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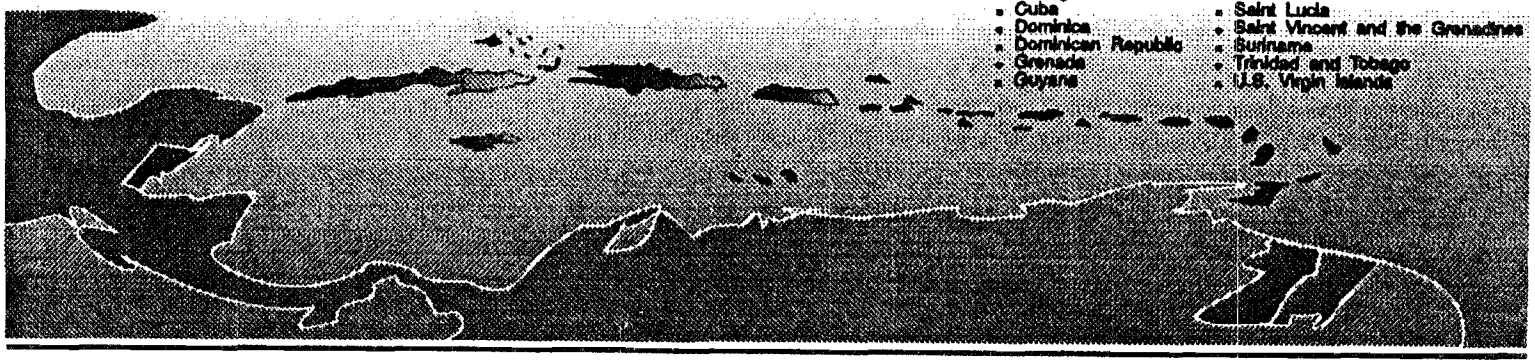
UN ECLAC/CDCC

- Antigua and Barbuda
- Aruba
- Bahamas
- Barbados
- Belize
- Br.Virgin Islands
- Cuba
- Dominica
- Dominican Republic
- Grenada
- Guyana
- Haiti
- Jamaica
- Montserrat
- Netherlands Antilles
- Puerto Rico
- Saint Kitts and Nevis
- Saint Lucia
- Saint Vincent and the Grenadines
- Suriname
- Trinidad and Tobago
- U.S. Virgin Islands



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REVIEW OF CARIBBEAN ECONOMIC PERFORMANCE - 1996

Based on data for the period January to June 1996

UNITED NATIONS
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN
Subregional Headquarters for the Caribbean
CARIBBEAN DEVELOPMENT AND COOPERATION COMMITTEE

REGIONAL OVERVIEW

The tempo of economic activity quickened in the first semester of 1996 for the Bahamas, Barbados, Guyana and Trinidad and Tobago. For Jamaica the prognosis was mixed, while the OECS countries generally had a less favourable first semester in 1996 than was recorded for the same period in 1995.

Economic activity was estimated to have quickened in the **Bahamas**, primarily as a result of expansion in the tourism sector. Construction and manufacturing, however, contracted. These developments in the real sector were also reflected in the balance of payments, where merchandise earnings declined from $125m to $91m. The merchandise deficit was further eroded by a 6 per cent increase in imports. Despite increased tourism earnings, which were up by 16 per cent, the current account deficit widened. Nevertheless, the reserves increased in the six months under review. The fiscal accounts showed a slight surplus for the first 11 months of financial year 1995/1996, i.e. for the period July 1995 to May 1996. Public sector external debt fell by 3 per cent, the external liabilities of public corporations declining by 7 per cent.

In **Barbados** output was substantially up, registering 5.2 per cent, as compared with the 1 per cent expansion achieved in the previous corresponding semester. The expansion was propelled by strong tourism growth and increased sugar output together with a dynamic construction sector. External sector performance was buoyed up by tourism and sugar earnings, a slowdown in retained imports and strong capital inflows which all worked to increase the Net International Reserves. The fiscal account deteriorated slightly, the increased expenditure going mainly to resuscitate delayed capital investment. While the rate of price increase quickened, it remained a moderate 2.7 per cent for the semester.

