an important earner of foreign exchange, but catches have been increasingly small over the last four years, though a slight increase in production was noted in 1984.

Although the total acreage planted has increased by over 41% between 1975 and the present time, the number of workers employed in agriculture is believed to have fallen, as much of the increased acreage is in crops that are farmed with the assistance of machinery.

Rice is the most important crop harvested for export. Its high quality fetches a premium price on the EEC market, and production has risen substantially as a result of greater acreages and higher yields. Some 50% of all cultivated land (about 85% of all land harvested) is under rice, and in 1984 production of paddy rice was estimated to have been of the order of 329 000 tons. Production is expected to increase steadily as the Government's rice projects in two major areas are developed. Although most rice cultivation is carried out on private farms, the largest farm is the Government-owned **SML-Wageningen**, which yields two crops per year (see table 3).

The production of palm oil rose 14% to some 7 140 tons in 1984 in response to an increase in the acreage planted. Whereas some 1 645 hectares were under cultivation in 1975, by 1984 the figure had risen to some 5 774 hectares. The Government is developing a palm oil project with a planned output of 19 000 tons of palm oil and 4 500 tons of palm kernels. The first harvest under this project is expected to be reaped in 1985. In order to process the output from this new project, a processing and refinery plant will be constructed in 1985.

Table 1

**SURINAME: MAIN ECONOMIC INDICATORS**

	1980	1981	1982	1983	1984 <sup>a</sup>
<b>A. Basic economic indicators</b>					
Gross domestic product at factor cost (millions of Suriname guilders [Sf.] at 1973 prices)	771	814	830	847	...
Population (thousands of inhabitants at mid-year)	356	355	364	374	384
Per capita gross domestic product (Sf. at 1973 prices)	2 164	2 290	2 280	2 267	...
Growth rates					
<b>B. Short-run economic indicators</b>					
Gross domestic product	-3.0	5.6	2.0	2.0	...
Per capita gross domestic product	-0.9	5.8	-0.4	-0.6	...
Current value of exports of goods and services	19.4	-7.7	-9.9	-14.7	...
Current value of imports of goods and services	28.0	6.7	-5.3	-13.3	...
Consumer price index					
December to December variation	10.9	7.5	6.3	4.4	4.4
Variation between annual averages	13.2	8.7	7.3	4.4	3.7
Money supply (M, + quasi-money)	10.2	23.9	12.6	15.7	26.9
Wages and salaries (real)	1.5	5.8	8.3	7.6	...
Rate of unemployment	...	...	...	...	...
Current revenue of government	11.8	9.7	5.7	-16.1	-4.4
Current expenditure of government	11.7	23.7	15.5	25.4	-1.9
Fiscal deficit as a percentage of total expenditure	-	6.4	113.9	48.8	37.1
Millions of dollars					
<b>C. External sector</b>					
Trade balance	60	-33	-32	-35	12
Balance on current account	-58	-119	-154	-164	-43
Balance on capital account	84	132	111	54	-8
Variation in net international reserves	-24	-16	41	...	...

Source: Bureau of Statistics (ABS), National Planning Office, Central Bank of Suriname and Ministry of Economic Affairs.  
<sup>a</sup>Preliminary figures.

Table 2

## SURINAME: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of 1973 guilders			Percentage breakdown		Growth rates	
	1981	1982	1983 <sup>a</sup>	1975	1983 <sup>a</sup>	1982	1983 <sup>a</sup>
Gross domestic product	814	830	847	100.0	100.0	2.0	2.0
Goods	<b>310</b>	302	304	41.8	35.9	2.6	0.7
Agriculture and fisheries	84	83	80	9.9	9.4	-1.2	-3.6
Forestry and wood industry	14	12	12	1.6	1.4	-14.3	-
Mining and bauxite	92	78	77	22.2	9.1	-15.2	-1.3
Manufacturing	94	103	109	6.2	12.9	9.6	5.8
Construction	26	26	26	1.9	3.1	-	-
Basic services	64	66	68	6.8	8.0	3.1	3.0
Public utilities (gas, water and electricity)	<b>19</b>	20	20	2.5	2.4	5.3	-
Transport, storage and communications	45	46	48	4.3	5.7	2.2	4.3
Other services	440	462	475	<b>51.4</b>	56.1	5.0	2.8
Trade, commerce and tourism	104	105	103	17.1	12.2	1.0	-2.0
Financial services, banking and insurance	75	80	86	4.2	10.2	6.7	7.5
Household services	33	34	35	4.2	4.1	3.0	2.9
Government	213	228	235	23.4	27.7	7.0	3.1
Other general social and personal <b>services</b>	15	15	16	2.5	1.9	-	6.7

Source: Bureau of Statistics and National Planning Office  
<sup>a</sup>Preliminary figures.

Bananas continue to be produced, with exports being shipped to the United Kingdom. Over the last 10 years, annual exports have fluctuated between 27 000 and 38 000 tons. In 1983, the amount exported was 32 159 tons, while 1984 exports are estimated to have been of the order of 35 000 tons with estimated total production around 40 696 tons. In 1983, the value of shipments of bananas was US\$ 7.7 million, rising in 1984 to an estimated US\$ 9.2 million.

Other agricultural products worthy of note include grapefruit and oranges, sugar and vegetables. The area under citrus was reduced by some 14.7% in 1983 to a total of 1 735 hectares from the 1975 total of 2 033 hectares, mainly as a result of the continued havoc wreaked by the "tristeza" disease and high costs of production. Sugar —at one time the leading agricultural export— continues to be produced for the domestic market by the factory at Marienburg. The output to date cannot totally satisfy domestic demand and must be supplemented by imports. If the production of sugar is to be increased to satisfy domestic demand, serious re-thinking of the present situation must be done, possibly to the extent of re-locating the entire industry. Vegetable production has increased in recent years to the extent that there is now an exportable surplus (see table 3).

The livestock subsector has continued to be fairly buoyant, with the size of the herd growing to some 53 000 in 1983. Associated with the increase in livestock has been the rise in milk production from 7 100 hectoliters in 1981 to 8 700 hectoliters in 1983.

The major activity in fisheries consists of harvesting shrimp, the production of which has fluctuated around 3 500 tons per year. In 1983, the net value of exports of shrimp was estimated at Sf. 31 million. Most of this activity is handled by American, Japanese and Korean firms. Only recently has the Government increased its activity in the industry. It is envisaged that finfish will soon become an important commodity in the fishing industry, in response to the world demand for fish and the over-investment in the **shrimp** industry.

Table 3

## SURINAME: INDICATORS OF AGRICULTURAL PRODUCTION

	1981	1982	1983	1984 <sup>a</sup>	Growth rates		
					1982	1983	1984 <sup>a</sup>
<b>Indexes of agricultural production<sup>b</sup> (1975 = 100)</b>							
Crop farming							
Livestock	...	119	120	...	...	0.8	...
Fishing	...	85	83	...	...	-2.4	...
Forestry	...	...	...	...	...	...	...
<b>Agricultural crops for export (tons)</b>							
Paddy rice	265 572	301 130	267 958	329 000	13.4	-11.0	22.8
Sugar cane	146 327	125 000	129 000	130 625	-14.6	3.2	1.3
Palm-oil <sup>c</sup>	4 903	5 635	6 247	7 140	15.0	10.8	14.3
Peanuts	...	...	...	...	...	...	...
Bananas	40 175	42 399	36 598	40 696	5.5	-13.7	11.2
Citrus	...	9 369	11 116	8 488	...	18.6	-23.6
<b>Vegetables (for domestic consumption)</b>							
Maize	...	211	165	...	...	-21.8	...
Coconuts	6 526	7 177	5 500	...	10.0	-23.4	...
Plantains	...	6 365	3 500	...	...	-45.0	...
Green vegetables	...	5 280	4 580	...	...	-13.3	...
Root crops	...	3 160	3 450	...	...	9.2	...
Coffee	43	44	121	...	2.3	175.0	...
Cocoa	...	30	35	...	...	16.7	...
<b>Livestock production</b>							
<b>Beef cattle</b>							
Number of livestock	51 230	49 186	53 112	...	-4.0	8.0	...
Number of animals slaughtered	8 121	8 363	8 500	8 680	3.0	1.6	2.1
Meat production (tons)	...	1 355	1 365	1 446	...	0.7	5.9
<b>Pork</b>							
Number of livestock	...	18 595	21 395	...	...	15.1	...
Number of pigs slaughtered	...	13 732	15 300	17 310	...	11.4	13.1
Meat production (tons)	1 102	993	1 153	1 240	-9.9	16.1	7.5
<b>Poultry</b>							
Production (thousands of head)	4 200	4 300	4 300	4 300	2.4	-	-
<b>Milk</b>							
Production (fresh, thousands of litres)	7 106	8 300	8 700	...	16.8	4.8	...
<b>Fishing production</b>							
Shrimp catch (tons)	3 799	3 842	3 413	3 509	1.1	-11.2	2.8
<b>Forestry production</b>							
(cubic metres)							
<b>Raw lumber</b>							
Roundwood <sup>d</sup>	275	248	203	...	-9.8	-18.1	...
Square logs	22	27	29	...	21.0	9.4	...
<b>Semi-processed wood</b>							
Sawn <sup>e</sup>	63	59	48	...	-6.9	-19.0	...
Chipboard	6	6	3	...	-	-50.0	...
Plywood	19	20	18	...	3.1	-9.5	...

Source: Bureau of Statistics and National Planning Office and Government Forestry Services.

<sup>a</sup>Preliminary figures. <sup>b</sup>ECLAC estimates, on the basis of national figures. <sup>c</sup>At an extraction rate of 20% of fruit production. <sup>d</sup>Total unprocessed production of roundwood for sawn wood, ply wood, etc. <sup>e</sup>Sawn, planed and grooved wood, including railroad ties.

Table 4

## SURINAME: INDICATORS OF MINING PRODUCTION

	1981	1982	1983 <sup>a</sup>	Growth rates	
				1982	1983 <sup>a</sup>
<b>Index of mining production</b> (1970 = 100)	88	69	62 <sup>b</sup>	-21.6	-10.1
<b>Production<sup>c</sup></b>					
Bauxite	4 125	3 065	2 782	-25.7	-9.2
Metal grade bauxite	3 869	2 868	2 598	-25.9	-9.4
Chemical grade bauxite	63	29	41	-54.0	41.4
Calcined abrasive bauxite	158	154	143	-2.5	-7.1
Refractory bauxite	35	14	-	-60.0	-
Alumina	1 249	1 136	1 152	-9.0	1.4
Aluminium	41	43	34	4.9	-20.9

Source: Bureau of Statistics.

<sup>a</sup>Preliminary figures.<sup>b</sup>ICLAC estimates.<sup>c</sup>Volume in thousands of tons.

In the forestry sector, forty sawmills produce raw and semi-processed timber. Exports of wood at various levels of processing, as well as particle board, plywood and prefabricated houses, fell to some US\$ 16.4 million in 1983 (in contrast **with** an average of US\$ 11 million from 1980 to 1982) as a result of a fire which destroyed one of the main sawmills of the Bruynzeel plant. Indications are that the value of exports of these products rose in 1984.

