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# ECONOMIC ACTIVITY 1985 IN CARIBBEAN COUNTRIES



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ECONOMIC ACTIVITY 1985

IN

CARIBBEAN COUNTRIES

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Economic Commission for Latin America and the Caribbean).

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## F O R E W O R D

In this fifteenth issue of the publication, twelve countries of the Caribbean are surveyed.

The Economic Commission for Latin America and the Caribbean acknowledges with gratitude the co-operation of the several National Statistical Offices and other national agencies for the assistance that they gave in supplying the information needed. While many statistics have been furnished, there still exists in many countries the need for wider statistical coverage.

The Country notes focus on developments in the countries surveyed, and examined developments in the main sectors, and their impact on the Balance of Payments, Prices, Employment and Wages, and Monetary and Fiscal policy.

I heartily commend this fifteenth issue of "Economic Activity in Caribbean Countries" to the reader.

Clyde C. Applewhite  
Director



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## A GUIDE TO THE SYMBOLS USED

The symbols used in this report are the following:

|                |   |                                  |
|----------------|---|----------------------------------|
| ...            | : | not available                    |
| .              | : | category not applicable          |
| -              | : | nil or negligible                |
| 0, 0.0 or 0.00 | : | less than half final digit shown |
| e              | : | estimated figure                 |
| p              | : | provisional figure               |
| r              | : | revised figure                   |
| *              | : | government estimate              |
| **             | : | ECLAC estimate                   |



PART I

ANTIGUA AND BARBUDA

COUNTRY NOTES



## ANTIGUA AND BARBUDA

## 1. Recent economic trends: Introduction and summary

The economy of Antigua and Barbuda grew by almost 7% in 1985. This is the third year in succession that the economy has grown in real terms, at a rate in excess of 6%. The main cause of this growth was the recovery in the tourism sector. Net receipts from tourism increased for \$161.1 million in 1983 to \$253.5 million in 1985. Within the manufacturing sector zero growth was recorded because of difficulties in exporting to CARICOM markets and reduced demand for apparel manufactured under contracts. Agriculture showed the greatest increase in growth, with significant recovery from the severe drought of 1983 and 1984. The construction industry was vibrant during 1985, with both private and public sector activities gaining momentum.

Table 1  
ANTIGUA AND BARBUDA: MAIN ECONOMIC INDICATORS

|                                            | 1983    | 1984    | 1985    |
|--------------------------------------------|---------|---------|---------|
| <b>A. Basic economic indicators</b>        |         |         |         |
| GDP at factor cost (EC\$m. at 1977 prices) | 206.5   | 220.00  | 234.7   |
| Population ('000 inhabitants)              | 78.2    | 79.3    | 80.3    |
| Per capita GDP (EC\$m. at 1977 prices)     | 2 640.0 | 2 774.0 | 2 922.0 |
| Growth rates                               |         |         |         |
| <b>B. SHORT-RUN ECONOMIC INDICATORS</b>    |         |         |         |
| Gross domestic product                     | 6.4     | 6.5     | 6.7     |
| Per capita gross domestic product          | 5.0     | 5.1     | 5.3     |
| Cur. val. of exports                       | 2.8     | 5.3     | -21.0   |
| Cur. val. of imports                       | -21.3   | 37.3    | 11.0    |
| Consumer price index (Dec. to Dec.)        | 3.6     | 3.8     | ...     |
| Cons. price index (ann. avg. variation)    | 2.3     | 3.9     | ...     |
| Money supply (M-2)                         | 21.3    | 20.2    | 11.3    |
| Wages and salaries                         | ...     | ...     | ...     |
| Rate of unemployment                       | 20.9    | 20.9    | ...     |
| Current revenue of government              | (3.0)   | 16.7    | 40.2    |
| Recurrent expenditure of government        | 4.1     | 29.8    | 34.2    |
| Fiscal deficit as % of total expenditure   | ...     | 10.4    | 6.4     |
| E.C. Dollars million                       |         |         |         |
| <b>C. External sector</b>                  |         |         |         |
| Trade balance                              | 209.0   | 315.0   | 379.1   |
| Balance on current account                 | (19.2)  | (41.1)  | (70.0)  |
| Balance on capital account                 | 2.7     | 6.8     | 11.2    |
| Variation in net international reserves    | 4.0     | 11.9    | (3.3)   |
| External debt                              | 239.5   | 155.5   | 178.3   |

Source: Various tables submitted.

