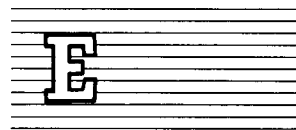


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OF LATIN AMERICA

1982

SAINT CHRISTOPHER AND NEVIS

This preliminary version of the *Economic Survey of Latin America*, 1982 is being distributed in the form of a general introduction, under the symbol E/CEPAL/L.286, and a number of addenda, each containing a study of the economic evolution of a country of the region. The complete Survey will be published later.



## SAINT CHRISTOPHER AND NEVIS

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

The economy of Saint Christopher and Nevis grew by about 3% in real terms in 1981. For 1982, estimates suggest negative real growth of about 0.5%. The per capita gross domestic product (GDP) for 1982 reached EC\$ 2 523.

Sugar exports are still the backbone of the economy. Their value accounted for about 38% of gross domestic product in 1981, but despite increased volume, this share dropped to around 28% in 1982, largely because of the decline in sugar earnings due to the depreciation of the pound sterling. The diversification efforts both in agriculture and manufacturing show mixed results. In 1982 food imports still ran up a bill of EC\$ 28 million—almost reaching the estimated value of revenue from that year's sugar harvest. The light industry sector was hampered in its development by the worldwide recession. The tourism sector, however, was able to maintain and even slightly increase the number of visitors to the island State.

The rate of unemployment is estimated at 30%. The balance on visible trade shows large and growing deficits which exceeded 23 million dollars in 1981. Supplementary data on the external sector are insufficient to provide a full account of the balance of payments. In 1981 government employees' incomes rose between 40% and 50%. For the rest of the economy in 1981, wages seem to have followed the inflation rate, which fell from 8.3% in 1981 to 3% in 1982.

The fiscal deficit has worsened at an increasing rate over the 1981/1982 period. It is expected, however, that some of the large capital expenditures incurred will form the basis for economic recovery and renewed expansion.

### 2. Trends in economic activity

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

i) *Agriculture.* Sugar cane is the main crop on the island and the State-administered sugar industry is the main employer, giving work to about 30% of the employed labour force. Sugar cane output declined by 4% in 1981 but rose by 3.5% in 1982, with the corresponding production of sugar falling by 7% in 1981 to 32 000 tons but rising by 12.5% in 1982 to 36 000 tons. For 1983, the output is expected to fall. As in previous years, under the Lomé II Agreement 15 000 tons of sugar will be sold to EEC countries. The United States has agreed to accept the same quota as the EEC in 1983, so that most of that year's harvest will be sold under such agreements. Molasses output declined in 1981 by 31% but rose in 1982 by 42% to 2.16 million gallons. Financial losses in the sugar industry will continue to be heavy, and it is estimated that they will reach 13 million East Caribbean dollars in 1983. Productivity in this industry has not increased over the last decade and production costs have more than doubled since 1975.

The efforts to diversify have shown mixed results. Peanut output declined from 214 tons in 1980 to 200 tons in 1981 and then drastically to 134 tons in 1982. Copra output increased by 30% between 1980 and 1981, but figures for 1982 are not yet available. The production of cotton (on Nevis) was successfully revived in 1981, but in 1982 output declined by about one-third. Other agricultural output did not show substantial progress over the two-year period (see table 2).

A number of agricultural diversification projects—mostly involving the provision of technical assistance—are underway. They are primarily aimed at fostering substitution of food imports. At about 28 million East Caribbean dollars the import bill for food in 1982 was roughly equal to the estimated total revenue from sugar sales in the same year.

Table 1

## SAINT CHRISTOPHER AND NEVIS: MAIN ECONOMIC INDICATORS

	1979	1980	1981	1982 <sup>a</sup>
<b>A. Basic economic indicators</b>				
Gross domestic product at factor cost (millions of current East Caribbean dollars)	80.9	95.9	106.6	109.5
Population (thousands inhabitants)	43.4	43.3	43.3	43.4
Per capita gross domestic product (current of East Caribbean dollars)	1 864	2 215	2 462	2 523
<b>Growth rates</b>				
<b>B. Short-term economic indicators</b>				
Gross domestic product (at current values)	15.7	18.5	11.2	2.6
Per capita gross domestic product	15.7	18.3	11.1	2.5
Current value of exports of goods and services	0.1	43.2	0.1	...
Current value of imports of goods and services	32.6	39.7	0.6	...
Consumer price index (December/December)	14.4	13.7	8.3	3.0
Money	20.5	15.1	10.3	18.3
<b>Percentages</b>				
<b>C. External sector</b>				
Fiscal deficit/total expenditure of government	19.0	19.8	26.6	39.1
Deficit on the balance of visible trade, as a percentage of GDP	50.9	52.5	59.4	...