Future growth in agriculture **will** depend on government investments to increase irrigated acreage under rice and to expand the area planted with oil palm. Although the high cost of labour the small size of the economy and the poor terms of trade are difficult to tackle, there are some endogenous factors that can be changed and should be addressed. These are: the level of public sector involvement, price control, and the design and execution of a government investment programme in agriculture.

ii) *Mining*. The bauxite subsector, together with the manufacture of aluminium, continued to be the major determinant of the general level of economic activity in 1984 and the main earner of foreign exchange, despite the fall in the price of aluminium. Costs of production, which are high in comparison with other bauxite and aluminium producers, have resulted in either the loss of markets, or the failure to win new ones. Much of this high cost was associated with the application of a bauxite levy and the high cost of mining at increasing depths. Output and exports of bauxite and aluminium have shown a downward trend over the last decade. However, as a result of a reduction in the government bauxite levy, retroactive to 1982, production in 1984 is expected to increase substantially. The two bauxite companies, **SURALCO** and Billiton, agreed early in 1984 to establish joint ventures for bauxite mining and for alumina refining, and these ventures are estimated to have given rise to increased efficiency in production in 1984 (see table 4).

Prospects for expansion of activity in the bauxite sector are not favourable, given the present conditions of a weak market for this product. This factor was now rendered bauxite mining in the Bakhuis area unfeasible. High unit costs of electricity restrain growth in aluminium production to about 40.000 tons per year.

Gold mining is of minor importance in comparison with bauxite. An existing government gold project can possibly add to the Government's earnings of foreign exchange, but clear policy directives would be needed to achieve that result.

iii) *Manufacturing*. Suriname's mineral and agricultural resources provide the basis for predominantly agro-based industry, with items such as alumina, aluminium, rice, sugar and forestry products forming the main subjects of economic activity in the manufacturing sector. The similarity between the country's production structure and those of the **CARI COM** countries, together with high costs of production, make entry into the **CARICOM** market difficult and foreign investment

unattractive. Employment generated by the sector is estimated to be slightly less than 10% of the entire labour force.

The Investment Ordinance of Suriname encourages investment in the sector and offers incentives, though not as generous as those **offered** to investors in the smaller Caribbean countries. In 1981, the Centre for Industrial Development and Export Promotion (INDEX) was established to give greater impetus to industrialization. INDEX works with the National Development Bank to promote small-scale manufacturing and processing which utilize domestic and nationally controlled resources. INDEX facilitates investment in industry by eliminating administrative red tape and assessing the economic viability of prospective projects, as well as in some instances, giving technical assistance to establishments in areas such as accounting, administration and distribution systems.

Some indicators of manufacturing production, as reflected in the **1980-based** Index of Manufacturing Production, show food drink and tobacco and other industries as having increased their production in 1983, with indications of a further increase in 1984 (see table 5).

Prospects for further growth in the manufacturing sector appear to be clouded by the trend in fairly recent times towards greater government control. The 1983 legislation that prohibited the **laying-off** of workers, even in the event of contraction of economic activity, has further added to the tendency to approach new investment in the manufacturing sector very cautiously. In addition, the sector's potential as a major foreign exchange earner is adversely affected by the country's distance from major markets and its high production costs.

iv) *Energy*. Energy consumption, measured at about 2 tons of oil equivalent per capita, is very high, reflecting the consumption of the bauxite sector, which accounts for about two-thirds of the total energy consumed. SURALCO, the foreign-owned bauxite/aluminium company, is the largest producer of power in Suriname. It provides 80 **gWh** of hydropower annually to the Suriname Power Company from its 189 **MW** facility at Afobaka.

The Government's energy conservation programme continued in 1984, with cheaper forms of energy being substituted wherever possible. Many small industries have switched to diesel fuel, and more recently there has been a move to use local crude blended with diesel fuel. Hydroelectricity has replaced thermal electricity in the bauxite sector because of its relatively low cost. With the addition of electricity from the bauxite sector to the national grid, the latter was extended to a radius of 20 kilometers around Paramaribo.

Fossil fuels have been extracted in Suriname only in fairly recent times. The State Oil Company (SOMS) was established in 1980 and began producing crude in 1982, when its output was some 3 700 barrels of heavy crude. In 1983, production rose to 110 000 barrels and in May 1984 there were eleven wells under production yielding an average of 500 barrels daily. By increasing the number of producing wells, SOMS expects to increase production to 912 000 barrels in 1987, an average of about 2 500 barrels per day. The heavy crude was sold to SURALCO as **fuel** oil, and the value produced in 1984 was Sf. 12 million.

Table 5

SURINAME: INDICATORS OF MANUFACTURING PRODUCTION

(1980 = 100)

	1981	1982	1983	Growth rates		
				1981	1982	1983
General index of industrial production	111.3	120.7	127.3	11.3	8.4	5.5
Food products	111.3	126.3	150.6	<b>11.3</b>	13.5	19.3
Beverages and tobacco	107.6	116.6	121.7	7.6	8.3	4.4
Other industrial products	113.4	<b>117.6</b>	121.8	13.4	3.7	3.6
Electricity generation	111.0	75.7	62.7	11.0	-31.8	-17.1
Water supply	106.0	114.6	115.5	6.0	8.1	0.8

Source: Bureau of Statistics.

b) *Employment and unemployment*

There has been no major demographic monitoring since the 1980 Population Census. Indications are that the Government employs some 40% of the total labour force. The goods-producing sectors provide fewer jobs because of their relatively capital-intensive nature. The decline in economic activity since 1982 should logically have led to an increase in the unemployment rate, but this was averted by the government decree of 1983 prohibiting the laying off of workers. While this had the effect of stabilizing employment, it may have served to increase the unit cost of production.

## 3. The external sector

Trade with the rest of the world has contracted because of a curtailed liquidity situation and the relatively poor performance of the bauxite sector, and the scarcity of foreign exchange has led to restrictions on supply. The current account deficit stood at US\$ 162 million in 1983, and as the capital account surplus was only US\$ 54 million, this resulted in a loss of US\$ 109 million in foreign reserves. In 1984, as a result of the Government's import restriction measures, the net depletion of foreign exchange reserves was of the order of US\$ 52 million (see table 6).

a) *Merchandise trade*

i) *Exports*. The value of exports declined in 1984 as a result of the low level of sales of bauxite, alumina, aluminium and wood products. The value, on a transaction basis, of bauxite and agricultural exports, however, shows an increase in 1984 over the same period for which statistics are available. The difference between the figures on a transaction basis and those on a cash basis represents exports that will be paid for in the future. This means that some of the foreign exchange that is receivable is not immediately available to finance imports of raw materials and other commodities.

ii) *Imports*. The persistent worldwide recession and the continued suspension of Dutch development aid led to a further reduction of economic activity which contributed to a decline in imports in 1984. The drop in imports was further explained by government curbs on public sector expenditure. The volume and value of imports of fossil fuels decreased by 7.5% and 14% respectively, due partly to some substitution by domestically produced crude, and partly to a fall in the price of oil and oil products.

b) *Services*

The balance on the services account is usually negative, reflecting a dependence on the rest of the world for transportation, insurance and vacation services. While the negative balance persisted in 1984, however, the deficit was much smaller than in 1983, reflecting *inter alia* the diminished allowances of foreign exchange for overseas travel, and the restriction on the transfer of a portion of premium receipts of insurance companies.

c) *Factor services*

The balance on this item was positive in 1981 and 1982, but became negative in 1983 to the extent of US\$ 11 million. At the end of 1984, there was a surplus of US\$ 1.4 million, since diminished receipts of interest earnings on foreign exchange balances held by the Central Bank with correspondent banks abroad were more than offset by a sharp decline in transfers of profits and dividends of foreign companies operating in the country. This decline is attributable partly to the rather depressed state of the bauxite sector and partly to the temporary withholding of permits for the transfer of profits and dividends by the Foreign Exchange Board, in the face of an unfavourable foreign exchange position.

d) *Capital account*

The capital account balance deteriorated significantly in 1983 and 1984 because of the suspension of Dutch development aid.

Table 6

## SURINAME: BALANCE OF PAYMENTS

(Millions of dollars)

	1980	1981	1982	1983	1984
Exports of goods and services	613.0	565.7	509.5	434.4	420.4
Goods FOB	514.3	473.9	428.6	366.8	356.4
<b>Services<sup>a</sup></b>	98.5	91.9	80.9	67.5	64.0
Transport and insurance	45.1	37.8	35.4	26.4	30.5
Travel	18.6	17.4	12.0	4.3	3.9
Imports of goods and services	657.9	700.1	667.0	578.5	457.8
Goods FOB	454.1	506.5	460.3	401.7	344.8
<b>Services<sup>a</sup></b>	203.8	193.7	206.6	176.8	113.0
Transport and insurance	126.3	123.6	110.0	91.6	54.0
Travel	33.6	28.8	35.6	34.5	16.6
Trade balance (goods)	60.2	-32.6	-31.7	-34.9	<b>11.6</b>
Trade balance (goods and services)	-44.9	-134.4	-157.5	-144.2	-37.4
Factor services	-20.0	11.5	6.6	-11.2	14
Profits	-39.5	-19.5	-24.7	-24.7	-0.8
<b>Interest received</b>	25.0	35.2	35.4	15.8	4.3
Interest paid	-1.6	-1.3	-1.1	-1.5	-1.5
Others	-3.8	-2.6	-2.8	-0.9	-0.5
Unrequited private transfer payments	6.5	3.7	-2.5	-7.9	-7.4
Balance on current account	<b>-58.3</b>	-119.1	-153.6	-163.4	-43.4
Unrequited official transfer payments	73.8	94.8	96.9	2.5	2.1
Long-term capital	10.3	33.4	10.9	50.4	-9.5
Direct investment	10.1	34.7	-6.2	45.7	-40.8
Portfolio investment	-	-1.0	-1.2	-	-
Other long-term capital	0.1	-0.4	18.3	4.7	31.3
Official sector <sup>b</sup>	-1.6	-2.3	-1.3	-1.6	-0.1
Loans received	-	-	-	-	-
Amortization payments	-1.6	-1.3	-0.7	-1.2	-0.1
Commercial banks <sup>b</sup>	-	-	-	-	-
Loans received	-	-	-	-	-
Amortization payments	-	-	-	-	-
Other sectors <sup>b</sup>	1.7	1.9	19.6	6.3	31.4
Loans received	1.7	1.7	19.6	6.3	31.4
Amortization payments	-	-	-	-	-
Basic balance	25.7	9.1	-45.9	-110.5	<b>-50.8</b>
Short-term capital	-0.7	3.7	1.6	-0.6	-0.2
Official sector	-0.8	2.6	1.4	0.8	-1.3
Commercial banks	-7.0	-	-6.3	14.5	2.5
Other sectors	7.1	1.1	6.4	-15.9	-1.3
Errors and omissions (net)	0.7	0.8	1.2	1.3	-0.5
Balance on capital account	84.3	132.1	110.9	53.7	-8.2
Global <b>balance<sup>c</sup></b>	26.0	13.0	-42.7	-109.7	<b>-51.6</b>
Total variation in reserves (- sign indicates an increase)	-23.7	-16.4	41.2	...	...
Monetary gold	-	-	-	-	-
Special Drawing Rights	0.7	-3.6	-3.1	...	...
<b>IMF reserve position</b>	-3.8	0.9	0.5	...	...
Foreign exchange assets	-16.7	-15.1	33.8	...	...
Other assets	-4.0	1.4	10.0	-5.0	20.5
Use made of <b>IMF credit</b>	-	-	-	...	...