## ANTIGUA AND BARBUDA

Table 2  
ANTIGUA AND BARBUDA: GROSS DOMESTIC PRODUCT BY KIND  
OF ECONOMIC ACTIVITY AT FACTOR COST - (Current prices)  
(E.C. dollars million)

|                              | 1983  | 1984  | 1985<p> | Percentage change |      |
|------------------------------|-------|-------|---------|-------------------|------|
|                              |       |       |         | 1984              | 1985 |
| Agriculture                  | 21.8  | 20.1  | 23.2    | -7.8              | 15.4 |
| Mining and quarrying         | 2.3   | 2.8   | 3.0     | 21.7              | 7.1  |
| Manufacturing                | 17.6  | 18.2  | 18.2    | 3.4               | -    |
| Electricity and water        | 10.3  | 10.0  | 11.2    | -3.0              | 12.0 |
| Construction                 | 20.5  | 22.8  | 27.9    | 11.5              | 22.4 |
| Wholesale and retail trade   | 38.7  | 43.1  | 48.2    | 11.4              | 11.8 |
| Hotels and restaurants       | 45.5  | 58.7  | 67.0    | 29.0              | 14.1 |
| Transport                    | 40.4  | 45.9  | 51.7    | 13.6              | 12.6 |
| Communications               | 14.5  | 16.2  | 18.1    | 11.7              | 11.7 |
| Banks and insurance          | 23.8  | 24.5  | 25.7    | 2.9               | 4.9  |
| Real estate and housing      | 41.5  | 45.8  | 48.6    | 10.4              | 4.9  |
| Government                   | 52.2  | 58.5  | 64.3    | 12.1              | 9.9  |
| Other services               | 19.2  | 20.2  | 21.4    | 5.2               | 5.9  |
| Less imputed service charges | 17.0  | 17.5  | 19.2    | 2.9               | 9.7  |
| Gross domestic product       | 331.3 | 369.3 | 409.2   | 11.4              | 10.8 |

Source: OECS Secretariat.

Table 3  
ANTIGUA AND BARBUDA: GROSS DOMESTIC PRODUCT BY KIND  
OF ECONOMIC ACTIVITY AT FACTOR COST - (Constant 1977 prices)  
(E.C. Dollars million)

|                              | 1983  | 1984  | 1985<p> | Percentage change |      |
|------------------------------|-------|-------|---------|-------------------|------|
|                              |       |       |         | 1984<p>           | 1985 |
| Agriculture                  | 11.6  | 10.4  | 11.7    | -10.3             | 12.5 |
| Mining and quarrying         | 1.1   | 1.2   | 1.3     | 9.1               | 8.3  |
| Manufacturing                | 14.2  | 14.4  | 14.4    | 1.4               | -    |
| Electricity and water        | 8.1   | 8.0   | 9.0     | -1.2              | 12.5 |
| Construction                 | 10.8  | 11.3  | 12.8    | 4.6               | 13.3 |
| Wholesale and retail trade   | 21.9  | 23.2  | 24.5    | 5.9               | 5.6  |
| Hotels and restaurants       | 30.8  | 38.9  | 43.1    | 26.3              | 10.8 |
| Transport                    | 28.8  | 31.6  | 34.5    | 9.7               | 9.2  |
| Communications               | 17.9  | 18.5  | 19.6    | 3.4               | 5.9  |
| Banks and insurance          | 14.6  | 15.0  | 15.4    | 2.7               | 2.7  |
| Real estate and housing      | 23.2  | 23.6  | 24.5    | 1.7               | 3.8  |
| Government services          | 22.8  | 23.3  | 23.3    | 2.2               | -    |
| Other services               | 9.6   | 9.9   | 10.3    | 3.1               | 4.0  |
| Less imputed service charges | 8.9   | 9.3   | 9.8     | 4.5               | 5.4  |
| GDP at 1977 prices           | 206.5 | 220.0 | 234.7   | 6.5               | 6.7  |

Source: OECS Secretariat.

## ANTIGUA AND BARBUDA

Exports declined from \$91.8 million to \$72.5 million during 1985 but this was mainly due to a fall in re-exports. However, with the increase in economic activity imports increased from \$406.8 million in the previous year to \$451.6 million.

Central Government finances improved significantly during 1985 with the recurrent deficit as a percentage of recurrent expenditure declining from 10.39% in 1984 to 6.37% in 1985. Expenditure on the public sector investment programme which declined to \$20.36 million in 1984 increased again during 1985 to \$42.03 million. Over \$35 million was spent on the productive sectors of which half was accounted for by the Deep Bay Project. External debt repayments continue to put strain on Government finances.