Growth of 6.1 per cent was recorded in the first semester of 1996 in **Guyana**, compared with 5.1 per cent in the previous year, but serious flooding in the third quarter cast a shadow on the consistently good annual performance recorded since 1991. Expansion in the first semester of 1996 was pulled by exports of bauxite and rice, although the other strong traditional earner, sugar, faltered with production down by 7 per cent. Strong earnings augmented the Net International Reserves and caused a slight appreciation of the currency. Recent decisions by the Paris Club to provide "Naples Terms" to Guyana also provided some relief for the major outstanding development constraint faced by the country, the debt overhang.

In **Jamaica** stronger domestic activity was somewhat overshadowed by weaker external performance and fiscal and monetary indicators which continued to give concern. Real output increased in several sectors, notably, agriculture and minerals, but this was not reflected in increased merchandise earnings, though increased tourism activities augmented services earnings. Moreover, capital inflows continued to be strong, attracted by high local currency interest rates, and served to conceal the deterioration in export performance, support greatly increased imports, augment the reserves and induce the exchange rate to appreciate by 11 per cent. Fiscal performance also deteriorated, for while revenues increased by 11 per cent, total expenditure outstripped them at 68 per cent, turning the surplus achieved in early 1995 into a substantial deficit in 1996. These factors

served to augment the money supply, domestic credit being up by 67 per cent and contribute to inflation, which grew faster in the first semester than in the corresponding period in 1995.

Weaker economic performance was also evident in the **Organization of Eastern Caribbean States (OECS)**, both quarters performing less well when compared with the previous year. Several member countries were adversely affected by hurricanes in the second semester of 1995 and activities seemed to recover more slowly than expected in agriculture, notably, bananas, and in tourism where visitor confidence seemed to remain shaken even after physical facilities had been rehabilitated. Both factors served to weaken the external accounts, evidenced by a growing current account deficit.

In **Trinidad and Tobago** the rate of increase was more moderate at 2.7 per cent compared with 1.8 per cent in the first semester of 1995. Expansion was evident in both the petroleum and non-petroleum sectors, notably, distribution and manufacturing. Other macroeconomic indicators seemed to be fairly stable, the fiscal account showing an increased surplus, while the growth in money supply remained moderate. Price increases were moderate and unemployment declined marginally. The external account did not meet the standards of the previous year, however, reduced earnings being reflected in a reduced balance of payments surplus.

NATIONAL PERFORMANCE

In **Barbados** economic activity showed faster expansion in the first half of 1995, at 5.2 per cent, than in the corresponding semester of 1995, which recorded an increase of 1 per cent. The recovery in sugar output, together with continued growth in the tourist sector, served to accommodate increased activity in domestic activities. Increased export earnings together with private capital inflows served to supplement the reserves. The fiscal balance deteriorated, showing a deficit of B$14 million as compared to a surplus of B$8 million in 1995. Yet the current account surplus increased, the bulk of it being allocated to capital formation. Consumer prices rose from the 1.1 per cent recorded in the first semester of 1995 to the still modest 2.7 per cent recorded in the corresponding semester of 1996.

Performance in the real sector was driven primarily by agriculture, tourism and construction. In agriculture, sugar production expanded by 53 per cent over the corresponding period in 1995, while non-sugar production grew somewhat more slowly at 3.6 per cent, a rate of increase which was less than in 1995. Rapid growth was, nevertheless, recorded in milk, fish and poultry production, although food crop production declined. Tourism output increased significantly over the corresponding semester in 1995, the sector recording an estimated expansion of 5.8 per cent, compared with a contraction in the first semester of 1995. Long stay visitor arrivals increased by almost 6 per cent, although the growth in cruise tourism moderated from 9 per cent in 1995 to about 2 per cent in 1996. Manufacturing showed scant growth compared with expansion in excess of 4 per cent over the past two years, although manufacturing output seems to be moving towards an export orientation. Construction activities were also more buoyant than in 1995, expanding by 5.3 per cent compared with under three per cent in 1995. Increased activity was recorded for both private and commercial dwellings and had its impact on the production of cement. Energy consumption also increased, the bulk of which was directed to commercial activities.

