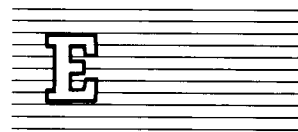


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1982

SAINT VINCENT AND THE GRENADINES

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.

Notes and explanation of symbols

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

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

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

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

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

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

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

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

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

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

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

ST. VINCENT AND THE GRENADINES

1. Recent economic trends: Introduction and summary

An estimated 8% increase was registered in 1982 in the gross domestic product (GDP) at current factor cost of St. Vincent and the Grenadines (see table 1). Adjusting for the rate of inflation as measured by the consumer price index, the GDP appears to have grown in real terms by 0.8%. Such sectors as hotels and restaurants, mining and quarrying, manufacturing and electricity, gas and water were major determinants of growth in the economy (see table 2).

There was improved performance in agriculture after the setbacks of 1979 and 1980, with a reasonably high level of production of bananas in 1981 and a slight decline in 1982, but the deterioration of the exchange rate of the pound sterling (in which currency banana prices are quoted) *vis-a-vis* the United States dollar (to which currency the East Caribbean dollar is pegged) resulted in lower foreign exchange earnings from the crop. A fall in the demand for arrowroot occasioned by a shift on the part of the purchaser to a substitute product, led to a glut of this commodity in 1982, and provoked an examination of possible alternative uses of the product.

Tourism declined in 1982 for the second consecutive year especially from the point of view of the number of visitors, as a result of the worldwide economic recession and the country's poor tourism infrastructure. The Tourist Board has undertaken a series of activities aimed at improving the services to tourists who visit the islands.

The current account deficit worsened in 1982 as a result of the drop in tourism and the bigger trade deficit due to the increased value of imports and a fall in the value of exports.

The Government engaged in borrowing to refurbish the sugar factory (which in 1982 operated at relatively high cost), and at the same time gave attention to the re-focussing of industrial policy towards export-oriented activities associated with high value-added. This, with other Government external borrowing, raised the level of the external debt to US\$ 17 million at the end of fiscal year 1981/1982.

2. Trends in economic activity

a) *Evolution of the main sectors*

i) *Agriculture.* The agricultural sector recovered in 1981 from the setbacks caused by the national disasters of 1979 and 1980 and recorded a 3.2% increase at current factor cost in 1982, when the sector is estimated to have contributed 17% of total GDP (see table 2).

A 4.4% drop in production of bananas is estimated to have occurred in 1982 (see table 3), after the production of bananas had increased in 1981 to 33 000 tons —the highest level of production in many years. The major determinant of this performance was a massive rehabilitation effort in the wake of Hurricane Allen, made possible by funding from the British Development Division (BDD) and the United States Agency for International Development (USAID). The high level of output in 1981 and the 1982 output did not lead to a proportional increase in foreign exchange because of the deterioration in the exchange rate of the pound sterling, the effect of which was a fall in the price to the grower from 20 cents per pound in May to 12 cents per pound in September 1981. Despite moves to diversify the agricultural sector, bananas continue to contribute 60% of the country's total export earnings. St. Vincent bananas enjoy preferential treatment in the United Kingdom and are bought at a price well above the world market price for the commodity. The future of the industry will, however, depend on its ability to be cost-competitive with other ACP and Central and South American producers.

Table 1

**SAINT VINCENT AND THE GRENADINES:
MAIN ECONOMIC INDICATORS**

	1979	1980	1981	1982 ^a
A. Basic economic indicators				
Gross domestic product at factor cost (millions of current EC dollars)	116	127	160	173
Per capita gross domestic product at current prices (EC\$)	1 074	1 165	1 441	1 531
Population (thousands)	108	109	111	113
Growth rates				
B. Short-run economic indicators				
Gross domestic product at factor cost	...	9.5	25.5	8.0
Per capita gross domestic product	...	8.5	23.7	6.2
Current value of exports of goods	...	4.7	34.8	-3.5
Current value of imports of goods	...	23.5	1.9	9.5
Consumer price index (December-December)	...	...	13.0	4.8 ^b
Annual average variation	...	...	...	7.2 ^b
Millions of US dollars				
C. External sector				
Trade balance (goods and services)	-15.0	-19.1	-13.4	-20.1
Balance on current account	-7.1	-10.1	-5.1	-11.9
Variation in net international reserves	0.1	0.4	-	-
External debt ^c	7.8	12.6	16.4	17.0
Exchange rate EC\$ per US\$	2.7	2.7	2.7	2.7

Source: ECLA, on the basis of official data.