### 2. Trends in economic activity

#### Growth in the main sectors

(i) Agriculture: The agricultural sector in Antigua and Barbuda which had experienced a steady decline since the mid-seventies saw its first significant upturn in 1985. Its growth performance of 13% outpaced all other sectors of the economy. However, production remained below the levels attained in the early 1980's. Production from the agricultural sector was adversely affected in 1983 and 1984 by a severe drought.

The pattern of agricultural production in Antigua has moved away from the more traditional plantation crops towards a more diversified system of fruits and vegetables. A wide range of cash crops are grown, of which tomatoes, cucumbers, carrots and eggplants are the most important, with maize, sweet potato and cassava emerging into importance. Of the fruits, pineapple production has expanded in recent years and there is significant production of tree crops such as mangoes, papaya and avocados in the high rainfall areas.

Table 4  
ANTIGUA AND BARBUDA: INDICATORS OF SELECTED AGRICULTURAL PRODUCTS  
(Tonnes)

|                          | 1983 | 1984  | 1985 | Percentage change |      |
|--------------------------|------|-------|------|-------------------|------|
|                          |      |       |      | 1984              | 1985 |
| Sugar cane ('000 tonnes) | 4.7  | 4.6   | -    | -2.2              | ...  |
| Cotton-lint              | 4.5  | -     | -    | ...               | ...  |
| Other major crops        |      |       |      |                   |      |
| Sweet potatoes           | 353  | 112.7 | ...  | ...               | ...  |
| Yams, eddoes, cassava    | 418  | 61    | ...  | ...               | ...  |
| Tomatoes                 | 285  | 81    | ...  | ...               | ...  |
| Cabbage                  | 166  | 89    | ...  | ...               | ...  |
| Cucumber                 | 140  | 80    | ...  | ...               | ...  |
| Carrots                  | 148  | 147   | ...  | ...               | ...  |
| Onions                   | 46   | 28    | ...  | ...               | ...  |
| Squash                   | 85   | 41    | ...  | ...               | ...  |
| Pineapples               | 181  | 182   | ...  | ...               | ...  |
| Oranges and grapefruits  | 29   | ...   | ...  | ...               | ...  |

Source: Agricultural Extension Services.

A considerable improvement in the production of fruits and vegetables took place during 1985, reducing import requirements with a steadily increasing volume of direct sales to hotels. An increasing quantity of cucumbers, hot pepper and ochroes are now being grown for export to the USA, UK and Canada. Yet still, despite these increases, the Central Marketing Corporation (CMC) was unable to meet its full contractual obligations to provide overseas markets with these crops. Roydan, an Israeli owned agricultural company started production of green beans, melons and other winter vegetables during 1985. All of the company's production of fruits and vegetables are for the export market. The Gross Domestic Product (GDP) figure for the sector in 1986 should be significantly affected by this project.

Cotton has been an important crop in Antigua's agriculture, but from 1978 it went into decline until 1984 when the Ministry of Agriculture instituted a programme aimed at increasing production. A total of 180 acres of cotton was cultivated, 130 acres by small farmers and 50 acres by the Antigua Sugar Industry Corporation (ASIC). In 1985, the total acreage was increased to 300 acres, with the small farmers planting the same acreage and ASIC increasing its cultivation to 170 acres. The actual harvest was not as successful as anticipated because of a shortage of labour. Nevertheless a sizeable profit was made on the 1985 crop.

During 1985, ASIC decided to cease sugar production. Sugar production had been revived in 1979 following the initiation of a sugar rehabilitation project. The aim of the project was to produce 5,000 tone of sugar per annum in order to meet local consumption. The project encountered severe implementation problems mainly due to mechanical failure at the sugar factory and insufficient labour for cutting and loading the cane. The highest production by the plant was achieved in 1984 at 250 tons of sugar. At that level of production the plant made heavy losses and was not viable. In an effort to keep the organization



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going as well as maintain employment, the management embarked on a programme of crop diversification which included the planting of cotton, maize, carrots, cucumbers, egg plant and cabbages.

A revival in the fishing industry began in 1983 following several years of decline. This revival continued through 1984 into 1985. Fishing has been traditionally coastal using fish pots in order to catch demersal fish. However, some fisherman are now using long lining, bottom lining and trawling to catch pelagic fish. In the past, the fishermen of Antigua and Barbuda had failed to exploit the pelagic resources because of lack of familiarity with the fishing methods.