Source: ECLA, on the basis of official and provisional data.

<sup>a</sup>Preliminary figures.

Table 2

## SAINT CHRISTOPHER AND NEVIS: OUTPUT OF SELECTED AGRICULTURAL COMMODITIES

Commodities	Metric tons					Growth rates		
	1978	1979	1980	1981	1982 <sup>a</sup>	1980	1981	1982 <sup>a</sup>
Sugar cane	362 400	384 000	352 000	338 000	350 000	-8.3	-4.0	3.6
Cotton (lint)	6	1	-	11	7	-	-	-36.4
Copra	101	115	132	170	...	14.8	28.8	...
Unshelled peanuts	...	113	214	201	134	89.4	-6.1	-33.3

Source: Data supplied by Statistical Office, Saint Christopher and Nevis.

<sup>a</sup>Preliminary figures.

Table 3

## SAINT CHRISTOPHER AND NEVIS: SELECTED TOURISM STATISTICS

	1978	1979	1980	1981	1982 <sup>a</sup>	Growth rates		
						1980	1981	1982 <sup>a</sup>
Stopover visitors	20 234	32 980	32 585	35 484	35 538	-1.2	8.9	0.2
Cruise ship visitors	2 092	2 993	5 782	10 850	11 146	93.2	87.7	2.7
Total	22 326	35 973	38 367	46 334	46 684	6.7	20.8	0.8
Average length of stay of stopover visitors (days)	6	5.5	5.5	6	6	-	9.0	-
Room occupancy rate, percentage (Saint Christopher only)	22	27	29	29	29	7.4	-	-
Number of hotel beds	860	881	900	887	901	2.2	-1.4	1.6

Source: Statistical Office, Saint Christopher and Nevis.

<sup>a</sup>Preliminary figures.

Table 4

## SAINT CHRISTOPHER AND NEVIS: MANUFACTURING PRODUCTION

	Thousands of East Caribbean dollars					Growth rates		
	1978	1979	1980	1981	1982 <sup>a</sup>	1980	1981	1982 <sup>a</sup>
Electrical appliances <sup>b</sup>	...	3 920	5 338	4 308	3 781	36.2	-19.3	-12.0
Clothing <sup>b</sup>	...	4 026	4 864	4 597	...	20.8	-5.5	...
Footwear <sup>b</sup>	...	2 047	2 455	1 851	...	19.9	-24.6	...
Beer	391	389	309	267	367	-20.6	-18.8	37.5
Aerated water	146	298	266	460	547	-10.7	72.9	18.9
Electricity generated <sup>c</sup>	22 969	24 809	27 612	30 572	...	11.3	10.7	...
Electricity sold <sup>c</sup>	20 217	21 301	25 816	28 775	...	21.2	11.5	...

Source: Statistical Office, Saint Christopher and Nevis.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Only export data available.

<sup>c</sup> KWh.

ii) *Tourism*. In 1981, the total number of visitors increased by about 20% as compared to the previous year: this was mainly due to an almost 90% increase in cruise ship visitors (see table 3). Preliminary figures for 1982 show that despite the recessive tendencies in this industry for the region as a whole, Saint Christopher and Nevis was able to attract a slightly greater number of visitors. Stopover visitors stayed on the average for almost one week. The room occupancy rates of around 29% for Saint Christopher reflect the fact that some well-managed hotels have high year-round occupancy rates while others do very badly, and that tourism drops off considerably during the summer and fall periods.

iii) *Manufacturing and construction*. Manufacturing, which is carried on by about 27 enterprises, is mainly export-oriented. Major activities include the assembly of electrical appliances; production of clothing, footwear, beer and aerated water; food processing, and data processing.

Viewed over the period for which data are available, the value of output of electrical appliances, clothing and footwear peaked in 1980 while the value of beer and soft drinks showed a trough in that year. Information from the Ministry of Trade and Development indicates that during the period 1981/1982 six companies started operations and two closed down (clothing, footwear). Manufacturing output showed a decline of about 13% in 1981 (see table 4), whereas in 1982, although complete data are not yet available, government officials suggest that output rose by about 2%. The Labour Department estimates that unemployment in this sector decreased in 1981 but increased slightly in 1982.

Due to both increased private sector construction activity in tourism-related projects and increased public investment in this area, construction is believed to have grown around 10% in each of these years and to have more than absorbed the overall drop in employment in the manufacturing sector.