External sector performance mirrored the strong performance in sugar and tourism. Sugar earnings grew by almost 38 per cent, other merchandise exports, notably electronic components and food and beverages, by a strong 16 per cent. Domestic exports increased by almost 34 per cent. Retained imports increased by about 7 per cent, a slower rate of increase than in 1995. The greatest increases were recorded for capital imports at 22 per cent while the value of intermediate goods increased by 6 per cent, with consumer goods imports growing by 4 per cent over the corresponding period in 1995. Both trends served to reduce the expansion of the merchandise trade deficit to about 2 per cent. Earnings from services increased, the travel account by 6 per cent reflecting the more buoyant tourist activities compared with a 4 per cent rise in the first semester of 1995. At the same time, unrequited transfers increased by about 7 per cent, while outflows relating to investment income fell so that, overall, earnings from services increased by 7 per cent over 1995. This served to augment the current account surplus by 21 per cent. The capital account also strengthened, with reduced public sector outflows for amortization and fairly strong inflows of private long-term capital, directed to tourism, electricity and telecommunications infrastructure. External sector performance raised the

Net International Reserves at the end of the semester to provide import cover for 16 weeks of imports.

First semester government operations expanded when compared with 1995 with a larger fiscal account. Current revenues increased by 17 per cent, direct taxes by 5 per cent, indirect taxes by over 10 per cent. In the former category, the increment was provided by a 9 per cent increase in personal income taxes for the proceeds from corporate and property taxes declined, by 1 and 10 per cent, respectively. Income tax increases came from back pay to civil servants and salary increments which increased taxable rates. The increase in revenues from indirect taxes was contributed mainly by the proceeds from consumption taxes which increased by 10 per cent. Import taxes also contributed with an increase of 14 per cent. Recurrent expenditure grew somewhat slower than revenues at 9 per cent so that the recurrent surplus at the first semester grew by 32 per cent. Notable increases in expenditure were for wages and salaries, up 12 per cent consequent on salary regrading, expenditure on goods and services, up 10 per cent, and for interest payments, which increased by 13 per cent, to service domestic debt. Capital expenditure expanded by 48 per cent, the highest first semester expenditure recorded for five years and reflected the fiscal stringency which has been necessary in the recent past to re-balance the economy. The bulk of the expenditure was directed to capital formation, to implement delayed projects, although there was also an increase in capital transfers to refinance maturing bonds. The deficit was financed from domestic commercial banks.

The rate of inflation quickened, to 2.7 per cent at the end of June, as compared with 1.1 per cent at the end of the first semester in 1995. Food and beverages registered the greatest gains, though more modest increases were also evident for medical services and housing. Economic expansion impacted the rate of unemployment, which contracted to 16.2 per cent at the end of June as compared with 20.5 per cent for the respective period in 1995.

In **Guyana** economic expansion of over 6 per cent was reported for the first semester, with a 6 per cent growth rate projected for 1996, as a whole. Leading the expansion was the mining and quarrying sector which expanded by 3.1 per cent. Bauxite production was up by 12 per cent, growth deriving from better prices for refractory grade bauxite and better marketing arrangements in the United States. Rice production also continued to expand, exports increasing in the first quarter by 50 per cent. Expanded rice exports together with strong performance in minerals exports served to augment the reserves by 44 per cent over the corresponding first quarter in 1995. Sugar production, however, was 7 per cent behind the corresponding semester of 1995. Nevertheless, the balance of payments strengthened, the Net International Reserves increasing by 34 per cent when compared with the end of June 1995. The exchange rate appreciated by about 2 per cent over the period.

The budget for 1996 projected a 15 per cent pay increase for all public employees, pensioners and persons on public assistance. It also intends to promote productive activities through import and consumption duty exemptions for agricultural and industrial plant and machinery and to remove a 2 per cent turnover tax on non-commercial companies. Current expenditure is projected to increase by 17.6 per cent, while current revenue is projected to increase by 19 per cent, but the projected increase in total expenditure is expected to result in a G$12 billion budget deficit. A further development of

significance in the second quarter was agreement by the Paris Club to extend "Naples Terms"to Guyana. This entailed a 67 per cent reduction of sovereign debt with the remaining 33 per cent to be rescheduled at market rates of interest over 23 years with a six-year grace period.

Economic performance in **Jamaica** was mixed. Real output increased in several sectors, notably agriculture, minerals and tourism. Yet several macroeconomic indicators gave cause for concern, notably the deterioration in the trade and fiscal accounts. In the first semester, capital inflows continued to be strong, attracted by high interest rates, which served to conceal the deterioration in export performance, support greatly increased imports and reserves and induced the exchange rate to appreciate by 11 per cent. Fiscal performance also deteriorated, for while revenues increased by 11 per cent, total expenditure outstripped it at 68 per cent, turning the surplus achieved in early 1995 into a substantial deficit in 1996. These factors served to augment the money supply, domestic credit being up by 67 per cent, and contribute to inflation, which grew faster in the first semester than in the corresponding period, although it moderated over the second semester of 1995.