^aPreliminary figures.^bBased on new index (January 1981 = 100)^cMillions of US dollars at the end of fiscal year.

Table 2

**SAINT VINCENT AND THE GRENADINES: GROSS DOMESTIC PRODUCT,
BY ECONOMIC ACTIVITY, AT CURRENT FACTOR COST**

	Millions of EC dollars		Percentage breakdown		Growth rates	
	1981	1982 ^a	1977	1982 ^a	1981	1982 ^a
Gross domestic product	159.7	172.5	100.0	100.0	25.5	8.0
Goods						
Agriculture	28.5	29.4	16.8	17.0	71.7	3.2
Mining and quarrying	0.5	0.6	0.4	0.3	25.0	20.0
Manufacturing	18.4	20.7	7.4	12.0	20.3	12.5
Construction	20.1	21.6	12.6	12.5	19.6	7.5
Basic services						
Electricity, gas and water	3.2	3.6	3.0	2.1	14.3	12.5
Transport, storage and communications	23.1	24.9	14.5	14.4	23.5	7.8
Other services						
Wholesale and retail trade	14.9	16.4	13.1	9.5	8.0	10.1
Hotels and restaurants	2.9	3.7	1.8	2.1	7.4	27.6
Finance, insurance, real estate and business services	13.1	14.1	7.7	8.2	7.4	7.6
General services	4.7	5.1	3.3	3.0	11.9	8.5
Government services	29.8	32.4	19.4	18.8	25.2	8.7

Source: OECS Secretariat and World Bank mission estimates.

^aPreliminary figures.

Table 3

SAINT VINCENT AND THE GRENADINES: INDICATORS
OF AGRICULTURAL PRODUCTION

	1980	1981	1982 ^a	Growth rates		
				1980	1981	1982 ^a
Production of main crops^b						
Arrowroot starch	703	675	691	4.6	3.5	2.4
Bananas	20 765	32 958	31 500	-26.8	58.4	-4.4
Coconuts (000 nuts)	10 738	9 924	10 000	-24.9	-7.6	0.8
Eddoes	1 814	2 713	...	22.2	49.6	...
Ginger	540	900	...	-54.5	66.7	...
Mangoes	571	1 715	1 801	-66.7	200.2	5.0
Peanuts	45	180	180	-1.0	300.0	-
Plantains	1 454	5 040	4 500	34.0	246.6	-10.7
Sweet potatoes	2 093	1 357	...	45.4	-35.2	...
Tannia	675	675	675	-	-	-
Tobacco	86	98	99	18.0	14.7	1.0
Yams	450	450	450	-	-	-

Source: Central Statistical Unit, Ministry of Finance, and Ministry of Agriculture.

^aECLA estimates.

^bTons.

An estimated 691 tons of *arrowroot* starch were produced in 1982, representing a 2.4% increase over the previous year's production. A factory for processing the rhizomes began grinding operations in January 1981. Funding is being sought for an integrated arrowroot development programme that would seek to improve yields and increase acreages devoted to the crop. In 1981, the country suffered a decline in the demand for arrowroot, as the computer industry, which had hitherto been a major user of arrowroot starch, took advantage of the lower prices of a synthetic competitive product. This has resulted in a relative glut of the natural product. At present, a study is being conducted on the use of arrowroot bittie as an alternative source of energy.

The *sugar* factory was refurbished and reinstated in 1981, marking the effective return to sugar production on the island. Of the 1 700 acres¹ under sugar cane, some 1 300 acres were reaped during the 1982 sugar crop. Unscheduled fires were the major determinant of the shortfall in the amount of cane reaching the factory. At the end of the harvest, some 1 776 tons of sugar and 855 000 litres of molasses were produced. The Government is moving to upgrade the variety of sugar cane cultivated on the island in favour of a variety more suited to local conditions. Considerable reductions in costs of production are expected to be achieved as a result.

Coconuts constitute an important export item in St. Vincent and the Grenadines. Production fell after the ravages of the volcanic eruption of 1979 and the hurricane of 1980, and as a consequence of diseases affecting the trees. Since 1980, uneven performance has been noted. The Government is actively seeking support for a coconut development programme aimed at replanting with varieties resistant to both red-ring and coconut mite diseases.

