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STUDIES AND PERSPECTIVES

ECLAC SUBREGIONAL
HEADQUARTERS
FOR THE CARIBBEAN

Preliminary overview of the economies of the Caribbean 2017–2018

Sheldon McLean
Dillon Alleyne
Michael Hendrickson
Machel Pantin
Nyasha Skerrette



UNITED NATIONS



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This document has been prepared by Sheldon McLean, Coordinator of the Economic Development Unit of the Economic Commission for Latin America and the Caribbean (ECLAC) subregional headquarters for the Caribbean, with the assistance of Dillon Alleyne and Michael Hendrickson, Economic Affairs Officers, and Machel Pantin and Nyasha Skerrette, Economic Affairs Assistants.

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Abstract

The report provides an overview of the economic performance for 2017 of the Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname, Trinidad and Tobago plus the eight Member States of the Eastern Caribbean Currency Union (ECCU), and the outlook for 2018. Data were collected from a review of reports from subregional institutions as well as national governments and interviews with government officials in each of the countries examined.

Growth in the Caribbean is projected at 2.9 per cent in 2018, picking up from 0.7 per cent and 0.6 in 2017 and 2016, respectively. Caribbean economies have demonstrated considerable economic resilience despite considerable damage and losses resulting from the recent hurricanes. However, the performance of the goods-producing economies will depend on the gradual uptick in commodity prices, while growth of the service producers will rely heavily on the performance of tourism and construction sectors.

Overall, Caribbean governments maintained their commitment to fiscal consolidation and debt reduction in the medium-term. As such, total public debt fell slightly by 0.9 percentage points of GDP in 2017 to 70.8 per cent. Nevertheless, fiscal challenges brought on by, *inter alia*, the impact of hurricanes Irma and María; less than robust government revenues in goods-producing economies; and reticence of some economies to reduce transfers and subsidies, contributed to a widening of the fiscal deficit. Monetary policy stances across Caribbean countries continued to be mixed in 2017 and the average deposit rate (1.93 per cent) in the subregion remain unchanged relative to the previous year, while average lending rates decreased. Moreover, there was a cooling of average rate of inflation in the Caribbean to 2.2 per cent when compared to 4.0 in the previous year. However, when, the influence of Suriname is removed, the observed increase in Caribbean-wide inflation by 1.2 percentage points to 1.7 per cent in 2017, was primarily driven by a combination of rising fuel and food prices, as well as improved economic activity in some countries.

The major challenges facing the subregion continue to be the high debt burden and the undiversified natures of its economies. As a result, it crucial that member states persist in their efforts to reduce public debt thereby creating the requisite fiscal space to invest in the necessary industrial restructuring, focusing on key sectors identified for export diversification. For these reasons, ECLAC's debt for climate adaptation swap initiative provides an avenue for beneficiary countries to simultaneously address the challenges of high debt, climate change vulnerability and diversification.

Introduction

There is renewed optimism that the world economy may be turning a corner since all projections for growth have been higher over the last quarter (WEO 2018). This improved forecast is broad based and covers most regions. Part of the reason given is the positive impact of United States (U.S.) tax reforms which are likely to stimulate short term growth through retention of higher earnings by large corporations arising from tax cuts. World output is expected to increase from 3.2 per cent in 2016 to 3.9 per cent in 2018 and while this is not a huge increase it is trending in the right direction (see table 1).

Table 1
Actual and projected growth rates 2016-2018
(Percentage)

	Estimates		Projections
	2016	2017	2018
World output	3.2	3.7	3.9
Advanced economies	1.7	2.3	2.3
United States	1.5	2.3	2.7
Euro area	1.8	2.4	2.2
Emerging and developing economies	4.4	4.7	4.9
India	7.1	6.7	7.4
China	6.7	6.8	6.6
Latin America and the Caribbean	1.2	1.6	2.8

Source: International Monetary Fund (IMF) (2015), "World Economic Outlook database, October 2016; Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Advanced economies are expected to show no real improvement between 2017 and 2018 while the United States will grow from 2.3 per cent in 2017 to 2.7 per cent in 2018. The Euro Area will continue to be challenged, however, driven by better credit conditions, increasing internal demand and a favorable market for exports is expected to see positive growth of 2.2 per cent in 2018. In the case of emerging

developing economies, which continue to be a main source of positive global growth, growth is expected to be strong, moving from 4.7 per cent in 2017 to 4.9 per cent in 2018. The IMF has pointed out that capital flows to emerging economies remained resilient through the third quarter of 2017, with continued strength in non-resident portfolio inflows. India and China are expected to show continued positive growth of 7.4 and 6.6 per cent respectively in 2018. Although, China's growth rate is projected to contract in 2018 relative to 2017, the stability of the country's growth is linked to solid external demand. Economic activity in Latin America is also expected to show significant improvement with 2.8 per cent growth expected for 2018, however this could be reduced if conditions deteriorate further in Venezuela (see table 2).

Interestingly, the Caribbean situation has improved and in 2018 growth is expected to be 2.9 per cent for the subregion which is quite remarkable in light of the recent hurricanes that passed through the region and created considerable damage and losses. If the forecast holds this would be as good a performance as in 2014, the last time the subregion grew by at least 2 per cent. The performance will continue to be uneven between the service and goods producers, with the service producers growing at 3.1 per cent and the goods producers at 2.1 per cent. This latter performance will depend on the gradual pick up in commodity prices. The growth of the service producers will depend heavily on the performance of tourism services. The table below which reports the percentage change in tourist arrivals between 2013 and 2017 shows that the growth rates of arrivals have been uneven over this period. In 2017 most destinations showed positive growth except for Saint Vincent and the Grenadines, Trinidad and Tobago and the Bahamas. It is interesting that while Belize and Guyana have shown robust growth over this period, tourism value added is a small share of their economies.

Table 2
Latin American and Caribbean GDP growth rates, 2012-2018
(Percentage)

	2012	2013	2014	2015	2016	2017 ^b	2018 ^c
Anguilla	-6.4	-0.6	5.0	3.2	1.1	-3.5	5.1
Antigua and Barbuda	5.0	-0.2	4.6	4.1	5.3	4.5	5.8
Bahamas	3.1	0.0	-0.5	-1.7	0.2	1.2	2.0
Barbados	0.3	-0.1	0.2	0.9	1.6	1.5	1.5
Belize	3.7	1.3	4.1	1.2	-0.8	2.5	2.4
Dominica	-1.3	0.8	4.2	-1.8	2.6	-8.3	7.6
Grenada	-1.2	2.4	7.3	6.2	3.7	3.5	2.5
Guyana	4.8	5.2	3.8	3.2	3.4	2.9	3.5
Jamaica	-0.5	0.2	0.5	0.8	1.3	1.2	1.3
Montserrat	3.7	5.1	2.0	0.4	2.0	2.4	1.5
Saint Kitts and Nevis	2.9	6.2	6.0	3.8	2.2	2.1	3.8
Saint Lucia	-1.3	0.1	0.4	1.9	1.7	2.8	3.6
Saint Vincent and the Grenadines	1.4	1.8	1.2	1.6	1.3	0.8	1.5
Suriname	2.2	2.9	0.2	-2.4	-10.5	-0.7	0.7
Trinidad and Tobago	1.3	2.7	-0.6	-0.6	-6	-2.3	0.5
The Caribbean (15) ^a	1.2	1.8	2.6	1.4	0.6	0.7	2.9
Service producers ^a	0.7	1.5	2.6	1.4	1.0	0.6	3.1
Goods producers ^a	3.3	3.1	2.4	1.3	-1.1	1.0	2.1
Latin America (20) ^a	3.8	4.4	2.9	2.5	1.7	2.2	2.8
South America (10) ^a	3.5	5.2	2.0	1.1	0.1	1.2	2.1

Table 1 (concluded)

	2012	2013	2014	2015	2016	2017 ^b	2018 ^c
Central America (9) ^a	4.2	3.8	3.8	4.1	3.4	3.4	3.6
Latin America and the Caribbean (35) ^a	2.7	3.3	2.7	2.0	1.2	1.6	2.8

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

^a Regional or producer aggregates are calculated as simple averages.

^b Preliminary estimates.

^c Forecast.

Service producers: Anguilla, Antigua and Barbuda, Bahamas, Barbados, Dominica, Grenada, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines.

Goods Producers: Belize, Guyana, Suriname and Trinidad and Tobago.

South America: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela.

Central America: Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Panama.

Latin America: South America, Central America and Mexico.

The Caribbean: Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

Table 3
Tourist stop-over arrivals 2013-2017
(Percentage)

Destination	2013	2014	2015	2016	2017
Anguilla ^a	6.8	2.7	3.3	8.2	0.3
Antigua and Barbuda ^b	-1.2	2.2	0.5	5.9	-6.7
Bahamas	-4.0	4.5	4.0	-0.2	
Barbados ^a	-5.2	2.2	13.9	6.7	6
Belize ^b	6.1	9.2	6.2	13.0	10.8
Dominica ^c	-0.9	4.1	-8.6	4.8	7.9
Grenada ^b	0.2	14.7	-0.8	2.1	8.1
Guyana ^d	13.3	2.9	0.5	13.8	6.1
Jamaica ^b	1.1	3.6	2.1	2.8	7.8
Montserrat	-1.5	22.2	1.6	2.6	
Saint Lucia ^b	3.2	3.7	7.1	-2.3	11
Saint Kitts & Nevis	3.9	6.1	2.0	0.9	
Saint Vincent and the Grenadines ^d	-3.5	-1.4	6.6	4.5	-4.4
Suriname	3.8	1.0	-9.5	12.8	
Trinidad and Tobago ^b	-4.5	-5.0	6.6	-7.0	-3.5
Caribbean	1.2	4.8	2.4	4.6	3.9

Source: Caribbean Tourism Organization.

^aJan-Oct; ^bJan-Dec; ^cJan-Sep; ^dJan-Nov.

A. Unemployment rates

It is expected that the improved growth should increase employment. Not surprisingly unemployment rates for those countries for which data are available, started to decline. Unemployment rates since 2014 have fallen for the Bahamas, Grenada, Jamaica and Saint Lucia. Unemployment rates have however rose in Barbados (10.2 per cent) which is still undergoing a period of recession, as well as Belize (9 per cent) and Trinidad and Tobago (4.5 per cent), which have been negatively impacted by declining government revenue.

Figure 1
Unemployment rate, 2013-2017
(Percentage)

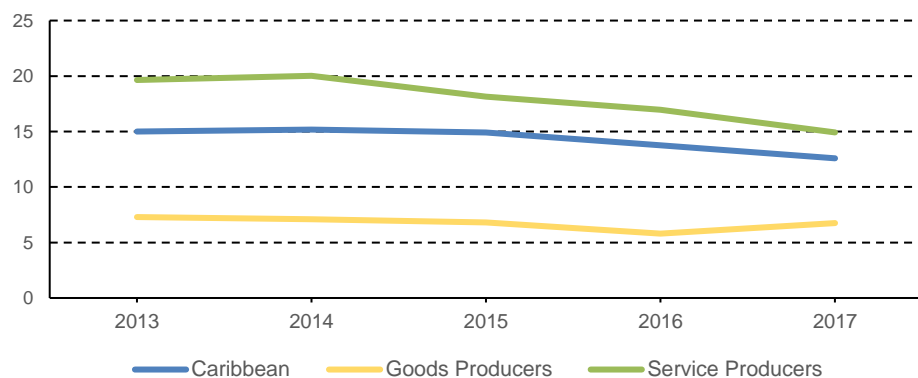


Table 4
Unemployment rates 2013-2017
(Percentage)

	2013	2014	2015	2016	2017
Bahamas	15.4	15.7	12.0	11.6	9.9 ^a
Barbados	11.6	12.3	11.3	9.7	10.2 ^b
Belize	11.7	11.1	10.1	8.0	9.0 ^a
Grenada	32.5	33.5	28.9	28.2	24.0
Jamaica	15.4	14.2	13.5	12.9	11.3 ^c
Suriname ^d	6.5	6.9
Saint Lucia	23.3	24.4	25.0	21.3	19.2
Trinidad and Tobago	3.7	3.3	3.5	3.6	4.5
Caribbean	15.0	15.2	14.9	13.6	12.6
Goods producers	7.3	7.1	6.8	5.8	6.8
Service producers	19.6	20.0	18.1	16.7	14.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official data.

^a 2nd quarter data.

^b 3rd quarter data.

^c 1st quarter data.

^d Unemployment rate for Paramaribo and Wanica representing 65 per cent of the Suriname population.

...Data not available.

It is to be noted however that the overall unemployment is still very high in the Caribbean and differs by gender and youth, with young people and women having relatively higher unemployment rates than adult males, in most of the subregion.

I. Macroeconomic policy

A. Fiscal policy and public debt

This subsection of the report analyses recent fiscal performance in the Caribbean, by examining the evolution of the fiscal deficit, public debt and debt service payments in an effort to assess the region's progress in improving its debt profile through fiscal consolidation.

Overall, Caribbean governments maintained their commitment to fiscal consolidation in 2017. Jamaica maintained fiscal tightening under its IMF programme, and similarly Grenada, despite the conclusion of the IMF supported three-year home-grown Structural Adjustment Programme, while Barbados continued its adjustment programme. However, the region was confronted by a number of challenges in 2017, which led to gaps between fiscal targets and outcomes. Key in this regard were the fallout from hurricanes in Dominica, Antigua and Barbuda, Anguilla and the Bahamas; the continued impact of commodity prices, albeit slowly recovering, on goods-producing economies; and resistance to the reduction of high transfers and subsidies in some countries. With these setbacks, the median deficit of the region moved from 0.5 per cent of GDP in 2016 to 1 per cent of GDP in 2017 (see table 5 and figure 2 below).

