

Eastern Caribbean Currency Union (ECCU)

Economic activity in ECCU expanded by an estimated 1.3% in 2014, up from the 1.0% growth observed in 2013. This was the result of increased output across all ECCU economies except Saint Lucia. Economic output trended upward in the construction, hotels and restaurants, wholesale and retail trade, and agriculture and livestock sectors. In addition, the continuation of cross-ECCU fiscal consolidation initiatives resulted in a small fiscal surplus during the first six months of 2014. An uptick in imports led to a widening of the trade deficit year on year. The rate of price deflation decreased, however, as some member States experienced an increase in prices.

The fiscal performance of ECCU over the first half of 2014 was positive when compared to 2013, with the overall balance moving to a surplus of 0.2% of GDP from a deficit of 3.2% in 2013. Moreover, the central governments of almost all member countries experienced an overall improvement in their fiscal position year on year, with Saint Kitts and Nevis and Dominica achieving overall surpluses of 109.09 million and 3.14 million Eastern Caribbean Dollars (EC\$), respectively. Saint Lucia, Saint Vincent and the Grenadines, Grenada and Antigua and Barbuda, meanwhile, were able to reduce their overall deficits by 53%, 60%, 28% and 35%, respectively.

Central government revenues in the ECCU eight (the six ECCU member countries plus Anguilla and Montserrat) grew by approximately 5.8% to EC\$ 2.0 billion, which was largely due to a 5.3% (EC\$ 84.5 million) increase in tax revenue collected across all major tax categories. Closer analysis of the increase in tax revenue reveals that sales and value added tax (VAT) receipts were significantly up year on year over the first two quarters of 2014, with rises of 17.3% and 4.7%, respectively. Higher VAT and sales tax receipts are consistent with a general strengthening of yields from transaction-based taxes across much of the region.

The ECCU member countries' total stock of disbursed outstanding public-sector debt rose by 1.0% to EC\$ 13.1 billion during the first six months of 2014. This increase was due mainly to a rise in central government indebtedness, as both domestic and external debt rose.

In contrast, domestic credit in the ECCU eight contracted to EC\$ 11.9 billion, a 2.3% drop on the same period in 2013. This was primarily due to a reduction in credit to the private sector, which contracted by 1.2%, as outstanding credit across the manufacturing (9%), mining and quarrying (9%), tourism (3.7%) and construction (2.8%) sectors declined. However, there was a moderate increase in lending to households (1.2%), while net credit to central government rose by 0.2%, largely because of increases in credit from commercial banks (1.0%) and the central bank (1.8%).

Interest rates across ECCU remained relatively stable over the first three quarters of 2014, with the weighted average lending rate at around 8.96%.

Eastern Caribbean Currency Union (ECCU): main economic indicators, 2012-2014^a

	2012	2013	2014 ^b
	Annual growth rate		
Gross domestic product	0.2	1.0	1.3
Consumer prices	1.8	-0.3	0.6 ^c
Money (M1)	4.4	5.6	8.1 ^d
	Annual average percentage		
Central government	-2.1	-3.2	0.2 ^c
Overall balance / GDP			
Nominal deposit rate	3.0	2.9	2.6 ^e
Nominal lending rate	9.0	9.0	9.0 ^e
	Millions of dollars		
Exports of goods and services	1,973	2,019	2,106
Imports of goods and services	2,852	2,926	2,950
Current account balance	-893	-907	-844
Capital and financial balance ^f	970	998	946
Overall balance	77	91	102

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Refers to six countries: Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines.

b/ Estimates.

c/ Figures as of June.

d/ Figures as of August.

e/ Figures as of September.

f/ Includes errors and omissions.

However, in response to increased liquidity in the financial sector, the weighted average deposit rate declined from 2.85% to 2.62% over the same period, resulting in the interest-rate spread widening by 0.25 percentage points to 6.34% in September 2014.

In 2014, year on year, the average current account balance for ECCU deteriorated slightly from a deficit of 17% of GDP in 2013 to one of an estimated 17.8%.

Economic activity in ECCU accelerated, year on year, during the first half of 2014, primarily on the back of the improved performance of the tourism industry. More specifically, the overall number of visitors to ECCU eight increased by 7.9% to 2.2 million during the first half of 2014 from 2.0 million during the same period in 2013.

All ECCU members other than Saint Vincent and the Grenadines recorded increases in the number of stopover arrivals, which rose by 6.2% in the first half of 2014 compared to a 0.5% increase in the corresponding period of 2013. In a market dominated by arrivals from the United States, which account for 42.6% of the total, there was an 8.0% increase in such arrivals as compared to a 2.6% increase for the same period in 2013. ECCU also saw an increase in cruise ship arrivals during the first half of 2014, relative to the previous year. However, the preliminary data suggest that the performance of the manufacturing sector has been on the decline. Rum and soap production in Grenada fell by more than 25% and 15%, respectively. However, there was a marginal improvement in the performance of the agriculture, livestock and forestry sectors as compared to the same period in 2013.

Prices increased in ECCU in the first half of 2014, with an average year-on-year inflation rate of 0.6% in June 2014. This is a turnaround from the deflation of 0.3% recorded at the end of 2013. This rise in the average consumer price index can be attributed to increases in all major subcomponents other than transport and communications. Official unemployment statistics for ECCU are for the most part unavailable. However, unemployment in Saint Lucia is estimated at 23% and youth unemployment at 39%. In Grenada, the general unemployment rate is 33.5% and the youth rate 55.6%.

Economic activity in ECCU is expected to expand by 2.0% in 2015, fuelled largely by further recovery in the tourism sector and increased investment in tourism-related projects, both of which are expected to have positive growth spillovers in the construction, transportation and communication, wholesale and retail, and agricultural sectors.