As in the year before, electricity output increased by about 11% in 1981, with a higher figure expected for 1982 due to the installation of additional generating capacity.

#### b) *Employment and unemployment*

The Labour Department indicates that the total population figure of 43 309 given by the 1980 census has not undergone major changes. The total labour force is given as 17 000 persons: 10 500 male and 6 500 female. The unemployment rate is approximately 30%, without taking account of seasonal unemployment in the sugar industry.

### 3. The external sector

#### a) *The trade balance*

The balance on visible trade continued to show mounting deficits. Thus, between 1980 and 1981 the value of total exports rose by only half a percentage point, while the value of imports increased by 6% (see table 5), so that deficit on visible trade increased by 13%, and the total exports are now equivalent to only half the value of imports. Data for 1982 are not yet available, but preliminary estimates suggest that this general situation persists.

In 1980 and 1981, sugar accounted for about 60% of the total export value. The data available for 1982 show a 25% decline in the value of sugar exports, but due to the lack of total export data its relative share for that year cannot be determined. Exports of manufactures come second in importance, with relative shares of 20% and 17.5% in 1980 and 1981. The remainder is accounted for by exports of other agricultural products, fish and live animals (see table 6).

The main import items, by value, are food, manufactured goods and machinery and transport equipment, with an approximate share in total imports of 20% each (in 1981). Miscellaneous manufactured articles, fuels and chemicals are other major imports which furthermore seem to exhibit a stronger growth pattern than the other items in the import list (see table 7).

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

In both 1980 and 1981, about 55% of the deficit on visible trade was covered by the positive balance of foreign exchange transactions by commercial banks (see table 8). The breakdown of the latter shows that personal remittances were almost twice as high as net receipts from foreign travel.

External grants and loans and foreign investment in manufacturing helped to finance the deficit on current account. As data on short and long-term capital flows are not available, however, the full balance of payments cannot be determined.

Table 5

#### SAINT CHRISTOPHER AND NEVIS: EXPORTS, IMPORTS AND BALANCE ON VISIBLE TRADE

	Thousands of dollars				Growth rates	
	1978	1979	1980	1981	1980	1981
Domestic exports	15 791	16 274	23 548	22 401	44.7	-4.9
Total exports	16 745	16 842	24 123	24 261	43.2	0.6
Imports CIF	24 210	32 096	44 840	47 714	39.7	6.4
Trade balance	-7 465	-15 254	-20 717	-23 453	35.8	13.2

Source: Statistical Office, Saint Christopher and Nevis.

Table 6

#### SAINT CHRISTOPHER AND NEVIS: SELECTED EXPORTS BY VALUE

	Thousands dollars					Growth rates		
	1978	1979	1980	1981	1982 <sup>a</sup>	1980	1981	1982 <sup>a</sup>
Sugar	11 852	11 304	14 435	14 728	11 082	27.7	2.0	-24.8
Electrical appliances	...	1 452	1 977	1 596	1 400	36.2	-19.3	-12.3
Clothing	...	1 491	1 801	1 703	...	20.8	-5.4	...
Footwear	...	758	909	686	...	19.9	-24.5	...
Beer	145	144	114	99	136	-20.8	-13.2	37.4
Aerated waters	54	110	99	170	203	-10.0	71.7	19.4
Molasses	161	324	470	326	529	45.1	-30.6	62.3
Copra	40	53	57	81	...	7.5	42.1	...
Fish (including lobster and conch)	179	128	151	132	...	18.0	-12.6	...
Live animals	59	58	89	107	...	53.4	20.2	...

Source: Statistical Office, Saint Christopher and Nevis.

<sup>a</sup>Preliminary figures.

Table 7

## SAINT CHRISTOPHER AND NEVIS: IMPORTS BY SITC SECTIONS

	Thousands of dollars				Growth rates	
	1978	1979	1980	1981	1980	1981
Food	5 940	6 737	8 549	9 306	26.9	8.9
Beverages and tobacco	630	719	1 013	1 231	40.9	21.5
Crude materials (except fuels)	524	421	953	816	126.4	-14.4
Mineral fuels, lubricants and related materials	2 020	2 709	4 865	5 224	79.6	7.4
Animal and vegetable oils and fats	163	189	182	313	-3.7	72.0
Chemicals	2 203	2 486	3 670	4 236	47.6	15.4
Manufactured goods	4 610	7 684	10 371	9 623	35.0	7.2
Machinery and transport equipment	5 430	7 111	9 546	9 796	34.2	2.6
Miscellaneous manufactured articles	2 564	3 605	5 437	6 906	50.8	27.0
Other	126	182	251	297	37.9	18.3
Total	24 210	31 841	44 839	47 714	40.8	6.4

Source: Statistical Office, Saint Christopher and Nevis.

Table 8

## SAINT CHRISTOPHER AND NEVIS: FOREIGN EXCHANGE TRANSACTIONS BY COMMERCIAL BANKS

	Thousands of dollars			Growth rates	
	1979	1980	1981	1980	1981
Balance of travel account	2 642	5 330	4 704	101.7	-11.7
Foreign travel (purchases)	4 007	6 680	7 135	66.7	6.8
Foreign travel (sales)	1 365	1 351	2 431	-1.0	79.9
Balance of personal remittances account	6 884	5 952	8 357	-13.5	40.4
Personal remittances (purchases)	8 136	7 549	10 268	-7.2	36.0
Personal remittances (sales)	1 252	1 597	1 911	27.6	19.7
Balance on foreign exchange transactions	9 526	11 281	13 061	18.4	15.8

Source: East Caribbean Currency Authority (ECCA).

## 4. Wages and prices

a) *Wages*

In 1981, sugar workers received a 10% increase on their base wage plus a bonus of 15% on their annual wage income. Government employees received raises of 50% and 40% for higher ranking officials and lower-employees respectively. In 1982, however, wage increases for sugar workers were only 3%, reflecting the financial problems of the industry. For the first time since the State-owned National Agricultural Corporation (NACO) took over canefield operations in 1975, no special bonus ("goat water") was paid. More so than wages in the public sector, private sector wages seem to be patterned after the change in the cost of living.

b) *Prices*

The all-items index of consumer prices registered inflation of 8.3% for the year 1981, followed by an inflation rate of 3.3% in 1982. In 1981 the price hikes were most marked for household goods, alcohol and tobacco, and transport, while in 1982 fuel transport, alcohol and tobacco and miscellaneous items contributed over-proportionately to the price rises (see table 9).

## 5. Fiscal and monetary policy

### a) *Fiscal policy*

Although surpluses were registered in previous years, in 1981 the government's current account closed with a deficit of EC\$ 3.3 million. To a large extent, this was due to the substantial increase in emoluments to civil servants and pensioners. Despite the 23% drop in capital expenditures compared with the previous year, the fiscal deficit increased by 49%. Estimates of the Ministry of Finance show a further deterioration in the financial position of the central government in 1982. The shortfall on current account is estimated at EC\$ 7.2 million, more than double that of the previous year (see table 10).

Table 9

### SAINT CHRISTOPHER AND NEVIS: CONSUMER PRICE INDEX

(January 1978 = 100)

	At end of:			
	1979	1980	1981	1982
<b>December to December variations</b>				
All items	14.4	14.2	8.3	3.3
Food	11.7	13.7	7.8	1.3
Alcohol and tobacco	15.6	11.1	13.6	8.2
Housing	2.5	1.7	3.3	2.4
Fuel and light	13.4	24.4	3.2	8.6
Clothing and footwear	25.0	2.3	2.1	-1.9
Household goods	20.4	14.7	16.7	2.7
Transport	12.6	41.6	13.0	7.9
Miscellaneous	14.0	24.6	5.3	13.8

Source: Data supplied to ECLA.

Table 10

### SAINT CHRISTOPHER AND NEVIS: CENTRAL GOVERNMENT REVENUE AND EXPENDITURE

	Millions of East Caribbean dollars					Growth rates		
	1978	1979	1980	1981	1982 <sup>a</sup>	1980	1981	1982 <sup>a</sup>
1. <b>Current revenue</b>	34.6	40.3	54.7	55.4	53.3	35.7	1.3	-3.8
Import duties	4.7	5.5	7.6	10.5	...	38.2	38.2	...
Export duties	0.4	0.4	0.4	0.3	...	-	-25.0	...
Consumption tax	5.9	6.4	8.3	9.6	...	29.7	15.7	...
Income tax	8.4	7.0	7.2	4.5	...	2.9	-37.5	...
Other taxes	7.4	10.9	14.5	14.7	...	33.0	1.4	...
Other local receipts	7.8	10.1	16.7	15.8	...	65.3	-5.4	...
2. <b>Current expenditure</b>	32.5	38.4	46.2	58.7	60.5	20.3	27.1	3.1
3. <b>Saving on current account (1-2)</b>	2.1	1.9	8.5	-3.3	-7.2	347.4	...	...
4. <b>Capital expenditure</b>	7.9	12.7	22.0	16.8	27.0	73.2	-23.6	60.7
5. <b>Total expenditure (2 + 4)</b>	40.4	51.1	68.2	75.5	87.5	33.5	10.7	15.9
6. <b>Fiscal deficit (1 - 5)</b>	-5.8	-9.7	-13.5	-20.1	-34.2	39.2	48.9	70.1

Source: Statistical Office and Ministry of Finance, Saint Christopher and Nevis.

<sup>a</sup>Preliminary figures.



Table 11

## SAINT CHRISTOPHER AND NEVIS: MONEY SUPPLY

(End year-figures)

	Millions of East Caribbean dollars					Growth rates		
	1978	1979	1980	1981	1982 <sup>a</sup>	1980	1981	1982 <sup>a</sup>
Money								
Currency outside banks	8.6	10.4	12.6	14.9	16.2	21.2	18.3	8.7
Demand deposits	10.1	13.7	19.5	19.0	19.7	42.3	-2.6	3.7
Total (M <sub>1</sub> )	18.7	24.1	32.1	33.9	35.9	33.2	5.6	5.9
Quasi-money								
Time deposits	31.2	34.6	41.5	41.3	77.0	19.9	-0.5	86.4
Savings deposits	52.9	65.3	71.3	81.4	63.1	9.2	14.2	-22.5
Total quasi-money	84.1	99.9	112.8	122.7	140.1	12.9	8.8	14.2
Total money supply	102.8	124.0	144.9	156.6	176.0	16.9	8.1	12.4

Source: East Caribbean Currency Authority, (ECCA).

<sup>a</sup>Preliminary figures.

Table 12

## SAINT CHRISTOPHER AND NEVIS: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

(End-year figures)

	Millions of East Caribbean dollars			Percentage distribution		Growth rates	
	1980	1981	1982 <sup>a</sup>	1981	1982 <sup>a</sup>	1981	1982 <sup>a</sup>
Agriculture	0.4	0.3	0.8	0.27	0.68	-25.0	166.7
Manufacturing	2.8	5.7	5.3	5.4	4.5	103.6	-7.0
Distribution	12.0	10.7	12.2	10.2	10.4	-10.8	14.0
Tourism	4.7	6.9	8.0	6.5	6.8	46.8	15.9
Transport	15.3	5.1	6.4	4.9	5.5	-66.7	25.5
Construction	8.9	9.9	10.2	9.4	8.7	11.2	3.0
Government	22.7	40.5	42.4	38.6	36.2	78.4	4.7
Personal	...	18.7	23.7	17.8	20.3	...	26.7
Other	5.6	7.2	8.6	6.7	7.4	28.6	19.4
Total	92.4	105.0	117.6	100.0	100.0	11.4	12.0

Source: East Caribbean Currency Authority (ECCA).

<sup>a</sup>Preliminary figures.

In 1981, the main capital expenditures were for airport and deep-water port improvements, factory shells construction, expansion of livestock herds and a sugar replanting programme. In 1982, capital expenditures were made on factory shells, equipment for the airport and deep-water port, fisheries development and beef/milk production. The main sources of financing are heavy borrowing from commercial banks (see table 12) and development grants and loans.

When capital expenditure is taken into account, the overall fiscal deficit is estimated to have risen from EC\$ 20 million to EC\$ 34 million—an increase of 70%.

b) *Monetary policy*

Saint Christopher and Nevis comes within the area of the East Caribbean Currency Authority (ECCA), which indeed has its headquarters in Saint Christopher. Since ECCA has only limited functions—it is expected to reach full central bank status sometime in 1983—the institutional framework for monetary policy in its full sense had not yet been established during the reporting period.

In 1981 the total money supply increased by 8%, with an increase in quasi-money of 9% and an increase in M<sub>1</sub> of 6%. For 1982, the corresponding figures were 12%, 14% and 6% respectively.

Behind this general situation it is notable that while there has been only a moderate increase in demand deposits, there has been substantial reduction in savings deposits and, at the same time, a marked expansion in time deposits (see table 11).

A look at the sectoral distribution of commercial bank loans shows that the government was the biggest borrower. In 1981, the value of bank loans to the government was about twice that of loans to the private sector (the next-largest borrower). In 1982 the government borrowed about 80% more than the private sector. In 1981 and 1982 the increases of loan volume over the previous year were for the government 78% and 5%, for construction 11% and 3%, and for tourism 47% and 16%, respectively. Loans to the manufacturing sector increased by 104% in 1981 but declined by 7% during the following year. Loans to the transport sector, on the other hand, had fallen by 66% in 1981 but increased by 25% in 1982. Commercial credit to the agricultural sector remained at less than 1% of total credits disbursed (see table 12).



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