Agricultural production in Jamaica was estimated to have increased by about 9 per cent over the corresponding semester in 1995. Sugar cane, bananas and coffee accounted for the production increases. Performance in the manufacturing sector was also estimated to be better than in 1995 and minerals production also increased.

Exports benefited only partially from improved domestic performance, however. Earnings from goods fell, though the returns from services increased. The value of traditional goods exports fell by 4 per cent and for non-traditional exports by 6 per cent. Among the traditionals, earnings from sugar, which were facilitated by increased export quotas, rose by 17 per cent. In the case of bananas, while export volumes increased by 3 per cent, export earnings fell by over 7 per cent. Deliveries of raw coffee were also up by 36 per cent but exports were down, by 4 per cent in volume and 16 per cent in value. Export earnings from citrus also increased. Similarly, performance from minerals was mixed, bauxite earnings increasing by 3 per cent but alumina earnings fell by 7 per cent, consequent on weaker demand. Contributing to the decline in earnings among non-traditional products was the 14 per cent fall in garments exports. This fall was attributable to the diversion of business to Mexico, in part because of more favourable access conferred by the North American Free Trade Agreement (NAFTA) into the North American market.

Meanwhile imports increased by 7 per cent. The increase comprised primarily consumer goods, which grew by 18 per cent, for raw materials and capital goods imports grew moderately, by 3 and 4 per cent, respectively. Accordingly, the merchandise trade deficit increased by 18 per cent. Increased earnings in services, led by the travel account surplus which increased by 13 per cent, served to contain the deficit in goods and services. These gains were, however, offset by reduced private transfers so that the current account deficit widened. Private capital flows, which had been buoyant in the past two years, consequent on high interest rate differentials, strengthened in 1996. Inflows during the first semester of 1996 amounted to US$291 million, compared to US$119 million in the comparable period for 1995. As a consequence, there was a substantial accumulation of Net International Reserves which represented 14 weeks of import cover at the end of the first semester.

After some success in the past two years, preliminary data suggest that the fiscal account had deteriorated quite considerably in the first semester of 1996[1]. Revenue increased by 11 per cent, but recurrent costs almost doubled. The increase was to be explained, in part by increased interest payments on the national debt and in part by increased payments to civil servants and was aggravated by the need to meet deferred obligations from the previous year. Capital expenditure also increased, by 29 per cent. Once again, however, debt obligations dominated the picture, for while gross investment declined by 11 per cent, the increase in capital spending went to debt amortization, with payments increasing by nearly 75 per cent. Total expenditure, therefore, increased considerably, by 68 per cent, the portion of it allocated to debt servicing growing by 91 per cent. Debt servicing charges had moved from 41 per cent of total expenditure in 1995 to 47 per cent in 1996. Whereas the fiscal account showed a surplus of J$4.5 billion in the first semester of 1995, the corresponding period for 1996 showed a deficit of about 10.5 billion. In sum, fiscal performance was not auspicious since targets for the year 1996/1997 were for a public sector surplus of 3 per cent of Product, 0.8 per cent of which should be contributed by the Central Government.

Monetary policy was stated as being intended to secure price stability, yet was also being complicated by strong capital inflows. Net private capital inflows from January to June 1996 increased by 145 per cent over the corresponding period in 1995. All monetary aggregates showed strong expansion over the corresponding mid-year position in 1995, M_1 and quasi-money by 20 per cent, respectively, while domestic credit expanded by almost 62 per cent. Base money was up by 17 per cent. Deposits to commercial banks increased by 17 per cent, coming from the private sector and comprising time, up 31 per cent, savings, up 24 per cent and demand deposits, up 16 per cent. Deposits from the government and public enterprises were down. Commercial bank loans increased by 17 per cent, being channeled mainly to consumer related activities, which received an increase of 46 per cent, manufacturing and mining, both of which sectors received loans in excess of 30 per cent more than in 1995. Loans to the government fell by 44 per cent over the same period.

Inflation increased over the previous corresponding six months, being 10.9 per cent compared with 7.1 per cent in 1995. However, the first semester of 1996 showed reduced inflation over the 19 per cent increase recorded in the second semester of 1995. Monthly price increases fell steadily from 4.3 per cent in December 1995 to 0.4 per cent in June 1996. Major price increases were recorded in the categories for food and drink and for transport and communications.

For the **OECS**[2] countries as a group, output was not as strong as in the first six months of 1995. Output was weak in the first quarter but seemed to weaken further in the second. This less auspicious performance was to be explained by the consequences of the hurricane season in late 1995, which resulted in lower export earnings from bananas and weaker tourism earnings, notably in Anguilla and in Antigua and Barbuda. Weak performance in the main agricultural export and the main

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[1] It should be noted that in Jamaica the current fiscal year runs from April 1996-March 1997, while this analysis relates to the first six months of the calendar year.

[2] Data for this section was obtained from the ECCB and include Anguilla.

services activity naturally had an adverse impact on the current account of the balance of payments, the current deficit widening over 1995. Nevertheless, there were some bright spots, with manufacturing benefiting from increases in the sugar and soap industries, construction being buoyant in some countries bolstered by major infrastructure investment in Saint Kitts/Nevis and Saint Lucia and rehabilitation following hurricane damage, while fiscal performance in the first half of 1996 also improved over the previous year. Prices were expected to rise slightly faster than the very moderate rates recorded for 1995.

For the agriculture sector, overall performance was dominated by the out-turn of the banana industry, where total output fell, export volumes by about 12 per cent. The volume of exports contracted in all countries, except Saint Lucia which had a 6 per cent increase. Exports from Saint Vincent and the Grenadines fell by about 8 per cent, although Dominica and Grenada had much larger declines, of 53 and 58 per cent, respectively. The decline in output was to be explained by slow rehabilitation of farms hit by hurricane damage, while earnings fell as a result of poor quality fruit and penalties for non-performance partly because of industrial unrest and exchange rate and price developments. Exports of cocoa from Grenada also declined by 36 per cent. Poor performance in the banana and cocoa industry was offset somewhat by fairly good performance in the other crops, nutmeg exports being up by 11 per cent, sugar and soap exports were up by 17 per cent over the corresponding six months of 1995.

Developments in the sugar and soap subsectors also benefited the manufacturing sector which was estimated to have expanded modestly. Other areas of expansion were in packaging, beverages, flour milling and poultry feed. In some countries, declines were evident in the sector, notably in Saint Lucia and Saint Vincent and the Grenadines where garments and electrical components assembly fell.

During the first semester, the total amount of visitors going to the OECS countries was up by 4.6 per cent. However, the more meaningful indicator of benefit to the economy was the stopover visitor count, which declined by 10 per cent, the overall increase being explained by increased cruise ship visitors. Nevertheless, overall gross tourism earnings increased nominally, by about 3 per cent, though perhaps the increase was not sufficient to compensate for inflation. Grenada and Saint Vincent and the Grenadines showed the greatest increases in gross earnings, by 15 per cent in each case, the greatest declines being recorded for Anguilla and Antigua and Barbuda, the latter by 4 per cent.

The external account for the OECS as a whole deteriorated, as a consequence of poor performance in bananas and mixed result for tourism. This was notable in Dominica, for example, where the trade deficit widened by 71 per cent over the previous year, but a more moderate decline was also evident in Grenada, where the trade deficit increased by 7 per cent. Moderate contraction of the trade deficit was recorded for Saint Lucia and Saint Vincent and the Grenadines, where services earnings also increased.

Overall fiscal performance strengthened over the first semester of 1995, with the current surplus growing in most countries. Increases were recorded for both current revenues and expenditures although revenues increased faster. Exceptions to this general trend were to be found

in Anguilla and in Montserrat. All tax categories showed increases, the most substantial being taxes on income and profits. Taxes on domestic goods increased faster than those on international trade, in the former category yields from consumption taxes being the most notable. Increases from import taxes derived from increased imports, rates remaining the same although some customs services charges increased in Grenada and Saint Vincent and the Grenadines. The relatively modest increases in current expenditures were to be explained mainly by increased outlays for personal emoluments, in Antigua and Barbuda, Grenada, Saint Kitts/Nevis and Saint Lucia.

Economic activity quickened in **Trinidad and Tobago**, growth in the first semester being estimated at 2.7 per cent, compared with 1.8 per cent in the corresponding period of 1995. Expansion was evident in both the petroleum and non-petroleum sectors, with the latter growing faster at 3.2 per cent compared with 1.3 per cent for the petroleum sector. The leading non-petroleum activities were distribution, up 11 per cent and manufacturing, up by 8 per cent, with agriculture declining by 7 per cent compared with the previous year. Increased output in methanol and nitrogenous fertilizers led expansion in the petroleum sector. Other macroeconomic indicators seemed to be fairly stable, the fiscal account showing an increased surplus, while the growth in money supply remained moderate. Price increases were moderate and unemployment declined marginally. The external account did not meet the standards of the previous year, however, reduced earnings being reflected in a reduced balance of payments surplus.

In the real sector, production was mixed. Overall, the petrochemical sector produced a positive performance. Crude petroleum production was substantially the same as in the corresponding period of 1995 but refinery throughput increased by 2 per cent. Natural gas production also showed an increase, by 14 per cent. Methanol production showed the strongest gains, however, increasing by almost 30 per cent. In manufacturing, cement production rose slightly, by about 6 per cent, but the sector suffered from the decline in Direct Reduced Iron production which contracted by 17 per cent. Output of billets stagnated although the production of wire rods expanded by 5 per cent. The poor performance in the agriculture sector was to be explained by declines in sugar production, by 19 per cent, cocoa production down by 16 per cent and coffee, down by almost 70 per cent[3].

External sector performance did not meet the standards set in the first semester of 1995. Total export receipts fell by 10 per cent, while imports contracted by a scant 1 per cent. The decline in export earnings was most notable in the first quarter, a 25 per cent fall compared with the corresponding quarter. Both the value and the volume of mineral fuels and related products exported declined, although the major factor contributing to the fall in earnings from the petrochemicals sector was a steep decline in the prices of ammonia and methanol, evident from the first quarter. Imports grew in the first quarter, notably imports of manufactured goods and machinery and transport equipment, although they contracted in the second quarter to produce a result slightly lower than the corresponding first semester of 1995. Earnings from services increased significantly, notably from tourism and communications services while the outflow of unrequited transfers was reduced consequent on both government and private outward transfers being lower. The deficit in the capital

[3] Comparisons for coffee and cocoa are based on first quarter data.

account also fell, by US$100 million, reduced deficits being incurred by both the public and private sectors. Overall the balance of payments surplus contracted when compared with 1995, from about US$27 million to US$7 million.

Central government fiscal performance was generally favourable in the first semester of 1996, with a fiscal surplus which increased by 24 per cent. Current revenue grew quite strongly at nearly 14 per cent, non-oil revenues providing the increment. Oil revenues remained flat, for while oil price increases augmented them, declining output served to offset any benefit. Non-oil revenues grew by 22 per cent, the main contributors being income taxes, which were up by 34 per cent, property taxes up 13 per cent and taxes on goods and services, up 14 per cent. Revenues derived from international trade fell by 8 per cent, consequent on the reduction of import duties to 20 per cent of the c.i.f. value of food items and its removal altogether on some of them. Non-tax revenues deriving from national lotteries and dividends from State enterprises also boosted the receipts, with a growth of 26 per cent. Recurrent expenditure increased by 13 per cent. The source of the increase was in transfers and subsidies, up by 44 per cent, comprising subventions to State enterprises to meet debt obligations relating to the divestment programme, transfers to non-profit institutions and households were also up. Capital expenditure was 4 per cent below the corresponding period in 1995. All debt indicators showed a downward trend, total outstanding debt falling by 11 per cent to US$1805 million, government portion of which fell by 8 per cent while the non-government portion fell by 26 per cent. Interest payments were also down by 13 per cent.

At the end of the first semester the money supply M_1, was 8 per cent above that recorded at the end of June 1995, currency in circulation being 8.3 per cent up, demand deposits increasing by 7.5 per cent. The increase was to be explained by increased commercial bank credit to the government, up by 31 per cent, bank credit to the public and private sector being up by 18 per cent. External assets increased by 1.5 per cent over the same period. Increased loans by the commercial banks[4] to the private sector were directed to services, increasing by 18 per cent, notably finance insurance and real estate and transport, storage and communications, as credit to production declined. Commercial bank credit to central and local government declined overall, although credit oriented to services increased by 30 per cent, directed mainly to transport, storage and communications.

Short-term inflationary pressures seemed to be building, the rate of increase in the Retail Prices Index being 0.1 per cent in the final quarter of 1995, and 0.5 per cent in the first quarter of 1996 and 1.2 per cent in the second quarter. Nevertheless, the year on year average in the second quarter stood at 3 per cent compared to 3.7 per cent for the first quarter. Unemployment fell by 1 percentage point from the corresponding first quarter of 1995, to rest at 17.1 per cent. This compared with an average for 1995 of 17.2 per cent.

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[4] Data and comparisons for commercial bank credit relate to the first quarter.

TOURISM[5]

Tourism remained the major economic activity for several of the smaller countries, especially those for which more complete data were not available. Accordingly, analysis of the sector provided a useful proxy for economic performance in several of them, such as Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Bonaire, the British Virgin Islands, St. Maarten and the United States Virgin Islands. At the same time, fairly complete and current statistics are compiled by the Caribbean Tourism Organization (CTO) so that more detailed evaluation of the sector was provided in an attempt to provide the most complete picture of performance in the region as a whole.

Tourism performance in the first half of 1996 was influenced by several events, notably the consequences of the 1995 hurricane season, which continued to affect destinations such as Anguilla, Antigua and Barbuda, St. Marten, and the United States Virgin Islands; the Olympics in Atlanta which caused a diversion of interest away from the Caribbean; and the United States election which had traditionally slowed travel by United States citizens to the region.

Overall, the number of visitors to the Caribbean, both stopovers and cruise ship visitors, increased for most destinations. Initially, the winter season had commenced slowly, bad weather causing the cancellation of flights from major winter destinations and limiting the amount of stopover visitors. Thereafter, arrivals were strong up to June, although the aforementioned effects of the Olympics and the presidential elections had an adverse impact after June, so that subsequently arrivals were lower than normal. All destinations posted increased stopover arrivals, with the exception of the four listed above as suffering hurricane damage in 1995, together with Curacao and Saint Vincent and the Grenadines. The tourist industry was also virtually at a standstill in Montserrat, because of the recently active volcano, arrivals being down by 50 per cent compared with the first quarter of 1995. The most notable increases were recorded for Bonaire and the Turks and Caicos Islands, up 12 and 19 per cent, respectively, although increases of the order of 5 per cent were recorded for Aruba, the Bahamas and the Cayman Islands. All other destinations recorded increases of between 1.5 and 4 per cent for the first six months.

The United States continued to be the main source of visitors to the Caribbean, with over 50 per cent of stopover arrivals originating there. Performance from this source continued to be strong, notably to Aruba, Barbados, Bonaire, the Cayman Islands and Saint Vincent and the Grenadines. Aside from the destinations suffering damage from natural disasters, where arrivals were down from all the major markets, arrivals from the United States declined to Curacao, by over 10 per cent, Saint Kitts and Saint Lucia, both of the latter experiencing declines of over 7 per cent. Fewer Canadians visited the Caribbean in the first six months, notably staying away from Aruba, down by 12 per cent, the Bahamas, Curacao down by 24 per cent, Jamaica and all the OECS countries, except Grenada which had a 10 per cent increase. Data for the Dominican Republic and Cuba, which were not available, might change the overall conclusion, since both have hitherto been major destinations for Canadian tourists and some diversion to those destinations might have taken place in the first

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[5] Data for this section was obtained from the Caribbean Tourism Organization.

semester. Moderate increases in arrivals were recorded from Europe. Strong performance from the United Kingdom and moderate increases from Holland were offset somewhat by declines from Germany. Major increases in European visitors were recorded by the Bahamas, the Cayman Islands, Saint Kitts/Nevis and Saint Lucia. Several of the other islands showed slight declines, however.

Cruise ship tourism continued the steady growth recorded in recent years. Antigua and Barbuda and the United States Virgin Islands recorded strong growth, despite the damage done to land-based facilities, but St Marten was not as fortunate, cruse ship arrivals being down by nearly 7 per cent. Other destinations showing strong cruise visitor growth were Jamaica, up by 13 per cent and Bonaire and Dominica, the latter two, however, growing from small bases.