Table 5
Overall fiscal balance
(Percentage of GDP)

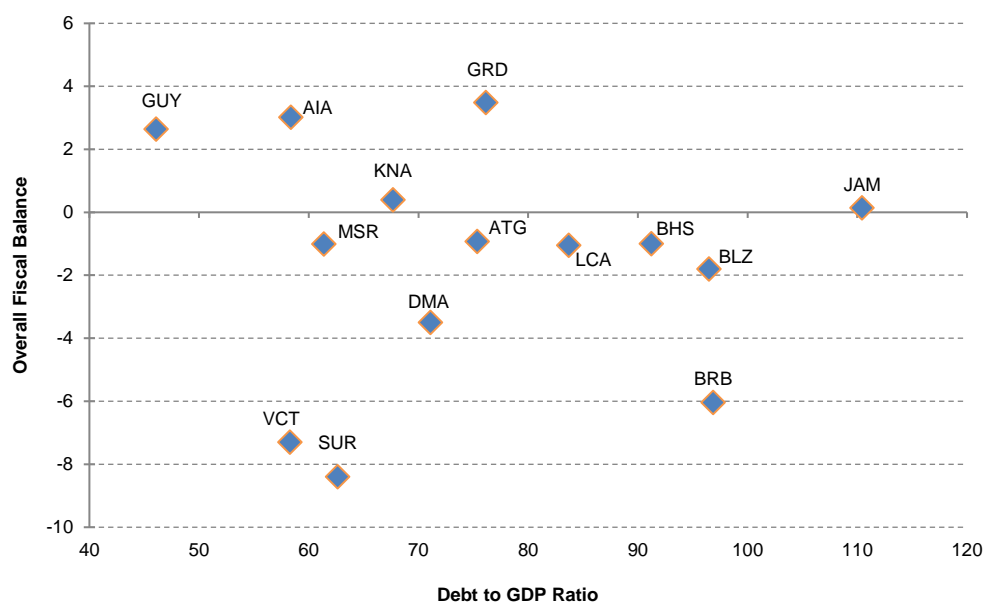
	2012	2013	2014	2015	2016	2017
Anguilla	1.5	0.7	2.5	0.5	-0.3	3.0
Antigua and Barbuda	-1.3	-4.5	-2.7	2.1	1.1	-0.9
Bahamas	-0.8	-1.1	-6.5	-4.3	-2.9	-1.0
Barbados	-6.0	-11.1	-6.9	-7.7	-9.4	-6.0
Belize	-5.6	-6.4	-2.9	-7.9	-3.4	-1.8
Dominica	-9.2	-9.6	-1.3	-1.7	32.5	-3.5
Grenada	-5.5	-6.6	-4.7	-1.2	2.3	3.5

Table 5 (concluded)

	2012	2013	2014	2015	2016	2017
Guyana	-4.7	-4.4	-5.5	-1.4	-4.4	2.6
Jamaica	-4.1	-0.7	-0.5	4.7	-2.5	0.1
Montserrat	-7.0	-17.0	-6.2	21.6	-0.3	-44.1
Saint Kitts and Nevis	11.2	13.2	10.5	6.2	5.0	-1.0
Saint Lucia	-5.9	-6.0	-3.3	-2.1	-0.5	0.4
Saint Vincent and the Grenadines	0.3	-3.7	-3.0	-1.9	0.6	-1.0
Suriname	-2.7	-6.1	-5.7	-9.6	-8.5	-7.3
Trinidad and Tobago	-1.3	-2.9	-2.6	-1.8	-5.4	-8.4
Caribbean	-2.7	-4.4	-2.6	-0.3	0.3	-4.4
Goods Producers	-3.6	-4.9	-4.1	-5.2	-5.4	-3.7
Service Producers	-2.4	-4.2	-2.0	1.5	2.3	-4.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
Note: Where calendar years were unavailable fiscal year data was used.

Figure 2
Public debt vs fiscal balance
(Percentage of GDP)



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

The deficit was driven by higher current public spending and interest payments. Current expenditure increased by 0.2 percentage point to 28 per cent of GDP, underscoring the difficulty in cutting government consumption in small economies where the state is a major provider of public services and subsidies for poor households (see table 6 below). Debt interest costs rose by 0.3 percentage points to 3.1 per cent of GDP, reflecting the carryover effect from growth in public debt in the previous year. Caribbean countries continue to reduce capital spending as part of their fiscal adjustment strategy. Nevertheless, this may have adverse implications for investment in the infrastructure and institutions which are required to drive future growth. Reflecting the reversal of fortunes, the goods producers were forced to cut both current and capital spending despite improving commodity prices.

Table 6
Fiscal expenditure by category
(Percentage of GDP)

	Current expenditure				Capital expenditure				Interest payments			
	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017
Anguilla	21.2	20.6	20.6	20.8	0.4	0.8	0.7	1.1	1.1	0.9	1.3	1.7
Antigua and Barbuda	19.6	20.1	20.2	19.1	1.6	1.4	3.1	0.9	2.6	2.4	2.8	2.9
Bahamas	18.0	19.3	24.0	25.9	3.9	4.2	2.0	3.9	2.6	2.6	2.1	3.0
Barbados	33.9	33.7	33.7	32.1	1.6	1.9	2.4	1.6	6.6	7.3	8.2	8.7
Belize	23.8	25.9	27.9	28.5	8.2	11.7	6.1	5.0	2.5	2.6	2.9	0.0
Dominica	24.8	26.0	25.2	31.5	8.6	5.7	10.2	22.9	1.8	1.7	1.7	1.7
Grenada	20.0	17.3	19.8	20.3	9.2	8.3	4.2	1.8	3.5	3.3	2.9	2.4
Guyana	21.1	22.5	24.0	22.2	8.0	4.7	6.6	4.3	1.0	1.0	0.9	1.1
Jamaica	25.7	25.8	25.5	27.2	1.5	2.0	2.4	2.1	8.1	7.6	7.9	7.7
Montserrat	74.0	75.5	68.2	71.2	26.5	16.5	12.5	0.3	0.0	0.0	0.0	0.0
Saint Kitts and Nevis	27.2	26.9	27.0	23.3	5.6	6.1	4.1	4.6	3.4	2.0	1.6	1.7
Saint Lucia	21.1	19.9	20.4	20.5	5.1	4.9	3.2	3.3	3.5	3.3	3.3	3.8
Saint Vincent and the Grenadines	26.0	25.1	25.7	25.7	6.4	4.9	3.4	1.6	2.3	2.2	2.1	2.1
Suriname	21.2	27.4	21.7	20.3	5.2	2.6	2.5	2.0	0.9	1.5	1.4	3.4
Trinidad and Tobago	31.2	33.6	32.6	31.3	4.8	4.9	3.0	2.4	1.8	2.2	2.5	3.0
Caribbean	27.2	28.0	27.8	28.0	6.4	5.4	4.4	3.9	2.8	2.7	2.8	2.9
Goods producers	24.3	27.4	26.6	25.6	6.6	6.0	4.5	3.4	1.6	1.8	1.9	1.9
Service producers	28.3	28.2	28.2	28.9	6.4	5.2	4.4	4.0	3.2	3.1	3.1	3.3

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

Note: Where calendar years were unavailable fiscal year data was used.

Soft prices of export commodities, as well as revenue shortfalls in some instances, have forced goods-producing economies make some fiscal adjustment. As a result, their fiscal deficit contracted by 1.7 percentage points to 3.7 per cent of GDP. The deficit declined by 1.6 and 1.2 percentage points in Belize and Suriname, respectively. Belize benefited from fairly high growth in revenues, which offset higher expenditure, while the outturn in Suriname was influenced by a spike in both tax and non-tax revenues. Meanwhile, the fiscal deficit increased by 3 percentage points in Trinidad and Tobago mainly due to shortfalls in revenue that was linked to delays in recovering loan funds to CL Financial and CLICO.

Meanwhile, there was slippage among the service-producing economies,¹ which with the exception of Montserrat,² experienced a turnaround from an average surplus of 0.3 per cent of GDP to a deficit of 1.5 per cent of GDP. Fiscal performance improved in Jamaica, as the deficit of 2.5 per cent of GDP in 2016 reverted to a surplus of 0.1 per cent of GDP in 2017. Expenditure was contained to 1 per cent below the budgeted amount in order to meet the target under the stand-by arrangement with the IMF.

1. Fiscal flexibility

The fiscal flexibility index³ is a measure of government's discretionary spending as a proportion of total expenditure. Fiscal flexibility in the region remains a challenge in the region, owing to limited government leverage over non-discretionary spending, due in part to public sector wage commitments; high debt interest obligations; and significant outlays on transfers and subsidies to maintain social welfare. The reality is that given the relatively small size of the private sector, the state tends to play a more active role in regional economies.

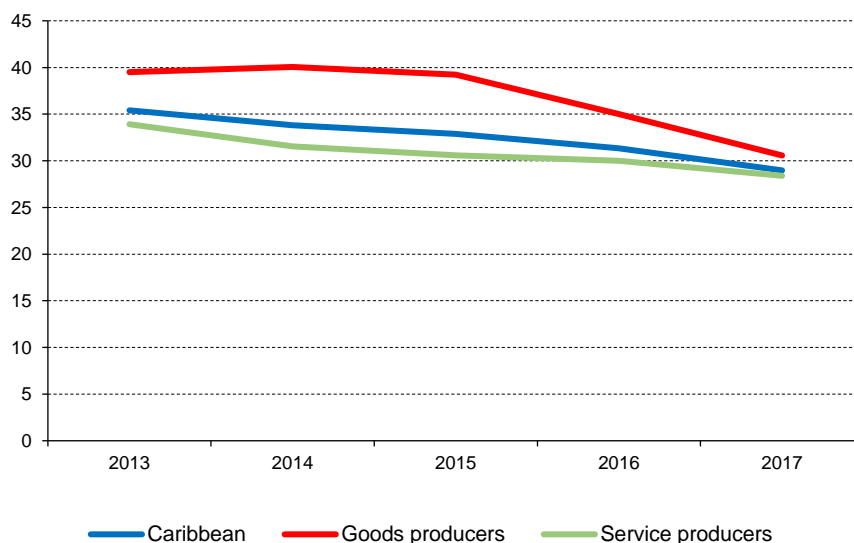
Fiscal flexibility continued to decline in 2017, falling by 2.3 percentage points to 29.0 (see figure 3 below). Notably at 29.0, flexibility is substantially lower than the median level of 50.0. Partly reflecting a reversal of economic fortunes, the decline in fiscal flexibility was much larger (4.4 percentage points) in the goods producing economies, compared with (1.6 percentage points) in the service producers. Montserrat, Guyana, Grenada and Antigua and Barbuda experienced largest declines in flexibility in the region. Flexibility fell by 10.8 percentage points in Montserrat reflecting higher spending on personal emoluments and transfers and subsidies. Flexibility declined by 9.5 percentage points in Guyana, owing to an increase in spending on wages and salaries, goods and services interest payments on the debt. Meanwhile Grenada and Antigua and Barbuda experienced lower flexibility. In the case of Grenada, this stemmed from higher outlays on wages and salaries due to salary and increment increases for public servants and an increase in spending on transfers and subsidies. While higher interest payments on the debt in Antigua and Barbuda led to the lowering of its fiscal flexibility. In contrast, due to lower interest payments, there was an improvement in fiscal flexibility in Dominica.

¹ The goods-producing economies comprise Belize, Guyana, Suriname and Trinidad and Tobago, which specialize mainly in the production and trade in goods, while the service-producing economies are Antigua and Barbuda, The Bahamas, Barbados, Dominica, Grenada, Jamaica, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines, which specialize in the production and trade in services.

² Montserrat was an important outlier, as its deficit expanded from 0.3 per cent of GDP in 2016 to 44.1 per cent of GDP in 2017; and would therefore have skewed the averaged deficit for the services-based economies.

³ The fiscal flexibility index is defined as: $FFI = (1 - NDE/TGE) * 100$, NDE is non-discretionary expenditure defined as outlays on wages and salaries, transfers and interest payments and TGE is total government expenditure. The maximum value of the uncorrected index is 100, reflecting total fiscal flexibility. IMF (2012) "The Challenges of Fiscal Consolidation and Debt Reduction in the Caribbean", Amo-Yartey et.al, Working Paper WP/12/276.

Figure 3
Fiscal flexibility index



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

2. Public debt

In recent years, a number of countries have made concerted efforts to reduce public debt through measured fiscal consolidation over the medium-term. Nevertheless, public debt remains high in the subregion, especially compared to other small developing economies. Over the last three years, public debt in the region has averaged over 70 per cent of GDP, which research has shown exceeds sustainable levels (see table 7 below). Debt fell slightly by 0.9 percentage points in 2017 to 70.8 per cent of GDP.

Debt contracted by 9.4 percentage points in Suriname, but this was a nominal effect due to the impact of high inflation on current GDP. Jamaica's debt declined by 7.1 percentage points to 110.4 per cent of GDP, partly reflecting containment of expenditure and reduced borrowing under the three-year stand-by arrangement with the International Monetary Fund (IMF). The debt declined by 4.5 percentage points in Barbados, as government reduced its fiscal deficit and contained borrowing. Meanwhile, the IMF supported home-grown structural adjustment programme continued to bear fruit in Grenada and, alongside higher growth, contributed to a 4.3 percentage points contraction in public debt to 76.1 per cent of GDP. Importantly, Grenada's debt has fallen to this level from over 108 per cent of GDP in 2014.

On the other hand, public debt increased by 3.9, 3.8 and 3.7 percentage points in Belize, the Bahamas and Trinidad and Tobago, respectively. Higher debt in Belize stemmed from domestic borrowing to finance the settlement for the nationalisation of the Belize Telemedia Limited (BTL). Growth in debt in the Bahamas was partly driven by borrowing to fund the rehabilitation and reconstruction effort following Hurricane Matthew in 2016. Trinidad and Tobago is facing challenging economic times and in 2017, the fiscal deficit was financed by a domestic bond issue and a 15-year US\$300.0 million loan from the Corporación Andina de Fomento (CAF), which contributed to the 3.7 percentage points rise in public debt.

The fiscal and debt situation in the region is expected to be negatively impacted by the devastating fall-out from Hurricanes Irma and Maria in 2017. The limited insurance coverage and significant under-insurance in the region, in tandem with constrained donor assistance, means that the affected countries will have to borrow to finance the rehabilitation and recovery thereby contributing to higher debt. Nevertheless, the destruction of old infrastructure in some cases present the opportunity for modernizing key economic and 'building back better' by focusing on resilient reconstruction that would enable the countries to withstand category 4 or even 5 hurricanes.

Table 7
Total public debt, 2015-2017
(Percentage of GDP)

	2015			2016			2017		
	Foreign	Domestic	Total	Foreign	Domestic	Total	Foreign	Domestic	Total
Anguilla	18.2	5.6	23.9	22.8	37.8	60.6	21.7	36.7	58.4
Antigua and Barbuda	38.7	43.1	81.8	34.7	42.1	76.9	33.0	42.4	75.3
Bahamas	24.6	59.7	84.3	26.3	61.2	87.4	29.3	61.9	91.2
Barbados	35.4	71.2	106.7	34.0	67.4	101.4	32.6	64.3	96.9
Belize	68.3	14.3	82.7	70.6	22.0	92.6	69.5	27.0	96.5
Dominica	52.8	22.4	75.3	46.5	21.2	67.6	49.1	22.0	71.1
Grenada	61.5	27.1	88.6	57.0	23.4	80.4	54.1	22.1	76.1
Guyana	36.0	12.4	48.4	33.8	11.9	45.7	33.8	12.3	46.1
Jamaica	73.0	51.9	124.8	72.4	45.1	117.5	73.1	37.3	110.4
Montserrat	5.7	0.0	5.7	5.1	0.0	5.1	6.1	0.0	6.1
Saint Kitts and Nevis	24.3	42.6	66.9	21.7	41.6	63.2	20.2	41.1	61.4
Saint Lucia	30.8	35.4	66.2	31.7	35.3	67.0	33.8	33.9	67.7
Saint Vincent and the Grenadines	52.7	26.3	79.0	59.6	23.5	83.1	58.4	25.3	83.7
Suriname	29.4	22.9	52.3	49.9	17.8	67.7	43.1	15.2	58.3
Trinidad and Tobago	10.2	39.5	49.7	15.1	43.8	58.9	16.9	45.8	62.6
Caribbean	37.4	31.6	69.1	38.8	32.9	71.7	38.3	32.5	70.8
Goods producers	36.0	22.3	58.3	42.4	23.9	66.2	40.8	25.1	65.9
Service producers	38.0	35.0	73.0	37.4	36.2	73.7	37.4	35.2	72.6

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

3. Debt service payments

High debt servicing costs continue to complicate economic management in the Caribbean. External debt service payments absorb a significant portion of the foreign exchange that is earned by sugregional economies, while total debt service payments accounts for a significant share of government revenue. The high external debt service ratio is of particular concern owing to the subpar private capital inflows that has contributed to a foreign exchange crunch in countries such as Trinidad and Tobago and Barbados.

Debt service data are not available for all countries. For the five countries for which data are available, the external debt service ratio rose from 6.9 per cent of exports of goods and services in 2016 to 10.6 per cent in 2017. The ratio increased from 22.2 per cent in 2016 to 27.3 per cent in 2017 in Jamaica reflecting an increase in external debt service payments, which offset growth in exports of goods and services. Jamaica benefited from higher exports of alumina and non-traditional services and an increase in tourism receipts, but these were not sufficient to reduce the debt service ratio. The ratio also increased marginally for Trinidad and Tobago but declined by over 2.0 percentage points for Suriname as debt service fell in line with an over 9 per cent decline in public debt.

With the exception of Barbados and the Bahamas for which data were unavailable, total debt service payments represented 30.3 per cent of government revenue in 2017, up from 26.8 per cent in 2016. Debt service costs accounted for a higher proportion of revenue in both the goods and service based economies.

B. Monetary policy, domestic credit and inflation

This subsection will explore issues relating to the nature and focus of monetary policy-setting in Caribbean economies in 2017, as well as trends in interest rates, money supply, domestic credit and inflation.

The Bahamas, for instance adopted a somewhat expansionary monetary policy stance, with both bank liquidity and external reserves expanding during in 2017, as a consequence of increased external borrowings. In contrast, the Central Bank of Barbados, adjusted its monetary policy stance in 2017 to become more contractionary in nature, raising the commercial banks' security reserve requirement in three stages from 10 per cent to 20 per cent; while the Eastern Caribbean Central Bank (ECCB) sustained its approach of managing monetary policy in the Eastern Caribbean Currency Union towards maintaining the fixed exchange rate peg and financial sector stability.

Reflective of lower inflation expectations, monetary policy of Jamaica was accommodative in 2017 with the Bank of Jamaica cutting its 30-day certificate deposit rate from 3.75 per cent to 3.5 per cent in August, and again in November to 3.25 per cent. Interventions by the Bank of Guyana continued to be centered on the maintenance of price and exchange rate stability; and similarly, there were no changes in monetary policy in Trinidad and Tobago in 2017 with the repo rate remaining unchanged at 4.75 per cent since December 2015.

1. Interest rates

In 2017, the average deposit rate (1.93 per cent) in the Caribbean remain unchanged relative to the previous year, while average lending rates decreased by 20 basis points to 9.74 per cent. Further, on average the lending, deposit and interest rate spread all declined in the **services producing economies**, relative to 2016. Key drivers in this regard included, the lowering of the 30-day certificate of deposit rate, which placed downward pressures on interest rates in Jamaica, precipitating a fall in weighted interest rates. In addition, in the ECCU, on the back-end of the Monetary Council of the ECCB's decision in 2015 to reduce the minimum deposit rate to 2.0 per cent, the average interest rate spread narrowed by 3 basis points to 6.78 per cent as both the weighted average deposit and lending rates continued to fall in 2017. While for The Bahamas, among the key interest rates, the average 90-day Treasury bill rate fell by 49 basis points to 1.28 per cent, while the Central Bank's discount rate and the commercial banks' prime rate were unchanged at 4.00 per cent and 4.25 per cent, respectively.

Although decreasing, Jamaica (13.30 per cent) and the Bahamas (10.86 per cent), continue to have the largest interest rate spreads in the Caribbean. In the Bahamas on the other hand the observed 39 basis points contraction the interest rate spread was underpinned by a steep (1.63 percentage points) decline in the average lending rate, which was accompanied by a relatively modest 26 basis points contraction in the average deposit rate.

In the goods-producing economies, year-on-year, the average interest spread also declined (4 basis points). However, in contrast to the services-based economies, there was a 12 basis points increase in the average deposit rate to 3.05 per cent; while the average lending rate fell by 4 basis points to 10.88 per cent as invariably the banking sector attempted to stimulate credit demand with economic activity continuing to be sluggish.

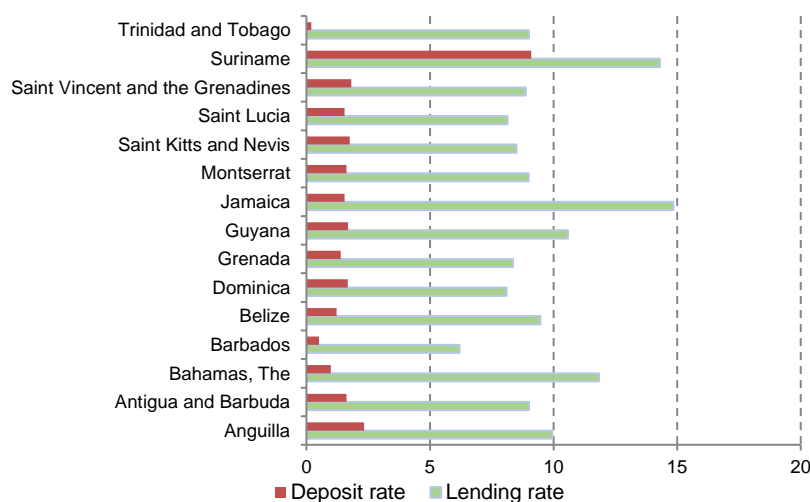
More specifically, indicative of the differing monetary policy stances, interest rates in Trinidad and Tobago remained unchanged in 2017; lending rates in Guyana declined by 16 basis points; and both lending and deposit rates fell steeply in Belize. Contrastingly, in Suriname, nominal interest rates continued to increase in 2017 and the interest rate spread contracted by 4 basis points to 5.20 per cent. (table 8 and figure 4 refer).

Table 8
Lending rate, deposit rate and spread, 2016-2017
(Percentage)

	2016			2017		
	Lending rate	Deposit rate	Spread	Lending rate	Deposit rate	Spread
Anguilla	9.35	2.44	6.92	9.95	2.33	7.61
Antigua and Barbuda	9.11	1.68	7.43	9.00	1.62	7.38
Bahamas, The	12.49	1.24	11.25	11.85	0.98	10.86
Barbados	6.58	0.20	6.38	6.19	0.51	5.68
Belize	9.84	1.33	8.51	9.47	1.22	8.25
Dominica	8.12	1.70	6.42	8.09	1.67	6.42
Grenada	8.43	1.44	6.99	8.36	1.38	6.97
Guyana	10.74	1.68	9.06	10.58	1.68	9.06
Jamaica	16.49	1.44	15.05	14.84	1.54	13.30
Montserrat	9.19	1.79	7.40	8.99	1.62	7.37
Saint Kitts and Nevis	8.56	1.85	6.71	8.49	1.75	6.75
Saint Lucia	8.15	1.62	6.53	8.14	1.54	6.60
Saint Vincent and the Grenadines	8.90	1.82	7.09	8.88	1.82	7.06
Suriname	14.10	8.50	5.60	14.30	9.10	5.20
Trinidad and Tobago	9.00	0.20	8.80	9.00	0.20	8.80
Caribbean	9.94	1.93	8.01	9.74	1.93	7.82
Goods Producers	10.92	2.93	7.99	10.88	3.05	7.83
Service Producers	9.58	1.56	8.01	9.34	1.52	7.82

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

Figure 4
Lending rate, deposit rate and spread, 2016-2017
(Percentage)



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

2. Monetary supply and credit

In respect of monetary aggregates, Caribbean-wide the broad measure on money supply (M2) expanded by 0.6 percentage points to 72.2 per cent of GDP in 2017. This observed increased money supply is largely indicative of the differing intensity of economic activity across Caribbean countries in 2017. For instance, broad money supply in the Caribbean good-producers contracted considerably, by 15.5 percentage points to 40.2 per cent of GDP in 2017 with narrow money supply falling in Guyana, Suriname and Trinidad and Tobago.

There was a marginal increase in broad money (M2) as a percentage of GDP in Trinidad and Tobago, while in Belize M2 more than halved to 39.8 per cent of GDP, primarily due to a \$127.2 mn contraction in the net foreign assets of the banking system. Broad money as a percentage of GDP also contracted in Guyana as net domestic credit declined. In Suriname, a contracting FDI inflows and domestic credit both contributed to a fall in the GDP share of broad money supply.

In contrast, in the Caribbean services economies, which outpaced the good-producing countries in GDP growth in 2017, there was an expansion in broad money as percentage of GDP. The 12.7 percentage points growth in M2 across the ECCU was sustained by growth in both narrow and quasi money.

On average, in the Caribbean, there was a decline in domestic credit to the private sector as a share of GDP in 2017. In the ECCU, this decline was largely driven by a 7.5 per cent contraction in lending to businesses, which offset growth in credit to households. There was also a Caribbean-wide decline in credit to the public sector during the review period as governments continued to focus on fiscal consolidation reduction strategies (table 9 refers).

Table 9
Monetary aggregates and domestic credit to the private and public sector, 2016-2017
(Percentage of GDP)

	M1		M2		Domestic Credit to the Private Sector		Domestic Credit to the Public Sector	
	2016	2017	2016	2017	2016	2017	2016	2017
Anguilla	7.0	7.6	32.7	98.2	71.1	73.8	-12.7	-14.1
Antigua and Barbuda	20.1	20.8	73.2	72.8	48.5	46.3	10.4	10.7
Bahamas	26.6	27.7	72.6	71.5	68.1	63.7	32.6	30.4
Barbados	51.9	...	107.6	...	60.3	...	41.2	...
Belize	43.2	44.1	86.7	39.8	59.1	56.8	-12.7	-14.1
Dominica	19.3	22.5	85.6	137.0	50.8	53.6	10.4	10.7
Grenada	20.3	18.8	70.0	66.5	54.3	51.4	-10.8	-11.4
Guyana	20.4	19.1	49.5	47.2	30.9	29.6	1.0	0.6
Jamaica	13.9	14.7	21.4	25.8	23.9	27.1	6.8	7.1
Montserrat	37.1	35.4	171.2	165.7	47.9	48.3	-56.7	-48.7
Saint Kitts and Nevis	23.1	21.6	85.6	80.1	59.5	56.7	-23.4	-22.9
Saint Lucia	19.1	19.8	62.4	62.1	72.2	69.5	-6.1	-7.0
Saint Vincent and the Grenadines	23.2	23.3	69.7	70.0	52.5	52.0	-1.9	-2.3
Suriname	32.0	26.7	75.7	62.8	36.5	29.0	12.6	14.8
Trinidad and Tobago	30.5	28.7	10.9	11.2	35.9	36.3	-0.7	0.2
Caribbean	25.9	23.6	71.6	72.2	51.4	49.6	-0.7	-3.3
Goods Producers	31.5	29.7	55.7	40.2	40.6	37.9	0.0	0.4
Service Producers	23.8	21.2	77.4	85.0	55.4	54.2	-0.9	-4.8
ECCU	21.1	21.2	81.3	94.0	57.1	56.5	-11.3	-10.6

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

3. Inflation

In 2017, there was a cooling of average rate of inflation in the Caribbean to 2.2 per cent when compared to 4.0 in the previous year. However, the average rate of inflation in the Caribbean has been heavily influenced by events in the Surinamese economy since 2015. When, the influence of Suriname is removed, the observed increase in Caribbean-wide inflation by 1.2 percentage points to 1.7 per cent in 2017, was primarily driven by a combination of rising fuel and food prices, as well as quickening economic activity in some countries.

At the country level, taking a closer look at Suriname, following the price shock of the initial currency devaluation in late 2015 and the eventual move to a floating exchange rate regime in 2016, inflation peaked at 79.2 per cent in October of 2016, with inflation averaging 52.4 over the entire year. Inflationary pressures have gradually eased throughout 2017 with inflation showing a marked decline to 9.2 per cent; as the inflation rates of health care, food and non-alcoholic beverages, transportation and miscellaneous goods and services all cooled.

Among the other goods-producing economies, the rate of inflation in Guyana increased marginally from 1.4 per cent in 2016 to 1.5 per cent in 2017. Increased prices within several sub-categories of food were the main drivers of inflation observed in 2017. There were also marginal price increases in transport and communications, housing and education, recreation and culture.

Driven primarily higher fuel prices and increased cost of housing, water and electricity inflation in Belize picked up to 1.8 per cent over the review period, following modest rate of 0.7 per cent in 2016. In contrast, consistent with the economic slowdown, inflation in Trinidad and Tobago remained subdued in 2017, falling 1.9 percentage points to 1.3 per cent. There was a slowdown in food inflation, which stemmed partly from a decrease in international food inflation, as well as the end of the price shock resulting from the reintroduction of value-added tax on several previously exempt food items in February 2016.

Amongst the services producing economies, within the ECCU there was a modest increase in the general price level which was underpinned by higher cost of for transport and food, linked to the rebound in international commodity prices in general and in domestic market petroleum prices in particular. Low global fuel prices had led to deflation (-0.7 per cent) in Barbados in 2016, however, higher fuel prices and the austerity measures have caused prices to pick up again. Moreover, the 8 percentage points rise in the National Social Responsibility Levy to 10 per cent, together with the increase in the excise tax on gasoline and diesel fuel, impacted prices as inflation increased to 4.0 per cent in 2017.

Fueled by increased energy prices and exchange-rates changes, headline inflation in Jamaica increased from 1.7 per cent in 2016 to 5.2 per cent 2017. For the Bahamas, higher international fuel prices pushed housing, water, gas and electricity costs upwards, leading to a 1.6 per cent point increase in inflation to 2.4 per cent in 2017 (see table 10 and figure 5).

Table 10
Inflation rates
(December to December percentage change)

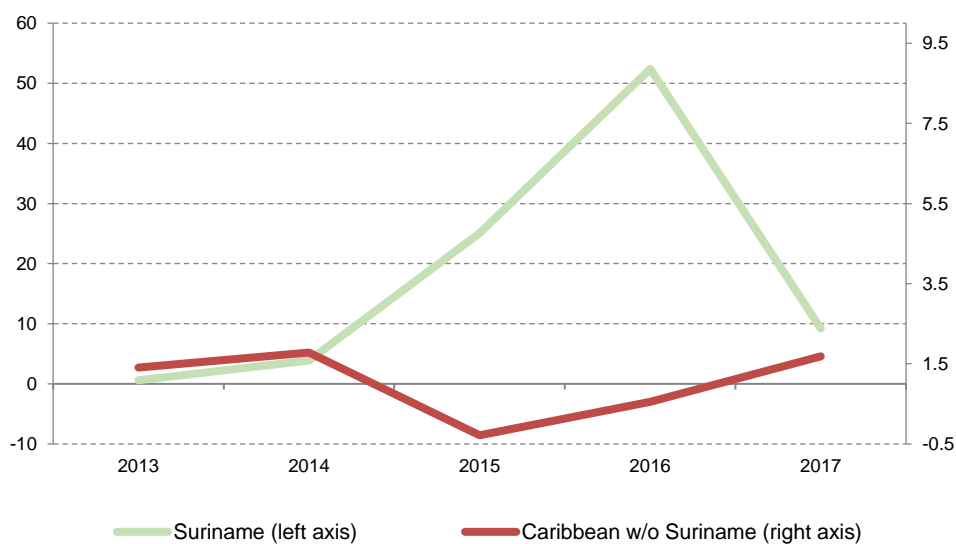
	2013	2014	2015	2016	2017
Anguilla	0.8	-0.9	-1.7	1.7	0.7
Antigua and Barbuda		1.3	0.9	-1.1	2.8
Bahamas	0.8	0.2	2.0	0.8	2.4
Barbados	1.1	2.3	-1.1	-1.5	4.0
Belize	0.4	1.2	-0.9	0.7	1.8
Dominica	-0.4	0.5	-0.7	0.7	0.3
Grenada	-1.2	-0.6	1.1	0.9	0.6
Guyana	0.9	1.2	-1.8	1.4	1.5
Jamaica	9.5	6.4	3.7	1.7	5.2

Table 10 (concluded)

	2013	2014	2015	2016	2017
Montserrat	0.1	1.3	0.9
Saint Kitts and Nevis	0.6	-0.5	-2.4	0.0	0.6
Saint Lucia	-0.7	3.7	-2.6	-3.0	-0.3
Saint Vincent and the Grenadines	0.0	0.1	-2.1	1.0	1.9
Suriname	0.6	3.9	25.1	52.4	9.2
Trinidad and Tobago	5.6	8.5	1.5	3.1	1.3
Caribbean w/o Suriname	1.4	1.8	-0.3	0.5	1.7
Caribbean (15)	1.3	1.9	1.4	4.0	2.2
Goods producers	1.9	3.7	6.0	14.4	3.5
Service producers	1.1	1.2	-0.3	0.2	1.7
ECCU	0.0	0.5	-0.9	0.2	0.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
 Note: Inflation rates for 2017 represents per cent change over the last 12 months.

Figure 5
Inflation
 (Year-on-year percentage change)



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

II. The external sector

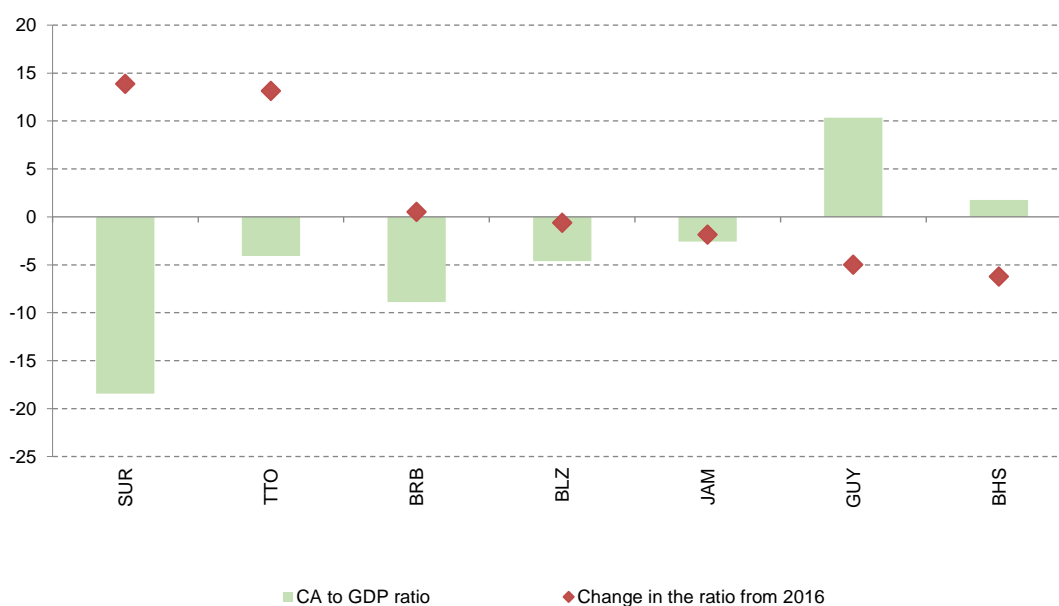
A. Current account

Based on available data, the average current account balance in the Caribbean narrowed by 2 percentage points to -3.8 per cent of GDP in 2017. However, this average excludes current account data for the eight OECS member States as updated statistics remained unavailable at the time of publication. This assessment, therefore, includes all four goods-based economies along with three of the eleven service-based economies.

The observed narrowing of the Caribbean current account deficit in 2017 was primarily driven by strong improvements among the goods producing economies where the current account deficit contracted by 5.4 percentage points to 0.3 per cent of GDP. More specifically, the current account balances for both Suriname and Trinidad and Tobago moved from deficits to surpluses (figure 6). For Suriname, an expansion in the goods balance, as exports expanded and imports fell, largely precipitated the 13.8 percentage point increase in the current account balance to 10.3 per cent of GDP. This represents a turnaround from the current account deficits observed over the last four years. For Trinidad and Tobago, growth in total exports stemming from increased energy exports, boosted by higher energy prices, supported the 13.2 percentage point increase in the current account balance to 1.8 per cent of GDP.

Alternatively, among the three service producing economies with available data, the average current account deficit widened in 2017 by 2.5 percentage points to 8.4 per cent of GDP relative to 2016. The deterioration in the current account was primarily driven by a widening of Bahamas' current account deficit by 6.2 percentage points. This resulted from a sharp decline in the vital services account surplus underpinned by a significant net payment for construction and other services. In particular, construction payments increased with the completion of the Baha Mar Resort and travel receipts fell with lower stop-over visitor arrivals and spending.

Figure 6
Current account balance 2017
 (Percentages)

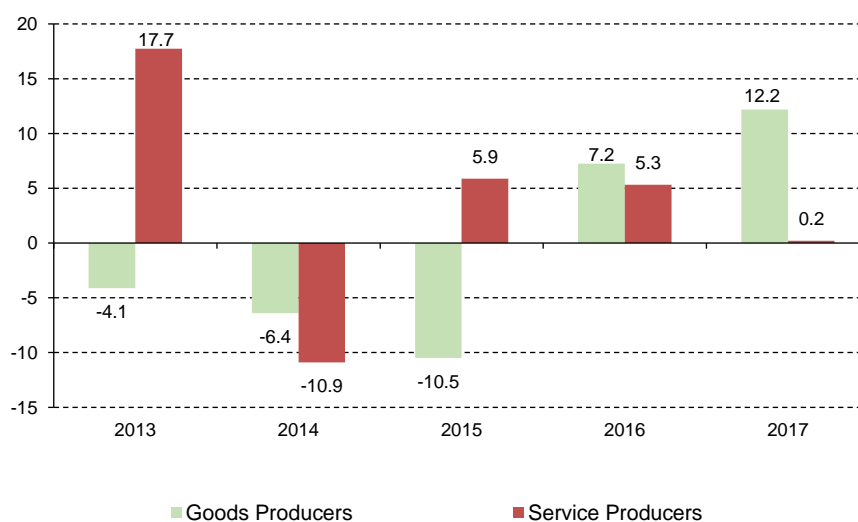


B. Terms of trade

The terms of trade index for the Caribbean is estimated to have increased by 3.4 per cent in 2017, which is slightly less than the 5.8 per cent increase in 2016. Goods producing economies experienced greater growth, as they began to recover from the commodity price declines in recent years. For the goods producing economies the terms of trade index increased by 12.2 per cent in 2017, 12 percentage points higher than the increase of the service producers. Three goods producing economies, Belize, Suriname and Trinidad and Tobago experienced increases in their terms of trade, of 6.2 per cent, 35.5 per cent and 20.8 per cent respectively. Both Suriname and Trinidad and Tobago's increase was due to an increase in exports and a decrease in imports. Trinidad and Tobago's export growth was driven by both the increase in energy prices and production, while Suriname's increase resulted from production from a recently opened gold mine and a slight fall in imports.

Conversely, six of the eleven service producing economies experienced declines in their terms of trade. The largest declines were seen in Anguilla, Grenada and Antigua and Barbuda. In Grenada higher construction related imports and reduced export earnings partially due to lower external prices for cocoa and nutmeg contributed to the decline, while in Antigua and Barbuda the driver of the decline was a large reduction in re-exports of machinery and transport equipment. The largest increase in the terms of trade occurred in Monserrat, which experienced a significant increase in re-exports of manufactured articles and machinery and transport equipment (see figure 7).

Figure 7
Terms of trade
(Annual percentage change)



Source: ECLAC on the basis of official figures.

C. Foreign direct investment

Foreign direct investment data for 2017 is limited due to the absence of data from the ECCB, on account of their ongoing transition of their external accounts to the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BMP6). Among the other Caribbean economies, there were increases in the foreign direct investment (FDI) in the Bahamas and Guyana. In the Bahamas, over the first half of 2017, FDI more than doubled as work restarted at the Baha Mar resort and investments came in to fund other medium scale tourism projects. In Guyana, FDI inflows also increased by more than 100 per cent.

The other economies with available data, Barbados, Belize, Suriname and Trinidad and Tobago all experienced declines in their FDI inflows. The decline in Belize was largely due to a significant fall in FDI inflows to the Hotels and Restaurants sector. In Suriname, FDI declined in 2016 as a result of the completion of the Newmont gold mine; in 2017, FDI was negative, as Newmont repaid part of its liabilities to its parent company.

III. Conclusion

The outlook for the Caribbean economies is positive and favourable as most of the economies posted positive growth in 2017, and overall growth is expected to quicken in 2018. For the goods producing countries, the positive outlook is influenced by the global rebound in commodity prices, and the associated improvement in the respective island terms of trade. Growth in the services-producing economies will continue to be highly reliant upon the performance of the tourism sector, particularly tourist arrivals. High public debt, undiversified economies, and vulnerability to extreme weather conditions were the major challenges faced by the subregion in 2017. Given that the Caribbean countries have limited fiscal flexibility, ECLAC's debt for climate adaption swap would be an excellent initiative to improve the countries' fiscal space, address their climate vulnerabilities, and build resilience and adaptive capacity.

IV. Country notes

A. Bahamas

Economic growth picked up to 1.2 per cent in 2017, relative to 0.2 per cent in 2016. Hurricane Irma was expected to result in a 0.2 percentage point decline in growth from its previous forecast. Activity was bolstered by increased value added in construction, linked the resumption of work on the Baha Mar Resort and other varied-sized tourism projects. Value added in tourism remained subdued owing to a fall in air and sea arrivals that was related to the lower room capacity in Grand Bahama following Hurricane Matthew in 2016. Meanwhile, activity in the offshore financial services sector was buoyant. The fiscal deficit based on the revised national accounts data increased from 0.8 per cent of GDP in FY2015/16 to 1.0 per cent of GDP in FY2016/17. Monetary conditions were influenced by high liquidity and a decline in domestic credit as banks remained cautious amidst relatively high levels of non-performing loans (NPLs). The balance of payments current account deficit widened due to lower services inflows and higher payments for construction services. Growth is projected to strengthen to over 2.0 per cent in 2018. The impetus will come from improved tourism activity based on the phased opening of the Baha Mar resort, other tourism projects and the reconstruction after Hurricane Irma.

The new government has highlighted fiscal consolidation is a major policy priority in order to reduce public debt. The 2017/18 Budget has outlined key measures to advance consolidation. These include: a review of government expenditure programmes with a focus on improving efficiency and effectiveness of spending; the introduction of fiscal responsibility legislation to make ministries and departments more accountable for their spending and improved revenue administration to enhance tax collection. The government also plans to introduce Public Procurement Regulations to achieve improved value for money in public procurement.

Fiscal policy was expansionary in FY2016/17, as planned consolidation did not gain traction. Public finances deteriorated during the first 11 months (year-to-date to May) with the overall deficit increasing from 0.8 per cent of GDP to 1.0 per cent of GDP based on the new revised GDP figures [and is expected to reach -4.5 per cent of GDP by the end of the fiscal year]. Total revenues grew by 3.7 per cent, but were offset by a 4.9 per cent expansion in expenditure. Tax receipts increased by 3.7 per cent, reflecting higher proceeds from taxes on international trade and transactions in line with growth in imports, and increased receipts from property tax. Meanwhile, VAT receipts declined marginally by 0.7 per cent. Expenditure

advanced by 4.9 per cent to 20.4 per cent of GDP. Current spending rose by 2.3 per cent, reversing the over 10 per cent decline for the similar period of FY2015/16. Growth in current spending was driven by higher outlays on goods and services and wages and salaries, partly reflecting increased procurement for relief and rehabilitation after Hurricane Matthew and hiring of workers for the clean-up and rehabilitation after the hurricane. Debt interest costs rose by 2.5 per cent, reflecting growth in public debt. Public debt based on the revised GDP expanded from 65.1 per cent of GDP at the end of the second quarter of 2016 to 70.3 per cent of GDP for the similar period of 2017.

Monetary policy was neutral as the Central Bank held its policy discount rate constant at 4 per cent. Liquidity in the banking system remained elevated with banks excess liquid assets expanding by B\$260.3 million year-on-year to September. Liquidity was boosted by a US\$250 million external loan to the government and cautious lending practices by banks in the wake of continued high non-performing loans (NPL) ratios. Domestic credit increased by 1.8 per cent, relative to a decline of 0.1 per cent in the first nine months of 2016. Growth in credit was affected by the sale of B\$138 million in NPLs to the government's Resolve Corporation that was established to help distressed banks clean-up their loan portfolio. Credit to the government expanded by B\$116 million, partly reflecting borrowing for reconstruction following Hurricane Matthew, while credit to the private sector declined by B\$134.7 million.

The balance of payments current account deficit more than doubled from 7.5 per cent of GDP in the first half of 2016 to 15.3 per cent of GDP for the first half of 2017. This reflected a sharp (28.4 per cent) decline in the vital services account surplus to B\$576.7 million, underpinned by a significant net payments for construction and other services. Construction payments rose in line with outlays for the completion of the Baha Mar Resort. Developments also reflected a 1.6 per cent fall in travel receipts that were associated with lower stopover visitor arrivals and spending. Also, the income account deficit increased by 6.8 per cent in line with higher investment income outflows and compensation of employees. Meanwhile, the capital and financial account surplus improved significantly. This reflected a sharp reversal of outflows by commercial banks and a spike in other investments. These were reinforced by a more than doubling of FDI inflows to B\$ 39.9 million. International reserves amounted to US\$1,064.9 million at the end of September 2017, covering 4 months of imports relative to 3.8 months a year earlier.

Economic growth is expected to pick up to 1.2 per cent in 2017 buoyed by construction activity, including FDI-related projects and reconstruction after Hurricane Irma. FDI-funded projects included continued work on the Chinese financed The Pointe Development and the Great Exuma Adventure Resort that entails a B\$370 million outlay between 2016 and 2022. Meanwhile, tourism activity slowed in 2017. Total visitor arrivals declined by 2.8 per cent to 4.3 million during the first eight months of 2017 relative to growth of 4.0 per cent in the similar period of 2016, partly due to the fallout from Hurricane Matthew on visitor arrivals, especially in Grand Bahama. Air arrivals, which include the highest spending stopover visitors was contracted by 6.3 per cent, compared with an increase of 3.2 per cent in 2016. Sea arrivals dipped by 1.6 per cent, following firm growth of 4.3 per cent in 2016. The offshore financial services sector remained buoyant, despite consolidations to optimise value.

Inflation picked up to around 1 per cent year-on-year to August from 0.15 per cent for the similar period of 2016. The impetus for higher prices came from higher international fuel prices that fed through to housing, water, gas and electricity costs. The rate of unemployment fell from 12.7 per cent in May 2016 to 9.9 per cent in May 2017. This is the lowest rate registered since the 2008 global crisis and was underpinned by the addition of almost 12,000 jobs, partly reflecting the resumption of major work on the Baha Mar resort. In a sign of improving labour market conditions, the rate of unemployment fell despite a 22.1 per cent decline in the number of discouraged workers to 1,925.

Table 11
Bahamas: main economic indicators

	2014	2015	2016	2017 ^a
Annual percentage growth rates				
GDP	-0.5	-1.7	0.0	1.2
GDP per capita				
Variation in consumer prices ^b	0.2	2.0	0.8	2.4
Money (M1)	21.6	3.8	18.8	12.7
Annual average percentages				
Unemployment	13.8	12.0	12.7	9.9
Central government overall balance/GDP ^c	-6.5	-4.3	-2.9	-1.0
Nominal deposit rate ^d	1.7	1.4	1.10	0.92d
Nominal lending rate ^d	11.1	11.8	12.26	10.96
Millions of dollars				
Exports of goods and services ^e	3 550.6	3 415.9	3 3742.0	315.2 ^f
Imports of goods and services ^e	5 040.5	4 231.9	4 295.6	1 498.6 ^f
Current account balance	-1 928.0	-1 203.2	-1 106.3	-863.3 ^f
Capital and financial account ^g	1 974.1	1 227.5	1 198.3	919.3 ^f
Overall balance	46	24.3	92.0	56 ^f

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

^a Preliminary data.

^b Twelve month variation to September.

^c Fiscal year, July to June.

^d Deposit rate, weighted average, twelve month to September.

^e Only includes exports of goods for 2017.

^f Data for 2015 is from January to June.

^g Includes errors and omissions.

B. Barbados

The Barbados economy is projected to achieve GDP growth of approximately 1.5 per cent in 2017 underpinned primarily by a productive performance in the tourism sector and spill over into the construction sector. Performance in remaining sectors was subdued. The tourism sector grew by 4.2 per cent in the first nine months of 2017 notwithstanding disruptions in air and cruise ship arrivals due to the active hurricane season. Total long stay arrivals increased by 6.2 per cent with growth up in the United States and Canada markets but the United Kingdom market continued to soften. Despite continued delays in tourism-related infrastructural projects, activity in the construction sector remained strong as large tourism investment projects progressed. As a consequence, the average unemployment rate fell to 9.7 per cent by September 2017. The current account deficit of the balance of payments widened marginally to 4.1 per cent of GDP as an expansion in the goods trade deficit slightly offset the services surplus. Moreover, despite remaining unsustainably high, the fiscal deficit dropped by 4.2 percentage points to 5.6 per cent of GDP year-on-year and the gross public-sector debt stock fell below the 100 per cent mark to 96.2 per cent of GDP. Increasing global oil prices coupled with recently implemented fiscal measures contributed to an increase in inflation to 3.4 per cent. Growth in 2018 is also projected at around 1.5. per cent, tempered by austerity measures but shored up by continued dynamism in the tourism and tourism-related infrastructural projects advancing to boost the construction sector.

Over the years, fiscal policy has centred on measures aimed at reducing the fiscal deficit through a combination of revenue boosting and expenditure dampening measures. As a consequence of measures in recent budgets, the fiscal deficit fell by 4.2 percentage points to 5.6 per cent of GDP in FY 2016-17 relative to FY 2015-16, with a primary surplus of 2.6 per cent of GDP. The gross public sector debt also broke the 100 per cent of GDP mark for the first time in five years reaching 96.2 per cent of GDP by September 2017 relative to 100.4 per cent of GDP during the same period in 2016. However, achieving the targeted 4.4 per cent of GDP by the end of FY 2017-18 as proposed in the budget poses some challenge given the upcoming elections in 2018.

For a number of years, the Central Bank of Barbados (CBB) has contributed to the financing of the fiscal deficit through the purchase of government debt and creation of money. However, in the 2017-18 budget speech, the government of Barbados announced its intention to curb this trend given the resulting pressure on the maintenance of the currency peg. By September 2017, CBB's government financing contribution had decreased by 91.9 per cent to US\$ 23.1 million. In order to counteract the reduction in financing, the CBB tightened its monetary policy stance by implementing a 5 per cent increase in the Barbados dollar securities reserve requirement ratio for commercial banks to 15 per cent. This policy directly translated to the commercial bank government financing almost doubling to US \$105.8 million by September 2017 relative to the same period in 2016. By November 2017, CBB announced two further increases to 18 per cent effective December 1, 2017 and 20 per cent effective January 1, 2018.

As of September 2017, the international reserves fell to US \$549.7 million representing 8.6 weeks of import cover, well below the 12 week minimum threshold of sustainability. However, the CBB is committed to preserving the fixed exchange rate peg (BDS \$2: US \$1) in order to maintain monetary stability and to facilitate ease of conversion for the numerous foreign visitors. In the short term, the government has initiated the sale of state owned enterprises such as the National Terminal Company and the Hilton hotel to stem the fall of international reserves. However, progress with the sale of the National Terminal Company has been slow as they await approval from the Fair Trade Commission to proceed. Long term measures to counter any further shortfall in the international reserves will focus on investments in the tourism industry.

In an effort to address the urgent need for restructuring of the Barbados economy in the medium to long term, the government of Barbados established working groups from the Social Partnership to develop the National Fiscal, Economic, and Social Development Restructuring and Enhancement programme. The working groups have been tasked with the responsibility of developing national plans that can accelerate economic growth, significantly narrow the fiscal deficit, establish debt sustainability management plan, reduce unemployment, rebuild the international reserves and enhance social and environmental protections. More comprehensive details of the plan are expected to be rolled out by end of 2017.

The current account deficit widened marginally to 4.1 per cent of GDP in the first three quarters of 2017. A 3.4 per cent increase in the service surplus, the largest positive component of the current account, was offset by a 7.4 per cent fall in goods exports which outpaced the decline in goods imports. The balance of payments continues to record a moderate income deficit along with low levels of remittances relative to transfers abroad. It is, however, the substantial fall in the international reserves by US \$67 million as a consequence of a steep drop in net short-term investment flows that remains a top priority for the government.

Over the last decade, the Barbados economy has struggled to regain a firm grip on economic growth. The dynamic performance of the tourism sector and its spill over into sectors such as construction has bolstered the economy, however, the economy remains highly vulnerable to external events and growth remains low. In the first three quarters of 2017, economic activity slowed to 1.4 per cent relative to 1.6 per cent during the same period in 2016. Activity in the tourism sector grew by 4.2 per cent in the first nine months of 2017 with a strong performance in the first half of 2017 that was impeded in the third quarter by disruptions in air and cruise ship arrivals stemming from an active hurricane season. Long-stay arrivals in major source markets such as the United States and Canada were robust, expanding by 14.4 per cent and 10.7 per cent, respectively. However, arrivals from the United Kingdom, Barbados' main source market, remained unchanged as uncertainty around the Brexit referendum persist. The construction sector grew by 4.7 per cent as projects such as the Sandals Royal progressed but was stymied by continued

delays in other large-scale tourism-related projects. Although activity in the international business sector has been subdued, there is hope for recovery as efforts are being made to boost transparency and opportunities in alternative markets are pursued. Value added in all other sectors was muted. GDP growth in 2018 is projected at 1.5 per cent driven by a buoyant tourism sector and progress with major tourism-related construction projects. However, further delays in major construction projects can potentially temper this projection.

After a period of deflation as a consequence of weak global fuel prices, prices have begun to pick up again as a result of increased fuel prices and austerity measures passed in the recent budget. By September 2017, the 8 percentage point increase in the National Social Responsibility Levy to 10 per cent along with the increase in the excise tax on gasoline and fuel began to impact prices as inflation increased to 3.4 per cent, a 3.4 percentage point increase year-on-year. However, prices are expected to stabilize by late 2017 into 2018. The buoyant tourism sector along with spill-overs in the construction sector contributed to a further drop in the unemployment rate for the third consecutive year, falling to an average of 9.7 per cent over the first three quarters of 2017 compared to 10 per cent in the same period in 2016. This downward trend can, however, be impeded by government's austerity policies.

Table 12
Barbados: main economic indicators

	2015	2016	2017 ^a
	Annual percentage growth rates		
Gross domestic product growth	0.9	2.0	1.4
Per capita gross domestic product growth	NC	1.2	...
Consumer prices	-1.1	-1.5	3.4
Money (M1)	20.9	14.5	...
	Annual average percentages		
Central government overall balance /GDP	-7.7	-9.4	-5.5
Nominal deposit rate	1.8	1.7	0.6
Nominal lending rate	7.9	7.9	6.2
	Millions of dollars		
Exports of goods	800.5	834.5	574.5
Imports of goods [c.i.f.]	1 537.2	1 540.5	1 086.5
Current account balance	-577.1	-415.3	-282.3
Capital and financial account balance	425.4	75.6	133.4
Overall balance	-125.5	-245.8	-133.9

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

^a January – September 2017.

NC – unable to calculate.

C. Belize

Economic activity picked up with growth of 2.5 per cent in 2017, following the decline of 0.8 per cent in 2016. The improvement in activity was led by a 5.7 per cent growth in the primary sector, after a major contraction in 2016. The secondary and tertiary sectors grew by 1.8 per cent and 1.3 per cent, respectively. With the growth in activity and higher fuel prices inflation increased to 1.8 per cent in 2017 from 0.7 per cent in 2016. Fiscal consolidation continued, with the deficit declining to 1.8 per cent of GDP from 3.4 per cent of GDP last year on a calendar year basis. Similarly, the current account deficit narrowed marginally from 8.8 per cent of GDP in 2016 to 8.7 per cent of GDP in 2017, reflecting an improvement

in both the trade and services account. The economy is projected to grow by 2.4 per cent in 2018, buoyed by a 4.4 per cent expansion in agriculture due mainly to strong performance of sugar subsector. The services sector is projected to grow by 2.0 per cent, underpinned by firm growth in stay-over visitor arrivals.

In 2017, economic policy centred on fiscal adjustment through debt restructuring and efforts to contain public spending. In March, Belize secured an agreement to restructure its private external debt, the third restructuring since 2006. Under the agreement, the interest rate on the debt has been reduced from 4.9 per cent, down from the scheduled step up rate of 6.77 per cent that was due in August of 2017. The start of principal repayments has been pushed back to 2030-34 instead of 2019. Overall, the net present value (NPV) of the debt has been cut by around 28 per cent. Nevertheless, the failure to secure a haircut on principal payments means that the debt will remain elevated over the medium to longer-term.

Fiscal policy was contractionary in 2017, with the fiscal deficit declining from 3.4 per cent of GDP in 2016 to 1.8 per cent of GDP in 2017. Total revenue and grants expanded by 8.0 per cent, bolstered by higher proceeds from taxes on goods and services, property taxes and non-tax revenue. Expenditure grew by 2.6 per cent, underpinned by 6.6 per cent increase in current spending. Outlays on wages and salaries rose by 5.2 per cent to BZ\$419 million, reflecting the increase in public sector wages. Spending on goods and services expanded by 12.6 per cent, including the fees incurred for the renegotiation of the Superbond debt. Capital expenditure contracted by 16.3 per cent in line with government's policy of cutting capital outlays to reduce public debt.

During the first quarter of FY2017/18, the fiscal deficit stood at 0.6 per cent of GDP. Total revenue expanded by 7.6 per cent to BZ\$282.1 million, while expenditure contracted by 5.1 per cent, mainly due to lower capital spending. The trend has been for authorities to cut capital spending to improve the fiscal position, but given the importance of capital investment for growth, the focus should shift instead to cutting government consumption. Central government debt increased from 88.8 per cent of GDP in 2016 to 91.7 per cent of GDP in 2017. This mainly reflected growth in domestic debt, partly to finance the settlement for the nationalisation of the Bahamas Telemedia Limited (BTL).

Monetary policy remained neutral in 2017, as the Central Bank maintained its policy liquid assets ratio at 6.5 per cent. Despite improved activity, the broad money supply contracted by 1.7 per cent, owing to reduced net foreign assets, reflecting government external debt servicing costs and payments for the acquisition of BTL. Domestic credit grew by 4.7 per cent in 2017, driven by increased lending to the private sector for agricultural processing, sugar production, commercial fishing and real estate development.

The external current account deficit widened from 8.1 per cent of GDP in 2016 to 8.7 per cent of GDP in 2017. Developments reflected a sharp growth in the income deficit and reduced net transfers, which offset the fall in the merchandise deficit and the increase in the services account surplus. The deficit on the income account expanded by 41.5 per cent, due to higher outflows of investment income. Net transfers contracted by over 36 per cent in line with lower multilateral grant receipts. The trade deficit contracted by 6.9 per cent to US\$402.5 million, in line with 5.5 per cent increase in exports and a 0.6 per cent decline in imports. Exports of sugar expanded by 48.3 per cent to 114,263 long tons, but receipts rose by significantly, owing to an 18.4 per cent rise in the average price. Meanwhile, petroleum exports fell by 33.3 per cent to 133,866 barrels, but higher prices bolstered export receipts. The services account surplus widened by 11.7 per cent, boosted by an 8.6 per cent increase in tourism receipts to US\$213 million. By contrast, the surplus on the capital and financial account contracted by 12.7 per cent to US\$70.2 million, mainly reflecting a sharp fall in FDI to US\$12.3 million. International reserves declined by 23 per cent to 288.1 million, covering 3.7 months of imports.

The economy recovered in 2017 with growth of 2.5 per cent, reversing the decline of 0.6 per cent in 2016. The primary sectors experienced a major turnaround, registering growth of 5.7 per cent, following a decline of over 22 per cent in 2016. Sugar production expanded by 22.2 per cent to 161,545 long tons for the first eight months of 2017, reflecting increased productivity as the cane to sugar ratio fell from 10.1 to 9.4. Banana output was up by 14 per cent, owing in part to favourable weather. By contrast, petroleum output contracted by 17.8 per cent to 253,760 barrels. Construction activity slowed with growth of 1.9 per cent, partly associated with the tapering off of some government infrastructure projects. Value

added in services was bolstered by 8.2 per cent increase in the tourism sector, driven by a 7 per cent increase in stay-over visitor arrivals and a 4.2 per cent increase in cruise-ship passenger arrivals.

Inflation picked up to 1.8 per cent in 2017, following a moderate rate of 0.7 per cent in 2016. The uptick reflected higher fuel prices and increased costs for housing, water, electricity, gas and other fuels, which offset lower prices for food and non-alcoholic beverages. The rate of unemployment rose from 8 per cent in April 2016 to 9 per cent in April 2017, reversing a four year downward trend. The labour force expanded by 3.3 per cent, surpassing the 2.2 per cent growth in jobs.

Table 13
Belize: main economic indicators

	2014	2015	2016	2017 ^a
Annual percentage growth rates				
GDP	4.1	2.9	-0.8	2.5
GDP per capita	3.1	-0.5	-2.6	...
Variation in consumer prices	1.2	-0.9	0.7	1.8
Money (M1)	17.1	16.3	-3.4	2.1
Annual average percentages				
Unemployment ^b	11.7	10.1	8.0	9.0
Central government overall balance/GDP ^c	-2.9	-7.9	-3.4	-1.8
Nominal deposit rate ^d	1.7	1.5	1.3	1.2 ^e
Nominal lending rate ^d	10.7	10.0	9.7	9.4 ^e
Millions of dollars				
Exports of goods and services	608.1	588.7	967.3	1 016.8
Imports of goods and services	888.6	938.8	1 097.3	1 081.5
Current account balance	-127.8	-171.8	-140.6	-157.7
Capital and financial account	209.6	160.2	80.4	70.2
Overall balance	81.8	-50.2	-60.3	-88.4

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

^a Preliminary data.

^b Unemployment as of April each year, with exception of 2010 which records Census figures.

^c Overall balance for the calendar year.

^d Deposit rate and loan rate, weighted average.

^e Twelve-month variation to September.

D. Eastern Caribbean Currency Union (ECCU)

Constrained by the damage and losses sustained from hurricanes Irma and Maria, as well as the knock-on effect on private sector activity, growth in the ECCU is expected to slow to 0.9 per cent in 2017 compared to 2.9 per cent economic growth achieved in 2016. Notwithstanding this slower outturn, there was strong construction and tourism activity during the first six months of the year, the latter buoyed by increased cruise ship arrivals. Construction activity is expected to further strengthen during the last quarter of 2017, as rebuilding efforts gather pace and tourism-related projects progress. The short-term outlook for the tourism industry is positive with downside risks being the realization of anticipated improvements in airlift and economic developments in the major source markets.

In addition, the overall debt stock of the Union is expected to increase as hurricane affected economies seek to fund rebuilding efforts and others borrow to fund their fiscal deficits; and the

merchandise trade deficit is expected to increase. This notwithstanding, the ECCU is projected to achieve real growth of 4.1 per cent in 2018 as Dominica returns to positive growth; several private sector tourism-related and public sector infrastructure projects come on stream in Antigua and Barbuda, Grenada and Saint Lucia; and positive outruns are projected for the tourism and manufacturing sectors.

The fiscal operations (Overall Balance after grants) of the ECCU economies generated a surplus of EC\$27.2 million during the first half of June 2017, compared to the EC\$138.5 million surplus achieved during the same period in 2016. This weakening of the fiscal performance over the review period was influenced by a deterioration in the current account position coupled with increased capital expenditure, particularly on infrastructural projects. In this regard, it is noteworthy that there was a significant fall off in Citizen by Investment Programme (CIB) inflows in Saint Kitts and Nevis (EC\$66.5 million of 58.4 per cent) and Dominica (EC\$48.1 million or 23.2 per cent) during the first half of 2017 relative to the same period in 2016. Concomitantly, Dominica (EC\$21.0 million) exhibited the largest increase in payments for goods and services, followed by Saint Lucia (EC\$5.2 million). Furthermore, underpinned by a more than doubling of capital outlays in Dominica, there was an expansion (6.3 per cent) in capital expenditure⁴ during the first half of 2017, when compared to the same period in 2016. Capital expenditure in Dominica was centred on general recovery and reconstruction activities following Tropical Storm Erica, specifically rehabilitation work at the Douglas Charles Airport, dredging of rivers, reconstruction of the new West Bridge and investment in housing. Moreover, fiscal deficits were recorded in Antigua and Barbuda, Dominica, and Saint Vincent and the Grenadines, while surpluses were recorded in Anguilla, Grenada, Saint Kitts and Nevis, and Saint Lucia during the first half of 2017.

As a natural consequence of the weakening fiscal position of the ECCU during the first half of 2017, there was a concomitant expansion in the debt stock. The total outstanding public debt stock of the ECCU rose by 1.4 per cent from end of the fourth quarter of 2016 to the end of the second quarter of 2017, as total external debt expanded. During the aforementioned period public debt stock increased in all ECCU countries with the exception of Anguilla and Dominica. However, the debt as a percentage of GDP declined in Antigua and Barbuda, Grenada, Saint Kitts and Nevis and Saint Vincent and the Grenadines.

With regard to the monetary sector, monetary liabilities (M2) grew by 2.3 per cent to EC\$16,220.0 million during the first quarter of 2017, this was comparable to the growth achieved over the same period in the previous year. It is noteworthy that by end of June 2017, narrow money (M1) grew by 5.7 per cent. In addition, during the first quarter of 2017, commercial bank liquidity, as measured by the ratio of liquid assets to total deposits plus liquid liabilities, increased by 2.4 percentage points to 47.0 per cent. During the first six months of 2017, however, the nominal deposit rate declined marginally from 1.7 per cent at the end of June 2016, to 1.6 per cent at the end of June 2017. The nominal lending rate remain unchanged at 8.5 per cent as at June 2017, from the same period during the previous year. Thus, there was a minor contraction in the interest rate spread by 10 basis points over the first six months of 2017. Domestic credit expanded by 1.3 per cent to EC\$10,128.5m during the first quarter of 2017, in contrast to a decline of 2.7 per cent by over the same period in 2016. Net credit to the general government increased by 20.3 per cent, while credit to the private sector declined by 0.3 per cent.

Exchange rate between the Eastern Caribbean dollar and the United States dollar remained fixed at EC\$2.7 to US\$1 during the first half of 2017.

Driven by the combination of declining exports and rising imports, there was a widening of the merchandise trade deficit of the ECCU relative to the first half of 2017. The expansion in imports was fuelled by machinery and transport equipment, manufactured goods and articles, and food and live animals.

Within the real sector of the ECCU, there was higher construction activity in Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia. This offset observed weakening in construction activity in the St Vincent and the Grenadines with the completion of the Argyle International Airport during the first quarter of 2017. This ECCU-wide up-tick in construction activity was largely fuelled by private sector investment in hotels and other-tourism-related projects, as well as increased capital expenditure, which focussed on schools, roads and infrastructural development alluded to earlier. Across the ECCU,

⁴ i.e. capital expenditure and net lending of which: Capital expenditure.

during the first half of 2017 buoyed by an uptick in the number of cruise ship calls in Saint Lucia, Saint Kitts and Nevis and Antigua and Barbuda, tourism visitor arrivals rose by an estimated 9.1 per cent, which represented a significant turnaround from the contraction (1.1 per cent) observed for the corresponding period in the previous year.

In contrast, the outturn of the agriculture sector was mixed. Banana production fell by 32.8 per cent to 2,783.1 tonnes in the first quarter of 2017 due to lower production in Dominica, Grenada and Saint Lucia. Total non-banana agricultural output decreased in Grenada, while production increased in Dominica, Saint Lucia and Saint Kitts and Nevis and Saint Vincent and the Grenadines. Manufacturing output in the ECCU marginally improved during the first half of 2017 as a more than tripling in exports of electronic manufactures out of Saint Kitts and Nevis offset weak manufacturing activity Grenada and declining output in Dominica, Saint Lucia and St. Vincent and the Grenadines.

During the first half of 2017, the ECCU posited an inflation of 1 per cent, compared to a -0.1 per cent deflation rate of the same period in 2016. The marginal increase in the general price level was underpinned by higher costs for transport and food, inextricably linked to the rebound in international commodity prices in general and particularly an increase in petroleum prices on the domestic market.

Table 14
Eastern Caribbean Currency Union: main economic indicators

	2015	2016	2017
	Annual percentage growth rates		
Gross domestic product ^a	3.7	2.9	0.9
Per capita gross domestic product ^a	3.0	2.3	2.0
Consumer prices ^b	-0.9	-0.1	1.0
Money (M1) ^c	8.3	6.8	5.7
Real effective exchange rate			
	Annual average percentages		
Non-financial Public Sector overall balance/GDP	0.2	6.8	0.0
Nominal deposit rate ^c	1.9	1.7	1.6
Nominal lending rate ^c	8.8	8.5	8.5
	Millions of dollars		
Exports of goods and services	423.8	406.1	
Imports of goods and services	280.1	293.3	
Current account	92.8	2.2	
Capital and financial account	151.6	28.9	

Source: Eastern Caribbean Central Bank.

^a Projected figures for 2017.

^b March 2017 year on year.

^c Data as June 2017.

E. Guyana

During the first half of 2017, there was a dedicated focus on quickening the pace of spending under the Public Sector Investment Programme (PSIP) and instituting structural reforms geared towards promoting diversification and greening of the Guyana economy. However, given Guyana's high product specialization, falling commodity prices continued to negatively impact on export performance, while lower private sector investment coupled with adverse weather conditions lead to declining output in key sectors (e.g. mining, sugar and forestry, as well as financial & insurance). This notwithstanding, fuelled by increased activity in the manufacturing (primarily rice), construction and other services sectors the economy expected to achieve overall growth of 2.9 per cent in 2017.

The Guyana economy is projected to expand by 3.5 per cent in 2018 as structural reforms begin to take hold thereby assisting in boosting economic activity and accelerating the rate of implementation of infrastructural projects. Further, it is expected that favourable international prices and access new markets will provide impetus for increased rice production; and output of the gold and services sector will continue to expand.

The Central Government generated an overall fiscal surplus G\$8.3 billion by mid-year 2017, relative to the G\$0.82 billion surplus in the first half of the previous year. This positive outturn was underpinned by improved revenue collections (13.1 per cent) as there were observed increases across almost all fiscal categories, particularly income tax from both private corporations & individuals, withholding, value-added and excise taxes. This more than off-set a 6.5 per cent expansion in current expenditure due to increased employment costs and purchases of other goods & services. In this regard, there was a significant reduction in transfer payments, as disbursements to the Guyana Sugar Corporation (GUYSUCO) fell by G\$2 billion during the review period. Further, a combination of procurement planning and capacity constraints, which led to delays in the implementation of projects under the PSIP, meant that only 27.9 per cent of budgeted allocation was spent.

Shifting to a consideration of the monetary sector, low inflationary pressures coupled with increased domestic credit (9.0 per cent) contributed to a 3.6 per cent expansion in broad money during the first half of 2017 relative to the same period in 2016. Concomitantly, the Bank of Guyana continued to utilize the issuing of Treasury Bills as its primary mechanism for mopping up liquidity in the system. However, a 15 basis points fall in the 91-day treasury bill rate from 1.68 per cent to 1.54 per cent, may have contributed to dampened demand. The decline in treasury bills held by the commercial banks is noteworthy in this regard.

Moreover, in small open, commodity exporting economies like Guyana, public sector spending commonly provides an important engine for driving economic activity, including in the private sector. In this way the Government's slow implementation of locally-funded projects during the first half of the 2017 had distinct knock-on effects. The expansion (9.0 per cent) in net domestic credit recorded during the first half of 2017 was principally due to an increase in government's domestic debt, as private sector credit grew by (1.8 per cent) for the period. Indeed, lending to agriculture, manufacturing and mining and quarrying sectors all declined. Against this backdrop, the observed significant uptick in lending to the services sector (7.0 per cent) suggests that sector may be an emerging area of comparative advantage. The expansion in mortgage lending (4.1 per cent) when set against declining credit to key productive sectors, also suggests that there continues to be an adversity to risk in the commercial banking sector of Guyana.

Guyana's debt burden continues to remain at sustainable levels and there has a dedicated focus by the Government towards prudent debt management. Key in this regard has been ensuring that debt servicing costs don't escalate. Accordingly, there was only a 5.5 per cent, period-on-period, increase in total public debt during the review period, as both external (5.0 per cent) and domestic (6.9 per cent) debt trended upwards. Expansion in Guyana's external debt stock fuelled by higher disbursements from multilateral creditors and the transfer of Atlantic Hotel Inc. (AHI)'s, the owner of Guyana Marriott Hotel, debt to Republic Bank Limited (Trinidad) to the central government.

In the real sector, there was a deceleration in the rate of growth agricultural production (from 10 per cent to 6.4 per cent) during the first half of 2017 relative to the same period in the previous year, as adverse weather conditions affected output. There was, however, a marked increase (31.6 per cent) in rice production during the review period, as farmers aggressively expanded sown acreage in response to favourable market prices, gains made in penetrating new markets and progress made by the Guyana Rice Development Board (GRDB) fostering an industry shift towards value-added. In fact, the rice industry was the main driver of growth in manufacturing (9.9 per cent) during the period under review. Although cane yields (tonnes per acre) were higher than the previous year, in the face of falling global prices, domestic sugar output declined (12.4 per cent) during the first half of 2017 as mechanical problems at the Skeldon estate prevented production at the plant.

Falling prices and structural issues including absence of lumber certification have affected investment in the forestry industry, leading to a fall (18.2 per cent) in production during the first six months of 2017. In the mining and quarrying sector, changes in the tax structure of the gold industry introduced in 2017 didn't lead to the anticipated crowding out of domestic private sector investment. However, production from small and medium sized gold producers marginally decreased (0.5 per cent). This along with a contraction in output from the two large multinational companies led to an overall gold decline in gold production (1.7 per cent) during the first six months of 2017.

Inflation stood at 1.1 per cent the end of June 2017, falling from 1.4 per cent as at the end of December 2016. Increased prices within several subcategories of food were the main drivers of the inflation observed over the review period. There were also marginal increases in transport & communications (0.4 per cent); housing (0.04 per cent); education, recreation and culture (3.1 per cent) prices.

Table 15
Guyana: main economic indicators

	2015	2016	2017
	Annual percentage growth rates		
GDP	3.2	3.4	2.9
GDP per capita	3.3	8.0	
Variation in consumer prices	-1.7	1.4	1.1 ^a
Money (M1)	Annual average percentages		
Central government overall balance/GDP	-1.4	-4.5	
Nominal deposit rate	2.3	1.7	1.7 ^b
Nominal lending rate	10.6	10.4	10.3 ^b
	Millions of dollars		
Exports of goods	1 151.3	1 440.6	677.5 ^c
Imports of goods	-1 491.6	-1 447.8	-789.7 ^c
Current account	-181.5	13.0	-81.7 ^c
Capital and financial account	179.1	40.2	81.6 ^c
Overall balance	-107.7	-53.3	-46.0 ^c

Source: Central Bank of Guyana.

^a June 2017 year on year.

^b September 2017.

^c June 2017.

F. Jamaica

The Jamaican economy posted growth rates of 0.1 per cent, in the first quarter of 2017 and .3 per cent in the second quarter. Growth in 2016 was 1.3 per cent and will be no more than 1.2 per cent in 2017 but will rebound to 1.3 per cent in 2018. The government's main policy objective in 2018 will be to meet the annual requirement of the three-year, US\$1.64bn Stand-By Arrangement (SBA) with the IMF, which was signed in November 2016 (replacing a US\$932 m, four-year extended fund facility signed in May 2013). The focus will be on promoting economic growth, which has stalled at less than 2 per cent in recent years. The hope is that growth would continue to build gradually with the new IMF agreement in place. In October of 2017, at the second review of the programme, all performance criteria and structural benchmarks were met. The Jamaican authorities have indicated that they intend to treat the SBA as precautionary, that is, effectively an insurance policy against unforeseen economic shocks that are beyond the control of Jamaica. Inflation in 2016 was 1.7 per cent and is likely to be higher in 2017 as in June it stood at 4 per cent. Higher inflation is linked to increased energy prices and exchange rate changes despite fiscal restraint.

The fiscal challenges continue to be the biggest concern of the government as Jamaica seeks to control its public finances. In October 2017 the IMF reported the successful completion of the second review of the SBA due to expenditure restraints and tax increases. In fiscal year 2016/17 most categories of government expenditure were below budget and overall expenditure was 1 per cent below budget. In addition capital expenditure was 6.4 per cent below budget. This resulted in a primary surplus of 8.4 per cent while the budget target was 7.8 per cent of GDP. As part of the reduction in borrowing requirements, loan receipts were some 11.8 per cent below budget. In terms of tax changes, the government raised the minimum personal income tax threshold, from J\$592,800 (US\$4,200) to J\$1.5 m, effective from April 2017 and it is anticipated that increases in indirect taxes will compensate for the loss of income tax earnings in the 2017/18 fiscal year.

The main challenge facing Jamaica is the debt overhang which stood at 124 per cent of GDP in fiscal year 2016/17 and projected as 119 per cent in 2017/18. By December 2016, External debt was 61.28 per cent of total debt and domestic debt was 38.8 per cent. The large foreign exchange component of the debt carries foreign exchange risks. At the end of December 2016 foreign currency debt to total debt was 61 per cent of debt and domestic foreign exchange component was 8 per cent. The Jamaican government has been leveraging the low interest rates in international markets to reduce debt service costs. For example, in August 2017, the government reopened two Eurobonds and raised US\$869m, which it will use to retire more expensive debt maturing in 2019-2025. The long anticipated increase in US interest rates will also adversely affect debt repayment costs. It is important to note that some 34.6 per cent of total debt is subject to interest rate variations.

Turning to the exchange rate, the weighted average selling rate of the Jamaica Dollar vis-à-vis the US dollar closed the June 2017 quarter at J\$128.62 = US\$1.00, reflecting an annual rate of depreciation of 1.8 per cent, relative to 5.4 per cent at the end of the previous quarter

The exchange rate will continue to face pressures throughout 2018 but the Bank of Jamaica will manage a moderate depreciation as part of its intervention strategy. Relatively low oil prices and a recovery in the US economy will aid this by boosting tourism and remittances receipts.

Faster depreciation would occur should the government miss fiscal targets by a significant margin, which would damage confidence and reignite capital flight. Despite recommendations by the IMF that the central bank intervene less frequently in order to build up reserves, the monetary authorities are expected to step up foreign exchange sales if they need to contain faster depreciation, imported inflation or rises in external debt-servicing costs. Factors such as severe weather, causing increasing imports, and commodity price swings could also cause the rate of depreciation to accelerate. While the depreciation of the currency may be improving competitiveness⁵ especially in light of falling oil prices, continual depreciation will begin to affect inflation and encourage a stronger demand for wage increases.

⁵ There are limits to which devaluation can improve competitiveness in a small open economy.

Monetary policy in 2016 was accommodating and the Bank of Jamaica (BOJ) cut its 30 day certificate of deposit rate in August from 3.75 per cent to 3.5 per cent and no further rate changes are expected for 2017. This policy move was due to the significant lowering of inflation expectations as well as the moderation in price increases that resulted mainly from reduced international oil prices. The Bank also advanced its plan to use its overnight certificate of deposit (CD) rate, or the rate at which the commercial banks borrow from each other, as its policy rate. The decision is related to the BoJ's goal to improve the effectiveness of monetary policy transmission.

In 2016 credit to the private sector grew by 11.4 per cent which was an acceleration relative to 9.6 per cent in 2015. There was a continuation in credit expansion in 2017 as at the end of June annual credit grew by 31.1 per cent relative to 32.9 per cent at the end of March and this reflected increased economic activity and probably increasing confidence by the private sector. Meanwhile the weighted interest rates fell to 14.98 per cent in June 2017.

The current account balance has seen steady improvement from 2.6 per cent of GDP in 2016 relative to 2.8 per cent in 2015. This is the fifth year of improvement and the lowest deficit in 15 years. Net reserves of the Central Bank amounted to US\$2.7 billion while gross reserves were US\$3291.5 million at end of 2016, the equivalent of approximately 24 weeks of goods and services imports. Meanwhile, net reserves were 2.6 billion by June 2017. This slippage may be linked to interventions by the Bank of Jamaica.

The bank is also introducing a new system of foreign exchange management (BOJ Foreign Exchange Intervention & Trading Tool (B-FXITT), under which the Bank will conduct weekly (pre-announced) interventions that reflect market conditions. The Bank will also conduct flash interventions if market conditions warrant.

The economic growth rate was 1.3 per cent in 2016 and for the first two quarters of 2017 they were 0.1 per cent, 0.3 per cent respectively. In the first quarter, the largest contributor to growth was the service industry (0.5 per cent) while the goods producing sector contracted by 1.1 per cent. Within the latter sector, agriculture declined by 2.5 per cent, mining and quarrying declined by 10.8 per cent reflecting weak external demand. The outturn in the second quarter was driven by poor performance in the goods sector (-2.5 per cent) and a positive performance of the service sector (1.2 per cent). Remittance flows have also been improving due to better economic performances in the US and the UK. Interestingly, the performance of manufacturing sector has not been stellar despite the improvement in competitiveness due to the depreciating exchange rate. The projection for 2018 is that growth will be 1.3 per cent due to continued tourism growth and increasing credit expansion by the domestic private sector.

In 2016 the inflation rate was 1.7 per cent and at end-June 2017 headline inflation is projected to be much higher at 4 per cent. Inflationary pressure has diminished due to softer demand at both the domestic and international levels, lower commodity prices.

Wage restraint has been an important part of the agreement with the IMF. For FY 2017/2018, the Wage and Salaries bill amounted to \$179.5 billion, which is a 5.2 per cent increase over FY 2016/17. However, the reduction in the Wage to GDP ratio which is programmed at 9.5 per cent of GDP in the budget, was down from 9.7 per cent in FY 2016/2017. The wage bill was 9 per cent of GDP in fiscal year 2016/17 and the government is committed to maintaining the ratio of public debt to GDP on a downward path over the medium term. Keeping wages from growing while pursuing public sector reforms may be a tough sell given the fiscal fatigue that will begin to set in.

The unemployment rate fell to 12.9 per cent in October 2016 compared with 13.5 per cent a year before. Over that period, 34,000 new jobs were created of which, importantly, 25,500 went to women and 8,500 went to men.

In the case of males the rate was 9.6 per cent in July 2016 and for females it 18.4 per cent for the same period. In July 2017 the unemployment rate fell further to 11.3 per cent. This decrease was driven by a decline in the unemployment rate for both males and females relative to 2016. The unemployment rate for males decreased to 8.0 per cent while that of the female rate was 15.2 per cent. Significant decline in unemployment will only occur with improved domestic activity and robust external demand. Meanwhile, youth unemployment continues to be a serious challenge.

Table 16
Jamaica: main economic indicators

	2015	2016	2017
	Annual percentage growth rates		
GDP	0.9	1.3	1.2 ^a
GDP per capita	0.1	0.1	0.1 ^a
Variation in consumer prices	3.7	1.7	4.0 ^a
Money (M1)	20.8	15.4	13.89 ^c
	Annual average percentages		
Unemployment	3.50	12.90	11.30 ^b
Central government overall balance/GDP	1.80	1.50	1.60 ^a
Nominal deposit rate	1.62	1.56 ^d	1.42 ^d
Nominal lending rate	16.90	16.20	14.98 ^e
	Millions of dollars		
Exports of goods	1 261.1	1 195	1 222 ^a
Imports of goods	-4 414.4	-2974	-4 200 ^a
Current account	-399.8	-370.9	-358 ^a
Change in capital and financial account	-28.9	-7.2	-
Change in reserves	-435.9	-282.0	-148 ^a

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

^a Forecast for 2017.

^b July 2017 STATIN.

^c June 2017.

^d February 2017.

^e March 2017.

G. Suriname

The economic crisis in Suriname began to abate in 2017, as economic growth is projected to be -0.7 per cent. After signing a two-year Stand-By Arrangement with the IMF in April 2016, the administration made the move from a pegged exchange rate with the US dollar to a freely floating rate. This move, along with removal of some utility subsidies saw inflation soar to over 70 per cent. The rising prices, along with the slowdown in the economy led to austerity protests against the ruling government. In late 2016, the IMF was concerned about Suriname's performance under the arrangement, particularly of negative real interest rates and the slow removal of subsidies. In May 2017, the government decided to cancel its arrangement with the IMF and announced its own recovery plan. The economy has seen some progress in 2017 in the form of falling inflation and expansion in the mining sectors, but the fiscal deficit remains wide and growth remains negative.

After the fiscal deficit ballooned to 10.3 per cent of GDP in 2015, the government has managed slowly to bring it down. The deficit was 8.7 per cent of GDP in 2016 and 7.3 per cent in the first five months of 2017 (annualized). Revenues over the first five months of 2017 expanded by 32 per cent relative to the same period in 2016. The main contributors to the growth were a 75 per cent increase in direct tax and a 59 per cent increase in non tax revenue. Expenditure grew by 43 per cent relative to 2016. The largest increases were seen in capital expenditure (90 per cent) and interest payments (206 per cent). Total central government debt fell from 67.8 per cent at the end of 2016 to 59.3 per cent by April 2017.

Reserve requirements remained unchanged in 2017, at 35 per cent for SRD deposits, 46 per cent for USD deposits and 28 per cent for Euro deposits. After increasing by around one percentage point in 2015 and 2016,

average lending rates stabilized in 2017, falling from 14.7 per cent in January to 14.5 per cent in September. Average deposit rates fluctuated slightly over the year, increasing from 8.9 per cent in January to 9.0 per cent in September. Average deposit rates had increased by one percentage points between January 2015 and December 2016.

The USD-SRD exchange rate largely stabilized in 2017. After increasing from 4.04 SRD for 1 USD in January 2016 to 7.45 SRD for 1 USD in December, the rate showed little fluctuation around an average of 7.563 SRD for 1 USD between January and September 2017. The move to a freely floating exchange rate appears to have halted the slide in international reserves, which rose from US\$ 330 million at the end of 2015 to US\$ 381 by the end of 2016 and US\$ 403.9 million in September 2017.

Suriname's current account balance moved into surplus in the first six months of 2016, of approximately 5.3 per cent of full year GDP. This marks a turnaround from the current account deficits the economy has recorded since 2013. The improved current account balance was due in large part to the expansion in the goods balance, as exports expanded by 47 per cent and imports fell by 6 per cent. The growth in exports was largely a result of the operation of the Newmont gold mine. The financial account balance fell from 7 per cent of 2016 GDP in the first half of 2016 to 0.2 per cent in the first half of 2017. A major contributor to this shift was the movement in direct investment in the country from 3.9 per cent of GDP to -1.3 per cent in the first half of In 2017, Suriname is expected to grow by -0.7 per cent. This is a major improvement over the 10.5 per cent contraction in 2016, which stemmed from the closure of the alumina industry as well as the reduction in consumption as a result of the high inflation. In late 2016, the Merian gold mine opened; the production from this mine, along with a modest upturn in gold and oil prices resulted in a 12.5 per cent expansion in the mining and quarrying sector and an 11.6 per cent expansion and manufacturing sectors respectively. These sectors contributed 0.7 per cent and 2.0 per cent to growth respectively. The main drag on growth was once again wholesale and retail trade, which contracted by 9.1 per cent and contributed -1.3 per cent to economic growth. These figures are nevertheless an improvement over 2016, as consumers continued to contend with high, albeit decreasing inflation in 2017. Construction shrank by 18 per cent and contributed -1 per cent to growth. In 2018 the economy is projected to grow by a modest 0.7 per cent. This return to growth is predicated on a reduced contraction in consumption, as inflation returns to single digit levels.

Following the price shock of the initial devaluation in late 2015 and the move to a floating currency exchange regime in 2016, prices began falling after peaking at 79.2 per cent in October 2016. Inflation was measured at 48.7 per cent in January and fell gradually throughout the year. By September inflation was 11.7 per cent. In September the health care component inflation had fallen to 1.4 per cent, while food and non-alcoholic beverages, transportation, and miscellaneous goods and services were 15.4 per cent, 15.9 per cent and 18.7 per cent respectively.

Table 17
Suriname: main economic indicators

	2015	2016	2017
	Annual percentage growth rates		
GDP	-2.7	-10.5	-0.7
GDP per capita	-4.5	27.2	23.5
Variation in consumer prices	25.1	52.4	11.7 ^a
Money (M1)	5.9	38.8	4.2 ^b
	Annual average percentages		
Unemployment ^c	-	-	-
Central government overall balance/GDP	-9.6	-8.5	-7.3 ^c
Nominal deposit rate	7.7	8.5	9.0 ^a
Nominal lending rate	13.4	14.1	14.5 ^a

Table 17 (concluded)

	2015	2016	2017
	Millions of dollars		
Exports of goods and services	1 652.3	1 438.7	945.9 ^d
Imports of goods and services	-2 028.2	-1 246.6	-604.7 ^d
Current account balance	-798.2	-101.6	185.5 ^d

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

^a Sept 2017.

^b 2015 to August 2017.

^c Jan-May annualized.

^d 1st half 2017.

H. Trinidad and Tobago

Trinidad and Tobago's economic recession continued in 2017, with growth estimated at -2.3 per cent. Government continued its efforts at fiscal consolidation in 2017 as tax revenue continued to fall. Despite a minor increase in energy revenue, the budget deficit is estimated to be 8.4 per cent of GDP, while net public debt has risen to 62.6 per cent of GDP by September. The external current account balance moved into surplus in the first quarter of 2017, on account of increased energy prices. The depressed economic activity was seen in sluggish growth in private sector credit and low inflation. Growth is projected to be 0.5 per cent in 2018, based on an expected expansion in the energy sector due to increased upstream gas supply.

The government budget deficit for fiscal 2017 is estimated to be 8.4 per cent of GDP, up from 5.5 per cent in fiscal 2016. Total revenue fell far short of the original estimates, due mainly to much lower than expected capital revenue, on account of delays in recovering the money lent to CL Financial and CLICO. Despite a small increase in energy sector revenue, total current revenue fell from its fiscal 2016 level of 28.2 per cent of GDP to 23.9 per cent of GDP in fiscal 2017. Both tax and non-tax revenue fell, and there were declines in almost all fiscal subcategories. Total expenditure decreased, from 36.3 per cent of GDP in fiscal 2016 to 33.4 per cent in fiscal 2017. Increases in wages and salaries and interest payments were offset by decreases in expenditure of goods and services, transfers and subsidies and capital expenditure. The increased interest payments correspond with the increased debt financing in fiscal 2016. In fiscal 2017 24 per cent of the deficit will be financed by external financing, with the other 76 per cent coming from domestic sources. The external financing sources include drawdowns from the Heritage and Stabilization Fund. Net public sector debt increased from 58.8 per cent of GDP at the end of fiscal 2016 to 62.6 per cent at the end of fiscal 2017. For fiscal 2018, the government projects a deficit of 3.1 per cent of GDP, predicated on a fairly modest oil price forecast of US \$52 per barrel.

There were no major changes in monetary policy in the first few months of 2017. The repo rate remained at 4.75 per cent, as it has since December 2015. Interest rates followed suit; the weighted average lending rate and the weighted average deposit rate were 8.24 per cent and 0.60 per cent respectively in June 2017, unchanged from December 2016. Year-on-year growth in credit to the private sector remained restrained in 2017, notwithstanding an increase from 1.9 per cent in January 2017 to 2.6 per cent in July. Lending to businesses returned to positive growth (0.3 per cent) in July after shrinking by 2 per cent in January 2017, while credit to consumers slowed from 5.2 per cent year-on-year growth in January 2017 to 4.1 per cent in July.

The foreign exchange market continued to be tight in 2017, and commercial banks maintained the rationing of US currency to customers. Over the period October 2016 to August 2017, the Central Bank intervened in the foreign exchange market with US\$ 1,725 million to make up the shortfall between demand and supply. Over the same period, the weighted average US dollar selling rate rose to TT\$ 6.7820 for 1 US\$ from TT\$ 6.7507 for 1 US\$, which represents a 0.5 per cent depreciation.

A current account surplus of 1.7 per cent of GDP was recorded in the first quarter of 2017, up from a deficit of 8 per cent of GDP in the same quarter of 2016. The central bank estimates that total exports grew by 27.4 per cent, on the back of increased energy exports boosted by higher energy prices. The services deficit contracted by 48 per cent, mainly due to reduced expenditure abroad by travellers from Trinidad and Tobago. Gross official reserves fell to 10.1 months of import cover by August 2017, down from 10.5 months at the end of 2016 and 11.2 month at the end of 2015.

The economy of Trinidad and Tobago is projected to contract by 2.3 per cent in 2017, which is still an improvement over the 6 per cent contraction in 2016. A year after shrinking by 13.2 per cent, mining and quarrying is expected to contract by 2.2 per cent, and contribute -0.43 per cent to economic growth due to declines in crude output. The decline in crude production was tempered by a projected increase in production in natural gas in the fourth quarter, stemming from the launch of the Juniper platform. The largest contraction was seen in the trade and repairs sector, which is expected to decline by 9.4 per cent and contribute -1.59 per cent to growth. The wholesale and retail trade subsector has been severely impacted by reduced private consumption in the current recession. The largest positive contribution to growth was seen in financial and insurance activities. This sector grew by 4 per cent and contributed 0.38 per cent to growth, down from the 0.82 per cent and 0.63 per cent contributions in 2015 and 2016. Significant positive contributions to growth were also seen in professional, scientific and technical services (0.33 per cent), and transport and storage (0.28 per cent). Growth is projected to be 0.5 per cent in 2018, as a result of increased upstream gas production and an expected increase in energy prices.

Inflation remained subdued in 2017, in line with the economic slowdown. It fell from 3.6 per cent in January 2017 to 1.2 per cent in September. The largest increases were seen in the health sub component of the RPI, which fell from 18.7 per cent year-on-year growth in January 2017 to 12.3 per cent in September. The year-on-year change in the food price sub component fell from 7.7 per cent in January 2017 to 1.9 per cent in September. The slowdown in food inflation was due partly to a decrease in international food inflation, as well as the end of the price shock resulting from the reintroduction of VAT on several previously exempt food items in February 2016.

Unemployment was measured at 3.6 per cent in the fourth quarter of 2016, up slightly from the 3.5 per cent recorded in the same period of 2015. The minimal change was due in part to a significant number of workers leaving the labour force over the period. The sectors with the highest unemployment rates were electricity and water, construction and manufacturing with 8.5 per cent, 6.3 per cent and 4.6 per cent respectively.

Table 18
Trinidad and Tobago: main economic indicators

	2015	2016	2017
Annual percentage growth rates			
Gross domestic product growth	1.5	-6.0	-2.3
Per capita gross domestic product growth	1.1	-6.3	-2.6
Consumer prices	1.5	3.1	1.2 ^a
Money (M1)	-7.3	2.6	-3.0 ^b
Annual average percentages			
Central government overall balance /GDP	-1.8	-5.4	-8.4
Nominal deposit rate	0.56	0.60	0.60 ^c
Nominal lending rate	7.74	8.24	8.25 ^c
Annual average percentages			
Exports of goods (US\$ mn)	1 113.9	8 214.3	2 549.5 ^d
Imports of goods (US\$ mn) [c.i.f.]	-8 601.5	-9 421.7	-2 241.7 ^d
Current account balance (US\$ mn)	957.1	-2 597.6	-97.2 ^d
Financial account (US\$ mn)	391.7	-1 981.2	56.3 ^d
Overall balance (US\$ mn)	-1 564.2	-467.2	-360.4 ^d

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

^a September 2017.

^b December 2016 to March 2017.

^c March 2016.

^d Q1 2017.

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