<sup>a</sup>Includes other non-factor services.<sup>b</sup>Includes net loans granted and other assets and liabilities.<sup>c</sup>Equals total variation in reserves (of opposite sign), plus counterpart items: monetization or demonetization of gold, allocation or settlement of Special Drawing Rights, and variation due to revaluation of other reserves.



Table 7

## SURINAME: EVOLUTION OF DOMESTIC PRICES

*(Revised index. Base year: April 1968 - March 1969 = 100)*

	1980	1981	1982	1983	1984
	December to December variation				
All items consumer price index	10.9	7.5	6.3	4.4 <sup>a</sup>	4.4
	Variation between annual averages				
All items consumer price index	13.2	8.7	7.3	4.4	3.7
Food and beverages	11.2	8.2	3.3	4.5	14
Housing and furnishings	15.3	-1.1	10.8	5.5	2.5
Clothing and footwear	8.6	16.0	7.8	6.5	9.0
Other items	17.1	11.9	9.6	2.2	4.9

Source: Bureau of Statistics.

<sup>a</sup>Estimated on the basis of variation between the fourth quarters of each year.

Table 8

## SURINAME: GOVERNMENT GROSS DEBT WITH BANKS

*(Millions of Suriname guilders)*

	Loans to State with Treasury bills as collateral	Financing of current expenditure	Financing of development expenditure	Advances on future profits	Total Central Bank	Commercial banks	Total
1980	20.0	-	-	3.4	23.4	0.6	24.0
1981	47.0	-	-	20.0	67.0	5.4	72.4
1982	47.0	-	-	120.4	167.4	4.9	172.3
1983	52.5	284.5	109.0	-	446.0	35.3	481.3
1984 <sup>a</sup>	52.5	476.7	171.3	-	700.5	38.9	739.4

Source: Central Bank of Suriname.

<sup>a</sup>As at end of October.

## 4. Wages and prices

a) *Wages and salaries*

Trade union activity, as well as leading wages in the bauxite sector, won wage increases for the labour force in excess of the reported increases in the consumer price index. This has tended to push up prices across-the-board. Substantial increases in both nominal and real wages and salaries have been noted. Indications are, however, that the rate of wage and salary increases abated in 1984.

b) *Prices*

The rate of **inflation**, as measured by the consumer price index, rose 3.7 % in 1984 in response to price increases in all sections of the index. Clothing and footwear increased 9%, while housing and furniture grew 2.5 % and food and beverages only increased 1.4% (see table 7). The increased demand caused by the Government's deficit financing, as well as the loss of foreign exchange and decreased imports, must have resulted in a situation of relative scarcity of goods and services. Price controls imposed on certain food items continued to be a disincentive to their production. It is quite probable that, with such demand pressure on a reduced quantum of goods, those goods were exchanged at shadow prices. Such prices are informal and tend not to be reflected in official price-gathering surveys.

## 5. Monetary and fiscal policy

### a) *Monetary policy*

The Central Bank is responsible for the implementation of monetary policy through control of the liquidity ratio. The growth of credit is limited to: i) the increase in a bank's equity and long-term borrowings, comprising time deposits maturing after one year, savings proper, debenture loans, investment stock, etc.; ii) 75% of the increase in time deposits maturing within one year; iii) the amount by which a bank's lending remained under its ceiling in preceding years; and iv) 6% (cumulatively) of the monetary non-neutral portion of credits and investments, for the computation of which the position at the end of 1970 is taken as a base.

There has been no definitive pronouncement on selective credit regulation, but there is a general understanding that preference should be given to credit for the directly productive sectors and for housing.

In the wake of the suspension of the Dutch development aid, the continued worldwide recession, and low earnings from bauxite, a substantial deficit on the Government's current account was to be expected. Pre-financing was resorted to in order to finance development projects, and the sum of Sf. 50 million was advanced to the State for a period of six months commencing January 1983 through the issue of Treasury bills, and by the end of 1983 a total of Sf. 109 million had been advanced under these terms. Up to the end of October 1984, Sf. 170 million had been advanced to the State (see table 8).

Largely as a consequence of the government deficit, net foreign assets fell from Sf. 163 million at the end of 1983 to Sf. 57 million at the end of 1984, despite an upward revaluation of monetary gold holdings by Sf. 31 million. Without that revaluation, the foreign reserves in 1983 would have stood at only Sf. 131.8 million. In 1984, the continued government deficit was the main cause of the depletion of monetary reserves.

By the end of December 1984, the narrowly defined money supply had increased by 26.9%. Of this, currency in active circulation represented the slightly larger component, rising by 15.2%. This,

Table 9

### SURINAME: MONETARY BALANCE

	Millions of Suriname guilders				Growth rates			
	1981	1982	1983	1984 <sup>a</sup>	1981	1982	1983	1984 <sup>a</sup>
Money (M <sub>1</sub> )	358	<b>421</b>	455	577	43.7	17.6	8.1	26.9
Currency outside banks	197	268	265	305	10.8	36.0	-1.2	15.2
Demand deposits	161	153	190	272	38.8	-4.8	24.2	43.1
<b>Factors of expansion</b>	1 059	1 200	1 300	1 504	<b>19.1</b>	13.3	8.3	15.7
Foreign assets (net) <sup>b</sup>	427	361	163	57	7.2	-15.4	-54.8	-65.0
Domestic credit	632	839	1 137	1 446	28.7	32.7	35.5	27.2
Claims on government (net)	(70)	(169)	(480)	(765)	376.9	141.4	183.9	59.1
Claims on the private sector	(562)	(640)	(657)	(682)	18.0	13.9	2.6	3.8
<b>Factors of absorption</b>	701	749	845	<b>926</b>	17.8	6.9	12.8	9.6
Quasi-money <sup>d</sup>	68	59	100	91	37.1	-13.6	70.3	-9.2
Long-term deposits and foreign borrowing <sup>e</sup>	526	574	604	701	29.8	9.1	5.3	16.0
Other items (net) <sup>f</sup>	107	117	140	134	18.5	8.8	20.4	-4.5

Source: Central Bank of Suriname.

<sup>a</sup>Preliminary figures. <sup>b</sup>Net international reserves. <sup>c</sup>Includes short-term claims on the Government (net), claims on the private sector and investment on domestic capital market, minus short-term liabilities due to development co-operation. <sup>d</sup>Short-term deposits, (i.e., with less than one year maturity) and 10% of savings deposits. <sup>e</sup>Includes time deposits for more than one year (long-term, saving and other long-term domestic resources plus capital and reserves). <sup>f</sup>Includes unrequited foreign exchange transactions and net interbank float.

Table 10

## SURINAME: STRUCTURE OF COMMERCIAL BANK CREDIT

(Percentages)

	1980	1981	1982	1983	1984 <sup>ab</sup>
Total gross credit extended by commercial banks (millions of Suriname guilders)	477.6	567.5	645.0	692.0	...
By sector of activity	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Agriculture	14.3	15.6	15.5	17.3	19.5
Fisheries	0.1	0.1	0.1	0.1	0.1
Forestry	0.3	0.1	0.1	0.1	0.1
Mining	5.1	6.5	6.4	5.2	5.3
Manufacturing	10.4	9.0	7.9	7.6	8.4
Construction	4.7	3.1	3.2	2.9	3.2
Electricity, gas and water	5.2	4.6	3.8	3.4	3.3
Commerce	31.5	31.3	30.6	27.4	20.8
Transport and communications	1.9	1.5	1.6	1.7	1.7
Services	3.4	3.7	3.8	4.1	4.9
Other (including housing)	23.0	24.4	26.9	30.1	32.7
By type of debtor					
Public sector					
Government	0.3	1.0	0.8	5.1	...
Semi-government institutions	3.4	2.9	2.5	2.0	...
Private sector					
Domestic enterprises	79.2	79.1	83.2	80.0	...
Foreign companies	17.2	17.1	13.6	13.0	...
By maturity					
Short-term <sup>c</sup>	59.0	60.1	58.9	62.7	...
Fixed advances	40.9	39.7	40.9	37.1	...
Investments	0.1	0.2	0.2	0.2	...

Source: Central Bank of Suriname

<sup>a</sup>Preliminary figures. <sup>b</sup>As at end of September. <sup>c</sup>Includes credits on current account to the private sector, loans to individuals and short-term credit to the public sector.

together with the shorter supply of goods and services as a result of foreign exchange stringencies, must have contributed to an increase in the general price level. Demand deposits rose some 43.1%, relieving somewhat the upward pressure on prices (see table 9).

The 65% fall in net international reserves does not augur well for the future. An improvement in the fortunes of the bauxite sector could assist in checking the rapidity of decline of this figure.

Commercial bank credit went mainly to the goods producing sectors, with agriculture's share of total credit increasing more than that of the other sectors. Loans extended to other productive activities (including housing) increased appreciably in relative terms. The prime lending rate fluctuated in 1984 around 7% (see table 10).

b) *Fiscal policy*

The continued suspension of Dutch development aid throughout 1984 produced a corresponding decline in government income, with expenditure proving not to be too easily adjustable downwards. Government spending, against the background of reduced income, resulted in overall budget deficits of Sf. 316 million in 1983 and Sf. 287 million in 1984. The cessation of Dutch aid has affected the total amount of grants received. The decision to pre-finance development projects was made in order to continue projects earlier identified and to avoid the collapse of economic activity. The Government is pursuing negotiations for a line of credit with a major oil-producing and exporting country (see table 11).

Table 11

## SURINAME: GOVERNMENT REVENUE AND EXPENDITURE

	Millions of Suriname guilders				Growth rates			
	1981	1982	1983	1984 <sup>o</sup>	1981	1982	1983	1984 <sup>o</sup>
Current income	528	557	509	487	9.7	5.3	-8.5	-4.4
Direct taxes <sup>b</sup>	135	130	128	162	-3.2	-4.1	-1.0	26.3
Indirect taxes <sup>c</sup>	200	204	189	176	12.8	1.6	-7.3	-6.7
Bauxite levy (net)	96	69	68	48	4.1	-28.7	-1.7	-30.1
Profits from Central Bank	30	66	53	39	5.6	120.7	-19.3	-27.9
Other non-tax revenue	66	88	71	63	52.9	33.1	-19.3	-12.3
Current expenditure	579	640	711	698	23.7	10.5	11.1	-1.9
Wages and salaries	265	320	355	379	18.8	20.5	11.1	6.8
Subsidies and transfers	88	90	127	121	5.0	1.9	41.6	-4.7
Interest	9	10	24	28	58.9	12.0	131.1	17.2
Goods and services	217	220	206	170	70.9	1.5	-6.6	-17.5
Savings on current account	-51	-83	-202	-211	...	63.5	142.3	4.5
Development account								
Grants received <sup>d</sup>	169	173	5	6	29.1	2.3	-97.4	40.0
Netherlands (1982-1986)	167	172	4	-	31.1	3.1	-98.0	-
EEC Development Fund	2	1	1	-	-37.5	-75.0	80.0	-
United States	-	-	-	-	-	-	-	-
Other grants	-	-	-	-	-	-	-	-
Development expenditure and net lending	175	189	114	76	47.8	8.4	-40.1	-33.4
Surplus or deficit on development account	-6	-17	-109	-69	...	184.5	506.6	-36.4
Total expenditure	754	829	825	774	28.6	11.4	-0.5	6.2
Fiscal deficit or surplus	-226	-273	-316	-287	...	20.8	15.9	-9.3

Source: Ministry of Finance.

<sup>a</sup>Preliminary figures. <sup>b</sup>Taxes on income and profits (personal and corporate) and dividend tax. <sup>c</sup>Taxes on property, on goods and services (liquor, beer, tobacco, motor vehicles, stamp duty and others) and taxes on international trade (import duties, statistical tax and wool export tax). <sup>d</sup>Effectively disbursed during the year.

## TRINIDAD AND TOBAGO

### 1. Recent economic trends: Introduction and summary

The relatively small and open economy of the Republic of Trinidad and Tobago was affected adversely by the slackening in demand for petroleum and petroleum products, manufactured commodities and raw materials including intermediate goods. The overall performance of the economy weakened and the gross domestic product (GDP) declined by 6.3%, following the 6% drop registered in 1983 (see table 1). The petroleum sector continued to be the largest single contributor to overall GDP, accounting for 23.8% and 24.6% of GDP at current prices in 1983 and 1984 respectively, and its output increased by 11% in 1984 (see table 2).

In spite of the improved performance of the petroleum sector, which has traditionally been the main **dynamo** for growth in the economy, the effects of the world-wide recession impacted negatively on economic activity in 1984.

These difficulties were compounded by policy responses to the recession in some major trading centres, many of which were preoccupied with containing the inflationary trend through the application of monetary restraints. These policies in turn contributed to growth in unemployment and idle capacity at the centres and this situation adversely affected the demand for commodities exported from the developing countries.

The loss of overseas markets forced local industry to lay-off workers. Several Caribbean countries took steps to protect their local industries by the imposition of quantitative restrictions, with adverse effects on their CARICOM partners.

Trinidad and Tobago's manufacturing sector, which expanded nominally at rates of 13% and 12% in 1982 and 1983 respectively, could only grow by 1% during 1984, as major markets (including Caribbean outlets) for the country's manufactures contracted. On the other hand, the quantum of value-added in the agricultural sector recorded an 11% nominal increase. The export agriculture subsector performed badly, but output in the domestic subsector was sustained at a higher level. The level of construction activity, which had been very buoyant during the period of the oil boom, was not sustained and fell for the second successive year. Measured in terms of GDP, the sector declined by 13.5%, as in the previous year.

The basic services subsectors continued to decline, and together the subsectors registered a further 7.5% fall after the 6% negative growth in 1983.

Aggregate GDP at constant prices for other services subsectors registered a further drop: 7% in comparison with 4.5% during 1983. The slowdown was due particularly to lower rates of growth in the government sector, as well as in the education, culture and community services sectors, while activities in commerce and the restaurants and hotel subsectors shrank once again.

The consumer price index rose by 13.3%, compared with 16.8% in 1983, and unemployment worsened to reach 12.7%, as numerous business activities reduced their levels of operation. Declines in the volume and value of both imports and exports were noted. A more significant decline in the value of imports (26%) than exports (7.6%), however, contributed to a favourable balance on visible trade. By the end of 1984, both the gross debt and interest payments on the debt had increased significantly.

### 2. Trends in economic activity

#### a) *Evolution of the main sectors*

i) *Agriculture.* During 1984, the contribution of the agricultural sector to GDP, measured in constant prices, fell by 1% over the previous year, while output is estimated to have declined for the second successive year. This is largely due to the poor performance of the traditional export subsectors: sugar cane, cocoa beans and coffee beans. In recent years, the domestic subsector has been

expanding with increasing dynamism, but real growth in this subsector has not been sufficiently strong to compensate for decreasing output in the export subsector.

Output of sugar cane continued its downward trend in 1984, declining by 9.5% following the decreases of 7.6% and 15.7% in 1982 and 1983 respectively (see table 3). The volume of sugar produced therefore dropped also. The early rainfall and other inclement weather conditions adversely affected the harvesting process, resulting in quantities of cane being left in the fields. Of **significance**, too, were the perennial unplanned cane fires and the relative lack of application of scientific and technological advances in all phases of sugar production. The low export price of sugar relative to the high cost of production has also discouraged investment in the industry. A fair amount of sugar cane lands are being converted to vegetable and fruit crops aimed at the local market. This phenomenon seemed more marked in the case of private cane farmers, whose contribution to total production of cane dropped from over 40% in 1981 to 33% by 1984.

The output of cocoa and coffee beans continued to decline in 1984. Thus, producers of both commodities again failed to take advantage of the relatively good prices for these products on the world market. Partial 1984 production data reflect 7% and 39% declines in cocoa and coffee beans

Table 1  
TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS

	1982 <sup>o</sup>	1983 <sup>o</sup>	1984 <sup>h</sup>
<b>A. Basic economic indicators</b>			
Gross domestic product at factor cost (TT\$ millions at 1970 prices) <sup>f</sup>	2 982.0	2 803.0	2 627.0
Population (thousands of inhabitants)	1 128.6	1 149.3	1 168.2
Per capita gross domestic product (TT\$ at 1970 prices)	2 642 <sup>o</sup>	2 439.0 <sup>o</sup>	2 249.0
Growth rates			
<b>B. Short-run economic indicators</b>			
Gross domestic product (constant prices)	6.7	-6.0	-6.3
Per capita gross domestic product	5.1	-7.7	-7.8
Terms of trade	-15.4	-5.2	...
Current value of exports of goods and services	-9.2	-3.1	-8.7
Current value of imports of goods and services	25.4	14	-13.6
Consumer price index (variation between annual averages)	11.4	16.8 <sup>o</sup>	13.3
Money supply	36.7	7.1	4.9
Rate of unemployment	9.9	11.1	12.7 <sup>f</sup>
Current revenue of government	1.2	-7.8	1.3
Total expenditure of government	41.9	-7.2	1.0
Fiscal deficit as a percentage of total expenditure	24.9	25.3	25.1
Millions of TT dollars			
<b>C. External sector</b>			
Merchandise trade balance	-1 360.0	-730.0	466.0
Balance on current account	-1 839.0	-2 266.0	-1 695.0
Balance on capital account	1 192.0	101.0	-463.0
Variation in net international reserves	647.0	2 161.0	2 158.0
External debt	1 338.1	1 551.0	2 256.0

Source: Central Statistical Office (CSO), Trinidad and Tobago.

<sup>o</sup>Revised figures.

<sup>h</sup>Estimates.

<sup>i</sup>The exchange rate for the Trinidad and Tobago dollar is US\$ 1 = TTS 2.4.

<sup>f</sup>Data relate to June

Table 2

**TRINIDAD AND TOBAGO: GROSS DOMESTIC PRODUCT, BY KIND OF  
ECONOMIC ACTIVITY, AT CONSTANT PRICES**

	Millions of 1970 TT dollars		Percentage breakdown		Growth rates		
	1983	1984	1983	1984	1982	1983	1984
Gross domestic product	2 803	2 627	100.0	100.0	6.7	-6.0	-6.3
Goods	<b>1 051</b>	1 002	37.6	38.1	2.2	-7.6	-4.7
Agriculture	80	79	2.9	3.0	3.8	-2.4	-1.2
Petroleum	279	310	10.0	11.8	0.3	-8.5	11.1
Manufacturing (excluding petroleum)	293	268	10.4	10.2	0.7	-1.0	-8.5
Construction and quarrying	399	345	14.2	13.1	4.1	-12.3	-13.5
Basic services	572	529	20.1	20.1	17.4	-5.9	-7.5
Electricity, gas and water	90	96	3.2	3.7	18.3	7.1	6.7
Transport, storage and communications	482	433	17.2	16.4	17.2	-8.0	-10.2
Other services	1 180	1 096	42.1	41.7	6.3	-4.5	-7.1
Commerce, restaurants and hotels	419	347	14.9	13.2	5.1	-12.0	-17.2
Finance, banking and insurance	372	370	13.3	14.1	22.8	1.6	-0.5
Government	233	227	8.3	8.6	-4.1	-0.4	-2.6
Education, cultural and community services	69	69	2.5	2.6	1.4	-2.8	-
Personal services	87	83	3.1	3.2	-9.2	-2.2	-4.6

Source: *Review of the Economy*, 1984, Central Statistical Office, Trinidad and Tobago.

Table 3

**TRINIDAD AND TOBAGO: INDICATORS OF AGRICULTURAL PRODUCTION**

	1982	1983	1984	Growth rates		
				1982	1983	1984 <sup>a</sup>
Production of main crops						
Sugar cane <sup>b</sup>	1 152.5	971.8	879.2	-7.6	-15.7	-9.5
Vegetables						
Cocoa beans <sup>c</sup>	2.2	1.7	1.4 <sup>g</sup>	-29.0	-22.7	-6.7
Coffee beans <sup>c</sup>	1.8	1.4	0.8 <sup>g</sup>	-25.0	-22.2	-38.5
Citrus <sup>c</sup>	1.8	2.9 <sup>*</sup>	2.9 <sup>*</sup>	-61.7	61.1	20.8
Copra <sup>c</sup>	5.7 <sup>*</sup>	6.5 <sup>*</sup>	3.9 <sup>†</sup>	9.6	14.0	...
Stock-raising production						
Beef and veal <sup>c</sup>	1.6 <sup>*</sup>	1.4 <sup>*</sup>	0.6 <sup>*</sup>	-11.1	-12.5	-
Pork <sup>c</sup>	2.9 <sup>*</sup>	3.5	1.5 <sup>*</sup>	81.3	20.7	-
Poultry <sup>d</sup>	37.5	34.3	28.4 <sup>‡</sup>	46.5	-8.5	-0.7
Fish <sup>c</sup>	1.9	1.7	...	-	-10.5	...
Eggs <sup>e</sup>	...	3.1	1.5 <sup>g</sup>	...	...	-34.8
Mill/	7.6 <sup>*</sup>	11.2 <sup>*</sup>	7.5 <sup>g</sup>	7.0	47.4	-11.8

Source: *Review of the Economy*, 1983 and 1984, Central Statistical Office, Trinidad and Tobago.

<sup>a</sup>Based on the equivalent period of the previous year. <sup>b</sup>Thousands of tons. <sup>c</sup>Tons. <sup>d</sup>Millions of birds. <sup>e</sup>Million  
dozen. <sup>f</sup>Millions of litres <sup>g</sup>January-September. <sup>h</sup>January-June. <sup>i</sup>January-August. <sup>j</sup>January-October. <sup>k</sup>Revised  
figures.

respectively over the comparable period in 1983. These decreases followed output declines of 23 % in cocoa beans and 22% in coffee beans during 1983, when output of both commodities was under 60% of the 1981 production level. Abandonment of substantial acreages, incomplete harvesting and poor harvesting techniques have been affecting tree-bearing capacity and output, and this situation has obviously impacted on the low level of exports. Output of citrus, the other traditional export crop of significance, indicated a further expansion of 21 % following the 61 % growth of 1983. By **mid-1984**, output of citrus excluding limes was already at the **end-1983** level. Although a large area under citrus cultivation continued to be neglected, good weather conditions and rehabilitation of some existing fields were the principal factors accounting for the growth over the comparable period in 1983. In contrast, copra production continued to be adversely affected by the growing local demand for green nuts, red-ring disease, Cedros wilt, and a gradual diversion of the acreage under coconut cultivation into resorts and other land development.

A shift in agricultural production away from the traditional export crops and towards crops for domestic consumption has been noted since the mid-1970s. This phenomenon has resulted in increases in the output of vegetable and fruit crops, as well as meat and meat products, and is being encouraged in an attempt to reduce the import bill.

The output of beef and veal, poultry and eggs, as well as milk, registered a downturn during 1984. The output of beef and veal continued to be plagued by relatively cheaper prices of imported beef, as local production costs continued to be high. On the other hand, the poultry industry is characterized by fluctuation between gluts and shortages because of the difficulty in adjusting to domestic requirements.

Efforts are being made to provide adequate cold storage and chilling facilities to smooth out the fluctuations of supply and ensure a fair return on investment.

ii) *Mining*. The deceleration in international demand for petroleum and petroleum products in a context of over-supply of these commodities adversely affected the level of activity in the country's petroleum sector.

Preliminary 1984 GDP data on the performance of the sector showed a contribution of TT\$ 4 955 million in current prices to the total economy. This represents 8% nominal growth over the value added in 1983, thus reversing the downward trend recorded during the previous two years (see table 2).

Table 4

TRINIDAD AND TOBAGO: LOCAL CRUDE PETROLEUM EXPORTS AND  
LOCALLY REFINED CRUDE, 1975-1984

(Millions of cubic metres)

Year	Total production			Domestic crude exports	Percentage of total	Domestic crude refined locally	Percentage of total
	Total	Land	Marine				
1975	12.5	...	...	7.7	62	4.8	38
1976	12.3	2.6	9.7	7.0	57	5.3	43
1977	13.3	2.6	10.7	7.9	59	5.4	41
1978	13.3	2.6	10.7	8.1	61	5.2	39
1979	12.4	2.7	9.7	7.0	56	5.4	44
1980	12.3	2.7	9.6	7.3	59	5.0	41
1981	11.0	2.5	8.5	6.0	55	5.0	45
1982	10.3	2.4	7.9	6.0	58	4.3	42
1983	9.3	2.2	7.1	4.8 <sup>a</sup>	52	4.5	48
1984	9.8	2.0	7.8	5.2	53	4.5	46

Source: Ministry of Energy and Natural Resources, Trinidad and Tobago.

<sup>a</sup>Revised figures.



Table 5

TRINIDAD AND TOBAGO: REFINERY THROUGHPUT, OUTPUT AND EXPORTS OF REFINED PRODUCTS<sup>a</sup>*(Millions of cubic metres)*

Year	Throughput	Output	Exports	Imports as a percentage of throughput
1975	13.6	13.2	14.5	67.6
1976	18.7	18.2	16.5	72.2
1977	15.9	15.3	13.1	66.9
1978	13.7	13.2	11.5	65.7
1979	13.2	12.6	7.0	62.9
1980	13.5	12.3	7.0	61.5
1981	9.9	11.0	6.0	61.9
1982	8.8	10.3	5.3	42.0
1983	4.3	4.5	4.9	30.2
1984	4.5	4.2	4.6	22.2

Source: Ministry of Energy and Natural Resources, Trinidad and Tobago.

<sup>a</sup>Movements in stocks account for the apparent discrepancies in these data.

The improvement in 1984 is attributable to the 5.4% rise in the output of crude petroleum. The 1984 output, however, was still 21% below the level reached in 1979, when the downturn in production began. The recovery in the current period was influenced by a resurgence in drilling activity on account of additional tax incentives, namely, the reduction in the supplemental petroleum tax (SPT) on land-based expenditures, and the anticipated adjustment of the SPT for marine-based production. All but one company engaged in petroleum operations expanded drilling activities, and by June 1984 the depth drilled was almost 5% more than the figure for the corresponding period of 1983. Increasing use of secondary recovery and other methods also boosted the overall level of production in 1984. Marine production continued to dominate total output, with an annual average of 78% of total output from 1976 to 1984. The bulk of the marine output is exported.

For a number of years, a relatively large percentage of refinery capacity has remained idle, as international demand for refined petroleum products slackened. This situation was aggravated by relatively high costs of production, thereby rendering operation of the country's refinery at higher capacity level uneconomical and causing the owners and operators of the refinery to institute drastic cutbacks in the quantities of crude imported for processing under the Special Processing Agreement.

Imports as a percentage of throughput dropped from 72% and 67% in 1976 and 1977 to 22% in 1984, while refinery throughput fell from 19 and 16 million cubic metres in 1977 and 1976 respectively to 4.3 million and 4.5 million cubic metres in 1983 and 1984 (see tables 4 and 5). Revenues obtained under the petroleum processing agreement declined accordingly. Of significance, too, is the contraction in labour employed.

Natural gas production has continued to expand as the major gas-consuming industries have increased their utilization of this commodity as a fuel. During 1983, a growth rate of 8% over the amount produced in 1982 was recorded (see table 6), and a further increase is anticipated in 1984, as preliminary data up to June of that year reflected a 17% rise over the corresponding period in 1983. However, over 80% of the natural gas is still produced by one company. Consumption of natural gas in 1983 stood at 15% over the level of utilization in 1982 and accounted for 81% of total production. The ratio of consumption to production is projected to be higher in 1984.

The most important development in the petroleum sector in 1984 concerned the basic agreement reached in principle for the purchase of Texaco Incorporated Ltd. and its related assets by the Government of Trinidad and Tobago. The decision to purchase the company had been based on considerations of the job security of a relatively large proportion of the labour force, at a time when overall activities, particularly in refining, were contracting. Of concern too, was the need to

streamline some aspects of the company's operations and redirect the development of the company in the national interest.

iii) *Manufacturing*. Manufacturing activities became depressed in 1984. Preliminary 1984 GDP data at constant prices reveal a further 8.5% decrease in the sector: the second consecutive year of negative growth. At the end of June 1984, the overall manufacturing index stood at 122.3 as against 134.3 in the corresponding period of 1983 (see table 7).

The poor performance of the manufacturing sector can be attributed in part to both domestic and external factors. Thus, on the domestic front, the general downturn in the economy resulted in a slackening demand for various manufactured products, while on the external front, CARICOM markets (which had been an important outlet for Trinidad and Tobago's household appliances, garments and textile products) contracted further during 1984. This was largely due to financial problems, trade payment measures, and **balance-of-payments** difficulties.

Table 6

TRINIDAD AND TOBAGO: INDICATORS OF MINING ACTIVITY

	1982	1983	1984	Growth rates		
				1982	1983	1984
Index of output (1970= 100)	227.3	...	207.0	-2.4	...	...
Crude oil produced <sup>a</sup>	10.3	9.3	9.8	-6.4	-9.7	5.4
Drilling activity <sup>b</sup>	253.0	184.0	207.0	-5.8	-27.6	12.5
Asphalt production <sup>c</sup>	29.0	43.0	38.0	-3.3	48.3	-11.6
Natural gas production <sup>a</sup>	5 841.0	6 319.0	...	...	8.2	...

Source: Ministry of Energy and Natural Resources, Trinidad and Tobago.

<sup>a</sup>Millions of cubic metres.

<sup>b</sup>Thousands of metres drilled.

<sup>c</sup>Thousands of tons.

Table 7

TRINIDAD AND TOBAGO: INDICATORS OF MANUFACTURING ACTIVITY  
(1977 = 100)

	1979	1980	1981	1982 <sup>a</sup>	1983 <sup>a</sup>	January-June
						1984 <sup>b</sup>
Index of manufacturing production <sup>c</sup>	115.0	123.3	118.7	125.0	131.2	122.3
Food processing	116.1	126.1	126.0	130.4	152.6	130.0
Drink and tobacco	93.4	110.3	104.4	119.9	117.7	111.7
Textiles, knitted goods and footwear	96.3	104.9	82.6	70.6	63.8	57.4
Printing, publishing and paper converters	116.6	122.6	135.1	123.7	103.6	95.2
Wood and related products	119.0	122.5	90.2	95.5	88.2	102.9
Chemical and non-metallic products	128.6	139.2	116.2	151.8	180.1	164.1
Assembly-type and related industries	114.8	123.8	126.4 <sup>a</sup>	120.1	131.3	110.1
Miscellaneous manufactures	120.9	107.2	124.6 <sup>a</sup>	102.9	97.1	84.5
Oil	82.6	86.8	64.1	62.0	34.0	35.4
Sugar	83.6	65.1	55.8	47.6	43.7	45.4
All industry index	101.4	107.2	95.4	97.9	90.8	84.7

Source: *Review of the Economy*, 1984, Central Statistical Office, Trinidad and Tobago.

<sup>a</sup>Revised figures.

<sup>b</sup>Preliminary figures.

<sup>c</sup>Excluding oil and sugar.

Table 8

## TRINIDAD AND TOBAGO: OUTPUT OF SELECTED INDUSTRIAL PRODUCTS

	1982	1983	1984 <sup>a</sup>	Growth rates		
				1982	1983	1984
Sugar <sup>b</sup>	79.9 <sup>c</sup>	77.4	64.8	-13.7	-3.1	-16.3
Rum <sup>d</sup>	4.0	2.5	2.9	-13.0	-37.5	16.0
Beer and stout <sup>e</sup>	36.7	34.9	33.8	16.9	-4.9	-3.2
Edible oil <sup>f</sup>	10.5	8.3	6.2	-56.2	-21.0	-25.3
Margarine, lard and butter substitutes <sup>g</sup>	6.9	6.3	4.6	15	-8.7	-27.0
Soap <sup>h</sup>	1.6	2.6	1.7	-38.5	62.5	-34.6
Fertilizers <sup>δ</sup>	939.7	1 274.3	1 313.1	69.2	35.6	3.0
<b>Assembly industries<sup>δ</sup></b>						
Motor vehicles	15.0	20.0	18.2 <sup>*</sup>	11.9	33.3	22.1
Radios	8.3	6.9	1.7 <sup>†</sup>	-2.4	-16.9	-74.2
Television sets	18.2	21.2	17.9 <sup>†</sup>	36.8	16.5	-11.8
Gas cookers	22.8	18.3	10.0 <sup>†</sup>	49.0	-19.7	12.4
Refrigerators	28.4	20.2	11.0 <sup>†</sup>	90.6	-28.9	7.8
<b>Steel products<sup>b</sup></b>						
Direct reduced iron	218.0	302.3	...	21.1	38.7	...
Billets	171.0	209.6	...	226.4	22.6	...
Wire rods	124.0	164.2	...	327.6	32.4	...

Source: *Quarterly Statistical Digest*, December 1984, *Monthly Statistical Digest*, July 1984; Central Bank of Trinidad and Tobago.

<sup>a</sup>Preliminary figures. <sup>b</sup>Thousands of tons. <sup>c</sup>Revised figures. <sup>d</sup>Thousands of proof gallons.

<sup>e</sup>Thousands of litres. <sup>f</sup>Tons. <sup>g</sup>Thousands units. <sup>h</sup>January-October. <sup>†</sup>January-November. <sup>\*</sup>January-June.

The buoyant production activity that had come to be associated with motor vehicle assembly and related industries was not sustained in 1984. Output of motor vehicles by October of 1984 had risen by 22% over the volume produced in 1983, but this was a lower rate of increase than the 33% growth recorded in 1983 (see table 8). Likewise, sales of vehicles, which had grown by 30% and 43% in 1982 and 1983 respectively, increased by not quite 5% by mid-1984 over the corresponding period in the previous year. Tight liquidity and contraction in aggregate demand associated with the general downturn were the main constraints.

In 1982, the declining trend in output of the chemical and non-metallic products subsector was reversed, with the upturn being sustained during 1983. However, partial data for 1984 indicate a lower level of activity. The production index for this subsector at the end of June stood at 164.1 as against 186.8 in the comparable period of 1983. The expansion in cement production which had been anticipated did not materialize, as output fell by 3.5%.

Indicators of manufacturing activity for the garment, textile and footwear subsector show a continuation of the downward trend which began in 1981. At the sub-component level, output of footwear expanded during the current period, as the product range was widened and quality improved. However, these improvements could not compensate for the stagnation experienced by the other components. Sales of garments and textile products to CARICOM markets in 1984 slackened as a result of trading difficulties. The relatively high local production cost of these commodities also contributed to the loss of markets. Partial data on production of household appliances indicated a mixed performance.

Traditional manufactures such as beer and stout, edible oil, margarine, lard and butter substitute and soap all showed declining trends. However, output of rum registered a 16% recovery following contraction in 1981 to 1983. Efforts were made to protect Trinidadian industry through policies of import restriction, and banks were encouraged to make loans more accessible for local productive ventures. At the same time, producers were encouraged to improve the efficiency of their operations.

iv) *Construction and quarrying.* Preliminary 1984 GDP data (at constant prices) on the construction and quarrying sector indicate a 13.5% drop in the level of activity for the second consecutive year. Output of cement, which is usually a good indicator of the level of construction activity, was 35% lower than in 1983, when output grew by 106% under the impact of expansion of existing plant (see table 9).

During the boom conditions (1978-1981), public sector expenditure on capital development programmes (new roads and road improvements, bridges, housing projects, schools and institutional buildings) provided the impetus for growth in the sector. Private sector investment also contributed to the expansion in a wide range of activities such as factory shells, buildings, home development projects, development of industrial sites and other industrial construction.

However, this level of activity was not sustained when the price of petroleum—the principal earner of foreign exchange—began to fall, thereby causing a reduction in the amount of funds available to the public and private sectors to sustain previous levels of activity. By the end of 1984, the major portion of central government capital development projects on roads, bridges, institutional buildings and schools were either fully or largely terminated.

In the case of the numerous housing projects that were undertaken by government and quasi-government bodies and financed principally from revenues deriving from petroleum, a substantial portion had been completed or were nearing completion by 1984. Others were scaled down, while the initiation of work on some others was temporarily shelved. A similar situation was experienced by private developers. The tight liquidity conditions and the relatively long waiting period to obtain finance to purchase houses had been a disincentive to prospective investors to initiate new housing development projects.

Table 9

TRINIDAD AND TOBAGO: INDICATORS OF CONSTRUCTION ACTIVITY

	1982	1983	1984	Growth rates		
				1982	1983	1984
<b>Cement<sup>a</sup></b>						
Production	189.2	389.9	376.2	35.8	106.1	-3.5
Local sales	457.9	470.0	380.0	17.5	2.6	-19.1
Imports	282.8	94.6	...	11.8	-64.5	...
<b>Bricks and blocks</b>						
Production <sup>b</sup>	21.6	...	...	-23.7	...	...
Local sales <sup>b</sup>	12.4	...	...	-54.4	...	...
Commercial bank loans and advances outstanding <sup>c</sup>	456.2	518.6	555.7*	2.4	13.7	8.6
<b>Approved building plants</b>						
<b>Number<sup>d</sup></b>	3.2	3.2	...	-5.9	-	...
Floor area <sup>e</sup>	5.9	6.6	...	-16.9	11.9	...
<b>Loans approved and disbursements of government and quasi-government mortgage institutions</b>						
Number of loans approved	3 407.0	2 535.0	958.0 <sup>f</sup>	...	-25.6	-55.3
Value of loans approved <sup>g</sup>	496.5	356.6	147.7*	...	-28.2	-49.3
Disbursements <sup>c</sup>	385.2	426.5	220.3*	...	10.7	-23.4
Index of minimum wage rate for production and ancillary workers (November 1976 = 100) in building and construction <sup>f</sup>	3152	354.1	...	32.0	12.3	...

Source: Central Bank of Trinidad and Tobago, *Review of the Economy*, 1984, and *Quarterly Statistical Digest*, December 1984.

<sup>a</sup>Thousands of tons. <sup>b</sup>Millions of units. <sup>c</sup>Millions of TT dollars. <sup>d</sup>Thousands. <sup>e</sup>Thousands of square feet. <sup>f</sup>Data at May. <sup>g</sup>End of September. <sup>h</sup>January to September.

Table 10

## TRINIDAD AND TOBAGO: SELECTED EXPORTS

	Millions of TT dollars		Percentage breakdown		Growth rates		
	1983 <sup>a</sup>	1984 <sup>*</sup>	1983 <sup>'''</sup>	1984 <sup>*'</sup>	1982	1983 <sup>''</sup>	1984 <sup>6</sup>
Total exports	5 646	5 202	100.0	100.0	-18.3	-23.4	-7.9
Exports excluding fuels	932	969	16.5	18.6	-2.1	7.7	4.0
Domestic exports	5 432	5 035	96.2	96.8	-17.9	-24.1	-7.3
Domestic non-oil exports	739	659 <sup>d</sup>	13.6	...	8.5	17.9	17.8 <sup>'</sup>
Main traditional exports							
Petroleum products	2 033	924 <sup>e</sup>	37.4	...	-10.2	-45.7	...
Crude petroleum	2 639	981 <sup>e</sup>	48.6	...	-30.8	-1.5	...
Natural asphalt	...	...	...	...	...	...	...
Sugar	61	54 <sup>'</sup>	1.1	...	-20.0	17.3	...
Rum	...	...	...	...	...	...	...
Cocoa beans	7	6 <sup>'</sup>	0.1	...	-39.2	-36.4	...
Coffee beans	3	-	0.1	...	25.0	-40.0	...
Main non-traditional exports							
Petrochemicals	15	3 <sup>'</sup>	0.3	...	-59.7	-68.1	...
Fertilizers and ammonia	382	223 <sup>'</sup>	7.0	...	64.0	71.3	...
Iron and steel	...	...	...	...	...	...	...

Source: *Review of the Economy*, 1984, Central Statistical Office Printing Unit; *Quarterly Economic Report(s)*, Central Statistical Office of Trinidad and Tobago, and data supplied to ECLAC.

<sup>a</sup>Revised figures. <sup>b</sup>Preliminary figures. <sup>c</sup>Except for exports excluding mineral fuels and domestic exports as a percentage of total, all percentage breakdowns relate to domestic exports. <sup>d</sup>January-September. <sup>e</sup>January-June.

Table 11

## TRINIDAD AND TOBAGO: FUNCTIONAL CLASSIFICATION OF IMPORTS

	Millions of TT dollars			Growth rates		
	1982 <sup>a</sup>	1983 <sup>''</sup>	1984 <sup>*</sup>	1982	1983 <sup>''</sup>	1984 <sup>''</sup>
Consumer goods	1 541	1 608	689 <sup>'</sup>	16.6	4.3	-11.4
Non-durable	933	1 009	446 <sup>'</sup>	14.6	8.1	-12.4
Semidurable	278	289	110 <sup>'</sup>	14.9	4.0	-16.0
Intermediate goods	1 995	2 014	825 <sup>'</sup>	24.5	1.0	-23.0
Construction materials by end use	570	...	...	38.7	...	...
Raw materials	2 633	...	...	-14.4	...	...
Mineral fuels	2 195	...	...	-19.3	...	...
Capital goods	2 650	1 924	533 <sup>'</sup>	78.6	-27.4	-59.4
Total	8 873	6 197	4 586	18.3	-30.2	-26.0
Total excluding fuels	6 637	5 998	4 551	39.6	-9.6	-24.1
Total excluding mineral fuels	6 678	6 197	4 586	39.7	-7.2	-26.0
Trade in mineral fuels (imports)	2 236	199	26 <sup>d</sup>	-18.5	-91.1	642.3

Source: Government of Trinidad and Tobago, *Review of the Economy*, 1984; Central Statistical Office, *Trinidad and Tobago, Quarterly Economic Report*, January-June, 1983; and data supplied to ECLAC.

<sup>a</sup>Revised figures. <sup>b</sup>Preliminary figures. <sup>c</sup>January-June. <sup>d</sup>January-September.

This scenario resulted in excess capacity in the construction industry. Shortages in the supply of building materials were virtually eliminated and, as in 1983, 1984 witnessed a reduction in employment in the sector. Partial data on the number of loans approved and disbursements of government and **quasi-government** mortgage institutions show a 55% drop compared with the corresponding period in 1983. The value of loans fell, too. On the supply side, the market has become relatively depressed and this has had a stabilizing effect on the price of real estate and that of dwelling houses in particular.

Cognizant of the need to improve the supply of low and middle-income housing, yet faced with budgetary constraints, the Government has shifted its emphasis somewhat from direct construction of housing units to greater emphasis on the provision of sites, land and services. This measure is expected to encourage the spirit of self-help and self-reliance in the community.

### 3. The external sector

In spite of the impact of the international recession on the economy of Trinidad and Tobago, preliminary 1984 data on external transactions recorded a TT\$ 466 million merchandise trade surplus. This dramatically reversed the deficit situations experienced in the two preceding years. The favourable merchandise trade balance in 1984 is attributable principally to the improvement in domestic non-oil exports, the relatively lower rate of inflation, a slightly higher level of activity in the petroleum sector and a considerably faster rate of decrease in the value of imports than in the value of exports. Thus, a 26% fall in the value of imports was recorded, in contrast with a 7.9% decrease in the value of exports (see tables 10, 11 and 12).

Faced with diminishing oil revenues from domestic and imported sources, increased and continuing emphasis had to be placed on promoting exports of non-oil commodities. Sizeable deficits of TT\$ 5 773 million and TT\$ 5 066 million had been built up in 1982 and 1983 respectively in non-oil trade. The situation improved during 1984, however, when the imbalance was reduced by over 29%. The value of non-oil imports for 1984 is expected to be over 24% lower than the 1983 level. Even more significant was the fact that after the 17.9% expansion in domestic non-oil exports in 1983 there was a further 17.6% increase during 1984.

Table 12  
TRINIDAD AND TOBAGO: FOREIGN TRADE INDICATORS

	Growth rates							1984*
	1977	1978	1979 <sup>o</sup>	1980 <sup>o</sup>	1981 <sup>o</sup>	1982 <sup>o</sup>	1983 <sup>o</sup>	
Exports of goods								
Value	-2.7	-7.4	36.1	58.3	16.5	-6.6	-6.7	0.7
Volume	-6.3	-9.4	-2.5	-3.6	-10.7	2.3	-2.1	-3.5
Unit value	9.0	0.5	31.4	59.7	10.3	-4.2	-0.8	2.7
Imports of goods								
Value	-10.1	8.8	-4.5	59.4	5.7	18.5	-30.0	-14.3
Volume	-17.6	3.7	12.1	13.6	-6.6	-1.8	12.9	31.4
Unit value	3.0	4.4	13.3	50.2	13.0	13.2	0.8	14.0
Terms of trade								
Net	5.9	-4.4	16.7	6.4	0.7	-18.1	-0.7	-10.0
Income	-0.9	-13.4	14.0	2.6	-12.1	-14.3	-4.2	-13.0
Purchasing power of exports of goods	-5.7	-11.4	13.5	1.8	-18.2	-27.4	-42.0 <sup>f</sup>	...

Source: Central Statistical Office, *Trinidad and Tobago Quarterly Economic Report*.

<sup>o</sup> Revised figures.

<sup>a</sup> Data relate to January-March.

<sup>f</sup> Data relate to January-September.

Table 13

## TRINIDAD AND TOBAGO: BALANCE OF PAYMENTS"

*(Millions of TT dollars)*

	1981	1982	1983	1984
Balance on current account	750	-1 839	-2 262	-1 695
Merchandise trade balance	1 217	-1 360	-730	466
Exports of goods, FOB	5 989	5 307	5 455	5 042
Imports of goods, CIF	-4 772	-6 667	-6 185	-4 576
Non-financial service balance (net)	67	-41	-640	-696
Transportation	305	229	151	189
Travel	-37	-93	-203	-254
Other services	-201	-177	-588	-631
Investment income (interest and profits)	-316	-186	-574	-1 109
Unrequited transfer payments	-218	-252	-318	-356
Balance on capital account	566	1 192	101	-463
Private capital	749	900	206	279
Official capital	-229	231	168	462
Errors and omissions	46	61	-273	-1 204
Global balance	1 316	-647	-2 161	-2 158
Total variation in reserves (- sign indicates an increase)	-1 316	647	2 161	2 158

Source: Government of Trinidad and Tobago, *Review of the Economy*, 1985, and data supplied to ECLAC.

\*Preliminary data.

Table 14

## TRINIDAD AND TOBAGO: INDICATORS OF EXTERNAL INDEBTEDNESS

	Millions of TT dollars			Growth rates		
	1982	1983	1984 <sup>a</sup>	1982	1983	1984 <sup>a</sup>
Total external public debt	1 338	1 551	2 256	24.5	15.9	45.5
Debt servicing	181	431	338	1.1	138.1	-21.6
Amortization and sinking fund	64	272	169	45.5	325.0	-37.9
Interest payments	117	159	229	-13.3	35.9	44.0
Debt servicing as a percentage of domestic exports	2.5	7.9	6.7	19.0	216.0	-15.2
Total external debt as a percentage of gross domestic product	6.9	8.0	11.2	13.1	15.9	40.0
Net external debt as a percentage of foreign exchange reserves	18.8	32.3	75.2	35.3	71.8	132.8

Source: Government of Trinidad and Tobago, *Review of the Economy*, 1984, and *Review of the Fiscal Measures in the 1984 Budget*.

\*Preliminary figures.

Chemicals, manufactured goods, foodstuffs and live animals, in that order, continued to dominate non-oil exports. The trend in chemicals is likely to persist as the country's petrochemical plants continue to produce and market outlets increase.

In spite of the growth in the non-oil trade sector, no significant change in the direction of trade was observed. The United States continues to be the country's major trading partner for both imports and exports.

Until 1982, a favourable balance on **intra-CARICOM** trade was recorded. This trend was reversed in 1983, when for the first time a deficit (of TT\$ 126 million) was recorded. This was followed by a smaller deficit of **TT\$ 89.4** million in 1984, in spite of an 18% fall in imports from Trinidad's CARICOM neighbours. In 1984, Barbados' exports to Trinidad and Tobago surpassed those from Jamaica. Guyana was the third largest supplier, followed by St. Vincent. On the export side, Guyana was the principal recipient, followed by Barbados and Jamaica.

i) *Balance of payments.* The overall **balance-of-payments** situation showed a deficit similar to that of 1983 (see table 13).

On the merchandise trade balance, a TT\$ 466 million surplus was registered as against a deficit in 1983 and 1982. However, the upturn was insufficient to compensate for the increase in outflows of financial services due primarily to growth in net payments of investment income, because of the decline in inflows of investment earnings. Outflows for travel and foreign investment aggravated the services balance, and so the balance on current account showed a deficit of TT\$ 695 million.

The deficit on capital account rose to TT\$ 463 million due to a large, unexplained outflow on the errors and omissions account. Net official borrowing abroad increased, and so did direct private investment.

The net result of the balance of payments was a further deterioration of the country's foreign reserve position. Total external public debt increased by 45% in 1984, and consequently the debt service rate, which is relatively low, is expected to rise (see table 14).

#### 4. Prices, wages and employment

##### i) *Prices*

In general, prices as measured by the consumer price index rose less rapidly (**13.3%**) in 1984 than in 1983 (16.8%) (see table 15). This is attributable to both internal and external factors.

Domestically, a tightening of credit resulted in a fall in effective demand and a reduction of the upward demand pressure on prices. Price levels were also influenced by an abatement of the rate of inflation in trading partner countries, and by changes in the parity rates of several other currencies *vis-à-vis* the US dollar, to which the Trinidad and Tobago dollar is tied.

The reduction in subsidies on petroleum products, coupled with higher prices for **some** of these, influenced some upward movement in prices. The higher rate of increase in housing was due principally to higher rents, while a higher consumption tax accounted to a great extent for the increase in the prices of drink and tobacco.

Table 15

#### TRINIDAD AND TOBAGO: EVOLUTION OF CONSUMER PRICE INDEX

(September 1982 = 100)

	1980	1981	1982	1983	1984
Annual average variation					
Total (all items)	17.5	14.3	11.4	16.8	13.3
Food	19.2	16.5	13.7	23.2	10.0
Meals out	15.7	23.9	5.2	5.3	7.8
Drink and tobacco	19.4	14.6	18.3	18.9	17.5
Housing	17.7	15.3	0.6	1.9	5.9
Of which:					
Rent	17.1	15.5	-2.0	-1.9	5.8
Household supplies	13.7	9.9	17.1	8.4	8.5
Clothing	9.1	12.4	8.6	6.9	9.2
Transportation	24.1	10.5	13.6	41.7	14.9
Medical supplies	14.7	11.9	30.4	13.2	7.3

Source: Government of Trinidad and Tobago, *Review of the Economy*, 1984; Central Statistical Office, and *Trinidad and Tobago Gazette* (extraordinary issue), No. 43, 7 February, 1985.



Table 16

TRINIDAD AND TOBAGO: INDEX OF MINIMUM WAGE RATES FOR  
PRODUCTION AND ANCILLARY WORKERS

(November 1976 = 100)

	As at May			Percentages growth rates		
	1982	1983	1984	1982	1983	1984
All industries index	315.8	380.1	402.2	32.8	20.4	5.8
Of which:						
Manufacture of food, drinks and tobacco	351.3	434.8	507.8	22.0	23.8	16.8
Manufacture of textiles, garments and footwear	377.8	463.8	506.2	25.6	22.8	9.1
Assembly-type and related industries	404.9	441.5	494.7	33.7	9.0	12.0
Building construction	315.2	354.1	390.2	32.0	12.3	10.3
Distribution	306.8	392.9	450.6	26.7	28.1	14.7
Services	311.2	430.4	468.7	15.4	38.3	8.9
Transport, communications and storage	295.2	357.4	393.0	6.5	21.1	10.0
Central and local government	321.3	378.6	400.0	55.7	17.8	5.7
Petroleum industries	263.2	295.3	323.4	20.8	12.2	9.5
Manufacture of sugar	342.2	356.3	370.7	70.9	4.1	4.0
Electricity, water and sewerage	234.6	343.4	375.8	13.1	46.4	9.4

Source: *Review of the Economy, 1984*, Central Statistical Office, Trinidad and Tobago.

Table 17

TRINIDAD AND TOBAGO: INDEXES OF AVERAGE WEEKLY EARNINGS  
AND PRODUCTIVITY FOR PRODUCTION WORKERS, 1978-1984

(1978 = 100)

Year	All industries, including oil and sugar		All industries, excluding oil and sugar	
	Average weekly earnings	Produc- tivity	Average weekly earnings	Produc- tivity
1978	100.0	100.0	100.0	100.0
1979	124.0	102.5	120.4	104.7
1980	152.4	109.0	149.1	112.2
1981	180.5	104.3	173.8	112.9
1982	213.0	113.2	205.5	123.4
1983	256.0	106.6	255.7	125.4
1983 January-June	247.7	106.1	245.3	134.6
1984 January-June	276.5	110.8	280.6	136.3

Source: Central Statistical Office (CSO), Trinidad and Tobago.

ii) *Wages and salaries*

A marked slackening was observed in the rates of wage increases in 1984. The high wage increases that had come to characterize the boom period could no longer be sustained in a contracting economy. In spite of wage negotiations which were protracted in some cases, rates of wage increases ranged from 4% in the sugar industry to 24% in other industries. Negotiations on new wage agreements for a large portion of public sector employees had still not been concluded by the end of 1984.

The all-industry index of minimum wage rates for production and ancillary workers as at May 1984 was only 5.8% higher than the index of May 1983, which was 20% higher than the May 1982 figure (see table 16). In June 1984, however, wages as measured by the indices of average weekly earnings for production workers were 11.6% over the figure for the corresponding period in 1983: a faster rise than the 4% growth recorded for productivity (see table 17). The lag in productivity is even more critical if oil and sugar are excluded from the indices, for in that case productivity in June was a mere 1.3% higher than the figure for 1983, after increases of 1.6% and 9.3% in 1983 and 1982 respectively. In contrast, average weekly earnings had increased by 14.4% as of June 1984, following on the 24.4% and 18.2% rises registered in 1983 and 1982 respectively.

iii) *Employment and the labour force*

As of June 1984, 11% of the labour force was unemployed: a level similar to the overall 1983 figure (see table 18). Sensing the implications that economic contraction would have on the level of employment, trade unions invariably emphasized greater job security in their rounds of negotiations in 1984. Lower wage increases were requested by some unions, reflecting an appreciation of the problem of curtailed economic activity, while a tripartite committee recommended measures to promote equitable sharing of the burden of adjustment and an improvement in the industrial relations climate.

### 5. Monetary and fiscal policy

Trinidad and Tobago made "windfall gains" from the sale of petroleum and petroleum products during the oil crisis when demand for oil on the international market was exceedingly high. A relatively large portion of the unexpected revenue was in circulation in the country, through deliberately liberal monetary policies and fiscal measures. At that time, monetary policies facilitated easy credit for a wide range of activities, including personal and consumption-type expenditure. The Government, through fiscal measures, embarked on a variety of welfare and social programmes, and in so doing established a system of subsidies to ease the financial burden on the citizenry as a whole.

As the price of petroleum fell and as the industrial world went into recession, some adjustment in policies had to be made to meet the challenge of dwindling oil revenues.

Table 18  
TRINIDAD AND TOBAGO: LABOUR FORCE EMPLOYMENT  
AND UNEMPLOYMENT

(Thousands)

	1981	1982	1983	June	
				1983	1984
Non-institutional population					
15 years and over	730	741	751	760	748
Labour force	436	445	449	471	442
Participation rate (percentage)	60	60	60	62	59
Persons with jobs	390	401	399	411	393
Unemployed	45	44	50	60	49
Percentage unemployed	10.3	9.9	11.1	12.7	11.1

Source: Central Bank of Trinidad and Tobago, *Annual Report*, Table 2. Central Statistical Office Continuous Sample Survey of Population, Publication No. 59, and data supplied to ECLAC.

Table 19

## TRINIDAD AND TOBAGO: MONETARY BALANCE

	Millions of TT dollars at year-end			Growth rates		
	1982 <sup>o</sup>	1983 <sup>o</sup>	1984 <sup>n</sup>	1982 <sup>o</sup>	1983 <sup>o</sup>	1984 <sup>n</sup>
Money supply	2 465	2 265	2 129	43.6	-8.1	-6.0
Currency outside banks	726	809	711	36.2	11.4	-12.1
Demand deposits	1 739	1 456	1 418	47.0	-16.3	-2.6
Factors of expansion	9 663	9 856	9 699	31.3	2.0	-1.6
Foreign assets (net)	7 092	4 682	2 829	-8.8	-34.0	-39.6
Domestic credit (net)	2 571	5 174	6 870	...	101.2	32.8
Government (net)	-2 878	-1 260	-148	40.0	56.2	88.3
Official entities	577	763	945	87.3	32.2	23.9
Private sector	4 872	5 670	6 073	19.7	16.4	7.1
Factors of absorption	7 198	7 591	7 570	27.5	5.5	-0.3
Quasi-money	4 931	5 655	6 182	33.5	14.7	9.3
Time deposits	2 630	3 238	3 747	25.9	23.1	15.7
Saving deposits	2 301	2 417	2 435	43.4	5.0	0.7
Other items	2 267	1 936	1 388	16.3	-14.6	-28.3

Source: *Quarterly Statistical Digest*, Vol. III, No. 4, December 1984, Central Bank of Trinidad and Tobago.

<sup>o</sup> Revised figures. <sup>n</sup> Preliminary figures.

Table 20

## TRINIDAD AND TOBAGO: COMMERCIAL BANKS-DISTRIBUTION OF LOANS AND ADVANCES BY SECTOR

	Millions of TT dollars at year-end					At September
	1979	1980	1981	1982	1983	1984
Business loans	1 341	1 661	1 896	1 945	2 365	2 538
Agriculture	51	91	80	62	72	88
Manufacturing	411	499	546	574	714	777
Construction	249	329	445	456	518	556
Transportation	97	133	187	216	253	240
Distribution	389	454	540	532	698	752
Professional services	144	155	98	105	110	125
Personal loans	978	1 154	1 422	1 826	1 883	1 957
Other <sup>a</sup>	329	466	743	1 107	1 448 <sup>b</sup>	1 577
Total	2 648	3 281 <sup>b</sup>	4 061	4 878	5 696	6 072

Source: *Review of the Economy, 1984*, Central Statistical Office Printing Unit, *Quarterly Statistical Digest*, Vol. III, No. 4, December 1984 and Central Bank of Trinidad and Tobago.

<sup>a</sup> Includes central government and State enterprises.

<sup>b</sup> Revised figures.

Monetary policy emphasized the containment of inflationary pressures on the economy and sought to arrest the deterioration of the balance of payments.

The level of imports, which had grown sizeably during the boom period, had to be curtailed. As part of the measures prescribed, the Central Bank established, in October 1983, a system of import budgeting to stem the outflow of foreign exchange. One of the objectives of this measure was to achieve a better allocation of foreign exchange for competing uses. Closely related to this measure was the objective of more effective management and issuance of import licences.

a) *Monetary developments*

The Central Bank, as the main regulator of banking business, raised the discount rate from 6.0%, which had been in force since 26 July 1983, to 7.5 % in November 1983. This was in response to increases in interest rates resulting from tight liquidity conditions in the banking system. A marginal reserve requirement aimed at curbing excessive credit creation in the banking system was also instituted. By September of 1984, this measure had immobilized an additional TT\$ 48.8 million of banking deposits.

The narrowly defined money supply ( $M_1$ ) for 1984 showed a 6% decline (see table 19). Demand deposits, which constitute the bulk of ( $M_1$ ), experienced a 2.6% decrease in 1984 following the 16.3% fall in the previous year.

The rate of expansion of quasi-money (time and savings deposits) had also begun to slow down by 1983, after the 34% increase in 1982, and in 1984 growth was 9.3%. Together, these developments during 1984 resulted in an overall 5 % growth in the more broadly defined money supply ( $M_2$ ) (quasi-money plus  $M_1$ ). The aggregate  $M_2$  for 1983 had expanded at a slightly higher rate (7%). Liquidity conditions had been tight since 1983, but the situation worsened further during 1984.

Commercial banks were encouraged to move closer towards compliance with selective control guidelines which limited new lending for personal non-business purposes to a maximum of 25% of incremental credit. Greater emphasis was placed on lending for business and new investment purposes, with a view to increasing domestic production (see table 20).

Because of the tightening in liquidity conditions and the lower rate of expansion of the overall economy, the level of activities in commercial banks, non-banking institutions and insurance was severely constrained. Thus, commercial bank loans and advances grew by 7% in 1984, which was less than half the growth rate of the previous year (see tables 21 and 22). Loans and advances to the central government and State enterprises rose by 12.6%, in contrast with increases of 49% and 31 % in 1982 and 1983, respectively. The lower trend in 1984 seems to reflect a reduction in deficit budgeting. In contrast, loans and advances for agricultural purposes grew by 33% because of a renewed emphasis on domestic agriculture. Although personal loans rose by 4.5% over the 1983 level, this increase was less than those of 1981 and 1982.

b) *Fiscal developments*

The various fiscal measures introduced in the 1984 budget prescribed austerity as a means of achieving success in the adjustment process. Prices were increased for a variety of consumer goods, while subsidies on some items were either reduced or eliminated. New incentives for agriculture were announced, and a régime of import restrictions was established.

Table 21  
TRINIDAD AND TOBAGO: COMMERCIAL BANKS-LOANS  
AND ADVANCES

	Growth rates					
	1979	1980	1981	1982	1983	1984
<b>Business loans</b>	<b>26.2</b>	23.9	14.1	<b>2.6</b>	<b>21.6</b>	5.9
Agriculture	-15.0	78.4	-12.1	-22.5	16.1	33.3
Manufacturing	-1.4	21.4	9.4	5.1	24.3	2.4
Construction	149.0	32.1	35.3	2.5	13.6	8.6
Transportation	70.2	37.1	40.6	15.5	17.1	-6.2
Distribution	22.3	16.7	18.9	-1.5	31.2	8.5
Professional services	29.7	7.6	-36.8	7.1	4.8	13.6
<b>Personal loans</b>	<b>2.6</b>	<b>18.0</b>	<b>23.2</b>	<b>28.4</b>	3.1	4.5
Other <sup>a</sup>	34.3	41.6	59.4	49.0	30.8	12.6
<b>Total</b>	<b>17.1</b>	23.9	<b>23.8</b>	<b>20.1</b>	<b>16.8</b>	7.1

Source: *Review of the Economy*, 1984, Central Statistical Office Printing Unit, *Quarterly Statistical Digest*, Vol. 111, No. 4, December 1984 and Central Bank of Trinidad and Tobago.

<sup>a</sup>Includes central government and State enterprises.

Table 22

TRINIDAD AND TOBAGO: COMMERCIAL BANKS-LOANS  
AND ADVANCES

	Proportional distribution				September	
	1980	1981	1982	1983	1984	1983
Business loans	50.6	46.7	39.9	41.5	41.8	42.3
Agriculture	2.8	2.0	1.3	1.3	1.4	1.2
Manufacturing	15.0	13.4	11.8	12.5	12.8	13.4
Construction	10.0	11.0	9.3	9.1	9.2	9.0
Transportation	4.1	4.6	4.4	4.4	4.0	4.5
Distribution	13.8	13.3	10.9	12.3	12.4	12.2
Professional services	4.7	2.4	2.2	1.9	2.1	1.9
Personal loans	35.2	35.0	37.4	33.1	32.2	33.0
Other <sup>a</sup>	14.3	18.3	22.7	25.4	26.0	24.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: *Review of the Economy*, 1984, Central Statistical Office Printing Unit, *Quarterly Statistical Digest*, Vol. III, No. 4, December 1984, and Central Bank of Trinidad and Tobago.

<sup>a</sup>Includes central government and State enterprises.

Table 23

TRINIDAD AND TOBAGO: CENTRAL GOVERNMENT INCOME  
AND EXPENDITURE

	Millions of TT dollars			Growth rates		
	1982 <sup>a</sup>	1983 <sup>a</sup>	1984 <sup>b</sup>	1982	1983	1984 <sup>b</sup>
Recurrent revenue	7 118	6 564	6 646	1.2	-7.8	1.2
Income and profits tax	4 948	4 359	4 497	-1.8	-11.0	3.2
Royalties	537	446	451	-11.4	-16.9	1.1
Customs and excise	584	604	571	15.6	3.4	-5.5
Purchase tax	145	212	308	25.0	46.2	45.3
Others	904	943	819	17.9	4.3	-13.1
Recurrent expenditure	6 047	6 249	6 616	68.6	3.3	5.9
Wages and salaries	3 116	2 505	2 698	117.1	-19.6	7.7
Goods and services	363	634	720	-4.2	74.7	13.6
Interest payments	160	197	313	-10.6	23.1	58.8
Transfers	1 328	1 753	2 088	71.6	32.0	19.1
Subsidies	1 083	1 159	797	32.1	7.0	-31.2
Current surplus	1 071	315	30	-69.0	-70.6	-96.8
Capital receipts	-	-	-	-	-	-
Capital expenditure	3 426	2 542	2 258	10.9	-25.8	-11.2
Total revenue	7 118	6 564	6 649	0.8	-7.8	1.3
Total expenditure	9 473	8 791	8 874	41.9	-7.2	0.9
Fiscal surplus/deficit	-2 355	-2 227	-2 225	...	...	...
Fiscal surplus/deficit as percentage of GDP	...	...	...	...	...	...
Current surplus as percentage of GDP	5.6	1.6	0.15	...	...	...

Source: *Review of the Economy*, 1984 and *Review of fiscal Measures in 1984 Budget*, Government of Trinidad and Tobago.

<sup>a</sup>Revised figures. <sup>b</sup>Preliminary figures.

In 1984, the level of activity in the government sector, as measured in terms of GDP at factor cost (constant prices), contracted by 2.6% following the downturn already initiated in 1983. This was due largely to diminishing government revenues, which were no longer sufficient to support the number and scale of activities undertaken in previous years.

Recurrent revenues, which are the principal sources of the funds from which government activities are financed, grew by 1.2% in 1984 following a 7.8% drop in 1983 (see table 23). Taxes on incomes and profits, which grew by 3.2%, continued to account for 68% of recurrent revenue.

Import duties collected dropped for the first time since 1973. This was a response to the general decline in economic activity, new measures relating to exchange controls, and new arrangements for the granting of import licences. Royalties, which are a significant portion of non-tax revenue, increased only insignificantly in 1984.

Public sector expenditure was constrained by the relatively slow increase in revenues. Total expenditure grew by 1%, while recurrent expenditure grew by 5.9%. Allocations for wages and salaries during 1985 are likely to grow when the negotiations for new wage and salary increases for public servants which began during 1984 are concluded.

The growth in interest payments was of the order of almost 59%, as against 23 % in 1983. Many of these payments were on external debts, which now form a substantial portion of total debt. The increase in the total debt reflects a growing dependence on external borrowing to finance public sector activity. In response to the adjustment measures now implemented, government subsidies fell by 31% from the figure of the previous period. Many of the capital development projects and programmes which were initiated in the 1970s were almost completed by 1984, while others were being scaled down. This has resulted in declines in expenditure on development programmes and funds for long-term projects for two successive years.

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