The CDB-financed Antigua Fisheries Project was terminated in 1984 because of lack of viability. The first four boats purchased in the United States of America for the project proved to be unsuitable for Caribbean conditions and constituted the main cause of the project's failure. The Fisheries Division of the Ministry of Agriculture is now in the process of developing a project proposal for the development of a new pelagic fisheries project. The Fisheries Division has also taken steps to encourage the development of the fisheries industry by providing training for fishermen and offering duty-free concessions on the purchase of boats and other equipment. Financial assistance is also given through the Antigua and Barbuda Development Bank through the granting of loans.

Actual data on the fish landed are very poor because of the lack of a standardized method of data collection. It is estimated that of the total annual amount of fish landed only about 900 tons reach the local market, the balance being diverted to more lucrative export markets and the hotel and restaurant trade.

Harvesting operations began at the Antigua Shrimpery during 1985, where for the first time in the Eastern Caribbean shrimps are being grown on a commercial basis. The capital investment in the project amounted to \$2.5 million and the project currently employs twelve people. It is expected that this figure will increase to between 18 and 24 during 1986.

Table 5  
ANTIGUA AND BARBUDA: LANDING OF FISH AND LOBSTER - (1979/1985)  
(Tonnes)

| Year    | Fish    | Lobster |
|---------|---------|---------|
| 1979    | 1 117.8 | 101.2   |
| 1980    | 1 105.5 | 64.0    |
| 1981    | 1 106.2 | 50.7    |
| 1982    | 805.2   | 44.0    |
| 1983    | 1 012.9 | 50.4    |
| 1984<1> | 1 325.5 | 140.4   |
| 1985    | -       | -       |

Source: Fisheries Division, Ministry of Agriculture and Supply.

<1> Production figures have been adjusted upward by 30% to account for non-coverage.

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The livestock subsector has considerable potential to satisfy an increasing proportion of domestic demand including the tourism sector. Efforts have been made by the Ministry of Agriculture and several external donor agencies to improve livestock production in Antigua. The large supply of idle land which became available after sugar production ceased in the mid-1970's has meant that owners of livestock pay no fees, which has tended to give them very little incentive to control grazing and, given price controls, little inducement to sell stock. As a consequence the sheep and goat populations have grown very rapidly, reaching a point where they are a source of worry to farmers growing cash crops.

Table 6  
ANTIGUA AND BARBUDA: NUMBER OF ANIMALS SLAUGHTERED AND QUANTITY  
OF MEAT YIELDED - (1979/1985)

| Year    | Beef animals<br>(cows, bulls,<br>steers, calves) | Average<br>beef<br>yielded | Sheep<br>and<br>goats | Average<br>mutton<br>yielded | Pigs  | Average<br>pork<br>yielded |
|---------|--------------------------------------------------|----------------------------|-----------------------|------------------------------|-------|----------------------------|
| 1979    | 2 508                                            | 493.4                      | 1 137                 | 20.6                         | 1 629 | 184.7                      |
| 1980    | 2 951                                            | 507.9                      | 1 142                 | 20.8                         | 1 711 | 194.0                      |
| 1981    | 2 276                                            | 444.3                      | 895                   | 16.2                         | 1 052 | 119.3                      |
| 1982    | 2 181                                            | 439.0                      | 761                   | 13.6                         | 1 113 | 124.5                      |
| 1983    | 2 685                                            | 575.8                      | 869                   | 15.7                         | 1 010 | 114.8                      |
| 1984<1> | 2 303                                            | 491.1                      | 532                   | 9.6                          | 1 467 | 166.7                      |
| 1985    | -                                                | -                          | -                     | -                            | -     | -                          |

Sources: Government Slaughtering Depot and Meat Inspectors.

<1> The results of the Agricultural Census are being awaited to update this table.

Note:

The figures for 1983 and 1984 have been adjusted upwards by 35% and 45% respectively on the advice of the Central Board of Health to cover illegal slaughtering and also those known sources not supplying the department with the necessary information.

The livestock development project financed by the European Development Fund (EDF) is now expected to begin in 1987. The project had been delayed in order to allow the Government to review and modify its policies concerning land tenure and price control on meat. The project will mean the development of communal cattle production centres and provision of inputs, supplies and veterinary support.

(ii) Manufacturing: The manufacturing activity in Antigua and Barbuda is in a relatively early stage of development, however, the product range including garments, furniture, alcoholic and non-alcoholic beverages, foodstuff, packaging materials and consumer durables, is wide. The principal activity in terms of employment is the manufacture of garments. This sector accounts for 47% of manufacturing employment and 35% of total value of production.

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With a total of 5,550 jobs, the manufacturing sector contributes just over 5% of Antigua and Barbuda's employment. The contribution of the sector to GDP in constant prices was, according to preliminary estimates, \$14.40 million in 1985, the same figure as 1984. The sector's contribution to total GDP is just over 6%. Domestic exports of the manufacturing sector were thought to have declined slightly in 1985. Much of this decline was due to a fall in demand for apparel manufactured under contract for the US market. The assembly electronic industry improved during 1985 with employment increasing by perhaps 100 persons.

The manufacturing sector encompasses both foreign enclave producers and local entrepreneurs producing for the domestic and CARICOM markets. From 1983 through 1984 the majority of firms producing for the regional market were severely affected by the import restrictions imposed by Trinidad and Tobago and the foreign exchange problems in Jamaica. Some firms closed while others were forced to operate at much reduced levels of production. The trade and economic difficulties within CARICOM continue to threaten the continued operation of a number of firms. Production figures for 1985 are not available.

Table 7  
ANTIGUA AND BARBUDA: PRODUCTION OF SELECTED MANUFACTURED GOODS

| Product                            | Unit of quantity | 1982    | 1983    | 1984    | 1985 |
|------------------------------------|------------------|---------|---------|---------|------|
| <b>Chemical Products</b>           |                  |         |         |         |      |
| Thinners                           | litres           | 81 624  | 9 240   | 14 844  | ...  |
| colorants                          | litres           | 1 041   | 1 423   | -       | ...  |
| Varnishes                          | litres           | 12 681  | 15 291  | 25 839  | ...  |
| Paints (enamals & emulsions)       | litres           | 331 215 | 289 118 | 536 054 | ...  |
| Oxygen                             | hecto-litres     | 496 212 | 621 015 | -       | ...  |
| Acetylene                          | hecto-litres     | 16 512  | 8 210   | -       | ...  |
| Nitrogen                           | hecto-litres     | 120 021 | 98 211  | -       | ...  |
| <b>Paper products</b>              |                  |         |         |         |      |
| Toilet tissue                      | kg.              | 119 577 | 149 366 | 156 834 | ...  |
| <b>Rubber products</b>             |                  |         |         |         |      |
| Tyres (recovered & recapped)       | no.              | 5 100   | 7 500   | ...     | ...  |
| <b>Selected household products</b> |                  |         |         |         |      |
| Mattresses                         | no.              | 6 999   | 10 884  | 9 309   | ...  |
| Mattress bases                     | no.              | 3 303   | 4 564   | 3 994   | ...  |
| Batteries                          | no.              | 759     | 871     | ...     | ...  |
| Stoves                             | no.              | 3 430   | 4 882   | 1 097   | ...  |
| Refrigerators                      | no.              | 2 093   | 2 261   | 952     | ...  |
| Hotplates                          | no.              | 2 696   | 10 501  | 2 254   | ...  |
| Freezers                           | no.              | 538     | 631     | 228     | ...  |
| Plastic bags                       | kg.              | 93 865  | 108 230 | 83 805  | ...  |

Source: Statistics Division.

In the face of varying fortunes in the Manufacturing sector, much re-thinking and re-direction of investment is taking place at present.

Antigua's manufacturing sector should see an upturn in 1986 as the garment manufacturers once again recruit more staff and a number of new enterprises in the textile and electronics industries are opened. A USAID-funded project has been successful in attracting several manufacturers to Antigua but the absence of a large skilled labour force has acted as a deterrent. Also the tourism bias of the economy has acted against the further development of the manufacturing sector. Nevertheless, some investors are attracted to Antigua because of its developed transportation infrastructure.

## (b) Tourism

Tourism is the single most important economic activity in Antigua and Barbuda, directly employing over 3,500 persons and indirectly employing nearly 2,000 persons. Its direct value-added accounts for approximately 18.4% of GDP, measured in constant prices, in 1985 compared to 17.7% in 1984. The indirect value-added has been estimated to be about 20%. Approximately 12% of the labour force is directly employed in this sector. Taxes on hotels, guests and cruise ships amounted to \$10.1 million in 1985 compared to \$7.3 million in 1984. The 1985 tax receipts from the tourism sector accounted for almost 8% of total recurrent revenue.

The tourism sector became more vibrant in 1985 with total tourist arrivals increasing by 20.7%. Arrivals by air increased by 10,577 to 139,726 while cruise ship passengers which had begun in 1984 continued into 1985 with the number of passenger arrivals increasing from 71,063 to 104,575.

Table 8  
ANTIGUA AND BARBUDA: SELECTED TOURISM INDICATORS

|                                 | 1983  | 1984<p> | 1985<e> | Percentage change |      |
|---------------------------------|-------|---------|---------|-------------------|------|
|                                 |       |         |         | 1984              | 1985 |
| TOTAL VISITORS ('000)           | 165.9 | 195.5   | 239.5   | 17.8              | 22.5 |
| Cruise ('000)                   | 52.0  | 80.0    | 104.6   | 53.8              | 30.8 |
| Stopover ('000)                 | 113.9 | 115.5   | 124.9   | 1.4               | 8.1  |
| - By air ('000)                 | 101.1 | 105.7   | 115.7   | 4.5               | 9.5  |
| - By sea ('000)                 | 12.8  | 9.8     | 9.2     | -23.4             | -6.1 |
| TOTAL NO. OF HOTELS             | 31    | 36      | 36      | 16.1              | 0    |
| TOTAL NO. OF GUESTHOUSES        | 23    | 22      | 22<e>   | -4.3              | 0    |
| No. of hotel & guesthouse rooms | 1 749 | 1 810   | ...     | 3.5               | ...  |
| - Hotels                        | 1 610 | 1 684   | ...     | 4.6               | ...  |
| - Guesthouses                   | 139   | 126     | 126<e>  | -9.4              | 0    |
| No. of hotels & guesthouse beds | 3 592 | 3 620   | ...     | 0.8               | ...  |
| - Hotels                        | 3 254 | 3 368   | ...     | 3.5               | ...  |
| - Guesthouses                   | 338   | 252     | ...     | -25.4             | ...  |

Source: Department of Tourism.

Antigua and Barbuda still appear to cater to the upper end of the tourism market but package tours are becoming increasingly significant. Currently, the USA is by far Antigua's major tourist market accounting for over 52% of visitor arrivals by air in 1985. The number of arrivals from Europe increased by 5,054 (22%), from 22,884 in 1984 to 27,938 in 1985. The percentage share of European visitor arrivals by air increased from 17.7% in 1984 to 19.9% in 1985. The significant increase in the percentage of European arrivals in 1985 goes against the general trend in the Caribbean. This higher share of the European market reflects four factors: Firstly, the improved economic conditions in Europe. Secondly, the strength of the major European currencies against the US dollar (to which the EC\$ is pegged). Thirdly, the advertisement and public relation work of the St. James' Club which had resulted in a number of television features on Antigua being shown in Europe and the USA, and fourthly, the promotional work of the Ministry of Tourism.

The 1985 on island visitor expenditure equalled \$273.5 million, with stayover visitors spending \$257 million and cruiseship passengers \$16.6 million, compared to \$251.8 million in the previous year. While stopover visitors represent a little over 49% of all tourists their expenditure equalled about 94% of all on island spending by visitors. Although cruise ship passengers do not contribute significantly to tourism earnings, their greatest potential importance lies in the transmission to others of their impressions of the country.

At the end of the 1984 tourist season, Antigua's physical plant consisted of 36 hotels with 1684 rooms and 3,368 beds. There were also 22 guest houses comprising 126 rooms and 252 beds and 38 apartment properties comprising 121 units and 353 beds. No data are available on hotel occupancy but it is estimated that occupancy rates at the major hotels run at between 75% and 80% during the high season. The increase in European tourist arrivals to Antigua has led to a longer average length of stay. In 1984, about 64% of visitors by air spent over one week on the island. In 1985, this figure increased by one percent.

Table 9  
ANTIGUA AND BARBUDA: NUMBER OF VISITORS BY LENGTH OF STAY,  
AIR ONLY - (1980/1985)

| Duration     | 1980   | 1981   | 1982   | 1983    | 1984    | 1985    |
|--------------|--------|--------|--------|---------|---------|---------|
| Overnight    | 15 432 | 14 446 | 13 474 | 13 980  | 13 617  | 14 809  |
| Under 1 week | 24 092 | 22 489 | 23 111 | 25 465  | 32 334  | 33 484  |
| Over 1 week  | 47 056 | 47 789 | 50 457 | 61 668  | 83 198  | 91 433  |
| TOTAL        | 85 571 | 84 724 | 87 042 | 101 113 | 129 149 | 139 726 |

Source: Department of Tourism.

In response to the previous years record season significant investment took place within the tourism sector during 1985. A number of the existing hotels started work to increase the number of rooms available for the 1986-1987 season. Negotiations also took place between the Government and a number of potential external investors. If these negotiations are successfully concluded, there will be an addition of 1,500 hotel rooms by 1989. The provisions under the Hotel Ordinance, offering duty-free importation of materials and exemptions from taxation has helped to encourage a number of local entrepreneurs and companies to invest in the building of small hotels, guest houses and apartment blocks.

Work started during 1985 on the 350 room Deep Bay Development whose estimated cost of construction is \$145 million. Direct employment will be at least 350 permanent jobs with a similar amount of indirect employment being created. Financing was secured from a commercial bank syndicate with a guarantee by the Export Credit Agency of Italy. The Government plans to retain ownership of the hotel through the Deep Bay Development Corporation (a statutory body) but will allow private operators to manage it. Construction of the hotel is expected to be completed.

### (c) Construction

Gross domestic capital formation in 1985 was estimated to be \$123.50 compared to \$116.70 in the previous year. The contribution of the construction sector to GDP in current prices increased from \$22.80 million in 1984 to \$27.87 million in 1985, an increase of about 22%. The main cause of this increase was the revival of construction in the commercial sector and in private and public sector housing. During 1985, the number of building applications increased from 585 in 1984 to 816, an increase of 39.5 percent.

The boom in construction is basically a reflection of the buoyant economic climate, particularly in the tourism sector. Construction started on several tourist accommodation units. In the city of St. John's a number of large commercial buildings were completed and others started during 1985. Other major projects started during the year included the EDF financed road improvement scheme.

Table 10  
ANTIGUA AND BARBUDA: NUMBER OF BUILDING APPLICATIONS  
AND ESTIMATED VALUE - (1979/1985)  
(Dollars million)

| Year | Number of applications | Estimated value |
|------|------------------------|-----------------|
| 1979 | 685                    | 24.6            |
| 1980 | 764                    | 35.5            |
| 1981 | 919                    | 41.3            |
| 1982 | 457                    | 43.7            |
| 1983 | 557                    | 60.4            |
| 1984 | 585                    | 49.5            |
| 1985 | 816                    | 62.0            |

Source: Development Control Authority.

Note:

Time lag of up to 2 years between application for building and commencement of building. Value for each year not reliable.

The contribution of transportation to total GDP during 1985 increased to \$51.7 million from \$45.9 million in the previous year. Increases were seen in all of the sub-sectors. Road transportation increased its contribution from \$18.3 million to \$19.9 million; sea transport increased from \$6.1 million to \$7.2 million and air transport provided the biggest increase from \$21.50 million to \$24.6 million. The increase in visitor arrivals and departures by air in 1985 resulted in an 11% increase in traffic over the 1984 figures. Arrivals in 1985 registered 21,008 in comparison with 19,015 in 1984. The increase in landings and take offs in 1985 resulted from an increase in the number of flights scheduled for Antigua by several of the commercial air carriers including LIAT, BWIA and American Airlines.

(d) Electricity and water

Electricity and water contributed \$11.21 million to total GDP, an increase over the previous year's figure of \$10 million. The amount of electricity generated increased from 68.9 million in 1984 to 76.6 million kWh in 1985 an increase of 11.1%. Consumption of electricity increased from 55 million kWh to 62 million kWh in 1985 while the total number of customers increased from 19,623 to 20,023 during the same period. Reliability of the electricity service improved substantially but transmission line losses remain a problem. The electricity department of Antigua Public Utilities Authority (APUA) started an upgrading programme during 1985 which when completed in 19876 will substantially reduce transmission losses.

Table 11  
SELECTED DATA ON ELECTRICITY - (1981/1985)

| Category               | Unit   | 1983       | 1984       | 1985       |
|------------------------|--------|------------|------------|------------|
| Demand                 | kW     | 10 815     | 11 715     | 13 350     |
| Generated              | kWh    | 6 552 500  | 68 899 830 | 76 545 360 |
| Load factor            |        | 66.81      | 64.56      | 65.45      |
| Station Usage          | kWh    | 2 223 210  | 2 466 730  | 2 554 970  |
| Fuel consumption       | gl/kWh | 0.06       | 0.06       | 0.05       |
| Total cost             | kWh    | 20.00      | 26.98      | 30.08      |
| No. of customers       |        |            |            |            |
| Domestic               |        | 16 950     | 17 800     | 18 000     |
| Industrial             |        | 95         | 103        | 130        |
| Commercial             |        | 1 704      | 1 720      | 1 893      |
| Total no. of customers |        | 18 749     | 19 623     | 20 023     |
| CONSUMPTION            |        |            |            |            |
| Domestic               |        | 22 932 175 | 23 360 243 | 24 860 771 |
| Commercial             |        | 11 000 945 | 20 041 000 | 22 996 213 |
| Industrial             |        | 6 552 050  | 6 814 132  | 8 701 270  |
| Government             |        | 4 586 435  | 4 815 756  | 5 593 674  |
| TOTAL                  |        | 53 071 605 | 55 031 131 | 62 151 928 |

Source: Electricity Department, Antigua Public Utilities Authority.

## ANTIGUA AND BARBUDA

The present demand for electricity in Antigua and Barbuda is 13.6 mW of power, but although installed capacity is about 22 mW a series of problems with a number of generators significantly reduced output to 13.0 mW during 1985. Work began on a multi-million dollar desalting and power plant during 1985 at Crabbs. The facility will produce 19 mW of power, of which 9 mW will go directly into the national grid. The remainder will go towards the water desalting process. The cost of the new desalting and power facility is estimated at US\$43 million. The system should come on stream before 1987. In the meantime, two generators were ordered at a cost of US\$1.7 million each to supplement electricity production.

APUA's sales of electricity in 1985 was \$29.5 million, an increase of \$3.1 million over the previous year's sales of \$26.4 million. Profitability for 1985 is expected to be greater than the \$.88 million reached in 1984.

In 1985, over 200 million gallons of water were sold by APUA's Water Division compared to 155 million gallons in the previous year. The 1985 water sales amounted to \$9.2 million compared to \$5.1 million in 1984. The 1985 sales increase was not only due to increased volume of sales but also to increases in the price of water to the consumers. The severe drought which began in 1983 and lasted until 1984 affected the amount of water available for sale and hence profitability of the Water Division during 1984. It is thought that the Water Division returned to profitability during 1985.

The present demand for water in Antigua is estimated at 3.6 million gallons per day but the present production is only 2.1 million gallons, a shortfall of 1.5 million gallons per day. The desalinization plant is expected to produce 2.0 million gallons of water per day. The first phase of the USAID-funded project to improve the treatment, transmission and storage of ground water was completed in 1985, and the second phase began. It is estimated that between 3 million to 4 million gallons of water per day could be extracted from ground water sources. At present, there are about 60 wells but only 14 are operating. If Antigua is to meet the 6 million gallons per day of estimated demand for water by the year 2000 all of these existing wells will have to be rehabilitated and perhaps another 40 new ones drilled.

### (e) Unemployment

Accurate employment figures are not available, however, at the end of 1984 it was estimated that just over 20% of the 31,500 strong work force was unemployed. It is believed that this figure increased during 1985 as a result of layoffs in the manufacturing sector, particularly in the garment industry.



Table 12  
ANTIGUA AND BARBUDA MAIN LABOUR FORCE INDICATORS - (1982/1984)

|                                                            | 1983   |         | 1984   |         |
|------------------------------------------------------------|--------|---------|--------|---------|
|                                                            | Males  | Females | Males  | Females |
| Population 16 years and over                               | 25 856 | 29 043  | 26 359 | 29 683  |
| Labour force                                               | 18 629 | 12 214  | 19 103 | 12 514  |
| Employed                                                   | 14 115 | 10 294  | 14 218 | 10 692  |
| Unemployed                                                 | 4 514  | 1 920   | 4 795  | 1 822   |
| 1. Labour force as a % of population 16 years and over     | 72.0   | 42.0    | 72.13  | 42.27   |
| 2. Employed as a % of total population 16 years and over   | 54.6   | 35.4    | 69.78  | 72.35   |
| 3. Unemployed as a % of total population 16 years and over | 17.5   | 6.6     | 27.87  | 57.73   |
| 4. Employed as a % of labour force                         | 75.8   | 84.3    | 74.78  | 85.44   |
| 5. Unemployed as a % of labour force                       | 24.2   | 25.7    | 25.22  | 14.56   |
| 6. Employment rate                                         |        | 79.1    |        | 79.01   |
| 7. Unemployment rate                                       |        | 20.9    |        | 20.9    |

Source: Labour Division.

### 3. The external sector

The value of imports increased in 1985 to \$451.6 million from \$406.8 million in the previous year, an increase of almost 10%. During the year, there was a rapid rise in the imports of building materials. