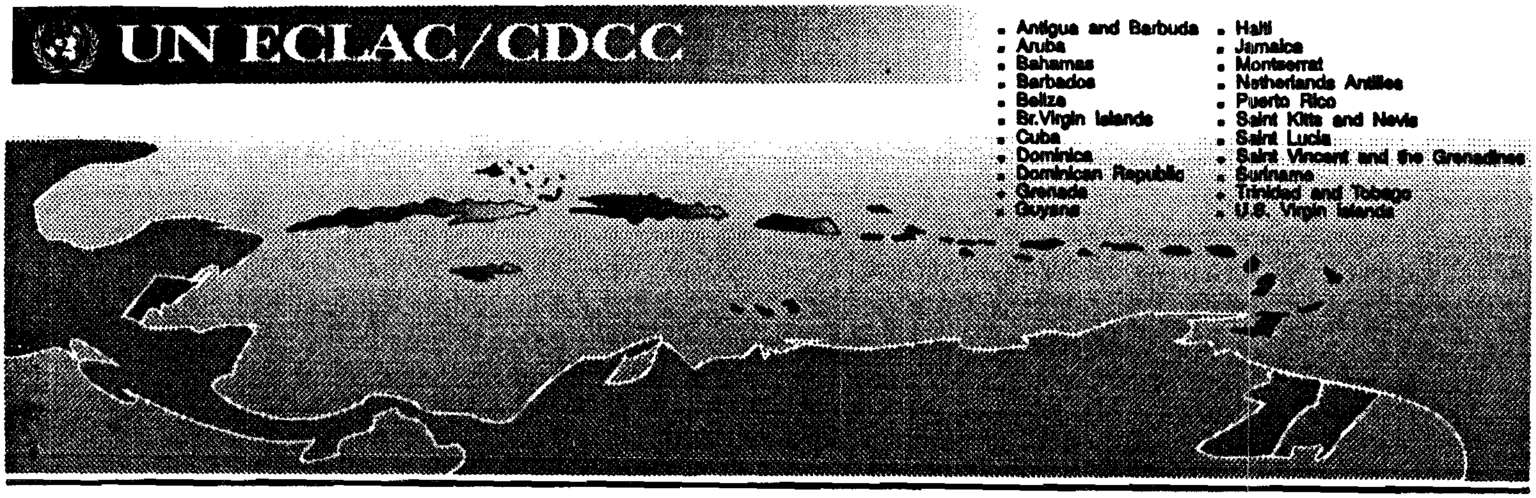

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SUMMARY OF CARIBBEAN ECONOMIC PERFORMANCE 1997

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ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN
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CARIBBEAN DEVELOPMENT AND COOPERATION COMMITTEE

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Introduction and synthesis

In general economic expansion in the Caribbean countries was slightly more robust in 1997 than in the preceding year. However, the rate of growth experienced by the countries surveyed was more uneven than in 1996. The sectors recording strongest performance were tourism, construction and the distributive trades. Agriculture turned in a mixed performance with declining output in Barbados, Jamaica and the Organization of Eastern Caribbean States (OECS). The traditional agricultural exports suffered from deteriorating terms of trade while output in the sector as a whole was adversely affected by unfavourable climatic conditions. The manufacturing sector turned in a mixed performance, declining in Jamaica and the OECS but showing modest increases elsewhere, except in the Dominican Republic and Trinidad and Tobago where growth was strong. Tourism had modest increases in all countries except the Bahamas, Barbados and Grenada.

Monetary expansion and easier credit were the norm in 1997. Exceptions to this were to be found in Guyana and Jamaica, where money growth slowed. In Jamaica, monetary growth has been historically much greater than the norm so that the reduction still left that country with nominal money growth at the upper level of the range for Caribbean countries although real money growth was modest. Barbados represented another anomaly, with excess liquidity prevailing over the first six months, although by year end the excess liquidity ratio had started to fall. Given the weak external earnings turned in by most countries, increased credit had a further negative impact on the merchandise balance.

There was a general deterioration of the public accounts. Exceptions were to be found in Barbados, where the deficit fell, and in the Dominican Republic and Trinidad and Tobago, where the accounts strengthened. Current account balances improved in the OECS but information on capital spending for these countries is incomplete so that inferences regarding fiscal performance for the group are inconclusive. For all other countries, there was deterioration in the current account with increases in recurrent spending outstripping new revenues. The overall account was further eroded by the fact that in most instances capital spending was greatly augmented. The external debt contracted by 9 per cent, reflecting the impact of debt forgiveness to Guyana. If the effect of Guyanese debt is excluded from the total the debt would have contracted by a more modest 5 per cent.

Price inflation remained moderate increasing by about 0.8 per cent in the region. The notable exception was Jamaica, where the policy focus on reducing inflation was rewarded by a 16 per cent reduction. In general, such increases as were experienced were derived from domestic policies since international inflation remained subdued. This was the case in Barbados, price rises being a consequence of the new Value Added Tax (VAT), in Saint Kitts/Nevis and in Suriname where economic imbalance sparked renewed inflation after its virtual disappearance in 1996.

Unemployment fell, on average by less than 0.5 per cent in 1997. Two countries, Jamaica and the Netherlands Antilles, recorded increased unemployment, however, as a result of depressed economic conditions. In most Caribbean countries the rate of unemployment exceeded 12 per cent, while in all of them female and youth unemployment rates greatly exceeded those of adult males. The main source of job creation in 1997 was in the construction and building trades.

The current account of the balance of payments reflected the weakness of export performance and the effects of easy credit, which could not be reversed by modest growth in tourism earnings. The external sources of economic dynamism in general performed poorly. Export earnings from bananas declined by 15 per cent, earnings from sugar fell by 7 per cent, earnings from bauxite fell by 1.3 per cent and exports of fuels in Trinidad and Tobago fell by 3.1 per cent. However, alumina earnings in Jamaica increased by 7 per cent, while tourism arrivals increased by 4 per cent for the region as a whole. Accordingly in all instances, with the exception of the Dominican Republic, the current accounts experienced erosion.

In several instances, such as in the Bahamas, Guyana and the OECS countries poor performance on the current account was redressed by increased capital and financial flows to record improvements in the balance of payments. In other instances, such as Barbados and Trinidad and Tobago, increased capital and financial flows were not sufficient to offset the deterioration in the current account, so that the balance of payments deteriorated. In Belize and Jamaica both the current and capital accounts did not perform as well as in 1996 and this was evident in even greater deterioration of their balance of payments.

In **Aruba** the economy is estimated to have expanded in 1997 with continued buoyancy being provided by the tourist sector. The expansion has, however, been accompanied by severely deteriorating fiscal and external accounts. The most recent data indicate a fourfold increase in the fiscal deficit over 1996, with government revenue, which increased by 3 per cent, being outstripped by spending which grew by 20 per cent. Higher public sector wages, benefiting from indexation in 1996 were the main source of increased spending. Accordingly, the balances of payments were also being eroded by increased demand, the reserves falling by US$67m. Payments' arrears were also accumulating. Failure to address the macroeconomic imbalance was evident in the run up to the election, which became necessary when the ruling coalition collapsed. The election result has, however, returned the same actors so that the impasse continued into 1998.

In the **Bahamas** the economic growth which resumed in 1996 after two years of relative stagnation, continued in 1997. However, the rate of growth was more moderate, at 3 per cent compared to 4.2 per cent in 1996. Reduced performance was to be explained by slower growth in the main tourist sector, in part as a result of refurbishing and upgrading of tourism facilities. Simultaneously, the upgrading pushed up construction sector activities, with building starts more than doubling in value in 1997. Both commercial and residential starts contributed to the expansion. The fiscal accounts deteriorated, with recurrent expenditure outstripping recurrent revenues while capital spending increased by more than 60 per cent, capital formation increasing by 85 per cent.

In the financial sector, the picture was one of buoyant liquidity and a doubling of monetary aggregates, underpinned by strong capital inflows to the tourism sector and government borrowing. Growth in domestic credit was strong and this contributed to a widening of the deficit on the balance of payments current account. The aforementioned capital inflows, mainly for tourism investment, redressed the balance and augmented the reserves by US$56m. At the same time, the total external debt increased by US$3.9m, or just over 1 per cent. Inflation remained moderate, falling from 1.4 per cent in 1996 to 0.5 per cent in the current survey year.

The **Barbados** economy, maintaining its steady growth since 1992, expanded by 3 per cent in 1997. Growth was stimulated by strong performance in the construction sector, benefiting from increased public and private investment and increased activity in the wholesale and retail trades. Manufacturing also recorded expansion, while tourism growth was modest. Agricultural output, however, declined despite increased sugar output with adverse weather conditions affecting growing conditions in the rest of the sector. The country experienced increased job creation with the unemployment rate falling to 12.2 per cent at the end of the year, mainly because of increased construction activities and expansion in the distributive trades. Inflation increased markedly, the average annual rate of inflation shooting up to 7.7 per cent and reflecting the one time effects of the VAT but inflationary pressures subsided by the end of the year. The balance of payments recorded a reduced surplus primarily because of greatly increased imports, while the fiscal accounts strengthened, with greatly augmented revenues from the VAT making possible increased capital spending and a reduced deficit.

Economic activity in **Belize** picked up in 1997 with a growth rate of 3 per cent, twice that of 1996. Expansion was concentrated primarily in agriculture, led by expansion in citrus production and fishing. Government activities also increased, leading to increases in recurrent and capital spending which led to an increase in the fiscal deficit from 0.4 per cent of Product to 1.94 per cent. Performance on the balance of payments was not as strong as in the previous year either, with erosions on the current and capital accounts. The reserves increased but at a much slower rate than in 1996. Inflation decreased substantially, following the jump experienced in 1996 with the introduction of VAT, while unemployment also fell slightly from 13.8 to 12.7 per cent.

In **Cuba**, the structural reforms designed to permit greater interaction with the global economy continued, though at a measured pace and within a framework of strict monitoring and control. The rate of economic expansion fell to 2.5 per cent in 1997 comparing unfavourably with the expansion of 7.8 per cent achieved in 1996. Major contributing factors to slowing economic growth were reduced sugar output and declining unit prices for exports, factors which also had a significant impact of the external account where the current account deficit expanded. The increase was caused mainly by greatly increased imports and stagnating export earnings, which increased earnings from tourism and other services were unable to offset. Capital inflows, however, increased to permit augmented reserves. Conversely the public accounts improved, the fiscal deficit contracting slightly. This was, however, achieved by greatly reduced capital spending since the current account balance contracted. Prices are estimated to have increased by 2 per cent in 1997, free agricultural market prices falling by 2.2 per cent and prices on the informal market also falling by 3 per cent.

The **Dominican Republic** experienced its greatest level of economic expansion in 10 years, reaching 8.2 per cent as compared with 7.3 per cent in 1996. The rate of growth achieved in 1997 also represented a progressive increase since 1993 and was broadly based, coming from increased private investment, increased consumption and strong external performance. The improved external performance resulted in the current account deficit contracting with increased capital flows covering the deficit and augmenting the reserves. The fiscal accounts also improved, with a small surplus equivalent to 0.8 per cent of Product being achieved. Strong measures to improve the collection of recurrent revenues were offset by increased recurrent spending but capital spending fell. Monetary policy was expansionary and put pressure on the exchange rate. Inflation also increased, in part because of increased demand and exchange rate unification with the consequent rise in the price of fuels.

The rate of economic expansion in **Guyana** slowed in 1997, caused mainly by adverse weather and economic and political insecurities engendered in an election year. Nevertheless, expansion remained strong at 6.3 per cent, benefiting from buoyancy in minerals, manufacturing, construction activities and transport and communications. The rate of credit expansion to the private sector slowed, primarily because of the malaise in agriculture, although credit to the government increased. The public finances deteriorated, with a greatly increased fiscal deficit. Revenues languished but recurrent expenditures increased by 24 per cent, the increases being as a result of increased payments to public officials and increased interest payments. Capital spending also increased. Overall, the balance of payments showed a modest surplus, although the current account deficit doubled as a result of deterioration in both the goods and services accounts. However, public and private capital inflows increased to re-establish a surplus. Inflation moderated slightly over 1996.

The **Haitian** economy registered growth of just over 1 per cent, following 2.8 per cent expansion in the previous year. Economic performance was affected by political instability, the inability to choose a Prime Minister delaying the programme of economic restructuring and reform and consequently reducing the flow of external assistance. All sectors recorded slower performance, with the exception of mining, which showed greater dynamism than in the previous year. In contrast to the slowing performance in domestic activity merchandise exports increased. Nevertheless imports of services increased and transfers declined, thus widening the current account of the balance of payments. Capital inflows were, however, sufficient to augment the reserves. Tight monetary policy was also maintained, though monetary aggregates showed greater growth than in the previous year. The public accounts also deteriorated, for while the current account deficit was almost eliminated by strong efforts to increase revenues the opportunity was taken to increase capital spending. Accordingly, the fiscal deficit widened from 1.6 per cent of Product in 1996 to 2 per cent of Product in 1997. The rate of inflation continued to fall steadily in 1997 resting at 16.2 per cent and down from 39 per cent in 1994 but this was below the targeted 10 per cent and pressure remained on the exchange rate.

Output in **Jamaica** contracted for the second successive year while unemployment increased slightly. Several factors contributed to the reduced performance which affected all sectors with the exception of mining and quarrying and basic services. Severe drought throughout 1997 reduced the contribution of agriculture and the continued opening and restructuring of the manufacturing sector contributed to its contraction. Construction was also hit by reduced activity in the rest of the economy and by tight credit. The main contributor to economic decline was, however, the policy being pursued in recent years to contain monetary expansion and reduce inflation. Success was achieved in restraining monetary expansion, M_2 expanding by 13.4 per cent as opposed to 14.5 per cent in 1996 and 46 per cent on average from 1993-1995. Success was also achieved in containing inflation as prices fell from 26.4 per cent in 1996 to 9.7 per cent in 1997. Nevertheless, the policy had other, adverse, consequences. Depressed output affected several enterprises and ultimately their banks which faced insolvency reducing the contribution of the financial institutions to Product by 20 per cent.

Public accounts for the calendar year 1997 also deteriorated significantly, as a consequence of public funding necessary to support the failing financial institutions and the cost of servicing the greatly augmented domestic debt. The balance of payments reflected the sluggish performance in the rest of the economy, export earnings remaining flat while imports increased modestly. The net services balance also contracted, while the high level of capital inflows witnessed in recent years was also greatly reduced so that the balance of payments recorded a deficit equivalent to 2.5 per cent of Product.

In the **Netherlands Antilles** the annualized real GDP to the third quarter of 1997 is estimated to have declined by 2.5 per cent. At that time, real Product had contracted for seven consecutive quarters as a result of reduced purchasing power, low levels of investment and low levels of confidence among domestic economic actors, all stemming mainly from the fiscal consolidation programme. External performance was also weaker, mainly because of reduced activity in the transportation sector, petroleum refining and international financial and business services. However, tourism performed well, mainly as a result of increased activity in St. Maarten. Despite the effort expended so far, the fiscal account continued to cause concern, with the fiscal deficit being double that projected for the year, while debt arrears accumulated. Policy flexibility was being hampered by the complex network of 12 political parties which share 22 seats in the national legislature and which render policy formation dependent upon potentially unstable coalitions.

Overall, the **OECS**[1] member countries experienced quickened economic activity, with 3 per cent growth in 1997, compared to 2.5 per cent in 1996. The expansion was evident in most services activities, while agriculture and manufacturing experienced reduced output. Performance in the tourism sector, construction, communications and transportation all led the increased output. The decline in agricultural output was most striking, with the rate of contraction increasing in 1997. This was to be explained by a 28 per cent reduction in the volume of bananas exported, with a 47 per cent fall in cocoa exports also contributing to the decline. Modest monetary expansion was evident in 1997, compared with contraction in 1996, with the rate of credit expansion to private households registering the most notable increase over the previous year. The fiscal accounts strengthened, with a slightly increased recurrent surplus. On the other hand, the current account of the balance of

[1] This evaluation is based on data provided by the Eastern Caribbean Central Bank (ECCB) which covers all members of the Organization of Eastern Caribbean States (OECS) namely, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines, as well as Anguilla.

payments deteriorated, but capital inflows were sufficient to redress the deficit and allow for increased reserves. Prices remained moderate for the group, with inflation falling slightly from the 1996 level.

The rate of economic expansion quickened in **Suriname** in 1997, with 5.6 per cent growth recorded, up from 3 per cent in the previous year. Expansion was led by the mining sector, which grew by 16 per cent, having strong performance in the aluminium and gold subsectors. Miscellaneous services including trade, restaurants and hotels also expanded by 18 per cent. Inflation started to move upward once again, the average annual rate moving to just over 7 per cent compared to -0.8 in 1996, but year end inflation had increased to 16.3 per cent. The fiscal accounts were put under renewed pressure because of weak tax collection. Total revenues fell by 1.3 per cent. Receipts from indirect taxes fell by 9 per cent, in part because import duties were removed from CARICOM originating products and in part because duties were removed from raw materials and semi-processed goods in March 1997. Moreover, taxes fell behind target because the proposed sales tax scheduled for introduction in July 1997 was not introduced until February 1998 and then at half the 15 per cent rate originally proposed.

The external current account deteriorated from the 0.2m surplus in 1996 to a deficit of 44 million in 1997. Imports increased by 9.6 per cent, with public sector wage increases bolstering consumer demand and leading the increase in imports. Capital goods imports to the bauxite/alumina industry were, however, also strong. Export earnings, on the other hand, declined by 5 per cent, lower metals prices being the main cause, with exports of shrimp, oil, rice and bananas being strong. Foreign investment and loan inflows redressed the current account deficit but the reserves, excluding gold, fell in part because of continued gold purchases so that import cover fell from 4 to 3.2 months.

Output expanded for the fourth consecutive year in **Trinidad and Tobago**, recording about 3 per cent in 1997. The expansion in the non-oil sector, at 4.1 per cent, was sufficient to offset the decline of just over 1 per cent which was recorded by the oil sector. Expansion was broad based, being evident in all the non-oil sectors with the exception of government and this allowed unemployment to fall to its lowest level in 12 years. Despite the expansion, inflation remained below 4 per cent, slightly up on the 3.3 per cent recorded in the previous year. Given the rapid build up of liquidity in the financial system, the Central Bank intervened actively in the market but found it necessary to reimpose reserve requirements for commercial banks and non-bank financial institutions by the end of the year in order to contain it. Both the fiscal and external accounts recorded surpluses, the latter being sufficient to increase the international reserves by 19 per cent. In both instances current account performance deteriorated but was retrieved by capital inflows received from the divestment of a methanol installation and inflows intended to finance new investments in the gas sector.

Economic policies and structural reforms[2]

Two factors loom large in the Caribbean macroeconomic policy calculus. The first is the set of criteria agreed by the Council of Central Bank Governors of the CARICOM countries to qualify for the CARICOM single economy. The so called "3-12-36-15 criteria", targets three months foreign exchange cover for 12 months, 36 months of exchange rate stability and a debt service ratio of under 15 per cent. The ultimate objective of this exercise is to create a Caribbean Monetary Union (CMU), modeled closely on that of the EU and potential member countries were becoming conscious of the need to demonstrate their ability to qualify in the first tier of entrants.

The second is a growing conviction that in these open economies exchange rate changes feed through so quickly into increased prices, wages and inflation, that insufficient time is available to bring forth new productive capacity. Accordingly, it is increasingly believed that flexible exchange rates are counter-productive. This position has traditionally been maintained by all the smaller economies in the Caribbean, all the members of the Eastern Caribbean Central Bank (ECCB), Belize, the Bahamas, Barbados and the Dutch-speaking territories, Aruba and the Netherlands Antilles. The most vocal proponent of this position, Barbados, is the only of the so called More Developed Countries (MDCs) of CARICOM to sustain this position over time, with Guyana, Jamaica and, Suriname, together with Cuba outside of the grouping, experiencing larger swings of instability and accordingly, more rapidly depreciating exchange rates. The dominican Republic Haiti and Trinidad and Tobago all seem to have held to more pragmatic policy stances with more moderate rates of depreciation systematically managed by the Central Bank over time.

Recently Jamaica seems to have shifted its position, after experimenting with various foreign exchange rate regimes ranging from a free float to a Central Bank managed foreign exchange auction. The current position seems to be one more closely akin to the majority, which is to use other macroeconomic tools to sustain a level of reserves necessary for a stable exchange rate. While the Jamaican authorities insist that the focus is not on the exchange rate, per se, but rather inflation, the two are integrally related in the Caribbean. Whether the Jamaican experiment can be sustained, since in the face of huge fiscal deficits the policy is only possible with punitive interest rates, is being watched with a great deal of interest since the outcome is far from clear.

Throughout the region structural reforms continued, notably in the area of fiscal policy, to make tax regimes more transparent and to substitute consumption taxes for declining trade taxes, to improve compliance and tax collection mechanisms and to remove loss making and other business operations from the public accounts, through privatization. Reforms were also evident in response to continuing liberalization, especially in the areas of trade and the financial sector.

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[2] These issues were dealt with in greater depth in the first semester review, entitled, "Review of Caribbean Economic Performance - based on data for the period January to June 1997" ECLAC (LC/CAR/G.512 dated 29 December 1997).

In **Aruba** the major element of the proposed low inflation policy was restraint in public spending, other benefits being to reduce pressure on domestic credit and husband the international reserves. The recommitment to fiscal restraint came after public sector wage indexation commenced in 1996, resulting in increasing wages and salaries and related social security costs. Policy guidelines were therefore advanced to streamline both policy and administration of the tax system, increase revenue by strengthening collection and billing procedures and liberate excess labour in the public sector by adjusting its size and composition so as to ease the manpower constraint faced by the rest of the economy. By the end of the year much of the policy was in disarray, since political uncertainty arising from the inability to maintain a stable coalition government diverted policy focus away from fiscal consolidation.

In **Barbados** several policy challenges were identified for attention in 1997, chief among them was the need to focus attention on the poorest sectors, given the fact that the economy had been stabilized and had regained its forward momentum. At the same time, the agenda for policy reform was being accelerated with respect to the trade and payments regimes and the development of financial markets. Debt management, the need to ensure against overheating the economy and the need to contain excess liquidity were also specifically identified as areas for continuing focus.

Economic reforms continued in **Cuba**, though slowly and with caveats that space for the functioning of market mechanisms would be allowed only under strong State regulation to ensure that standards are maintained in health, education and social welfare. Several reforms were accordingly ushered in 1997, the main ones being in the financial sector and in areas relating to the external economy.

The modernization of the banking system to better fit it to function under increasing market conditions continued, with the separation of central banking functions from the Banco Nacional de Cuba and their transfer to the newly created Banco Central de Cuba. The focus of the central bank would be the customary ones of supervising the flow of money and credit. By the end of 1997 licences had been granted to 16 foreign financial institutions, 13 of which were banks, and a chain of bureaux de change introduced. A cheque clearing system was instituted and credit cards introduced for dollar accounts with credit cards for peso accounts to be established later. For the biennium 1996-1997 the financial institutions had extended credit to Cuban entities to the value of US$1000 million under strict market conditions. It was proposed also to eliminate the dual currency system which implies full convertibility, but a time-frame had not so far been set.

The decentralization of external trade continued. In 1997, some 300 enterprises were authorized to transact business with the rest of the world, as compared to 50 such entities in 1989. Six hundred foreign firms already had registered offices while 435 Cuban companies were authorized to deal in foreign exchange. In 1997, 11 new bilateral investment treaties were signed bringing the total to 30 countries. The number of joint ventures with foreign partners increased to 317 in 1997, up from 260 in 1996.

Three free-zones/industrial parks now exist in which 200 entities now operate. Recent legislation allows the operators greater leeway in labour relations and is intended to stimulate the integration of free zone enterprises with others elsewhere in the economy and specifically to satisfy the ancillary demands which tourism is creating by linking back to domestic agricultural and industrial entities. They are permitted to operate in manufacturing, trade, research and in agricultural activities. Services, such as banking, finance and insurance are also permitted. No import taxes are charged on goods imported for use in the zones and profit taxes are exempted on productive activities for 12 years and on commercial activities or services for 5 years. A further 50 per cent partial tax holiday is granted for a further five years on productive activities and three years on commercial activities or services. Capital transfers from banking and financial operations in free zones can be freely remitted abroad.

Further legislation permitted the loosening of regulations covering rental property was also enacted. Previously, landowners could only rent up to two rooms but now this has been delimited. Tenants may be of Cuban or foreign nationality but diplomats or the representatives of private foreign firms were not allowed to rent private property. Taxes on rental property were at the same time increased. The legislation is significant because currently 20 per cent of tourists are lodged in private homes. By the end of September 1997 some 3000 such landlords had been registered.

Policy, as spelled out by the central bank, stressed that macroeconomic stability would be maintained. Fiscal deficits were to be contained and the national tax office was to strengthen its capacity to collect taxes, so as to meet tax targets. Currently, arrears from large State entities constitute the major constraint on tax collection, with the bulk of tax owed by 85 companies and institutions. Transfers to State entities were to be progressively reduced.

A financial market, including commercial credit instruments, was to be developed and enterprises were put on notice that they would have to adapt to the allocation of finance through market mechanisms. Improved price setting and the most efficient process toward a unified exchange rate were to be studied. The tools of monetary control as used by the market economies were also to be developed.

Poor performance in the sugar sector has prompted far reaching reform in its administration so as to improve efficiency. It has also renewed debate as to the optimal future size of the sector, given the reduced preferential market and chronically low world market prices for sugar. Nevertheless, sugar's importance as the main earner of foreign exchange remains an overriding factor in the debate. One constraint noted was the poor performance of sugar cooperatives (UBPCs) which are having difficulties operating in the current planning/pricing framework. Quotas were not being met, on one hand, while over 70 per cent of the UBPCs were losing money as a result of the low prices being paid to them. By the end of the year prices received by the UBPCs for sugar cane had increased by 52.8 per cent. Nevertheless, the issue of regulated prices in cooperatives has not been resolved, the small private sector recording much better productivity, falling prices and greater consumer satisfaction than those entities operating under regulated pricing/production arrangements.

Economic policy focused in the **Dominican Republic** on maintaining fiscal balance while achieving a measure of income redistribution. Complementing the fiscal policy, monetary restraint sought to maintain a stable exchange rate and price stability.

Fiscal policy proposals were subject to political deadlock. The administration had envisaged a reform of the tariff structure to lower the maximum tariff from 35 per cent to 20 per cent, the revenue foregone to be made up by an increase in the VAT, from 8 per cent to 11 per cent and further increases in selective consumption taxes. While agreement was reached in the Congress on the import tax reductions, the compensatory increases were rejected as being too severe[3]. Meanwhile special efforts are being made to improve collection arrangements under the existing tax regime.

Complementing the tariff reductions, further measures were taken to open the market when negotiations were commenced for accession to the CARICOM and Central American Common Market (CACM). While the initiative with CARICOM has not moved quickly a free trade agreement was signed with Central America in April 1998. Pending the tariff reform it is expected that progress will be made to remove other barriers to trade such as import permits and licences.

Proposals to reform the energy sector, which has provided a significant bottleneck to development, with regular power outages continuing in 1997, were also held hostage to political deadlock. The proposal to subdivide the State energy corporation into three areas, for transmission, generation and distribution was agreed, but caveats were included by the Congress which discriminated against future entrants into the energy market, and caused the President to veto the bill.

Other reforms relating to the restructuring and divestment of 24 public enterprises were passed. The legislation makes way for their capitalization and the sale of up to 50 per cent of the equity to private investors, who will exercise complete management control. This agreement resolves a long-standing impasse over privatization and should allow the government to recoup significant resources invested in the various public entities in preparation for their divestment.

In **Guyana**, policy statements at the presentation of the 1997 budget, which was an election year, sought to reassure the private sector. It reiterated the importance of private sector growth especially as government continued to divest itself of productive enterprises and, in fact, the privatization effort accelerated in 1997. Accordingly, an investment guide and investment code were to be prepared which would provide basic guarantees for investors and consolidate the various incentive regimes currently in operation. The institution GO-Invest was to incorporate and consolidate the functions of the Export Promotion Council to provide more efficient investor services and better promote investment in Guyana. A merchant bank had also been licenced which was expected to provide a range of services previously unavailable to the private sector.

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[3] Tax revenue increased in 1997, but remains less than 15 per cent of Product. A history of low public expenditure has left a legacy of weak social indicators.

Particular stress was to be placed on the role that manufacturing would have to play in continuing economic expansion, especially agro-industry and wood processing. Accordingly, the government undertook to seek special financing from international sources to provide venture capital and other related business and financial services to support these activities. Support would also continue to be given to the tourism sector and particularly eco-tourism by rehabilitating hinterland airstrips, protecting the environment and developing collaborative links with other regional governments active in the area of eco-tourism.

Tax reform was also under review, to ensure that the tax regime sent appropriate signals to the private sector, specifically to reward initiative and penalize tax evasion. The application of a Value Added Tax was also to be considered in view of the steady erosion in trade taxes as the CARICOM Common External Tariff (CET) was lowered. Finally the debt reduction efforts were to be continued.

Haiti signed an Enhanced Structural Adjustment Facility with the International Monetary Fund (IMF) in October 1996, which provided for US$131m capital inflows from the Fund itself over three years and provided the umbrella for flows from other sources, both bilateral and multilateral, estimated to amount to US$1 billion over the same period. Targets were set for 4.5 per cent growth with annual inflation of under 10 per cent. Current account deficits were to be kept under 15 per cent of Product and the reserves were to be improved to 2.7 months of import cover. The programme experienced a hiatus in 1997, with the inability of the government to choose a Prime Minister and delay in approving the budget. The main sticking point came about over differences between the Presidency and the majority of Congress over fiscal policy and especially in advancing the privatization programme, despite the fact that it was agreed that the State could hold up to 50 per cent equity in the public utilities. Other areas of fiscal policy which have also been delayed by political deadlock were public sector restructuring, tariff reform and a new budget law. The expected capital inflows, land reform programmes and tourism development have also been held up with the rest of the programme.

Original targets for privatization, which envisaged completion by early 1998, will not be met but the flour mill has been divested and bidding commenced on the cement plant by the end of 1997. Other enterprises such as those in telecommunications, electricity, two State-owned banks and the air and sea ports have been blocked by political opposition. Aside from the fiscal implications of divestment, the poor state of the utilities currently provide a major constraint on economic expansion, requiring significant investment if reliable electricity and communications are to be provided.

In **Jamaica**, the twin policy objectives of stability and growth were set at the commencement of 1997. Price stability was given high priority with a target to reduce inflation to 9 per cent, money supply growth was to be contained to no more than 11 per cent per annum while the fiscal deficit was to be reduced to 2 per cent of Product. Underpinning price stability was the need for a stable exchange rate. It was expected that reduced inflation would make possible reduced interest rates and Product was accordingly targeted to grow at between 2 and 3 per cent .

In 1997 the Government of Jamaica embarked on the second phase of its national industrial policy. In this phase fiscal policy was expected to contribute by further stabilizing the economy and liberating resources for investment. A surplus was, therefore, expected to complement monetary policy in reducing inflation, which would in turn facilitate a reduction in nominal interest rates and provide public savings to stimulate investment. Fiscal consolidation was to be achieved by increasing receipts and reducing recurrent spending. In the former category, the ongoing programme of tax administration reform would focus mainly on increased tax compliance. In the latter category recurrent spending was expected to fall as a result of better debt management and reduced interest rates which would also reduce the cost of debt servicing. Attention was also to be given to public sector wages to limit increases in line with inflation.

As the year evolved, however, it became evident that efforts to reduce interest rates were premature, domestic investors judging the policy unsustainable in the context of growing fiscal and balance of payments deficits. They responded by shifting away from domestic to foreign currency deposits. In order to support the objective of price stability, which was predicated on a stable exchange rate, the central bank increased interest rates once again and intervened in the foreign exchange market reducing the Net International Reserves (NIR) by US$153m in the second quarter. The reserves stabilized temporarily but came under pressure in the fourth quarter in the run up to the general elections which were held in December. By the end of 1997 the reserves stood at US$542m sufficient for nearly three months of import cover. Capital inflows resumed thereafter, with the reserves increasing slowly into 1998.

On the policy front, the **Netherlands Antilles** initiated a structural adjustment programme at the commencement of 1997. The main elements were a fiscal consolidation programme, wage restraint and tight credit policy. It was underpinned by a precautionary line of credit of Dfl100 million from the Dutch Central Bank, refinancing of outstanding debt and grants to support the social component of the adjustment programme. Other supporting measures included reform of the public sector to streamline the public bureaucracy and adopt a market oriented wage structure, divestment of several public enterprises including the loss-making national airline and improved public accounting. Monetary targets included a limit of 3.5 per cent credit growth to the private sector while credit to the Government was not to exceed the amount outstanding at 31 October 1996. Monetary targets would be monitored quarterly and penalties levied for non-compliance. By the end of the year the fiscal consolidation programme had not met its targets with the fiscal deficit likely to have doubled. Failure to meet the targets was in large measure due, as in the case of Aruba, to unstable political coalitions being unable to provide the necessary policy focus either before or after the elections held in 1997.

In the **OECS countries**, bananas dominated the policy calculus for 1997 and would continue to do so for the medium term. The World Trade Organization (WTO) which ruled against the EU banana licencing arrangements has reduced the chances of survival of the current banana regime. For the Windward Islands, the banana producers, which comprise Dominica, Grenada, Saint Lucia and Saint Vincent and the Grenadines, the main policy issue was to find the wherewithal to cope with the loss of this preferential access to the United Kingdom banana market. This would require diversification of output to offset the contracting banana industry as well as measures to improve productivity and fruit quality, so as to preserve that portion of the industry which could be made viable under the new non-preferential regime. It would also require measures to effect an orderly adjustment to the new regime. For the OECS[4] countries, as a grouping, the main issue was to manage the strains which could appear within the grouping caused by the slowing economic tempo of the Windward Islands, vis-à-vis the other members.

A further policy complication would arise with the proposed accession of Barbados to the OECS. A task force has been established to prepare proposals for eventual Barbadian membership which is expected to have currency unification as one of its early steps. The fixing of a common rate will have significant policy implications for all members, especially as a common CARICOM currency is mooted for early in the twenty-first century.

In **Trinidad and Tobago**, policy emphasis was placed on maintaining macroeconomic stability, slowing the rate of depreciation of the exchange rate so as to contain the rate of inflation and providing incentives to increase the rate of local and foreign investment. Permanent subthemes were reducing the rate of unemployment and diversifying the economy, i.e. increasing the rate of expansion of the non-oil sector. Policy reforms related to reducing trade protection in line with the requirements of the CARICOM CET and simplifying and rationalizing the tax regime by reducing the number and scope of tax credits and exemptions. By the end of the year exchange rate pressures remained, driven by high government spending and reflected in a moderate depreciation of the currency from TT$6 to TT$6.3 per US$, while the rate of inflation inched up from 3.3 to 3.7 per cent. The non-oil sector outperformed the oil sector but mainly because of weak performance in the latter.

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4 The OECS countries operate a loose integration arrangement with common monetary arrangements under the ECCB. The ECCB covers all the OECS countries and Anguilla.

Economic activity, inflation and employment

Output

Table 1
PERCENTAGE CHANGE IN G.D.P.
(At constant prices)

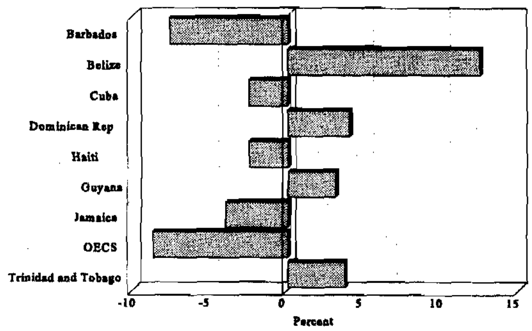
	1993	1994	1995	1996	1997
Anguilla	7.5	7.1	-4.1	3.4	9.4
Antigua/Barbuda	5.1	6.2	-5.0	5.4	2.7
Aruba	5.0	6.0	6.0	4.0	4.0
Barbados	1.0	4.0	2.5	4.7	3.1
Belize	4.3	1.5	3.8	1.5	2.9
Cuba	-14.9	0.7	2.5	7.8	2.5
Dominica	1.9	2.1	1.6	3.7	1.4
Dominican Republic	3.0	4.3	4.8	7.3	8.2
Grenada	-1.2	3.3	3.1	3.1	4.6
Guyana	8.3	8.5	5.1	7.9	6.3
Haiti	-2.4	-8.3	4.4	2.8	1.1
Jamaica	1.4	1.1	0.5	-1.7	-2.4
Montserrat	1.9	-0.8	-2.9	...	...
Netherlands Antilles	-1.8	1.7	1.3	-1.0	-2.5
St. Kitts/Nevis	5.4	5.4	3.5	5.9	6.3
St. Lucia	2.3	2.5	1.1	-0.8	2.2
St. Vincent/Grenadines	-0.7	-3.0	8.3	1.3	2.2
Suriname	-4.4	-4.2	5.2	3.0	5.6
Trinidad/Tobago	-1.5	3.6	3.8	3.5	3.2

SOURCE: ECLAC, derived from national data

Overall, economic expansion was slightly less robust in 1997 at 3.4 per cent on average as compared to 3.5 per cent in the preceding year, although the patterns of growth showed many similiarities with 1996. In 1996 five countries had growth rates exceeding 5 per cent the same as in 1997. At the same time in 1996, eight countries had moderately strong performance of between 3-5 per cent but this category included only five countries in 1997, and whereas only three countries recorded growth rates of between 0-3 per cent in 1996, seven countries fell into this category in 1997. Conversely whereas three countries showed contracting economies in 1996 only two fell into this category in 1997. The CARICOM countries experienced slight growth on average, from 3.2 to 3.5 per cent as did the OECS countries, where growth barely increased from 3.1 to 3.2 per cent.

Figure 1

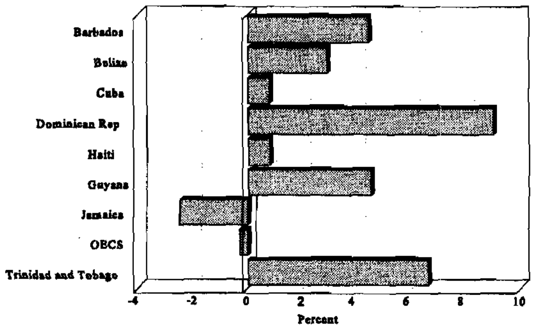
AGRICULTURAL SECTOR - 1997
Caribbean countries



Source: ECLAC, based on national data

Figure 2

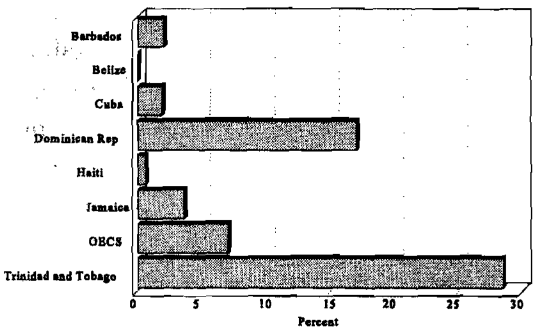
MANUFACTURING SECTOR - 1997
Caribbean countries



Source: ECLAC, based on national data

Figure 3

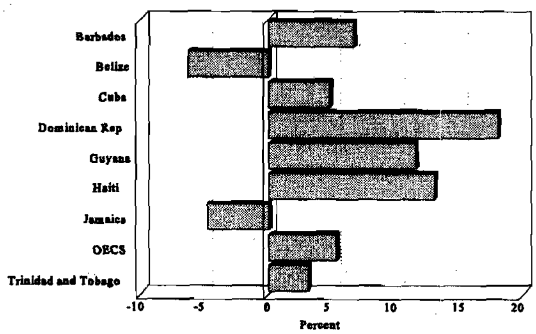
TOURISM SECTOR - 1997
Caribbean countries



Source: ECLAC, based on national data

Figure 4

CONSTRUCTION SECTOR - 1997
Caribbean countries



Source: ECLAC, based on national data

Throughout the region, the sectors recording strongest performance were tourism construction and the distributive trades. Agriculture turned in a mixed performance with declining output in Barbados, Cuba, Haiti, Jamaica and the OECS countries. The traditional agricultural exports suffered from deteriorating terms of trade while output in the sector, as a whole, was adversely affected by unfavourable climatic conditions. The manufacturing sector turned in a mixed performance, declining in Jamaica and the OECS countries but showing modest increases except in the Dominican Republic and Trinidad and Tobago. Tourism had modest increases in all countries, except the Bahamas, Barbados and Grenada.

Slowing economic expansion in the **Bahamas** was to be explained by reduced performance in the main sector, tourism. Overall, the number of visitors increased by 1 per cent. However, while the number of visitor nights increased by 1.8 per cent, in part because of an increase in the average length of stay, the number of stopover visitors declined by almost 1 per cent. This follows a 5.5 per cent increase in total visitors and a 2.2 per cent increase in the higher spending stopover visitor total in 1996. Tourism expenditures also grew more slowly. Stopover expenditures were down to 1.2 per cent compared to 3.7 per cent in 1996, while the increase in cruise-ship spending fell from 6.4 per cent in 1996 to 2.7 per cent. Decreased arrivals were to be explained in part because of reduced accommodation in New Providence as hotels were upgraded and the termination of cruise ship arrivals into Grand Bahama Island. The number of arrivals from the United States, which accounts for more than 80 per cent of the market share, fell by 2.3 per cent.

Construction activity continued to be brisk in 1997. The number of building starts increased by 5 per cent, their value moving from US$180 million to US$458 in 1997. The increased value of building starts was bolstered by activity in the business/commercial sector which was up from 62 to 346 million. Future building activity, as measured by building approvals is expected to remain buoyant in 1998 though the pace of expansion is expected to slacken from that achieved in 1997.

Output in agriculture increased marginally by 0.6 per cent. Crop production declined by 16 per cent in value, both prices and output contributing to reduced earnings. Poultry and meat production both increased, by 4.4 per cent and 6.3 per cent, respectively, the increases serving to offset the decline in crop production.

In **Barbados,** expansion was evident in both tradable and non tradable sectors. In the former, growth was apparent in tourism, sugar production and manufacturing while in the non tradeable sectors construction and the distributive trades featured. The tourism sector grew by a modest 2 per cent, for although the number of stopover visitors increased by 5.6 per cent the average time spent by guests decreased. Cruise-ship tourism continued to expand, but growth was modest at 1.6 per cent compared with 5.2 per cent in 1996. The agricultural sector as a whole contracted by 7.6 per cent as compared with a modest expansion in 1996. Adverse weather conditions affected some crops and fish production, but sugar production increased by over 9 per cent, the second successive year of expansion reversing a long period of decline. Nevertheless, sugar earnings declined slightly because of adverse exchange rate movements. Manufacturing also expanded, by 4.4 per cent, driven by greater demand for processed foods, chemicals and beverages.

Among the non-tradables, construction continued its expansion, at an increased rate of 6.7 per cent in 1997, as compared to the average growth of 4.4 per cent achieved since 1992. Increased construction was visible in the public and private sectors. In the former, road improvement and maintenance works and a major sewerage project were the main activities, while in the private sector tourism related, commercial ventures and private residential construction were all highlighted. The wholesale and retail trades, which expanded by 4.9 per cent, were boosted by construction activities and by the 21 per cent increase in imported consumer goods. The sector related to transport, storage and communications also increased by 2.9 per cent, while that relating to business and other services increased by 3.5 per cent.

In **Belize** the economy expanded by a moderate 3 per cent in 1997, twice the rate of growth recorded for 1996. The economy is fairly well balanced between agriculture, manufacturing, and trade and tourism, each sharing about 17 per cent of Product. Transport and communications follows at about 15 per cent. In 1997 the main source of growth came from primary activities which expanded by 10 per cent, led by agriculture up 12.5 per cent and benefiting from a 38 per cent expansion in citrus output. Fishing also recorded a 10 per cent increase because of increased shrimp, lobster and conch catches.

Secondary activities showed a more modest expansion, at 1.3 per cent. Here the driving force came from manufacturing, which expanded by 3 per cent benefiting from increased citrus processing, but electricity and water distribution also contributed to the expansion. Services recorded barely one per cent growth, derived from increases in the transportation and communications subsector, since tourism and public administration stagnated.

Sugar production and exports increased because of favourable growing conditions and improved production efficiencies. Export volumes increased by 15 per cent, but various factors worked against the receipt of greater income from sugar, such as the appreciation of sterling, a 2 per cent fall in the price of sugar to the United States market and a reduction in the quota to that market. This resulted in more sugar being sold at the lower world market price and helped to explain the 2.5 per cent decline in earnings from sugar.

Consolidation of the banana industry commenced in Belize in 1997, with a 20 per cent reduction in land under cultivation. The consolidation responded to the fact that local producers were unable to make a profit on fruit sold over the existing preferential quotas, but the process was also timely and would need to be consolidated since the existing banana regime has been ruled illegal under WTO norms. The full impact of these developments was not seen in 1997, however, for the volume of fruit shipped and the earnings derived declined by just under 9 per cent in each instance.

Overall, tourism arrivals increased by under 4 per cent, with a similar increase in earnings being projected. Increased arrivals came mainly from the cruise-ship sector which is threatening established hotels. Hotel occupancy rates were consequently being put under pressure since hotel rooms were increasing faster than stopover visitors, while live-aboard, cruise and dive-ship accommodation was becoming more popular.

In **Cuba** the rate of economic expansion slowed from the 7.8 per cent achieved in 1996 to 2.5 per cent in 1997. Goods producing sectors contributed 5.8 per cent more to Product than in 1997, down from 11.7 per cent in 1996, with all contribution sectors showing less dynamism. Most notable was agriculture which declined in real terms by -1.6 per cent, mainly because of the fall in sugar production. Root crop production, especially potatoes, also suffered from adverse climatic conditions and crop infestation, but citrus, corn, beans, fruit and tobacco output all increased over 1996.

The number of tourists arriving in Cuba increased by 17.5 per cent, to 1,180,000. Gross earnings from tourism increased by 12 per cent to US$1545.6 million while the number of rooms increased by almost 8 per cent in 1997. The average occupancy rate also improved, to 57 per cent from 55.9 per cent in 1996. Plans for tourism expansion remain ambitious, with a doubling of capacity planned by 2000. Yet capacity constraints in infrastructure and entertainment are being felt in some areas, such as Varadero, while the construction sector is experiencing organizational problems in an attempt to meet the steep targets which have been set.

The mining sector expanded by 12 per cent, a reduction of the rate of expansion from the previous year, which was 17 per cent. The industry is benefiting from joint ventures with foreign capital, from new arrangements permitting them greater freedom in the use of their foreign exchange earnings and from schemes to reward greater worker productivity. Nickel production was especially buoyant, increasing by a further 17 per cent in 1997, while copper mining was about to begin a new phase as opencast mining ceased with underground mining to commence in 1999.

The manufacturing sector increased by 7.7 per cent, slightly less than in 1996. Manufacturing relating to the sugar industry contracted, sugar output falling by 4 per cent. Non-sugar manufacturing, however, fared somewhat better, food production increasing by 6 per cent, construction materials by 10 per cent, light industry by 4 per cent and steel production by 17 per cent.

The construction sector expanded by 4.8 per cent, the housing stock by 1.9 per cent somewhat lower than the 16.9 per cent in the previous year. Construction activities were focused on housing, airport construction and water distribution.

Basic services expanded by 4 per cent, electricity, gas and water by 6 per cent, transport by 3 per cent, while other services decreased by 0.2 per cent. The decline was notable in commerce while the financial sector increased by 2.4 per cent, the same rate of expansion achieved by government services.

The **Dominican Republic** experienced strong growth of 8.2 per cent, building on its already good performance of 7.3 per cent in 1996. Growth was propelled by private investment and public consumption. Total investment increased by 20 per cent, with private investment growing by 38 per cent and public investment falling by 27 per cent, the latter decline being as a result of policy and in part because of delays experienced through the Congress in drawing down public investment funds. Government consumption increased by 15 per cent while private consumption increased by one-half that rate.

The goods producing sectors increased by 8.5 per cent. This was led by construction which was up by 18 per cent, private construction benefiting from increased liquidity and falling interest rates. Public sector investment fell. Manufacturing performance was also strong being up by 9 per cent. The sector benefitted from the strong demand for construction materials and strong demand for free zone products. The latter showed the largest growth in aggregate value in the last four years befitting also by investment promotion, construction and diversification. Cigar production was strong the tobacco industry accounting for 20 per cent of free-zone activity[5]. Agriculture also expanded by 4 per cent, despite drought conditions. Rice, sugar and leaf tobacco all registered strong output, although cocoa and basic foodstuffs suffered.

Basic services increased by 12.8 per cent, electricity, gas and water increasing by 11 per cent, although the former was unable to meet the pressing public demand and was in urgent need of restructuring and expansion. Inadequate water distribution was also a source of public concern. Transport and communications also expanded by 13 per cent, buoyancy being notable in the field of telecommunications, although public unrest limited the scope of tariff reform in the main telecommunications company (CORDITEL).

Other services grew by 7 per cent, with commerce, the sector in which tourism falls, expanding by 12.4 per cent. The tourist sector expanded rapidly, arrivals increasing by 10.6 per cent to 2.2 million visitors in 1997 a significant jump from the 1.4 million guests which arrived in 1995. At the same time tourist earnings jumped by 18 per cent over 1996 to US$2.1 billion.

The **Guyanese** economy continued its robust expansion in 1997 and despite adverse weather conditions and declining terms of trade, recorded growth of 6.3 per cent. While the rate of increase in 1997 did not match that achieved in 1996, expansion was spread widely throughout the economy. The most notable slowdown was evident in the agricultural sector, where growth slowed down to 3.1 per cent, compared with a 7.6 per cent expansion in 1996. The decline in agriculture was brought about by declining sugar production and stagnant rice production. While the latter increased by 1.9 per cent output was way below the 11 per cent targeted. Moreover, the preferential access to the EU from which Guyanese rice benefited was reduced in 1997 so that greater production efficiency would be necessary in future if Guyanese rice was to continue to access the EU market. Forestry output increased by 20 per cent, while the fish catch increased by 8 per cent. Non-traditional agriculture also recorded modest growth.

Industrial output also increased strongly, gold production increasing by 16 per cent, while bauxite production remained substantially unchanged. Gold production, though still expanding rapidly, was being threatened by reduced international prices which made some of the smaller gold producers less viable. The reduced price also provided greater incentive for them to evade taxes, a suspicion seemingly borne out by the fact that small producers account for about 30 per cent of production but pay only 1 per cent of the taxes received from gold mining. The manufacturing sector recorded a 4.5 per cent increase, as compared to 2.9 per cent in the previous year, driven by processed rice, beverages and increased production of building materials. The construction sector also recorded a 13 per cent expansion, impelled by an expanded public sector investment programme and increased activities in private housing.

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[5] Currently the free-zones accommodate in excess of 400 companies, employ over 200,000 people and had net export earnings in excess of US$1.3 billion in 1997.

The services sector expanded by 5.2 per cent. The sectors transport and communications, rent and dwellings and government, were the services experiencing growth. The rate of growth in the distributive trades and in financial services were, however, less robust than in 1996.

The rate of economic expansion in **Haiti** slowed to 1.1 per cent over the previous year which recorded growth of 2.8 per cent. This was to be explained by internal demand which remained stagnant, failing to receive external capital injections for public spending and suffering from declining internal investment which fell by 1.5 per cent for the second year, suffering in part from a lack of confidence. Exports which were strong at 8 per cent, were insufficient to offset weak domestic activities.

Declines in economic tempo were evident in most sectors with the exception of mining, which grew by 10.5 per cent. Construction also expanded by 11 per cent, but this reflected a decline as compared with the previous year and also 1995, when the contribution of the construction sector increased by 31 per cent, the bulk of activity being in private construction since government construction activities were down. Agriculture continued its secular decline, falling by 2.5 per cent and suffering from severe drought as well as declining investment. Manufacturing output stagnated with a scant 0.8 per cent growth in part because of weak domestic demand, obsolete plants in need of investment following years of economic embargo and weak management. Free-zone production showed incipient signs of recuperation. The services sectors stagnated, the contribution of basic services stagnated, contribution of the subsector electricity gas and water fell by 1.9 also suffering from drought which affected water distribution and hydroelectric generation. Other services showed scant growth, their contribution increasing by 0.5 per cent.

In **Jamaica** output contracted by 2.4 per cent following a decline of 1.8 per cent in 1996. Goods producing sectors contracted by 4 per cent and services by 2.7 per cent. Agriculture contracted by 14.6 per cent, export agriculture by 11.5 per cent and domestic agriculture by 20 per cent, with the decline being most evident in domestic root crops and other primary products. Severe drought conditions were the main cause of agricultural contraction, which affected planting activities as well as plant growth and development.

Manufacturing also recorded a 2.5 per cent decline, the primary contractions being evident in the subsector covering textiles, apparel and footwear which fell by 26 per cent. Other areas such as furniture, petroleum refining, chemicals and metal products all declined, however. Manufacturing in general, faced tight monetary conditions and was falling behind in capital investment but areas such as textiles also faced increased competition from Asia which, given the appreciation of the local currency, placed Jamaica at a competitive disadvantage[6].

The other goods producing sector, mining and quarrying, turned in a mixed performance, with bauxite and alumina production increasing by 3.4 per cent, while other mining activities

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[6] The Jamaican exchange rate is estimated to have undergone a real appreciation of 55 per cent since 1994.

Figure 5

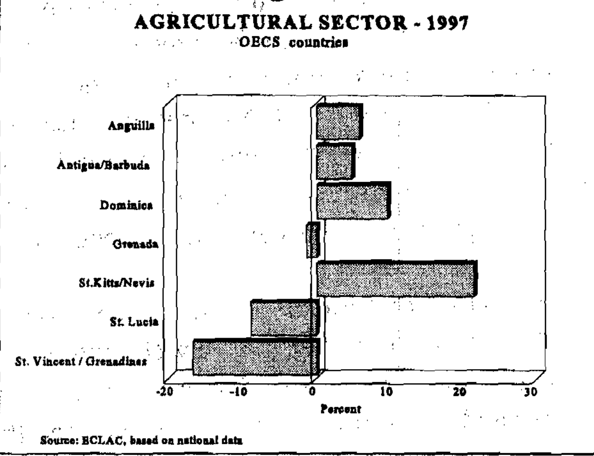


Figure 6

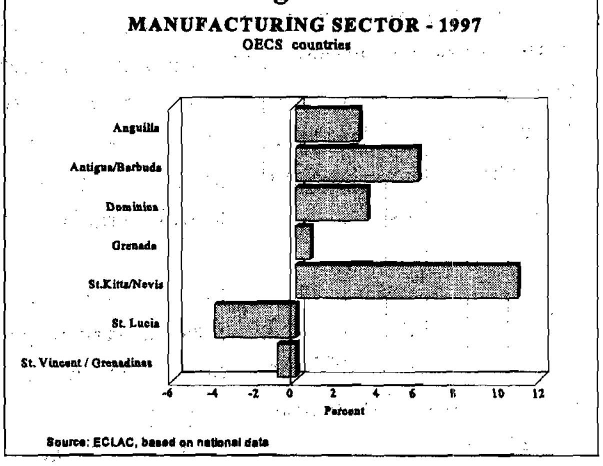


Figure 7

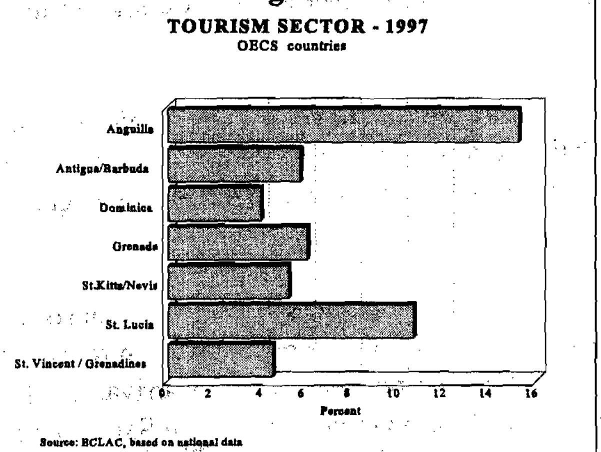
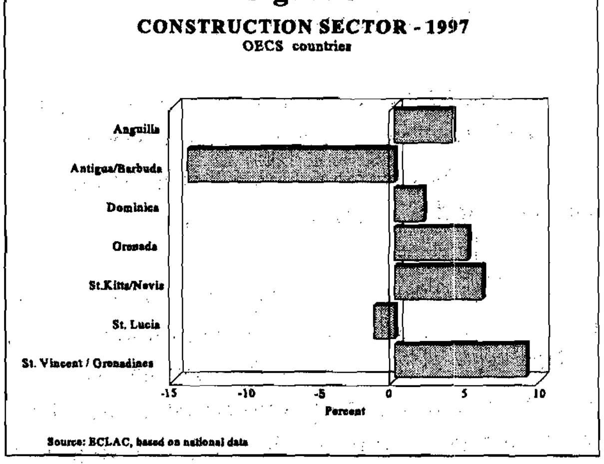


Figure 8



stagnated. Overall the contribution of mining to Product increased by 3.3 per cent. Crude bauxite production decreased by 7.1 per cent though alumina production increased by 6 per cent. Construction, however, recorded a 2.7 per cent contraction. The high cost of credit severely affected all building activities and reduced the demand for private and commercial accommodation. Public sector construction increased, however.

Basic services expanded by 5.7 per cent, electricity by 8 per cent though water and sewerage services contracted by 5 per cent. Transport and communications also increased its contribution to Product by 5.8 per cent. Other services declined by 5.3 per cent, notably financial services by 22 per cent and insurance by 2.7 per cent, both activities suffering from instability in the financial sector. The 3.4 per cent decline in real estate services was also a casualty to the high cost of credit.

The increased rate of expansion evident in the **OECS** countries came from expanded activity in services, for agriculture and the manufacturing output contracted. The decrease in agriculture was most striking, from -1.2 per cent in 1996 to -8.7 per cent in 1997. Bananas, the main agricultural export crop, provided the explanation with exports declining by 28 per cent overall. Performance varied in the individual member countries, from a 12.6 per cent contraction in Dominica, to Grenada where exports almost ceased because of poor fruit quality. Exports from Saint Lucia, the largest producer, fell by 32 per cent. Cacao production in Grenada was also low, the 47 per cent decrease being explained by the cyclical nature of the crop and by crop infestation. Other agricultural crops performed well, however, sugar output increasing by 50 per cent in Saint Kitts and Nevis, while nutmeg and mace production in Grenada increased by 15 per cent and 69 per cent, respectively.

The manufacturing sector contracted by 0.3 per cent, but performance in the component subsectors was mixed. The sugar subsector centred in Saint Kitts/Nevis performed well, with sugar production up by 52 per cent. Other manufacturing activities were, however, weak with soap production in Dominica falling by 13 per cent and flour and rice milling in Saint Vincent and the Grenadines declining by 3.6 and 15.7 per cent, respectively. The garment sector in Saint Lucia experienced some expansion, although this was insufficient to offset the 4 per cent decline in its manufacturing sector which was also hit by the reduced output of paper and packaging products destined for the banana industry.

Construction activities, which have been strong for the past three years, were again buoyant in 1997, with over 5 per cent growth being recorded. Expansion was to be explained by strong private residential construction, while buoyant public sector investment was also evident in Anguilla, Grenada and in Saint Kitts/Nevis.

The bulk of increased activity was, however, observed in the services sectors. The subsector entitled hotels and restaurants expanded by 7 per cent, twice as fast as the rate of growth recorded in 1996. This was evident with tourist expenditures increasing by 5 per cent, stopover arrivals by 4.4 per cent and cruise ship arrivals of almost 12 per cent. Notable growth was evident in Saint Lucia, the sector expanding by almost 11 per cent with Antigua and Barbuda, Saint Kitts/Nevis and Saint Vincent and the Grenadines, all having sectoral expansion of about 5 per cent. However, tourism contracted in Grenada. Other expanding services were transport, communications and government services.

In **Trinidad and Tobago** the non-oil component of the economy provided the engine of growth in 1997. Expansion was broad based being evident in all these sectors except government services. Greatest expansion was evident in non-exportable activities, notably construction and distribution, with transportation, electricity and water also showing fair gains. Sectors which produced exportables, such as agriculture and manufacturing achieved more moderate expansion while the oil sector contracted.

The decline in the oil sector was attributed to the maturing of existing oil wells with crude oil production, refining and exports all falling. Refinery throughput contracted by 15 per cent. Natural gas production, however, increased as did exports of liquid gas, fertilizers and methanol. In the non-petroleum sector, special buoyancy was evident in construction, which was up 15 per cent, with the growth coming from expansion in the natural gas facilities, and in road construction and rehabilitation. Distribution was also up by 17.6 per cent, propelled by imports of consumer durables, food and beverages and tobacco products. Agricultural output slowed from 3.9 per cent in 1996 to 1.8 per cent in 1997, declines being evident in sugar, cocoa and citrus production though domestic agriculture showed stronger growth than exportable crops. Manufacturing returned to growth after contracting in 1996. Buoyancy was evident in the production of drink and tobacco, assembly type industries and food processing.

Gross domestic expenditure increased by about 28 per cent, compared with 13 per cent in 1996. Consumption spending, facilitated by easy liquidity and credit conditions, grew by 26 per cent, twice the rate of 1996. The bulk of spending went into private consumption which grew by 32 per cent and absorbed 70 per cent of GDP, up from 57 per cent in 1996. Government spending increased by less than 3 per cent. Gross capital formation also increased by 36 per cent, over twice as fast as the previous year, with the bulk of investment going into the energy and related sectors. Gross national savings accordingly declined for the fourth consecutive year from 25 per cent in 1994 to a scant 10 per cent in 1997. The high level of domestic activity was reflected in the current account of the balance of payments which registered a deficit equivalent to 12 per cent of Product as compared with modest surpluses for the three previous years.

Monetary developments

Monetary expansion and easier credit were the norm in 1997. Exceptions to this were to be found in Guyana and Jamaica, where money growth slowed. In Jamaica, monetary growth has been historically much greater than the norm so that the reduction still left that country with nominal money growth at the upper level of the range for Caribbean countries although real money growth was modest. Barbados represented another anomaly, with excess liquidity prevailing over the first six months although by year end the excess liquidity ratio had started to fall. Given the weak external earnings turned in by most countries, increased credit had a further negative impact on the merchandise balance. Of even greater concern was the allocation of credit, which for the most part flowed into personal consumption thus being preempted from longer-term productivity growth.

Strong foreign currency inflows from private direct investment and government borrowing served to increase monetary growth in the **Bahamas**. The overall money supply M_3 expanded almost twofold, from 5.6 per cent in 1996 to 11.1 per cent in 1997. Narrow money M_1 expanded by 16.4 per cent, with demand deposits increasing by 17 per cent. Fixed deposits grew slightly more quickly in the survey year at 8.9 per cent compared with 8.3 per cent in the previous year. M_2, therefore, grew by almost 10.7 per cent. Residents' foreign currency deposits expanded by almost 44 per cent, to boost M_3 to its 11 per cent expansion.

Domestic credit expanded by 10 per cent as compared to 8 per cent in 1996, credit to the private sector growing by almost 13 per cent with that to government remaining stable. Personal loans accounted for 62 per cent of private sector credit which shot up by 15 per cent, the bulk of which was in consumer lending. Residential mortgages also showed strong expansion. Sectors receiving increased credit were construction, distribution, professional and other services and tourism. Interest rates rose slightly, loan and overdraft rates by 22 basis points with deposit rates up by 24 basis points.

The financial sector in **Barbados** experienced a rapid build-up in liquidity in the first semester of 1997. Strong deposit growth coupled with weak credit demand, the result of tourism earnings inflows in the first quarter and consumer caution after the imposition of the VAT, caused the excess liquidity ratio to surge to almost 22 per cent by the end of June. Nevertheless, this build-up was reversed to 14.8 per cent by the end of the year as consumer confidence returned. By the end of the year domestic credit had expanded by 19 per cent, with credit to the public sector, comprising one third of the total, increasing by 13 per cent. Credit to the private sector increased by 21 per cent. At the end of the year the narrow money supply M_1 had increased by 22.6 per cent when compared to 15.2 per cent for the corresponding period of 1996. Savings deposits had increased by 7.5 per cent, though time deposits and foreign currency deposits fell by almost 18 per cent and 26 per cent, respectively. Accordingly, the broad money supply M_2 increased by 11 per cent in 1997 compared with 19.4 per cent in 1996.

Money supply M_1, expanded at a slower rate in **Belize** at 4.7 per cent than was the case in 1996 when it expanded by 7.6 per cent. Broad money M_2, however, expanded more quickly, by almost 10 per cent, as compared with a 6 per cent increase in 1996. The increased rate of expansion was caused largely by a B$64 million credit expansion to the private sector. Credit went to expanding citrus production in the primary sector, to building construction and manufacturing in the secondary sector and to mortgage lending, transport and tourism in the tertiary sector. About 25 per cent of the credit went to the central government. Over the same period, currency with the public and demand and time deposits grew by almost B$62 million. The net foreign assets of the commercial banks declined by B$15 million, in response to demands for foreign exchange to pay for imports, travel and private sector loan repayments. Net foreign assets of the central bank remained substantially unchanged.

The monetary authorities in **Cuba** had to cope with several issues in 1997. These included excess liquidity in the hands of the public, increasingly dollarization of the private economy while at the same time the State had to face a scarcity of foreign exchange because of poor sugar earnings.

Attempts to reduce liquidity held by the public were not successful as liquidity, cash in circulation plus deposits, contracted to 40 per cent of Product from 41 per cent in 1996.The main means of reducing liquidity available to the authorities, via taxation, had limited results as tax returns were sluggish. Significant arrears in taxation were evident by public entities, in part because of a high level of outstanding debts. While all entities were under State control these overlapping debts and arrears were overlooked, but as entities become more autonomous and liable to tax they have become a huge problem both in terms of finding the resources to pay as well as getting accustomed to the idea of paying taxes.

The dollarization of the economy continued, with widening foreign exchange markets and the importance of convertible currency revenues in the purchasing power of ordinary families. It is currently estimated that 50 per cent of the population had access to foreign currency in 1997 either via the exchange bureaux, family remittances, salary incentives given in convertible currency or via the expansion of the tourism sector. Sales of foreign exchange to the public rose by 18 per cent in 1997, to exceed US$750 million.

Monetary policy in the **Dominican Republic** was geared to maintaining exchange rate and price stability. However, the supply indicators, M_1 grew by 23 per cent, M_2 by 24 per cent, all grew faster than nominal GDP which increased by 17 per cent. Monetary expansion was explained by the increase in reserves, up by 36 per cent and internal credit which increased by 22 per cent. Credit to the private sector increased more quickly, at 29 per cent, than to the public sector which grew by 26 per cent. Real interest rates fell on deposits from 9.5 per cent to 4.5 per cent and on advances from 18.8 to 10.8 per cent. Interest rates on foreign currency fell from 13.6 to 4.3 per cent. The exchange rate depreciated slightly from an average rate of 12.9 pesos to the US$ in 1996 to average 14.01 in 1997, while the rate of inflation increased from 3.9 per cent in 1996 to 8.4 per cent in 1997.

Monetary policy in **Guyana** was directed to maintaining price stability, a competitive exchange rate and viable balance of payments. The growth of monetary aggregates and credit to the private sector accordingly slowed, although credit to the government increased and the international reserve position deteriorated. Total monetary liabilities increased by 12 per cent, but narrow money M_1 grew by 8.5 per cent on account of the slow growth in demand deposits. Time and savings deposits increased by 13 per cent, reflecting a shift from demand to time deposits in 1997.

Credit to the private sector increased by 23.6 per cent, a lower rate of credit expansion than in 1996 when it was 31 per cent. Credit to the agricultural sector, debilitated by adverse weather conditions, fell by 8.6 per cent, while credit to the mining sector reflecting the slump in gold prices, also declined. Credit to households and to the distributive trades expanded.

In **Haiti** tight fiscal policies were also accompanied by restrained monetary policies with the objective of reducing inflation to the targeted level of 10 per cent. The Central Bank conducted active open market operations, issuing short-term bonds with the objective of reducing liquidity. Accordingly, bonds equivalent in value to about 40 per cent of reserves were outstanding by the end of 1997. Direct controls were also in force, with reserve requirements on Gourde denominated accounts rising from 25 to 26 per cent in July 1997. A reserve requirement of 12 per cent on dollar denominated accounts was also instituted, though 75 per cent of this could be held in local currency.

Despite these efforts monetary aggregates increased though slower than the rate of inflation, M_1 by 11.8 per cent as compared with 0.6 per cent in 1996, M_2 by 14.2 per cent compared with 1.3 per cent in 1996. Nevertheless, pressure remained on the Gourde as agents preferred to hold foreign currencies, with the exchange rate moving from 15.1 at the end of 1996 to average 16.2 for 1997. Neither was the inflation target of 10 per cent for 1997 met, 16.2 per cent being the outcome for the year, but the rate of price increase continues to fall steadily since 1994.

Credit increased by about 18 per cent over the previous year. The direction of credit shifted away from the public sector, with credit falling by 6 per cent, toward the private sector where it increased by 43 per cent. Credit shifted away from agriculture towards commercial activities where it was up by 39 per cent and manufacturing industries up by 25 per cent.

Monetary policy in **Jamaica** in 1997 was intended to continue lowering the rate of money supply growth, to maintain a stable currency and to reduce interest rates in line with inflation. The rate of increase in the monetary base slowed in 1997 to 14 .5 per cent when compared with 1996 which was 16.4 per cent and was significantly lower than the annual average of 30.4 per cent achieved for the period 1990-1995. Broad money M_2 grew at a slightly slower rate, at 13. 4 per cent, than in 1996 which recorded growth of 14.5 per cent. Savings deposits led this growth at 31 per cent over 1996, for time deposits contracted by 4.4 per cent. This decline was the first in 10 years and suggested that depositors chose to hold more liquid assets given the decline in interest rates and flagging confidence in the financial system. The 22 per cent increase in foreign currency accounts suggested uncertainty that the currency would maintain its value. Narrow money M_1 remained substantially unchanged with growth of 0.5 per cent but its composition changed with currency to the public increasing by 16 per cent and demand deposits falling by 9 per cent.

Open market operations and direct controls in the form of reserve requirements were the preferred instruments of monetary control, the former amounting to J$4.7b barely 50 per cent in value of the interventions necessary in 1996. In 1997 the need to sterilize substantial capital inflows was reduced as it became necessary to release reserves to the interbank market in an effort to maintain the stability of the currency[7]. Reserve requirements remained at 47 per cent with cash reserve ratios of 25 per cent for commercial banks. The inflation objective was being met with a decline in average inflation from 26 per cent to 10 per cent. Interest rates were not, however, able to sustain a decline commensurate with inflation given the deteriorating external and fiscal accounts and an erosion in confidence in the financial system. Accordingly, benchmark rates returned to 29 per cent at the end of 1997, two percentage points above those prevailing at the end of 1996.

In the **OECS** countries, total monetary liabilities increased more rapidly in 1997, by 9.6 per cent compared with 1.9 per cent in 1996. Narrow money supply M_1, grew by 8.0 per cent whereas it had contracted by just over 1 per cent in 1996. Currency with the public and demand deposits grew by 5 per cent and 11 per cent, respectively, whereas they had contracted by 4 per cent and 2.8 per cent, in 1996. Quasi-money increased by 6.9 per cent, as compared to 3.5 per cent in the previous year. Broad money M_2, increased by 8.5 per cent as compared to 4.7 per cent in 1996.

Domestic credit expanded slightly, from 12.9 per cent in 1996 to 13.2 per cent in 1997, the greatest growth being in credit to households, up by 20 per cent, and earmarked mainly for home construction and improvement. Lending for durable goods and for other personal consumption also increased significantly. The rate of lending to the business sector fell, mainly in the area of agriculture. Net foreign assets of the commercial banks continued to fall, by 6.2 per cent following a fall of 25 per cent in 1996. Partially offsetting this contraction, the central bank reserves increased by 7.5 per cent with a 7.5 per cent increase in foreign assets and a 60 per cent fall in foreign liabilities. In general liquidity tightened as loans and advances, which increased by 12.2 per cent, out paced deposits, which increased by only 9.8 per cent.

In **Trinidad and Tobago** the government commenced 1997 with the policy decision to reduce reserve requirements in the hope of increasing the efficiency of the banking system. Accordingly, the reserve requirements were reduced by 1 per cent at the beginning of the year for commercial banks and non-bank financial institutions and by a further percentage point at the commencement of the second quarter[8]. Given the unanticipated deterioration in the domestic fiscal accounts, where revenues did not meet targets in the first semester while expenditures were maintained, liquidity accumulated in the banking system and interest rates fell, with the prime lending rate averaging 15.33 per cent over the year, 46 basis points below the average for 1996. This downward trend in interest rates was also evident for all other instruments. Accordingly, commercial

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[7] In fact the exchange rate appreciated by 4 per cent during 1997.

[8] Cash reserve ratios for commercial banks fell to 22 per cent for non-bank financial institutions to 7 per cent in early January and to 21 per cent and 6 per cent respectively on April 2. By the end of December reserve ratios were increased to 24 and 9 per cent.

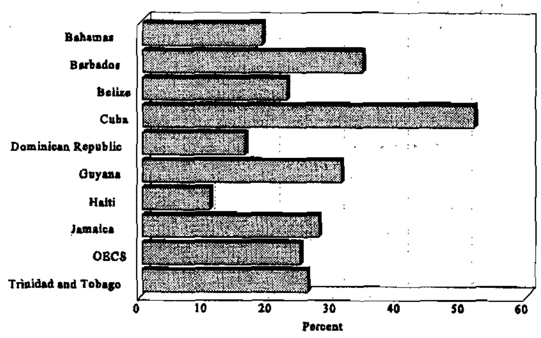
bank credit rose by 23 per cent, credit to the private sector, which accounted for just over two thirds of incremental credit in 1997, increasing by 19.4 per cent. Here 38 per cent of loans and advances was allocated to consumer credit, mainly for the purchase of motor vehicles.

The high level of commercial activity generated strong increases in demand deposits, up by 21 per cent, and currency in circulation, up by 13.5 per cent, so that narrow money M_1 increased by 17.4 per cent as compared with a scant 0.3 per cent increase in 1996. While time deposits declined, savings deposits increased by 11 per cent leaving the broad money supply M_2 to grow by almost 10 per cent as compared to a contraction of 0.8 per cent in the previous year. Foreign currency deposits grew in 1997 by 10.6 per cent, half the pace of the previous year. The high levels of liquidity prevailed despite an active policy by the Central Bank to withdraw TT$500 million out of the system but it was not enough and reserve requirements were reimposed by the end of the year.

Public finance

Figure 9

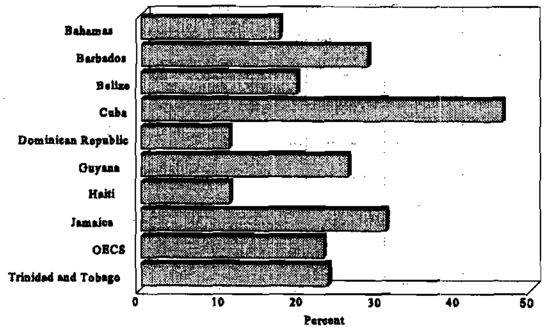
RECURRENT REVENUES
As a percent of GDP



Source: ECLAC, based on national data

Figure 10

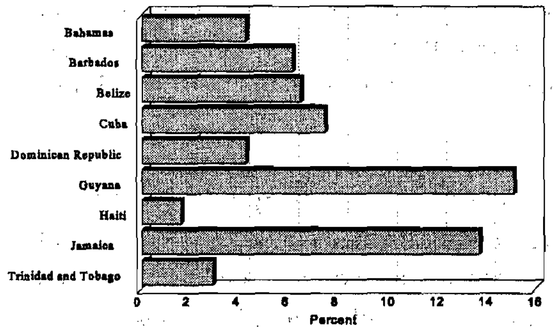
RECURRENT EXPENDITURE
As a percent of GDP



Source: ECLAC, based on national data

Figure 11

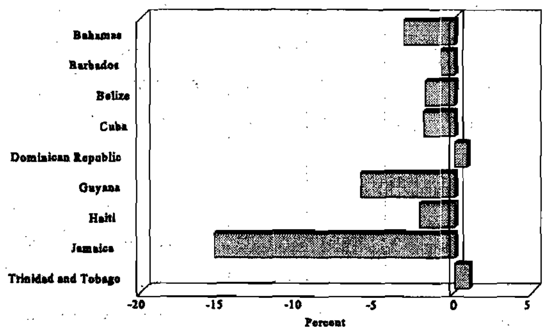
CAPITAL EXPENDITURE
As a percent of GDP



Source: ECLAC, based on national data

Figure 12

FISCAL BALANCE
As a percent of GDP



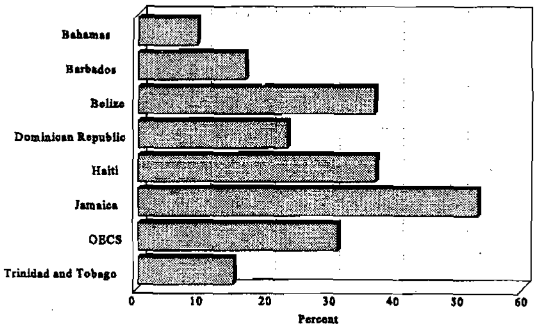
Source: ECLAC, based on national data

For the countries surveyed, there was a general deterioration of the public accounts. Exceptions were to be found in Barbados, the Dominican Republic and Trinidad and Tobago, where the accounts strengthened and in the OECS countries where current account balances improved. However, information on capital spending for these countries is incomplete so that inferences regarding overall balances are inconclusive. For all other countries there was deterioration in the current account with increases in recurrent spending outstripping new revenues. The overall account was further weakened by the fact that in most instances capital spending was greatly augmented.

Overall, the external debt contracted, for those Caribbean countries surveyed, by 4 per cent. The reduction was most marked for the CARICOM countries not members of the OECS, where the reduction was 10.4 per cent, reflecting the impact of debt forgiveness to Guyana. If the effect of

Figure 13

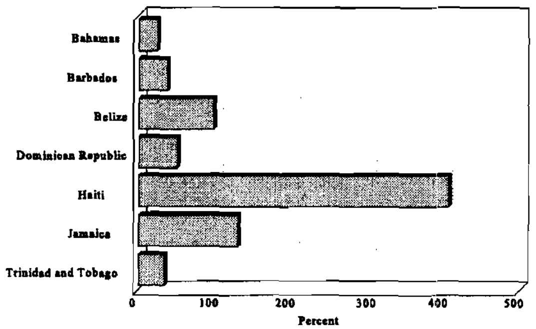
EXTERNAL DEBT
As a percent of GDP



Source: ECLAC, based on national data

Figure 14

EXTERNAL DEBT
As a percent of exports and travel earnings



Source: ECLAC, based on national data

Guyanese debt is excluded from the regional total the debt fell by a more modest 5 per cent. On the other hand, the debt stock of the OECS increased by 2.8 per cent.

Reductions in the debt were evident in several countries, the most notable being in Guyana, where it fell by almost 27 per cent, in Trinidad and Tobago by almost 19 per cent and in Anguilla where it fell by 10 per cent. Debt increases were notable in Saint Kitts and Nevis where it was up by 69 per cent, though still remaining moderate, Haiti, where it increased by 12 per cent, in Saint Lucia, where it was up by 7 per cent and in Belize, where it increased by 6 per cent. In all other instances increases were held to below 2 per cent.

Fiscal performance weakened in the **Bahamas**, with the deficit increasing from an estimated 1.9 per cent of Product in calendar year 1996 to 3.3 per cent of Product in calendar year 1997. Recurrent revenues increased by 6 per cent, with a mixed performance being turned by the various tax streams. Selected taxes on services provided reduced revenues as did returns from business and professional fees, both categories were down by 1.8 and 12.1 per cent, respectively. On the other hand, taxes on international trade (which account for 60 per cent of overall revenue) were up by nearly 6 per cent. That outcome was, however, less than targeted because of lower than expected import duty collections.

Total spending, including net lending to public entities, increased by 15 per cent. Recurrent spending, up by 7.5 per cent, increased faster than recurrent revenues. The main recurrent spending increase was concentrated in wages and salaries, which increased by 10 per cent and interest payments, which increased by just over 11 per cent. Accordingly, the recurrent surplus decreased from 1.1 per cent of estimated Product to 0.8 per cent.

Capital spending increased quite significantly from 1.9 per cent of Product in 1996 to 3.3 per cent in 1997. The increase, relating mainly to increased investment in public works and water supply projects, was greater than budgeted, in part because of the early completion of some projects.

Total government debt increased by 11 per cent, moving from the equivalent of 33 per cent of Product in 1996 to 34.6 per cent in 1997. The external debt which amounts to 10.8 per cent of total debt increased by 6.1 per cent. Internal debt increased by 10.6 per cent.

The public finances strengthened in **Barbados** in 1997 with the fiscal deficit falling from the equivalent of -3.8 per cent of Product in 1996 to -0.8 per cent of Product in 1997. Increased revenues and moderate increases in spending augmented the recurrent surplus to 5.3 per cent of Product up from 1.5 per cent so also liberating resources for capital spending which was able to expand to 6.1 per cent of Product, up from 5.3 per cent the year before.

Recurrent revenues increased by 19 per cent, revenues from indirect taxes grew by 36 per cent. This strong performance was mainly because of the imposition of the VAT on all goods and services in 1997 and the resumption of imports after initial consumer insecurity which increased revenue from import taxes. Indirect taxes now contribute over 53 per cent of revenue compared to 51 per cent n 1996. Revenue from direct taxes grew more modestly, being up by just over 8 per cent, personal income taxes and corporate profit taxes growing by 5.2 per cent and 11.5 per cent, respectively. Property taxes also showed strong growth at 15.2 per cent.

Recurrent spending grew moderately at just under 5 per cent, benefiting from a 12 per cent reduction in interest payments. Public service wages also increased moderately, at 2.2 per cent, in part because of a delay in negotiating new arrangements after the old contract expired at the end of the first quarter of 1997. Transfers and subsidies increased by 14 per cent.

In contrast to recurrent spending, capital spending increased by 43 per cent with the main component, capital formation, increasing by almost 40 per cent. Nevertheless, the fiscal deficit was reduced to 0.8 per cent of Product as compared to 3.8 per cent in 1996. The deficit was financed entirely from domestic sources, primarily from commercial banks and the National Insurance Scheme while central bank financing fell by a further 5.7 million. Net foreign financing declined as a result of reduced project funds and increased amortization payments, since no debt was incurred on the international financial markets.

The governments' indebtedness fell in 1997, to 64.6 per cent of Product as compared to 70.3 per cent in 1996. Of this total, the foreign component continued to fall, reaching 26 per cent of the total in 1997 as compared to 38 per cent in 1992. Domestic debt grew by B$18.4 million, all of which was denominated in long term instruments. At the end of the survey year, 69 per cent of the debt was held on a long-term basis as compared to 37 per cent in 1992.

The public accounts deteriorated in **Belize,** with the deficit increasing from 0.4 per cent of Product in 1996 to an estimated 1.9 per cent of Product for 1997. The increased deficit was to be explained by increased spending, a 7.5 per cent increase in recurrent expenditure leading to a diminished recurrent surplus, down from 3.4 to 2.4 per cent of Product. Capital spending also increased by 7.6 per cent. Total spending represented about 26.4 per cent of Product, up by one percentage point of Product over the previous year.

By comparison, total revenues and grants increased more slowly, by 2.7 per cent, actually declining as a percentage of Product from 27.25 to 26 per cent of Product. Tax revenues increased slightly, taxes on goods and services, benefiting from the second year of the VAT, increased by over 16 per cent. At the same time, income and profit taxes fell by 9 per cent, while taxes from international trade fell by 6.6 per cent, as Belize implemented Phase 2 of the CARICOM CET. Non-tax revenues increased by over 20 per cent coming from increased property income and transfers from non-financial public enterprises. The deficit was financed primarily via the domestic commercial banks.

Total government debt increased by 4.2 per cent, falling from the equivalent of 53 per cent of Product to 51 per cent in 1997. Domestic debt, which represented about 27 per cent of the total, remained substantially unchanged. Over the year the external debt increased by almost 6 per cent, with funds coming primarily from multilateral sources, up by 13 per cent, and private banks, up by 57 per cent, with bilateral debt and suppliers credit falling by 5.7 per cent and 3.6 per cent, respectively. The external debt in 1997 was predominantly owed to multilateral institutions with 42 per cent so denominated, 37 per cent owing to bilateral sources, 16 per cent to commercial banks and 5.4 per cent denominated in suppliers credits.

The public finances improved in Cuba in 1997, from a deficit equivalent to -2.5 per cent of Product in 1996 to a deficit of -2 per cent in 1997. This was achieved essentially by a reduction in capital spending, which fell by 14 per cent, since the current account balance deteriorated by 13 per cent.

Recurrent revenues fell by almost 1 per cent from the equivalent of 52.6 per cent of Product to 51.7 per cent in 1997. Tax revenue declined by 6.6 per cent, the major declines taking place in sales taxes where the supply of tobacco, beer and alcohol at controlled prices fell. The decline was to be explained by reduced profit margins as costs of production increased. Taxes on public services also fell notably in collections for electricity. New activities however showed notable tax buoyancy with personal income taxes increasing by 22 per cent, private farmers income taxes increasing by 40 per cent while taxes from own account workers increased by 4 per cent. Increases were also recorded for taxes from the utilities which were up by 86 per cent. Non-tax revenues fell by almost 15 per cent of which the contribution from State enterprises fell by 28 per cent.

Expenditures fell by 1.6 per cent, from the equivalent of 55 per cent of Product in 1996 to 53.7 per cent in 1997. Recurrent spending increased by just under 1 per cent, major increases in spending going to defense and public order, where expenditures increased by 27 per cent. Spending on social security also increased by 3 per cent, amounting to 7 per cent of Product. Transfers to public enterprises fell by 10 per cent with the amounts spent to cover losses decreasing by 17 per cent while amounts allocated for price subsidies fell by 1.4 per cent. Allocations under this heading went mainly to enterprises in sugar and other agriculture, while the funds allocated for the UBPCs increased by 4.8 per cent.

The public accounts improved in the **Dominican Republic** from a small deficit equivalent to 0.4 per cent of Product to a small surplus equivalent to 0.8 per cent of Product. This outcome was achieved by increased current revenues and reduced capital spending for the recurrent balance contracted by 6.2 per cent.

Recurrent and total revenues increased by 32 per cent. The effort to reduce recurrent revenues was rewarded in all categories of revenue increasing at about the average rate but with non-tax revenues increasing at a slightly faster rate of 42 per cent. The increase of recurrent revenues by almost two per cent of Product from 14.1 to 15.9 per cent was achieved essentially by greater tax collection efforts, since more far reaching efforts at fiscal reform were stalemated in Congress.

Recurrent spending increased, however, at a faster rate, 3 per cent of Product, from 8.2 to 11.2 per cent of Product. The 59 per cent increase in recurrent spending was bolstered by a 62 per cent increase in wages and salaries, the category absorbing 42 per cent of recurrent spending. Spending on goods and services contracted by 4 per cent while current transfers, which account for 33 per cent of recurrent spending increased by 67 per cent.

The recurrent balance contracted by 6.2 per cent from 5.9 to 4.7 per cent of Product while capital spending contracted from 6.4 to 4.2 per cent of Product.

The public finances in **Guyana** deteriorated in 1997, with the fiscal deficit increasing to 6 per cent of estimated Product as compared to a deficit of 1.7 per cent of Product in 1996. Most tax revenues were below target, notably taxes from companies and the self employed. Recurrent revenues declined by about 1 per cent, from 34 per cent of Product to 31 per cent. At the same time, recurrent expenses increased by 24 per cent, from 23 per cent of Product to 26.4 per cent of Product. The main increases were in the public sector wage bill, which showed an increase of over 38 per cent, while interest payments to service outstanding debt increased by 18.6 per cent. Accordingly, the recurrent surplus declined from 10.7 per cent of Product in 1996 to 6 per cent of Product in 1997.

Capital expenditure increased by 7 per cent, the programme placing emphasis on expanding and maintaining infrastructure. The overall relationship between capital spending and Product remained about the same at 15 per cent. Financing came from external loans and balance of payments grants, the latter equivalent to 2.8 per cent of Product.

The stock of external debt fell by 27 per cent in 1997, benefiting from debt relief granted to the Highly Indebted Poor Countries (HIPCs) and from those open countries implementing appropriate economic and structural reforms. Under the various criteria Guyana is estimated to have received debt reduction equivalent to about US$253 million. This amounted to approximately 45 per cent of the debt reduction evident for 1997. At the end of 1997, 63 per cent of the debt remained outstanding to the multilateral financial institutions, 30 per cent to bilateral creditors and 7 per cent was outstanding to private creditors.

The fiscal accounts in **Haiti** deteriorated, in large measure because of the inability to get the reform programme underway and, therefore, to access external funds for capital development programmes. Nevertheless, a creditable effort was made to place the current account on a firmer footing which liberated some extra resources for capital spending. The level of government revenues remains extremely low by CARICOM standards, however, and will need to rise significantly if the pace of capital formation is to quicken[9].

Recurrent revenues increased by almost 48 per cent, benefiting from new taxes such as the 10 per cent turnover tax levied on all business activities[10] and greater efforts by the authorities to reduce tax evasion. This was particularly evident in relation to taxes on international trade which increased by over 100 per cent although the value of imports increased by under 3 per cent. On the expenditure side, recurrent expenditure increased by 28 per cent. Of this, wages and salaries, which absorb 44 per cent of recurrent spending, increased by 14 per cent partly as a result of large wage increases to some public officials. Public sector reform remains one of the major stumbling blocks in the way of the fiscal reform programme with 7000 public officials slated for redundancy. Transfers to loss making industries remained significant although the quantum spent for this purpose fell by 12 per cent in 1997. Interest payments increased by 65 per cent and reflect efforts to meet arrears and consolidate domestic debt.

The level of capital spending rose to 709 million gourdes, representing 1.4 per cent of Product. While insufficient to maintain and upgrade the infrastructure it represents a significant increase from the previous year of 0.3 per cent of Product. Capital spending was well below potential as well, foreign funding being held up by the political impasse. But generally tight fiscal policies restrained the deficit to -2 per cent of Product up from -1.6 per cent in 1996.

In **Jamaica** the objective of fiscal policy, which was to contribute to economic stabilization was not realized, with the fiscal deficit widening from -4.8 per cent of Product in calendar 1996 to over -15 per cent in calendar year 1997[11]. The primary reason for the deteriorating performance came from the extraordinary expenditure necessary to establish the Financial Sector Adjustment Company (FINSAC) in January 1997 to administer the restructuring of those financial institutions facing insolvency. Yet the other fiscal targets also remained unmet, with tax revenue increasing by

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[9] Haiti has applied for membership in CARICOM and the terms of its accession are currently being worked out. CARICOM countries have total revenues ranging from 25 per cent of Product for Antigua and Barbuda to almost 37 per cent of Product for Barbados on average over the past three years, as compared with Haiti which peaked at 9.2 per cent in 1997. This peak is, nevertheless, a significant improvement over the 2.6 per cent of Product recorded for 1994.

[10] Literally, Taxe sur le Chiffre d'Affaires (TCA).

[11] The fiscal year in Jamaica normally runs from April to March. Computation of the deficit includes debt amortization costs. If these costs are excluded the fiscal balance for 1996 was 4.1 per cent of Product and in 1997 it was -2.4 per cent of Product.

a scant nominal 3 per cent, recurrent revenue by scarcely more at 4.8 per cent. The failure to meet revenue projections derived from a contracting economy and declining company profits on one hand and delays in legislation relating to the tax administration reform.

Simultaneously, recurrent expenditure increased by 12.7 per cent. Initial moderation in interest rates and debt management measures reduced spending on interest payments by almost 6 per cent but the savings were below projections since the initial reduction in interest rates could not be sustained. Interest payments still absorbed over 40 per cent of recurrent spending. However, expenditure on wages and salaries also increased by almost 20 per cent. While the wage settlements negotiated in 1997 and for which payment was necessary, actually included back pay for as long as the fiscal year 1993/1994, increases negotiated for 1997 exceeded the rate of inflation. The increased demands came about by workers seeking to restore real wages to previous levels and a growing expectation of future high inflation, despite some success in its moderating in 1997. Wages and salaries accounted for 45 per cent of recurrent spending in 1997. The high level of fiscal rigidity is demonstrated by the fact that personnel and interest payments preempted 86 per cent of recurrent spending. As a result of these increases the deficit on recurrent account increased from 1.7 to 3.8 per cent of Product.

Further deterioration was evident on the capital account, for proceeds from capital revenue, the bauxite levy, and grants, fell by 3.6 per cent, while capital spending increased by 171 per cent. Of the latter, increases were evident in gross investment as well as debt amortization. Gross investment increased by 153 per cent, mainly as a result of funding necessary for FINSAC[12]. Debt amortization payments increased by 59 per cent, mainly as part of the debt management strategy to reduce high interest domestic debt as well as the repayment of some scheduled short-term loans falling due. The magnitude of debt servicing can be seen by the fact that in 1997 it accounted for 82 per cent of total revenue and grants, up from 71 per cent in 1996.

The stock of internal debt increased by almost 17 per cent in 1997, mainly in the form of a J$5.6 billion advance to the Central Bank for liquidity support. Since fiscal year 1991/1992 the stock of debt has increased by J$73 billion to rest at J$99.4b or 46 per cent of the total debt[13]. Of this increase 16.5 per cent was utilized for budgetary purposes, 43 per cent went to liquidity management and 11.7 per cent went to cover Central Bank losses, while parastatal debt absorbed 7.8 per cent. The cost of servicing debt allocated for Central Bank losses and liquidity management accounted for a further 11.7 per cent.

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[12] The total cost of FINSAC as of April 1998 was equivalent to 33 per cent of 1997 Product, 15 per cent of the total being financed by cash transfers from the Consolidated Fund, the remainder by paper. Set against this are assets, which include ordinary and preference shares, real estate, hotels and other property and the loan portfolios of the institutions taken over.

[13] This is equivalent to 45 per cent of Product.

The stock of external public and public guaranteed debt stood at almost US$3.3 billion representing an increase over the end of 1996. Whereas the external debt had been falling in recent years, 1997 saw an increase of 1.4 per cent in accordance with the desire to benefit from the reduced debt servicing costs attendant on external funds. The switch is also consistent with government's desire to stabilize the exchange rate. The first foray into the international bond market sought US$100 m, but was able to net US$200m of the US$300m foreign financing required for fiscal year 1997/1998. A second foray on the euro bond market slated for October was deferred following developments in Asia and bridging finance of US$100m sought from a consortium led by Citicorp instead.

Fiscal performance strengthened in the **OECS** countries, with the current account surplus increasing by 1.6 per cent. All member countries recorded surpluses, except Montserrat and Saint Kitts/Nevis. In the former case, economic activity came almost to a halt as a result of the volcano resulting in collapsing revenues while welfare and other demands on the state increased. In Saint Kitts/Nevis the current account deficit contracted from 0.9 per cent of Product in 1996 to 0.5 per cent in 1997, following a concentrated effort to increase revenues.

Recurrent revenues, which amounted to 24.5 per cent of Product in 1997, increased by 4.6 per cent. Above average revenue increases were evident in taxes derived from the sale of domestic goods and services, which were up by 8 per cent and taxes on international trade, which increased by 6.2 per cent. Revenues increased in all OECS countries, from 13 per cent recorded in Saint Kitts/Nevis to 2.5 per cent in Antigua and Barbuda. They remained substantially unchanged in Saint Lucia, but contracted in Montserrat.

Recurrent spending, amounting to 23.3 per cent of Product in 1997 also increased by 4.8 per cent. Above average spending increases were evident on the purchase of goods and services, which increased by 9.7 per cent, interest payments up by 7.9 per cent and transfers and subsidies which grew by 8.2 per cent. Increases varied between the various member countries from just over 1 per cent in Antigua and Barbuda to 27 per cent in Montserrat.

Data on capital spending are incomplete but fiscal deficits increased for Saint Vincent and the Grenadines and for Antigua and Barbuda. In the former, there was a change from a small surplus in 1996 to a deficit equivalent to 4.6 per cent of Product, as a result of capital expenditure increases of 145 per cent. In Antigua and Barbuda, the deficit increased from 1.6 per cent of Product in 1996 to 3.1 per cent in 1997, consequent on a 37 per cent increase in capital spending. In other instances the deficit contracted. In Saint Kitts/Nevis it remained the same in nominal terms, equivalent to 4.2 per cent of Product in 1997. In Saint Lucia, it decreased from 1.6 per cent of Product in 1996 to 0.8 per cent of Product in 1997.

The external debt for the OECS countries, which amounted to 31 per cent of Product in 1997 increased by 2.8 per cent. The rate of increase in external debt varied among the members. The greatest increase was evident in Saint Kitts/Nevis, with an increase of 69 per cent. This reflects the lumpiness of large projects in a small economy, though the external debt to Product ratio remained below 40 per cent. Saint Lucia also increased its external debt by 7.4 per cent, while decreases ranging from 13 per cent in Dominica to under 1 per cent in Saint Vincent and the Grenadines were recorded for the other countries in the group.

The fiscal accounts in **Trinidad and Tobago** showed an improvement over 1996 with a modest surplus equivalent to 0.9 per cent of Product being achieved as compared with a deficit of 0.5 per cent in 1996. The recurrent surplus, equivalent to 1.7 per cent of Product, was also slightly better than in 1996 and achieved by a 7 per cent reduction in recurrent expenditures, since revenues fell. Capital spending, however, increased by 77 per cent, the increase being made possible by greatly augmented capital revenues in the form of divestment proceeds from the Trinidad and Tobago Methanol Company.

Recurrent revenues fell by over 4 per cent, with oil receipts falling by over 34 per cent and property taxes falling by 2.4 per cent. Nevertheless, VAT and international trade taxes each increased by 14 per cent, reflecting the high levels of consumption and imports experienced in the survey period. Recurrent spending declined by almost 7 per cent, the wage bill falling by 5 per cent though including salary arrears and payments under the unemployment relief programme. Other notable savings were effected by the 5 per cent reduction in transfers and subsidies, which currently account for 34 per cent of recurrent spending. These savings were effected primarily by the reduction in subventions to state enterprises, in accordance with government's policy of fiscal consolidation, which fell by 80 per cent.

Domestic debt increased by TT$1840 million, equivalent to 22.4 per cent of GDP and an increase from 19.2 per cent in 1996. Eighty-four per cent of the increase was in the form of bonds, the balance in public sector non-interest bearing emolument bonds to settle arrears of remuneration owing to public sector employees. These bonds are issued in five annual tranches with a maturity of two years.

The external debt has declined steadily since 1990, moving from 34 per cent of Product in 1996 to 26.4 per cent in 1997. The debt stock declined by 18.6 per cent, despite an upward adjustment of US$11m as a result of United States dollar movements against other major traded currencies.

Prices

CONSUMER PRICES

(Annual percentage rates of growth)

	1993	1994	1995	1996	1997
Anguilla	3.7	3.4	4.0	1.4	3.6
Antigua/Barbuda	1.5	7.1	6.2	4.1	
Aruba	5.3	6.2	3.4	3.2	3.2
Bahamas	2.7	1.3	2.1	1.4	0.5
Barbados	1.1	0.1	1.9	2.4	7.1
Belize	1.5	2.6	2.9	6.4	1.0
Cuba	...	...	-11.0	-5.0	2.0
Curacao	2.0	1.8	2.8	3.6	3.7
Dominica	1.7	-0.2	1.4	2.0	2.2
Dominican Republic	2.8	14.3	9.2	3.9	8.4
Grenada	3.5	1.8	2.1	3.2	0.8
Guyana	7.7	16.1	8.1	4.5	4.1
Haiti	29.7	39.3	27.6	20.6	16.2
Jamaica	23.0	35.1	19.9	26.4	10.0
Montserrat	0.7	2.8	4.4	...	...
St. Kitts/Nevis	1.4	1.3	2.6	3.1	11.3
St. Lucia	0.6	2.7	5.9	0.9	0
St. Vincent/Grenadines	4.5	0.4	3.2	3.6	0.8
Suriname	243.5	368.5	235.9	-0.8	7.1
Trinidad/Tobago	8.7	9.4	5.4	3.3	3.8

Source: ECLAC, based on national data.

Overall, prices rose marginally in the region to 4.8 per cent from 4.7 per cent in 1996. For the CARICOM members excluding the OECS the decline in inflation was more marked with a fall from 6.2 per cent to 4.8 in 1998. The relevant factor in this group was Jamaica, where the policy focus on reducing inflation was rewarded by a 16 per cent reduction. For the OECS inflation increased slightly moving from 2 per cent to 2.7 per cent. In general, such increases as were experienced were derived from domestic policies since international inflation remained subdued. This was the case in Barbados, price rises being a consequence of the new VAT, in Saint Kitts/Nevis and in Suriname where economic imbalance sparked renewed inflation after its virtual disappearance in 1996.

Consumer prices increased significantly in **Barbados** in 1997. Whereas average annual price increases had averaged 1.4 per cent since 1992 the current survey year saw a jump to 7.7 per cent from 2.4 per cent a year earlier. The imposition of VAT in January was blamed for the jump in inflation. Price increases were especially for food items which increased by 13.5 per cent in 1997 as compared to 3.9 per cent a year earlier. By October, however, the VAT was removed on 36 food items which helped to reduce inflation towards the end of the year. On a point to point basis inflation for December 1996-1997 moderated to 3.6 per cent as compared to 1.8 per cent for the period December 1995-1996.

The average annual rate of inflation in **Jamaica** moderated to 9.7 per cent from 26.4 per cent in 1996 and a peak of 77 per cent in 1992. The figure attained in 1997 was the lowest rate of inflation since 1988 and was achieved by tight monetary policy and few inflationary impulses from abroad given the stable exchange rate and increased competition as a result of market opening. Nevertheless, some inflationary impulses arose domestically, notably the severe drought which reduced the supply of domestic foodstuffs. The price of meals taken away from home increased by 13 per cent as did starchy locally grown foods. Rents also increased by 35 per cent, reflecting the high cost of credit to the housing sector.

Price pressures increased in **Trinidad and Tobago** in 1997 though they remained relatively subdued at 3.7 per cent as compared with 3.2 per cent in 1996. Food price increases, up by 9.9 per cent, though more moderate than the 10.2 per cent increase in 1996, once again provided the major impetus for price increases in 1997. Other items were drink and tobacco up by 4.7 per cent and education which increased by 3.3 per cent.

Unemployment

UNEMPLOYMENT RATES

(Percent)

	1993	1994	1995	1996	1997
Aruba	0.5	0.5	0.7	1.0	1.0
Barbados	24.3	21.8	19.6	15.8	14.5
Belize	9.8	9.0	12.5	13.8	12.7
Jamaica	16.3	15.4	16.2	16.0	16.5
Netherlands Antilles	13.6	12.8	13.2	13.7	14.7
Trinidad/Tobago	19.8	18.4	17.2	16.3	15.0

Source: ECLAC based on national data

Unemployment fell, on average by 0.4 per cent for the countries surveyed in 1997. Two countries, Jamaica and the Netherlands Antilles, recorded increased unemployment, however, as a result of depressed economic conditions. In most Caribbean countries the rate of unemployment exceeded 12 per cent, while in all of them female and youth unemployment rates greatly exceeded those of adult males. The main source of job creation in 1997 was in the construction and building trades.

Unemployment in **Barbados** stood at 12.2 per cent at the end of December, 2.1 percentage points below the corresponding period in 1996. The average for the year was 14.6 per cent compared to 15.8 in 1996. The unemployment rate for females fell by 1.1 per cent to 17.8 per cent while that for males fell by 0.9 percentage points to 11.3 per cent. New jobs were created in construction and in the retail and wholesale trades.

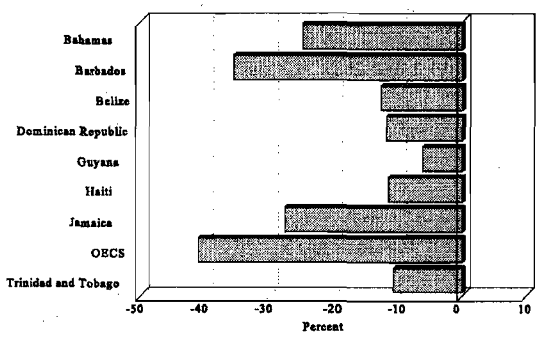
The annual average unemployment rate in **Jamaica** rose slightly in 1997, to 16.5 per cent as compared to 16 per cent for 1996. Males, which had a participation rate of 74.6 per cent had an unemployment rate of 10.6 per cent, while females, with a participation rate of 59 per cent had an unemployment rate of 23.5 per cent. While youth unemployment remained higher than the norm at 51 per cent, there was a noticeable decline in the rate of unemployment in that cohort from 56 per cent in 1996. The increase in unemployment took place in the context of a declining labour force, with approximately 8,900 persons withdrawing from the labour force mainly to pursue further education. Accordingly, there was a loss of about 13,000 jobs in 1997. All categories of employment reported fewer workers with the exception of white collar occupations which showed an increase of 13 per cent. The greatest decline was evident in the low skilled category of craftsmen.

Strong domestic activity in **Trinidad and Tobago** was reflected in declining unemployment, with the unemployment rate falling to 15 per cent in 1997. The unemployment rate was however uneven, youth unemployment, as defined by the age cohort 15-24 years, being 34.6 per cent though falling by 7.3 per cent over 1996. Female unemployment was 17.2 per cent while male unemployment was 11.2 per cent. The most notable job creation was evident in construction followed by finance insurance and real estate services. Agriculture had only modest increases in employment in part because of poor weather and crop infestation problems. Productivity for the first nine months of 1997 is estimated to have increased by 8 per cent following a modest decline in the corresponding period of 1996 with production for all industries increasing by 9 per cent and real wages by 1.2 per cent.

International trade and payments

Figure 15

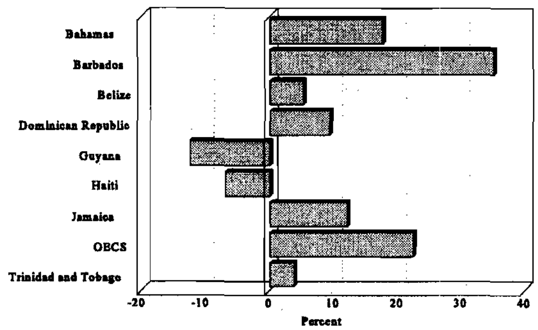
MERCHANDISE BALANCE
As a percent of GDP



Source: ECLAC, based on national data

Figure 16

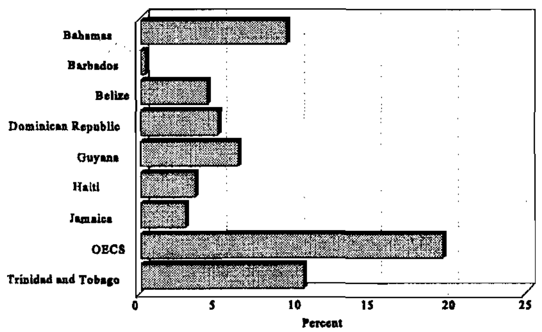
SERVICES BALANCE
As a percent of GDP



Source: ECLAC, based on national data

Figure 17

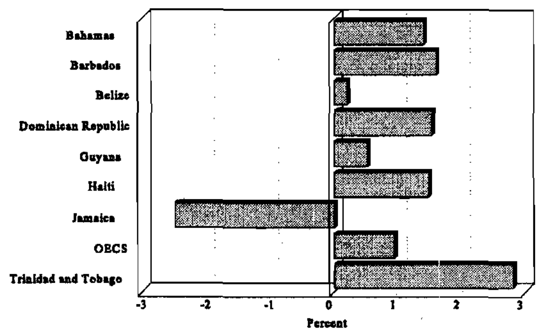
CAPITAL ACCOUNT BALANCE
As a percent of GDP



Source: ECLAC, based on national data

Figure 18

BALANCE OF PAYMENTS
As a percent of GDP



Source: ECLAC, based on national data

The current account of the balance of payments reflected the weakness of export performance and the effects of easy credit, which could not be reversed by modest growth in tourism earnings. The external sources of economic dynamism in general performed poorly. The export earnings from bananas declined by 15 per cent, earnings from sugar fell by 7 per cent, earnings from bauxite fell by 1.3 per cent and exports of fuels in Trinidad fell by 3.1 per cent. However, alumina earnings in Jamaica increased by 7 per cent, while tourism arrivals increased by 7 per cent for the region as a whole, 4.8 per cent for the OECS and 2.5 per cent for the CARICOM countries. Accordingly, in all instances current accounts experienced erosion.

In several instances, such as in the Bahamas, Guyana, Haiti and the OECS poor performance on the current account was redressed by increased capital and financial flows to record improvements in the balance of payments. In other instances, such as Barbados and Trinidad and Tobago, increased capital and financial flows were not sufficient to offset the deterioration in the current account so that the balance of payments deteriorated. In Belize and Jamaica both the current and capital accounts did not perform as well as in 1996 and this was evident in even greater deterioration of their balance of payments.

The deficit on the external current account in the **Bahamas** widened significantly in 1997, from 6.3 per cent of Product in 1996 to 10.5 per cent in 1997 but capital inflows were sufficient to redress the erosion and transform the deficit equivalent to -0.2 per cent of Product in 1996 to a surplus equivalent to 1.4 per cent of Product in 1997. The merchandise trade deficit actually contracted slightly, because of an 8 per cent increase in exports while imports increased by a modest 1.2 per cent. Increased imports were to be explained by strong demand for consumer and investment goods for the construction sector, while reduced petroleum prices just offset the increased volume of petroleum products consumed.

The surplus on services account declined by 20 per cent. The decline was to be explained by increased spending for construction services, which increased sixfold. Outflows for transportation services also increased by 17 per cent. The travel account surplus remained almost unchanged as increased earnings were offset by increased travel spending by Bahamians. Offshore companies' local spending also declined by 17 per cent. The deficit on income account increased by just over 9 per cent, with external remittances increasing by 9 per cent while net labour income outflows fell by 7 per cent.

The capital and financial account showed a substantial increase, from inflows valued at an estimated 4.2 per cent of Product in 1996 moving to 9.4 per cent in 1997. Net private foreign direct investment inflows doubled to US$196 million and was intended for the modernization and expansion of hotel properties. Net inflows to the public sector also increased by US$17 million. Following a decline of US$7.6 million in 1996 the external reserves increased by US$ 56.5 million in 1997 to US$219.5 million, equivalent to three months of domestic imports.

In **Barbados** the balance of payments achieved a modest surplus in 1997, equivalent to 1.6 per cent of Product, a significant decline from 7.1 per cent achieved in 1996. This was to be explained by the deterioration of the current account balance which fell from 5.2 per cent of Product in 1996 to 1 per cent in 1997. The deficit on merchandise trade increased by 26 per cent, total exports declining by 3 per cent while total imports increased by almost 18 per cent. Earnings from services were up by 12 per cent but were unable to compensate for the deterioration in merchandise trade. Finally, the 12 per cent increase in the capital account was insufficient to offset the decreases elsewhere.

While overall exports declined, domestic exports were up by 3.7 per cent compared to increases of 26 per cent and 25 per cent, respectively, for the previous two years. Earnings from sugar, the main merchandise export, were flat despite increased export volumes, while exports of food and beverages which had grown rapidly in the previous two years fell by 2.3 per cent. Receipts from electronic components also fell although sales of chemicals increased. The main markets for Barbados' exports were within CARICOM which purchased 33 per cent, followed by the United Kingdom 18 per cent and the United States taking 15 per cent of exports.

On the other hand, imports increased by 18 per cent, the increase to be explained by increased economic activity especially in construction. The ratio of imports to Product increased by almost 3 percentage points, to over 43 per cent. Consumer goods imports, after growing by less than 1 per cent in 1996, made a recovery in 1997 increasing in value by 21 per cent, while the value of intermediate imports and capital goods increased by 14 per cent and 23 per cent, respectively, substantially the same in both cases as in the previous year.

Net earnings from services were up by 12.5 per cent. The increase was due to the 11 per cent increase in tourist earnings and higher transportation receipts. The capital account recorded 12.6 per cent higher net inflows. Long-term private capital inflows declined but project funds and borrowing by other public entities redressed the decline.

In **Belize** the performance of the balance of payments deteriorated in 1997, the overall balance decreasing from the equivalent of 3.4 per cent of Product in 1996 to a scant 0.2 per cent of Product in 1997. The current account deficit explained the decline for it moved from the equivalent to 0.4 per cent of Product in 1996 to 6.6 per cent of Product in 1997 or from US$2.3 million to US$42.1 million. The visible trade deficit deteriorated from US$54.2 million to US$81 million. Exports increased by a modest 3.2 per cent, the main increases being in citrus and marine products while earnings from sugar and bananas declined. Imports were up by over 14 per cent, notably in petroleum products.

The surplus on services, which contracted by 30 per cent, was unable to offset the deterioration in the goods account, and was to be illustrated by the travel account where spending increased by 29 per cent while earnings only increased by 2 per cent. Transfers, both to government and to private individuals were also down slightly. Net financial flows declined by 22 per cent, or from the equivalent of 6.1 per cent of Product to 4.4 per cent. The decline was notable in foreign direct investment flows , which fell by 28 per cent. Overall a small surplus of US$1.1 million was achieved down from almost US$21 million in 1996. The gross official reserves increased by about 2 per cent, representing 2.5 months of import cover.

The current account of the balance of payments in **Cuba** experienced a significant deterioration in 1997. This was caused essentially by increased imports in the face of stagnant export performance, since the services balance increased. The overall balance was, however, retrieved by capital inflows allowing for a small increase in the reserves.

The deficit on visible trade moved from US$ -1760 to US$ -2471 an increase of 40 per cent. Export earnings increased by less than 1 per cent, the weak performance being explained by poorer performance in sugar and nickel. In the former case a 13 per cent reduction in the volume of sugar exports and poorer prices reduced earnings from sugar exports while nickel earnings were also flat, for while the volume of nickel exported increased, prices fell. Overall the unit value of exports fell by 2.3 per cent. The unit values of imports also fell for while the value of imports increased by 20 per cent their volume increased by 21 per cent signifying a decline in unit values of 0.8 per cent. The main increases in imports came from the categories petroleum and food.

The services balance increased from US$1370 million to US$1593 million, an increase of 16.3 per cent. Net earnings from tourism increased by 12 per cent. Transfers from abroad remained substantially the same with a scant 0.7 per cent increase. These increases were, however, insufficient to redress the erosion which took place on merchandise account so that the current deficit moved form US$-137 m to US$ -428 m. Capital inflows however also increased from US$145m in 1996 to US$438 in 1997, mainly in the form of foreign direct investment in communications and real estate as well as loans and credits.

Access to foreign loans remains extremely difficult, however, which helps to explain the modest increase in the international debt. Twenty per cent of the debt is currently denominated in short term loans while interest rates of 14 to 16 per cent are charged, both factors which reflect a perception of high risk. Contributing to this perception are United States sanctions and the fact that debt servicing of US$5 billion in debt was halted in 1986 and subsequent discussions with the Paris Club have not resolved the impasse. Early in 1998 some progress was, however, achieved with the rescheduling of US$770 m of Japanese debt.

The balance of payments in the **Dominican Republic** moved from a slight deficit in 1996 to a surplus of US$233 million in 1997. The deficit on current account contracted by 6 per cent, but this was made possible by an 18 per cent increase in the services account since the deficit relating to goods trade widened by a similar amount.

Earnings from the export of goods increased by 14.5 per cent, traditional exports by 7.7 per cent, with non-traditional exports increasing by 3.3 per cent. In the former category, crude sugar earnings increased by 21 per cent, while earnings from tobacco products increased by 110 per cent. Net earnings from the free-zones increased by 21.4 per cent to over US$1.3 billion.

Imports grew by 15 per cent, influenced by the ready availability of credit and the elimination of import duties on machinery and equipment. Consumer goods imports increased by 10 per cent compared with no growth in 1996. In this category notable increases were evident in food imports which increased by 6 per cent with consumer durables increasing by just over 2 per cent. Imports of intermediate goods grew by 8.4 per cent, petroleum products by 5 per cent. Capital goods imports benefiting from the tax break grew by 43 per cent and represented 25 per cent of national imports.

The favourable balance on services increased by 18 per cent, notable being travel earnings which increased by 18 per cent to rest at US$2.1 billion. Net transfers increased by 17 per cent, while the net outflows for profit remittances grew by 12 per cent. Accordingly the deficit on current account fell by 6 per cent. The capital account surplus almost doubled, with direct investment, which accounted for 53 per cent of the total, increasing by 13 per cent. One half of this direct investment went into the utilities. Details regarding other capital inflows were unavailable but the balance of payments surplus is reported to have climbed to US$233m from a deficit of US$39m in the previous year.

In **Guyana** the balance of payments weakened in 1997. The current account deficit almost doubled, reaching US$105m as compared to US$53.8m in 1996 and moving from the equivalent of

-7.6 per cent of Product to -13.6 per cent. However, reduced performance on the current account was offset by improved capital and financial flows which doubled, moving from the equivalent of 8.4 per cent of Product to 16.3 per cent. Accordingly, the balance of payments experienced an improvement from the equivalent of -0.2 per cent of Product in 1996 to a surplus equivalent to 0.5 per cent of Product in 1997.

Deterioration was evident in the goods and services accounts. The merchandise trade deficit deteriorated from US$20m to US$48m with spending on imports growing faster, at 7.8 per cent, than earnings from exports, which increased by 3 per cent. Increased imports were fueled by high public spending and public sector salary increases. Earnings from traditional agricultural exports fell mainly as a result of eroding terms of trade. Sugar earnings fell by 11.5 per cent reflecting a 1.8 per cent decline in export volumes while rice earnings fell by 9.6 per cent. On the other hand earnings from minerals increased, bauxite by 4 per cent and gold by almost 32 per cent.

The net services deficit increased by 30 per cent. The increase was primarily because of increased interest payments, as government regularized its debt service payments returning to schedule and because of increased private sector interest payments. Private transfers also declined.

The capital account improved from US$59.5m to US$125.7m. Both public and private flows improved. On the public side disbursements amounted to US$67 with repayments amounting to US$29m for a net of US$38m. Net private capital flows amounted to US$64m, an increase of US$11m over 1996 and directed mainly to the exploitation of raw materials. Accordingly, the overall balance was US$4m as compared with a small deficit of US$1.4m in 1996.

The **Haitian** balance of payments showed significant improvement over 1996, with the reserves being augmented by US$41 m. Improvement was evident in the merchandise trade account but this was eroded by reduced earnings on services and reduced transfers so that the current account deficit increased by 17 per cent. This was, however, reversed by the capital account balance which grew by 18 per cent.

Merchandise trade performance was strong, export earnings growing by 31 per cent with imports showing a relatively moderate increase of under 3 per cent. Accordingly the deficit on visible trade contracted by 9 per cent. Agricultural exports increased by 48 per cent, led by coffee which increased by 49 per cent, cocoa exports by 11 per cent and sisal by 40 per cent. Manufactures increased by 27 per cent, with free zone exports up by 31 per cent. The rate of growth of imports was moderated by restricted credit and the imposition of a 10 per cent sales tax on imports since June 1996 had a dampening effect on demand. The value of food, drink and tobacco imports fell by 10 per cent as did most other categories of exports with the exception of miscellaneous manufactures which recorded a 3 per cent increase.

The deficit on services widened by 11 per cent, with earnings from transport and travel falling while payments for services increased. Transfers from nationals abroad and official grants also declined, thus reversing the gains made on merchandise trade so that the current account deficit widened by 17 per cent. Capital flows increased by 18 per cent, one half of the inflows going into public investment with a further 16 per cent going to commercial banks.

The **Jamaican** balance of payments deteriorated in 1997, from a surplus equivalent to 5 per cent of Product in 1996 to a deficit equivalent to -2.5 per cent of Product in 1997. The deficit resulted in a decline in the NIR of US$152m. This performance reflected reduced domestic output and uncertainly about the sustainability of macroeconomic policy in the face of weak financial institutions and the impending election. Deterioration was evident in both the current and capital accounts. In the former instance, the decline resulted from a 14 per cent increase in the deficit on visible trade and a 12 per cent reduction in the surplus on services leading to an increased current account deficit from -2.5 per cent of Product to -5.3 per cent of Product . Capital inflows declined by 57 per cent, private capital flows declining by 72 per cent so that the capital and financial account surplus fell from 7.5 per cent of Product to 2.9 per cent.

Merchandise exports remained substantially unchanged over 1996, while imports increased by 6 per cent. Export performance was sustained mainly by traditional exports which increased in value by over 4 per cent, while non-traditionals decreased by almost 7 per cent. In the former category earnings from the export of alumina, gypsum, bananas, coffee and rum increased, but earnings from bauxite, sugar, citrus and citrus products, cocoa and cocoa products and from pimento all decreased. Drought affected the performance of several agricultural crops and even where earnings from bananas increased this was to be explained by higher prices, for the volume of fruit harvested and exported declined. In the non-traditional export category, the chief source of decline was a 10 per cent decrease in earnings from wearing apparel, which is the main non traditional export. The sector continues to contract in Jamaica as it is unable to compete with Mexico or with Asian economies following their devaluations. The second major non traditional export was food which showed a 5 per cent decline in exports mainly because the production of foodstuffs fell following the drought. Beverages and tobacco products recorded strong growth, however, with a gain of 24 per cent.

Imports increased by 6.2 per cent, in line with increases in recent years. Consumer goods increased by 24 per cent with capital goods increasing by 20 per cent. In the former group all categories recorded increases, the most notable being in the import of food and motor cars. Food imports increased mainly to compensate for poor domestic food production and came mainly from within the CARICOM region. Motor car imports increased by over 30 per cent, in part because of restocking following strict demand compression in 1996 and inventory build ups sparked by insecurities in the foreign exchange market and new CFC regulations which would impact on the importation of older used cars. The increase in capital goods was most notable in the categories industrial transport equipment and construction materials. The former related mainly to the purchase of aircraft, for industrial activity was otherwise flat. This sluggishness was also illustrated by the 6 per cent decline in imports of raw materials and intermediate goods and the 10 per cent decline in industrial supplies.

The services account continued to record a surplus but it was reduced by 12 per cent over 1996. The travel account recorded a scant 1 per cent increase with increases in earnings being eroded by growing outflows. Earnings from high profit stopover guests especially showed deceleration. Other causes of decreased earnings in services included increased profit repatriation especially from bauxite companies and increased payments for services such as freight and insurance.

Net capital flows declined by 57 per cent compared with 1996. The decline would have been greater but for significant increases in official flows as the government obtained US$200 million on the international market. The decline in private flows reflected reduced interest rates in the first half of the year, uncertainty about the sustainability of the exchange rate, the general election and instability in the commercial sector.

In **Trinidad and Tobago** the external accounts deteriorated when compared with performance in 1996, with a balance of payments surplus equivalent to 2.7 per cent of Product as compared with the surplus of 3.8 per cent of Product achieved in 1996. The deterioration was to be explained mainly by the erosion of merchandise trade where exports fell by 3 per cent while imports fueled by major capital investments and easy credit increased by over 40 per cent.

Total exports fell by 3 per cent, mainly because of a US$100 million reduction in the value of exports of mineral fuels and lubricants. The decline was to be explained by lower oil prices and by reduced volumes exported. The export performance of the chemicals sector was mixed but overall earnings were up by 7 per cent while earnings from steel increased by 5.5 per cent. Exports of food products which represent about 6 per cent of exports were also up by 30 per cent.

The bulk of the 40 per cent increase in imports was to be explained by an 111 per cent increase in imports of machinery and equipment for new projects in the energy sector. Imports of transport equipment also increased by 22 per cent while the value of manufactured goods increased by 21 per cent following a decline in 1996. Overall capital goods increased by over 100 per cent with consumer goods increasing by 10 per cent and raw materials imports up by almost 8 per cent.

The services balance also deteriorated by 12.5 per cent. Earnings from transportation and communications were down although the surplus on the travel account increased. The number of visitors to Trinidad and Tobago increased by 22 per cent in 1997 while earnings improved by 17.3 per cent. Earnings from insurance were also up. Income accruing to foreigners for investments in Trinidad and Tobago decreased by almost 40 per cent, interest payments by about 28 per cent. Given these developments the current balance moved from a small surplus equivalent to 1.2 per cent of Product to a deficit equivalent to 12.2 per cent of Product.

Notwithstanding the depreciation of the current account, the overall balance was partially retrieved by the capital account, which moved from a surplus of US$43m in 1996 to a surplus of US$597.7 in 1997 and allowed for a 31 per cent accretion in the reserves. Official capital flows moved from a slight surplus in 1996 to a deficit in 1997 which was caused by the repayment of various outstanding government obligations. Direct investment flows, reflecting divestment proceeds and capital injections to various energy projects, increased from US$356m in 1996 to US$979 in 1997 the highest on record.

STATISTICAL ANNEX

BANANA EXPORTS										
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
	Value (US$m.)					Volume ('000 tonnes)				
Belize	17	23	22	29	26	43	53	44	63	58
Dominica	24	21	17	16	15	55	43	32	40	35
Grenada	2	2	2	1	0	5	5	5	2	0
Jamaica	36	46	46	45	46	77	79	85	89	80
St Lucia	51	43	47	47	28	120	90	104	105	71
St Vincent/Grenadines	23	15	23	19	14	58	31	50	44	31

Source: ECLAC, based on national data

SUGAR EXPORTS										
	(Value US$m.)					*(Volume '000 tonnes)*				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
Barbados	29	30	29	36	36	49	50	37	59	65
Belize	41	40	48	47	46	90	93	92	95	109
Guyana	116	116	135	151	133	237	238	225	280	275
Jamaica	97	69	96	109	102	150	126	145	181	171
St. Kitts/Nevis.	14	12	13	10	14	23	21	22	18	26
Trinidad/Tobago	27	28	44	44	38	51	57	68	72	70

Source: ECLAC, based on national data

BAUXITE/ALUMINA EXPORTS										
	Value (US$m.)					Volume ('000 tonnes)				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
Bauxite										
Guyana	73	76	83	86	89	2050	1996	2029	2368	2467
Jamaica	84	73	71	78	73	3917	3649	3547	3918	3641
Alumina										
Jamaica	440	537	632	607	653	2943	3326	3045	3253	3414

Source: ECLAC, based on national data

STOPOVER TOURIST ARRIVALS

(Thousands)

	1993	1994	1995	1996	1997	%chg
Anguilla	37	44	39	37	43	15.1
Antigua/Barbuda	221	235	191	202	211	4.5
Aruba	562	582	614	641	649	1.3
Bahamas	1489	1516	1598	1633	1618	-0.9
Barbados	396	426	442	447	472	5.6
Belize	101	109	112	104	100	-3.3
Cuba	546	619	742	1004	1180	17.5
Dominica	52	57	60	63	65	3.5
Dominican Republic	...	...	1404	1948	2155	10.6
Grenada	94	109	108	108	111	2.3
Guyana	107	113	108	97	82	-15.4
Jamaica	979	1098	1147	1162	1192	2.5
Montserrat	23	21	18	9	3	-64.3
Netherlands Antilles	789	888	767	672	748	11.4
St. Kitts/Nevis	86	94	80	84	88	4.9
St. Lucia	195	219	231	236	248	5.4
St. Vincent / Grenadines	57	56	60	58	65	12.5
Trinidad/Tobago	203	220	260	266	325	22.2
US Virgin Islands	729	683	562	458	505	10.3

Source: CTO

EXTERNAL DEBT

(Millions of U.S. dollars)

	1993	1994	1995	1996	1997	%change
Anguilla	8.6	8.7	8.5	8.4	7.9	-6.6
Antigua/Barbuda	231.6	237.1	243.6	235.5	222.3	-5.6
Bahamas	453.4	410.4	393.4	357.9	361.7	1.1
Barbados	352.3	357.2	358.9	365.1	349.3	-4.3
Belize	167.9	184.0	184.3	219.8	232.7	5.9
Cuba	8785.0	9083.0	10504.0	10465.0	10500.0	0.3
Dominica	94.1	98.6	103.0	102.4	88.9	-13.2
Dominican Republic	4562.0	3946.0	3999.0	3796.0	3502.0	-7.7
Grenada	81.1	87.9	87.1	88.6	85.6	-3.3
Guyana	2062.0	2004.0	203.0	12058.3	1513.5	-26.5
Haiti	866.0	875.0	898.0	914.0	1025.0	12.1
Jamaica	3687.2	3651.8	3451.9	3231.9	3277.7	1.4
Montserrat	10.0	10.2	10.2	9.9	9.5	-4.5
St. Kitts/Nevis	46.7	51.5	54.1	60.3	102.1	69.2
St. Lucia	99.9	105.9	115.2	127.4	136.9	7.4
St. Vincent/Grenadines	77.3	87.6	88.1	87.6	87.0	-0.7
Suriname	206.1	198.1	185.0	178.0	165.0	-7.3
Trinidad/Tobago	2102.1	2063.5	1905.2	1875.8	1526.8	-18.6

Source: ECLAC, based on national data.

THE BAHAMAS

	1993	1994	1995	1996	1997	%change
GDP at current prices (IMF estimates)	3323.0	3425.0	3504.0	3742.0	3939.0	
GDP at constant prices (IMF estimates)	2791.0	2816.1	2824.6	2943.2	3031.5	
GDP growth (constant prices)	1.7	0.9	0.3	4.2	3.0	
Prices	2.7	1.3	2.2	1.4	0.5	
Exchange rate	1.0	1.0	1.0	1.0	1.0	

Fiscal data (Bahamas $m)

	1993/1994	1994/1995	1995/1996	1996*	1997*	
Current revenue	594.1	634.0	658.0	690.3	731.4	6.0
Selective tax on services	21.7	21.1	27.5	28.9	28.4	-1.8
Taxes on international trade	362.9	385.9	388.6	404.8	427.3	5.6
Business and professional fees	23.5	31.0	33.5	34.1	30.0	-12.1
Other taxes	136.0	132.5	143.166	153.2	171.4	11.9
Non-tax revenue	59.4	65.0	66.5	70.6	74.4	5.4
Current expenditure	564.6	570.2	610.6	650.2	698.6	7.5
Wages and salaries	313.7	329.5	321.7	333.7	366.9	10.0
Interest payments	76.1	79.2	84.9	84.4	93.8	11.1
Transfers and subsidies	60.2	56.2	71.6	82.3	83.5	1.5
Current account balance	29.5	63.8	47.4	40.1	32.8	-18.2
Total revenue and grants	594.1	645.6	663.0	690.8	732.7	6.1
Capital expenditure & net lending	78.5	98.1	96.2	99.7	165.9	66.4
Fiscal balance	-49.0	-22.6	-43.8	-59.1	-131.8	123.2

* Relates to calendar year

Money Supply (Bahamas $m)
(Relates to end of period)

Narrow money (M1)	379.5	412.4	443.1	445.8	518.8	16.4
Broad money (M2)	1812.0	1962.3	2102.8	2228.0	2466.1	10.7

Balance of payments (US$m.)

Balance on goods and services	154.3	68.7	-28.9	-125.4	-289.8	131.1
Goods	-737.4	-815.0	-931.4	-989.9	-982.9	-0.7
Exports	192.2	198.5	225.3	273.2	295.2	8.1
Imports	929.6	1013.5	1156.7	1263.1	1278.1	1.2
Services (net)	891.7	883.7	902.5	864.5	693.1	-19.8
Travel (net)	1125.6	1134.1	1133.1	1163.3	1166.2	0.2
Income	-128.6	-137.6	-135.9	-149.0	-162.7	9.2
Transfers	23.9	27.2	17.9	37.2	39.3	5.6
Current balance	49.6	-41.7	-146.9	-237.2	-413.2	74.2
Capital and financial account	0.0	55.2	93.2	156.0	370.0	137.2
Errors and omissions	-31.6	-4.4	50.7	73.6	99.7	35.5
Overall balance	18.0	9.1	-3.0	-7.6	56.5	-843.4
International reserves (US$m.)	164.3	173.6	170.6	163.0	219.5	34.7
External public debt (US$m)	453.4	410.4	393.4	357.9	361.7	1.1

Interest rates

Deposit rate (average)	5.2	4.4	4.2	5.1	5.3	
Loan rate (average)	14.9	14.2	13.3	12.6	12.8	

BARBADOS

	1993	1994	1995	1996	1997	%change
GDP at current prices	2791.2	2920.0	3136.0	3377.0	4200.0	
GDP at constant prices	803.9	834.4	858.9	903.6	931.2	
GDP growth (constant prices)	1.5	3.8	2.9	5.2	3.0	
Prices	1.0	0.0	1.9	2.4	7.7	
Exchange rate	2.0	2.0	2.0	2.0	2.0	
Unemployment rate	24.3	21.9	19.7	15.8	14.5	
Fiscal data (Barbados $m)						
Current revenue	1009.9	1082	1153	1208	1437.6	19.0
Direct tax	409.9	410.4	453.3	473.3	512	8.2
Indirect tax	600	671.6	603.1	613.1	835.7	36.3
VAT	...	...	...	...	411.2	
Non-tax revenue	65.4	90	96.6	121.8	89.9	-26.2
Current expenditure	1136.2	1181	1031	1157.1	1213.5	4.9
Wages and salaries	390.8	400	447.9	495.7	506.4	2.2
Interest payments	143.8	164.4	173	214.5	189.7	-11.6
Transfers and subsidies	285.1	287.5	295.4	318.4	361.6	13.6
Current account balance	-126.3	-99	122	50.9	224.1	340.3
Capital expenditure	126.1	131.6	107.3	180.3	257.7	42.9
Fiscal balance	-68.1	-38.5	26.8	-129.1	-37.3	-71.1
Financing	68.1	38.5	-26.8	129.1	37.3	-71.1
Domestic	...	...	-17.7	114.9	71.3	-37.9
External	...	...	-9.1	14.2	-34	-339.4
Money Supply (Barbados $m) (Relates to end of period)						
Narrow money (M1)	624.5	795.6	899.3	1036.7	1271.5	22.6
Broad money (M2)	2011.4	2239.1	2380.3	2844.2	3160.0	11.1
***Balance of payments* (US $m)**						
Balance of visible trade	-326.7	-354.6	-566.0	-590.8	-747.1	26.4
Exports	187.6	190.0	205.6	243.6	236.3	-3.0
Imports	514.3	544.6	771.6	834.4	983.3	17.8
Services (net)	417.0	494.7	622.5	655.4	737.6	12.5
Travel (net)	851.0	920.5	597.9	618.5	689.0	11.4
Transfers	21.0	35.4	33.6	39.7	30.8	-22.5
Current balance	70.3	134.7	90.2	104.3	21.2	-79.7
Capital and financial account	3.2	18.7	-66.4	6.4	7.2	12.6
Errors and omissions	-48.7	-64.9	11.6	9.1	8.0	-12.1
Overall balance	24.8	88.5	35.3	119.7	34.4	-71.3
Official financing	-1.9	-5.0	-24.9	-38.9	-15.5	-60.2
International reserves (US$ m.)	120.7	179.8	183.9	290.4	318.3	9.6
External public debt (US$m)	352.3	357.2	358.9	365.1	349.3	-4.3
Interest rates						
Deposit rate (average)	4.8	5.0	5.2	5.2	4.2	
Loan rate (average)	11.3	11.9	11.8	11.9	11.5	

BELIZE

	1993	1994	1995	1996	1997	%change
GDP at current prices	1062.0	1102.8	1174.3	1217.3	1263.9	
GDP at constant prices	672.1	682.2	707.9	718.5	739.5	
GDP growth (constant prices)	4.3	1.5	3.8	1.5	2.9	
Prices	1.5	2.6	2.9	6.4	1.0	
Exchange rate	2.0	2.0	2.0	2.0	2.0	
Unemployment rate	9.8	9.0	12.5	13.8	12.7	

Fiscal data (Belize $ '000)

	1994/1995	1995/1996	1996/1997	1996*	1997*	
Current revenue	263045	259226	282741	276568	282871	2.3
Tax revenue	231812	233154	251641	250181	250853	0.3
Income and profits	63709	59104	55922	59431	54107	-9.0
Taxes on property	1660	1172	1578	1491	1564	4.9
Taxes on goods and services	29154	28571	101305	83725	97272	16.2
Taxes on international trade	130739	137282	84517	97324	90929	-6.6
Non-tax revenue	31234	26072	31100	26387	32018	21.3
Current expenditure	208370	233800	239800	234700	252200	7.5
Wages and salaries	131858	126989	126123	122571	127737	4.2
Interest payments	21827	23192	24548	24182	27812	15.0
Transfers and subsidies	25547	24894	28955	27480	29452	7.2
Current account balance	23186	26272	41165	41888	30638	-26.9
Capital revenue	4231	9977	24046	20353	22328	9.7
Grants	13265	6079	4049	8483	3550	-58.2
Capital expenditure	111094	79344	76663	75370	81077	7.6
Fiscal balance	-70412	-37016	-7402	-4646	-24561	428.6
Financing	70412	37016	7402	4646	24561	428.6
Domestic financing (net)	39070	28673	-44992	-40879	18396	-145.0
External financing (net)	19484	4922	46366	46613	4851	-89.6

*Relates to calendar year

Money Supply (Belize $m)
(Relates to end of period)

Narrow money (M1)	149.2	157.2	165.0	177.6	185.9	4.7
Broad money (M2)	473.6	507.2	589.3	625.3	686.9	9.9

Balance of payments (US $m)

Balance of visible trade	-116.5	-88.4	-67.6	-54.2	-80.7	48.9
Exports	134.0	143.5	164.3	171.1	176.5	3.2
Imports	250.6	231.9	232.0	225.3	257.2	14.2
Services (net)	38.2	28.7	47.6	46.8	32.8	-29.9
Travel (net)	48.8	52.7	62.3	66.9	61.2	-8.5
Transfers	29.4	29.3	40.2	31.1	29.6	-4.8
Current balance	-49.0	-30.5	-2.8	-2.3	-42.1	1730.4
Capital and financial account	43.4	1.9	1.4	37.2	27.4	-26.3
Errors and omissions	-13.3	24.9	4.5	-14.1	15.8	-212.1
Overall balance	-18.9	-3.7	3.1	20.8	1.1	-94.7
International reserves (US$ m.)	38.6	34.3	37.4	58.3	59.4	1.9
External public debt (US$m)	167.9	184.0	184.3	219.8	232.7	5.9
Interest rates						
Deposit rate (average)	6.0	6.1	7.2	6.2	6.7	
Loan rate (average)	14.6	15.0	16.3	16.2	16.6	

CUBA

	1993	1994	1995	1996	1997	%change
GDP at current prices	15095	19198	21737	23259	23500	
GDP at constant prices	12777	12868	13185	14218	14573	
GDP growth (constant prices)	-14.9	0.7	2.5	7.8	2.5	
Prices (December to December)	...	...	-11.0	-5.0	2.0	
Exchange rate (Unofficial pesos per US$)	55.0	60.0	25.0	19.0	23.0	
Unemployment rate	...	...	...	...	...	
Fiscal data (Millions of pesos)						
Recurrent revenue	...	...	11593	12242	12143	-0.8
Tax revenue	...	...	7973	7968	8491	6.6
Sales taxes	...	...	5684	5079	4847	-4.6
Taxes on services	...	...	481	434	418	-3.7
Taxes on utilities	...	...	205	468	870	85.9
Personal income	...	...	118	216	263	21.8
Social security contributions	...	...	898	959	1029	7.3
Other	...	...	587	812	1064	31.0
Non-tax revenue	...	...	3620	4274	3652	-14.6
Recurrent expenditure	...	...	12064	10771	10861	0.8
Budgeted activities, of which:	...	...	6516	6751	7203	6.7
Education	...	...	1359	1421	1464	3.0
Health	...	...	1108	1190	1275	7.1
Social security	...	...	1594	1630	1679	3.0
Current account balance	...	...	-471	1471	1282	-12.8
Capital Revenue	...	...	1450	...	...	
Capital expenditure	...	...	1745	2043	1750	-14.3
Fiscal balance	...	...	-766	-572	-468	-18.2
Balance of payments (US$ m)						
Balance of visible trade	-900	-796	-1485	-1760	-2471	40.4
Exports	1137	1315	1507	1850	1861	0.6
Imports	2037	2111	2992	3610	4332	20.0
Services (net)	519	585	846	1370	1593	16.3
Transfers	255	310	646	745	750	0.7
Current balance	-388	-242	-518	-137	-428	212.4
Capital and financial account	404	240	596	145	438	202.1
Overall balance	16	-2	78	8	10	25.0
Ext. debt convertible currencies (US$ m.)	8785	9083	10504	10465	10500	0.3

DOMINICAN REPUBLIC

	1993	1994	1995	1996	1997	%change
GDP at current prices	121808	136206	160456	181466	212644	
GDP at constant prices	66770	69672	73032	78341	84728	
GDP growth (constant prices)	3.0	4.3	4.8	7.3	8.2	
Prices	2.8	14.3	9.2	3.9	8.4	
Exchange rate (Pesos per US$)	12.5	12.6	12.9	12.9	14.0	
Unemployment rate						
Fiscal data (Millions of pesos)						
Recurrent revenue	19416	20584	23990	25590	33757	31.9
Tax revenue	18030	19220	22371	24031	31547	31.3
Income	3110	3225	41142	4629	5936	28.2
Property	116	124	160	180	241	33.9
Goods and services	8008	9707	11457	12169	16230	33.4
International trade	6696	6064	6509	6946	9009	29.7
Other	99	101	103	107	132	23.4
Non-tax revenue	1386	1364	1619	1559	2209	41.7
Recurrent expenditure	9973	10479	12677	14951	23780	59.1
Wages and salaries	3472	4081	5343	6109	9892	61.9
Interest payments	1554	1200	1488	1002	1065	6.3
Transfers and subsidies	2193	1925	2938	4685	7837	67.3
Other	2754	3273	2908	3155	4986	58.0
Current account balance	9443	10105	11313	10639	9977	-6.2
Capital revenue and grants	684	554	185	350	564	61.1
Capital expenditure	9897	11711	10513	11642	8911	-23.5
Fiscal balance	230	-1052	985	-653	1630	-349.6
Money Supply (Millions of pesos) (Relates to end of period)						
Narrow money (M1)	19442	22166	26629	33926	43775	29.0
Broad money (M2)	29184	32034	37924	45068	55640	23.5
Balance of payments (US$ m)						
Balance of visible trade	-1540.0	-1541.0	-1492.0	-1532.0	-1806.0	17.9
Exports	3114.0	3362.0	3653.0	4195.0	4802.0	14.5
Imports	4654.0	4903.0	5145.0	5727.0	6608.0	15.4
Services (net)	789.0	974.0	1059.0	1208.0	1429.0	18.3
Transfers	884.0	964.0	992.0	1147.0	1345.0	17.3
Profits	-553.0	-623.0	-659.0	-1063.0	-1193.0	12.2
Current balance	-421.5	-226.8	-101.1	-242.4	-227.7	-6.1
Capital and financial account	-14.2	327.3	417.7	385.1	757.0	96.6
Errors and omissions	-25.1	-0.3	-188.6	-181.6	-296.5	63.3
Balance of payments	-460.8	100.2	128.0	-38.9	232.8	-698.5
International reserves (US$ m.)						
External Debt	4561.5	3946.4	3998.6	3795.7	3502.0	-7.7
Interest rates					50.7	
Deposit rate (average)	15.0	13.6	15.8	13.8	13.3	-4.1
Loan rate (average)	28.6	26.7	29.6	23.5	20.1	-14.6

GUYANA

	1993	1994	1995	1996	1997	%change
GDP at current prices	59124	75412	88271	100685	110050	
GDP at constant prices	4104	4452	4677	5048	5365	
GDP growth (constant prices)	8.3	8.5	5.1	7.9	6.3	
Per capita GDP (US$)	296.2	373.8	431	510.9	552.8	
Prices	7.7	16.1	8.1	4.5	4.1	
Exchange rate (Guyana dollars per US$)	130.8	142.5	140.5	141.3	142.8	
Fiscal data (Guyana $m)						
Current revenue	21778.0	23653.8	29496.1	34208.3	33997.5	-0.6
Tax revenue	20742.5	22492.1	28144.2	32272.4	31539.2	-2.3
Non-tax revenue	1035.5	1161.7	1351.9	1935.9	2458.3	27.0
Current expenditure	20678.8	23538.3	23774.7	23426.0	29051.3	24.0
Wages and salaries	3583.9	4623.1	5740.5	6450.3	8931.0	38.5
Interest payments	9825.9	12195.8	8633.0	8721.9	10342.7	18.6
Other	7269.0	6719.4	9401.2	8253.8	9777.6	18.5
Current account balance	1099.2	115.5	5721.4	10782.3	4946.2	-54.1
Capital revenue	1412.9	4484.1	1326.9	457.4	1994.9	336.1
Grants	709.9	995.4	1605.1	2514.5	3064.6	21.9
Capital expenditure	7223.2	10687.4	11539.5	15515.8	16630.8	7.2
Fiscal balance	-4001.2	-5092.4	-2886.1	-1761.6	-6625.1	276.1
Financing	4001.2	5092.4	2886.1	1761.6	6625.1	276.1
Domestic	-6573.0	-4394.1	-7298.3	-7298.3	-110.9	-98.5
External	5483.6	3270.6	5522.2	10609.6	4213.1	-60.3
Other (BOP grants)	9399.4	4362.0	8985.4	4042.0	3060.7	-24.3
Money Supply (Guyana $m) (Relates to end of period)						
Narrow money (M1)	9379.4	12266.6	14006.9	13359.8	...	
Broad money (M2)	33371.2	39115.9	49339.6	53884.8	...	
Balance of payments (US$m)						
Balance of visible trade	-68.3	-40.6	-40.8	-20.2	-48.2	138.6
Exports	415.5	463.4	495.7	574.8	593.4	3.2
Imports	483.8	504.0	536.5	595.0	641.6	7.8
Services (net)	-68.1	-60.2	-54.1	-74.6	-96.9	29.9
Transfers	29.0	32.0	39.0	41.0	40.0	-2.4
Current balance	-136.4	-100.8	-94.9	-53.8	-105.1	95.4
Capital and financial account	78.1	22.9	28.0	59.5	125.7	111.3
Errors and omissions	6.4	-3.8	1.8	-7.1	-16.6	133.8
Overall balance	-49.7	-63.9	-68.9	-1.4	4.0	-385.7
Official financing	49.7	63.9	68.9	1.4	-4.0	-385.7
International reserves (US$ m.)	56.5	78.8	86.4	147.6	149.9	1.6
External debt (US$ m.)	2062.0	2004.0	2036.0	2058.3	1513.5	-26.5
Interest rates						
Deposit rate (average)	9.46	11.2	10.5	8.01	...	
Loan rate (average)	17.45	19.9	19.1	17.3	...	

HAITI

	1993	1994	1995	1996	1997	%change
GDP at current prices	...	31080	34900	41900	44900	
GDP at constant prices	11094	10172	10618	10915	11040	
GDP growth (constant prices)	-2.4	-8.3	4.4	2.8	1.1	
Prices (Annual average rate)	29.7	39.3	27.6	20.6	16.2	
Exchange rate (Gourdes vis a vis US$)	12.4	14.7	14.4	16.0	16.2	
Unemployment rate	...	...	...	...	...	
Fiscal data (Millions of gourdes)						
Recurrent revenue	...	802	2249	3198	4725	47.7
Direct taxes	...	160	255	548	688	25.5
Indirect taxes, of which,	...	189	895	1081	1976	82.8
Turnover tax	...	163	389	621	1271	104.7
Permits	...	26	506	460	705	53.3
International trade	...	105	427	499	1030	106.4
Other	...	348	673	1071	1030	-3.8
Recurrent expenditure	...	1766	3853	3980	5088	27.8
Wages and salaries	...	955	1233	1948	2226	14.3
Interest payments	...	...	241	239	395	65.3
Transfers and subsidies	...	...	348	296	260	-12.2
Current account balance	...	-964	-1604	-782	-363	-53.6
Capital revenue	...	...	...	...	...	
Transfers from public enterprises	...	11	202	238	57	-76.1
Capital expenditure	...	75	278	140	709	406.4
Fiscal balance	...	-1028	-1680	-684	-1015	48.4
Financing	...	1028	1680	684	1015	48.4
Domestic	...	1026	-697	581	592	1.9
External	...	2	2377	103	423	310.7
Money Supply (Millions of gourdes) (Relates to end of September)						
Narrow money (M1)	3466	4198	5284	5314	5940	11.8
Broad money (M2)	7966	9859	11423	11569	13213	14.2
Balance of payments (US$ m)						
Balance of visible trade	-180.7	-89.7	-379.9	-351.1	-319.5	-9.0
Exports	130.8	107.8	137.3	147.5	192.7	30.6
Imports	311.5	197.5	517.2	498.6	512.2	2.7
Services (net)	-55.5	-60.3	-180.4	-174.2	-193.2	10.9
Travel (net)	0.9	0.4	55.5	58.6	...	
Profits	-12.9	-8.5	-30.6	-10.7	-13.6	27.1
Transfers	171.6	163.7	552.9	462.5	440.5	-4.8
Current balance	-77.5	5.2	-38.0	-73.5	-85.8	16.7
Capital and financial account	-70.3	-12.3	80.2	82.9	97.8	18.0
Errors and omissions	106.6	-25.8	145.6	-58.6	29.0	-149.5
Overall balance	-41.2	-32.9	187.8	-49.2	41.0	-183.3
International reserves (US$ m.)						
External debt (US$ m.)	866	875	898	914	1025	12.1

JAMAICA

	1993	1994	1995	1996	1997	%change
GDP at current prices	99843.2	132377.2	170133.0	203109.0	220556.0	
GDP at constant prices	18011.2	18210.0	18294.4	17973.4	17548.8	
GDP growth (constant prices)	1.4	1.1	0.5	-1.8	-2.4	
Prices	23.0	35.0	20.0	26.0	10.0	
Exchange rate (Jamaican dollars per US$)	24.9	33.1	35.1	37.1	35.6	
Unemployment rate	16.3	15.4	16.2	16.0	16.5	

Fiscal data (J$m)

	1993/1994	1994/1995	1995/1996	1996*	1997*	
Current revenue	30490.8	40002.0	53847.7	57764.6	60535.4	4.8
Tax revenue	28946.6	38071.6	50262.6	55335.8	57013.6	3.0
Non-tax revenue	1544.2	1930.4	3585.1	2428.8	3521.8	45.0
Current expenditure	25369.3	34454.6	44441.8	61184.8	68924.8	12.7
Wages and salaries	10295.4	11142.6	15805.7	22697.5	27136.3	19.6
Interest payments	9876.2	15015.0	17971.2	26467.6	24947.7	-5.7
Current account balance	5121.5	5547.4	9405.9	-3420.2	-8389.4	145.3
Capital revenue, levy and grants	3122.2	4594.3	4654.7	4728.5	4558.2	-3.6
Total revenue and grants	33613.0	44596.3	58502.4	62493.1	65093.6	4.2
Capital expenditure	4627.4	5882.0	11201.2	11149.2	30236.3	171.2
Gross investment	4627.4	5882.0	7908.0	9209.9	23343.1	153.5
Debt amortization	6208.3	18034.6	15158.9	18073.0	28742.3	59.0
Debt servicing	16084.5	33049.6	33130.1	44540.6	53690.0	20.5
Fiscal balance	3616.3	4259.7	2859.4	-9840.9	-34067.5	246.2
GDP at current prices	99843.2	132377.2	170133.0	203109.0	220556.0	
Deficit/GDP	3.6	3.2	1.7	-4.8	-15.4	

*Data refer to calendar year

Money Supply (J $m)
(Relates to end of period)

Narrow money (M1)	14396.2	16374.0	23227.7	28491.3	28623.8	0.5
Broad money (M2)	28919.5	53150.0	73617.6	84272.3	95604.6	13.4

Balance of payments (US $m)

Balance of visible trade	-804.7	-648.7	-989.6	-1529.4	-1719.1	12.4
Exports	1075.4	1219.5	1436.8	1386.9	1387.6	0.1
Imports	1880.1	1868.2	2426.4	2916.3	3106.7	6.5
Services (net)	233.6	191.7	189.5	753.7	747.4	-0.8
Travel (net)	878.4	854.0	939.6	952.4	961.7	1.0
Current balance	-194.2	18.3	-192.3	-139.3	-330.0	136.9
Capital and financial account	307.6	319.2	212.0	410.5	177.9	-56.7
Overall balance	113.4	337.5	19.7	271.2	-152.1	-156.1
External debt (US$ m.)	3687.2	3651.8	3451.9	3231.9	3277.7	1.4
International reserves (US$ m.)	70.8	408.3	428.2	692.6	542.5	-21.7
Interest rates						
Deposit rate (average)	39.8	27.9	17.8	18.0	13.0	
Loan rate (average)	49.6	45.8	57.9	55.2	44.2	
Tourism earnings (US$m)	942.0	973.0	1069.0	1092.0	1140.0	
Stopover arrivals ('000)	1105.4	1098.3	1147.0	1162.5	1192.2	
Cruise ship arrivals ('000)	629.6	595.0	605.2	658.2	711.7	

OECS MEMBER COUNTRIES

	1993	1994	1995	1996	1997	%change
GDP at current prices	5290.0	5620.5	5820.0	6124.4	6433.2	
GDP at constant prices	4032.3	4160.9	4178.9	4281.3	4409.1	
GDP growth (constant prices)	2.1	3.2	0.4	2.5	3.0	
Prices	2.1	1.7	3.5	2.2	2.0	
Exchange rate (E.C.dollars per US$)	2.7	2.7	2.7	2.7	2.7	
Fiscal data (E.C.$m)						
Current revenue	1297.9	1363.6	1397.5	1507.8	1577.1	4.6
Tax revenue	1091.4	1152.5	1198.0	1279.8	1350.3	5.5
Taxes on income and profit	246.7	273.1	277.6	292.3	299.1	2.3
Taxes on property	13.1	13.8	18.0	19.9	20.5	3.0
Taxes on dom. goods and services	172.6	192.8	205.7	221.1	238.2	7.7
Taxes on international trade	658.9	672.8	696.7	746.5	792.5	6.2
Non-tax revenue	206.5	211.1	199.5	228.1	226.8	-0.6
Current expenditure	1141.6	1229.7	1297.1	1431.3	1499.3	4.8
Wages and salaries	625.1	667.6	706.6	784.8	795.3	1.3
Goods and services	271.9	291.8	306.1	322.9	354.3	9.7
Interest payments	83.6	90.6	101.9	105.7	114.1	7.9
Transfers and subsidies	161.1	179.6	182.5	217.9	235.6	8.2
of which Pensions	68.1	70.0	73.8	82.4	88.7	7.6
Current account balance	156.3	133.9	100.4	76.6	77.8	1.6
Money Supply (E.C.$m) (Relates to end of period)						
Narrow money (M1)	834.9	903.4	1034.9	1023.3	1105.67	8.0
Quasi-money	2747.6	2980.3	3376.7	3604.6	3854.12	6.9
Broad money (M2)	3837.7	4170.4	4786.4	5011.66	5438.4	8.5
Balance of payments (US$m)						
Goods	-679.2	-757.1	-765.6	-853.4	-979.2	14.7
Services (net)	523.1	578.7	502.8	504.5	534.1	5.9
Travel (net)	658.6	730.9	689.9	707.9	750.3	6.0
Income	-103.1	-118.0	-125.0	-124.6	-109.9	-11.8
Transfers	50.3	69.4	170.5	128.1	111.8	-12.7
Current balance	-208.9	-227.1	-217.3	-345.3	-443.2	28.4
Capital and financial account	206.5	217.8	268.9	326.4	465.5	42.6
Overall balance	-2.4	-9.3	51.6	-19.0	22.3	-217.4
External debt (US$ m.)	582.5	687.5	709.8	720.2	740.1	2.8
Tourism indicators						
Tourism expenditure (US$m)	686.1	770.8	769.7	807.4	847.3	4.9
Stopover arrivals ('000)	779.531	852.911	807.75	815.883	851.698	4.4
Cruise ship arrivals ('000)	878.087	969.093	1095.841	1204.507	1345.617	11.7

TRINIDAD AND TOBAGO

	1993	1994	1995	1996	1997	%change
GDP at current prices	23686.3	28457.6	30873.7	33299.0	35604.8	
GDP at constant prices	16057.5	16630.3	17265.2	17872.6	18450.8	
GDP growth (constant prices)	-1.5	3.6	3.8	3.5	3.2	
Prices	10.8	8.8	5.3	3.3	3.7	
Exchange rate (TT dollar per US$)	5.3	5.9	5.9	6.0	6.3	
Unemployment rate	19.8	18.4	17.2	16.3	15.0	
Fiscal data (TT $m)						
Recurrent revenue	6721.0	7504.8	8455.8	9536.8	9134.4	-4.2
Oil Revenue	1802.5	1895.9	2535.9	3060.7	2011.8	-34.3
Tax revenue	5698.0	6272.6	7193.5	8059.7	7735.3	-4.0
Income	2087.6	2286.6	2686.0	3035.5	3178.8	4.7
Property	72.3	109.6	61.0	58.8	57.4	-2.4
Goods and services	1629.1	1819.5	1974.8	2101.6	2396.1	14.0
International trade	628.5	578.8	494.0	496.2	566.8	14.2
Non-tax revenue	501.0	814.4	704.1	783.9	923.5	17.8
Recurrent expenditure	6482.7	7103.4	7835.9	9120.6	8523.1	-6.6
Wages and salaries	2572.7	2766.6	2884.4	3484.3	3314.2	-4.9
Interest payments	1446.6	1575.4	1576.9	1580.6	1569.4	-0.7
Transfers and subsidies	1944.7	2011.5	2487.2	3136.8	2902.5	-7.5
Current account balance	238.3	401.4	619.9	416.2	611.3	46.9
Capital revenue	22.5	59.9	56.0	5.7	756.4	13170.2
Capital expenditure	300.6	467.6	622.5	580.4	1029.3	77.3
Fiscal balance	-39.8	-6.3	53.4	-158.5	338.4	-313.5
Financing	39.8	6.3	-53.3	158.5	-338.4	-313.5
Domestic	-435.8	-296.0	849.3	25.1	1162.1	4529.9
External	475.6	302.3	-902.6	133.4	-1500.5	-1224.8
Money Supply (TT$m) (Relates to end of period)						
Narrow money (M1)	2492.0	3072.3	3307.3	3316.2	3894.3	17.4
Broad money (M2)	9479.7	10100.5	10453.0	10368.3	11563.3	11.5
Balance of payments (US$ m)						
Balance of visible trade	163.4	597.7	592.2	346.5	-610.4	-276.2
Exports	1662.2	1971.9	2477.4	2505.8	2427.2	-3.1
Imports	1498.8	1374.2	1885.2	2159.3	3037.6	40.7
Services (net)	60.6	43.1	159.4	244.1	213.5	-12.5
Travel (net)	-25.5	-2.9	-5.9	32.2	51.6	60.2
Current balance	-107.8	221.4	269.9	68.2	-707.7	-1137.7
Capital and financial account	91.5	-32.5	-27.5	43.1	597.7	1286.8
Errors and omissions	167.5	-7.9	-209.9	102.2	266.6	160.9
Overall balance	151.3	181.0	32.5	213.5	156.6	-26.7
External debt (US$ m.)	2102.1	2063.5	1905.2	1875.8	1526.8	-18.6
International reserves (US$ m.)	206.3	514.5	460.2	701.1	836.0	19.2
Interest rates						
Deposit rate (average)	6.5	6.5	5.8	6.4	5.6	-11.9
Loan rate (average)	13.1	13.8	13.4	14.2	13.9	-2.7