Tobacco, which began to be produced on a commercial basis in 1978, reached a level of output of 86 tons in 1980 and rose to an estimated 99 tons in 1982. The crop occupies a very small acreage, some 220 acres having been harvested in 1981, but is a potentially very profitable proposition for farmers.

Ground provisions. Production declined to a level of 1 700 tons in 1977, but recovered to an estimated 32 000 tons in 1980. A significant amount of trade in these commodities is carried on with CARICOM countries.

The Government has identified three major constraints to the further development of agriculture. *Marketing* has posed a problem because of deficiencies in market information, storage, packaging and processing. Apart from bananas and arrowroot, whose marketing and export are

¹ One acre equals 0.4 hectares.

handled by special organizations, the bulk of marketing of the rest of export crops is done by the St. Vincent Marketing Corporation. The remainder of the export trade is handled, on a more informal basis than the Marketing Corporation, by individual traders. The granting of licences allowing hucksters to export ground provisions led to a situation where the Marketing Corporation was unable to supply its quota allocation. The low selling price of this produce by the hucksters upon arrival in Trinidad caused a shift in purchases away from the Marketing Agency in that country, and a cessation of orders for produce from the St. Vincent Marketing Corporation. The 190 tons of sweet potatoes shipped to Trinidad by the Marketing Agency in 1982 is equivalent to one month's exports to Trinidad under normal conditions. There is need for the systematic monitoring of production and trade in agricultural commodities, so as to be able to set realistic quota levels under the CARICOM Agricultural Marketing Protocol.

Extension and research services constitute the second major constraint on the development of agriculture. Development of the service extended to the 10 000 farmers on the island in this area is necessary. As a means of improving the quality and amount of technical extension services over the longer term, in-service training will be utilized to a greater extent than previously.

Credit has been identified as the third major constraint. Agricultural credit facilities have not operated efficiently prior to 1982, but with the merger between the Agricultural and Co-operative Bank and the Development Corporation (DEVCO) in 1982, it is expected that credit to farmers will be facilitated. There is need for a scheme that would quickly make available small loans to farmers who do not possess the qualifications for a bank loan under normal commercial banking criteria. In order to achieve this objective, DEVCO would need to be expanded in terms of staffing.

ii) *Manufacturing*. Though growing, this sector continues to be relatively small, contributing an estimated 12% to total GDP at current factor cost in 1982. The small size of the domestic market and the limited volume of agricultural output suitable for processing have tended to constrain growth of the sector. Apart from a number of small food-processing establishments, manufacturing activity encompasses the making of garments, the corrugation of iron and plastics, glove manufacture and electronics. An estimated 1 000 new jobs were created in this sector of the economy between mid-1980 and mid-1981. The Caribbean Development Bank (CDB) has made funds available for the construction of factory space, the shortage of which had acted as a disincentive to the attraction of foreign manufacturing companies to the island.

The Development Corporation (DEVCO) is at present seeking to refocus industrial policy on export-oriented areas associated with high value-added.

iii) *Energy*. The near total dependence of the country on petroleum and petroleum products as a source of energy is a matter of concern, as it affects the balance of payments directly, and the cost of living through the level and system of relative prices. The Government has moved to introduce energy planning, which is fundamental to Government's macro-planning process.

iv) *Construction*. Accounting for a slightly higher percentage of total GDP than manufacturing, the construction sector grew by an estimated 7.5% in 1982 as a consequence of the expansion of the manufacturing and tourism sectors and increased government investment. Public sector activity in this sector predominates, as it encompasses housing and land development, water resource development, and public works.

The private sector is relatively small and cannot handle large projects, partly because of the lack of sufficient construction equipment, and partly because of the inadequacy of technical manpower. The emigration of skilled and semi-skilled construction workers has further contributed to the shortage of trained personnel in this area.

3. The external sector

a) *Balance of payments*

At the time of writing, no official external trade or balance of payments statistics for 1982 are available. IMF staff estimates, however, place the current account deficit at US\$ 11.9 million in 1982, as compared with a deficit of US\$ 5.1 million in 1981 (see table 4). The worsened current account deficit was mainly due to a slight drop in the value of exports, and an increase in the value of merchandise imports, as export prices and volumes and tourism declined. The ratio of the current account deficit to GDP was of the order of 15%, the comparable figure for 1981 being about 7%.

Table 4

SAINT VINCENT AND THE GRENADINES: BALANCE OF PAYMENTS

(Millions of US dollar)

	1979	1980	1981	1982 ^a
Exports of goods and non-factor services	37.2	43.9	52.0	51.8
Exports of goods	19.0	19.9	26.8	25.9
Exports of non-factor services	18.2	24.0	25.2	25.9
Imports of goods and non-factor services	52.2	63.0	65.4	71.9
Imports of goods	46.3	57.2	58.3	63.8
Imports of non-factor services	5.9	5.8	7.1	8.1
Balance on goods and services	-15.0	-19.1	-13.4	-20.1
Net transfer payments	7.8	8.9	8.1	8.0
Balance on current account	-7.1	-10.1	-5.1	-11.9

Source: ECLA calculation on the basis of IMF mission estimates.

^aEstimates.

Table 5

SAINT VINCENT AND THE GRENADINES:
SELECTED TOURISM INDICATORS

	1979	1980	1981	1982 ^a	Growth rates	
					1981	1982 ^a
Total visitors	63 440	92 233	83 283	80 159	-9.7	-3.8
Stopover visitors in hotels	10 438	13 387	44 732	37 456	234.1	-16.3
Cruise-ship visitors	20 726	42 479	33 451	29 870	-21.3	-10.7
Hotel and guest house beds	775	983	1 106	1 120	12.5	1.3
Average length of stay of stopover visitors ^b	7	7	9	8	28.6	-11.1
Hotel bed occupancy rate ^c	...	...	...	50	...	...
Number of cruise-ship calls	19	25	72	69	188.0	-4.2
Number employed in hotels	...	...	...	499	...	...
Estimated tourist expenditure ^d	...	...	...	70	...	...

Source: Tourist Board.

^aPreliminary figures.^bDays.^cPercentage.^dMillions of EC dollars.

Inflows of capital to the public sector financed some 75% of the 1982 current account deficit and borrowing from the banking system to the extent of US\$ 3.3 million helped to make up the remainder.

b) *Services trade*

Tourism, as measured by the hotels and restaurant sector, contributed EC\$ 3.7 million at factor cost to the GDP in 1982, or about 2% of total GDP. This low contribution of the sector is indicative of the relative lack of development of the tourism infrastructure on the main island. The Tourist Board noted a decline in tourism in 1982, due to a reduction in visitor arrivals and has ascribed this to: the worldwide economic recession, the need for improvement in tourist facilities, and inadequate air services to St. Vincent and the Grenadines.

However, a substantial increase in tourist expenditure was noted in 1982 when compared with the figure for 1978. Tourist arrival statistics collected at the main airport reveal that the Caribbean and North America were the best tourist markets in 1982 (see table 5).

4. Wages, employment and prices

a) *Wages*

Wage levels in St. Vincent and the Grenadines are low compared with most other Caribbean countries. This fact has, in turn, contributed to a shortage of skilled labour, especially in the construction sector, because of the migration of skilled workers to other Caribbean countries. There are no official wage indexes compiled for the country. Some idea of the direction and slope of the wage curve can be inferred from partial data, however. A three-year age agreement with public servants was reached in July 1981. This provided for a 30% increase in wages and salaries in the first year, retroactive to January 1981, with 10% increases in 1982 and 1983.

b) *Employment*

No reliable data on employment are available. However, the increase in economic activity in 1981 appears to have been accompanied by an increase in the numbers employed. An estimate of the unemployment rate puts the figure at 20% to 25% of the labour force.

c) *Prices*

The rate of inflation, as measured by the consumer price index, declined from an estimated 13% in 1981 to 7.2% in 1982. The deceleration in the price increases of imports has been a major factor contributing to the behaviour of domestic prices.

Highest relative increases were observed in household supplies, clothing and footwear and alcoholic drinks and tobacco. Food, because of its weight in the index, contributed most to the recorded 7.2% increase in the All Items Index (see table 6).

Table 6

SAINT VINCENT AND THE GRENADINES: EVOLUTION OF DOMESTIC PRICES

	1981	1982 ^a
December to December variation		
All items consumer price index		4.8
Food	...	4.0
Alcoholic drinks and tobacco	...	5.7
Clothing and footwear	...	4.3
Housing	...	0.1
Fuel and light	...	3.8
Furniture, furnishings and domestic appliances	...	10.9
Household supplies	...	9.5
Transport and communications	...	2.3
Other	...	13.8
Variation between annual averages		
All items consumer price index	...	7.2
Food	...	4.7
Alcoholic drinks and tobacco	...	11.7
Clothing and footwear	...	14.0
Housing	...	1.5
Fuel and light	...	4.3
Furniture, furnishings and domestic appliances	...	8.2
Household supplies	...	22.0
Transport and communications	...	10.5
Other	...	17.4

Source: Central Statistical Unit, Ministry of Finance.

^aPreliminary figures.

5. Monetary and fiscal policy

a) *Monetary policy*

A 28% increase in net domestic credit of the commercial banks at the end of October 1982 was observed. Commercial banks' liabilities to the private sector increased by 11%, as the growth rate of savings deposits and demand deposits decelerated somewhat. A substantial increase in public sector borrowing was the main explanation for the increase in net domestic credit (see table 7).

Table 7

SAINT VINCENT AND THE GRENADINES:
SECTORAL DISTRIBUTION OF CREDIT

(Thousands of EC dollars as at end of December)

	1980	1981	September		Growth rates	
			1981	1982	1981	1982 ^a
Total	85.1	99.1	92.4	123.2	16.5	33.3
Agriculture	7.7	6.1	5.2	8.9	-20.8	71.2
Manufacturing	10.2	14.4	15.0	21.2	41.2	41.3
Distribution	15.3	16.9	13.4	20.1	10.5	50.0
Construction	5.7	6.0	4.9	7.1	5.3	44.9
Tourism (including entertainment)	2.7	3.5	3.6	2.5	29.6	-30.6
Transport	3.6	4.7	4.1	5.8	30.6	41.5
Government	7.8	9.2	9.3	12.9	17.9	38.7
Public utilities	4.8	3.9	3.8	5.6	-18.8	47.4
Other services	0.6	0.5	0.5	0.5	-16.7	-
Personal	20.0	25.6	23.7	26.4	28.0	11.4
Other n.e.c.	6.7	8.2	8.0	12.2	22.4	52.5

Source: East Caribbean Currency Authority, *Commercial Banking Statistics*.^aBased on January-September data.

Table 8

SAINT VINCENT AND THE GRENADINES: COMMERCIAL BANKS' ASSETS

(Millions of EC dollars as at end of December)

	1980	1981	September	
			1981	1982
Claims on monetary authority				
Cash	4.2	3.9	2.8	3.2
Deposits	7.0	9.3	12.5	5.0
Claims on:				
Other local banks	2.8	4.0	2.5	4.0
Other ECCA area banks	11.0	16.7	16.4	17.1
Loans and advances	85.1	99.1	92.4	123.2
Investments				
Treasury bills	-	0.5	-	1.0
Securities	0.7	1.1	0.7	0.6
Foreign assets	11.8	10.8	8.7	11.8
Other assets	10.8	21.2	21.3	21.1
Total assets	133.5	166.5	157.2	186.8

Source: East Caribbean Currency Authority, *Commercial Banking Statistics*.

Table 9

**SAINT VINCENT AND THE GRENADINES: CENTRAL GOVERNMENT
CURRENT REVENUE, 1979/1980 - 1981/1982^a**

(Millions of EC dollars)

	1979/ 1980	1980/ 1981	1981/ 1982
Current receipts	42.9	45.7	60.2
Direct taxes	10.7	12.6	16.1
Income taxes	10.5	12.0	15.3
Property taxes	0.2	0.6	0.8
Indirect taxes	25.2	25.6	33.4
Consumption tax	4.0	3.8	6.4
Import duties	10.6	10.6	11.1
Export duties	0.6	0.5	1.0
Stamp duty	4.2	4.2	6.0
Other taxes	5.8	6.5	8.9
Non-tax revenue	7.0	7.5	10.7
Interest and rent	0.2	0.2	0.2
Current profits (ECCA profit)	1.0	1.3	2.3
Government departments and public enterprises	1.4	1.5	1.5
Other (fees, fines, etc.)	4.4	4.5	6.7

Source: Ministry of Finance and IMF mission estimates.

^aRelates to fiscal year ending June 30.

Table 10

**SAINT VINCENT AND THE GRENADINES:
ABSTRACT OF RECURRENT REVENUE**

(Millions of EC dollars)

	1980/ 1981	1981/ 1982	1982/ 1983 ^a
Revenue raised			
Import duties	10.0	12.5	12.5
Export duties	0.9	1.2	1.4
Excise duties	0.8	2.9	1.2
Income tax	10.8	12.0	15.7
Other taxes	12.5	24.0	30.5
Licences	1.5	2.3	2.1
Fees	5.7	8.1	2.8
Interest	1.6	3.1	2.6
Rent	0.1	0.2	0.2
Loan repayments	0.1	0.0	0.0
Revenue earned			
Harbour receipts	0.4	0.4	0.6
Port receipts	0.3	0.3	-
Airport	0.7	0.7	0.8
Post Office	1.0	1.3	1.5
Government undertakings	2.0	2.0	2.0
Total	48.2	70.9	79.8

Source: Data supplied to ECLA.

^aPreliminary figures.

Table 11

SAINT VINCENT AND THE GRENADINES: CENTRAL GOVERNMENT
OPERATIONS, 1979/1980 - 1981/1982^a

(Millions of EC dollars)

	1979/ 1980	1980/ 1981	1981/ 1982
Current revenue	42.9	45.7	60.2
Current expenditure	43.0	48.4	63.7
Current account surplus/deficit	-0.1	-2.7	-3.5
Budgetary grants (current)	3.4	-	-
Current balance	3.3	-2.7	-3.5
Capital expenditure and net lending	19.0	19.5	17.2
Overall deficit	-15.7	-22.2	-20.7
Financing	15.7	22.2	20.7
Capital grants	5.9	8.3	12.8
Net foreign borrowing	10.4	9.1	2.0
Net ECCA borrowing	-	-	1.0
Foreign currency holdings (- sign indicates an increase)	-0.7	0.4	-
Net IMF position	0.6	6.4	-
Net domestic financing	-1.6	-2.0	3.9
Residual	1.1	-	1.0

Source: Ministry of Finance and IMF mission estimates.

^aRelates to fiscal year ending June 30.

Table 12

SAINT VINCENT AND THE GRENADINES: SUMMARY OF
EXTERNAL PUBLIC AND PUBLICLY-GUARANTEED
DEBT OPERATIONS, 1977/1978-1981/1982^a

(Thousands of US dollars)

	1977/ 1978	1978/ 1979	1979/ 1980	1980/ 1981	1981/ 1982
Outstanding debt at end of period	5 540	7 775	12 616	16 435	16 993
Outstanding and disbursed debt at beginning of period	5 553	5 540	7 775	12 616	16 435
Plus:					
Net disbursements	-13	2 235	4 520	4 686	1 140
(Disbursements)	(876)	(2 311)	(4 670)	(4 890)	(1 923)
(Amortization)	(-889)	(-76)	(-150)	(-204)	(-783)
Valuation adjustment	-	-	321	-867	-582
Debt service payments	1 095	313	490	652	1 523
Amortization	889	76	150	204	783
Interest	206	237	340	448	740

Source: Ministry of Finance, CDB and IMF mission estimates.

^aRelates to fiscal year ending June 30.

The commercial banks raised their prime lending rate by one percentage point to 10% in the early part of 1982, and raised deposit rates to about 4.5% for savings and 5.5% for time deposits. This was done in order to encourage savings. The Government is reviewing the structure of bank interest in the ECCA countries, and is examining the adequacy of the level at which the East Caribbean dollar is pegged to the United States dollar (see table 8).

b) *Fiscal policy*

The Government remained committed to reducing the burden of direct taxation on the individual. Following on increases in personal allowances in 1980, further increases were granted in the budget of 1981/1982. The need to earn revenue to pay increased salaries put an end to the tax relief activities of the Government in 1982, and several tax measures were introduced in order to earn revenue: an increase in airport landing fees, increased harbour dues, higher postal charges, and increases in the traders' tax and in rental costs to traders operating in the airport terminal.

Current revenue rose by 31.7% in 1981/1982 as the progressive system of taxation impacted on increased wages and salaries, and as indirect taxes were increased or introduced. Most of the indirect taxes collected derive from international trade. Capital revenue and grants increased by 54% in 1981/1982 after an increase of 11% in the previous period (see tables 9 and 10).

Current expenditure increased by 31.6% in 1981/1982 in order to meet the higher operating expenses brought on by increased labour and material costs. Capital expenditure was estimated to have been EC\$ 17.2 million in 1981/1982, as much construction work was undertaken on government office buildings, schools, hospitals and clinics. The overall deficit of EC\$ 20.7 million was financed by capital grants, domestic financing, foreign borrowing and borrowing from ECCA (see table 11).

The effect of the Government's recourse to external financing was an increase in the external debt at the end of the 1981/1982 fiscal year to approximately US\$ 17 million (see table 12).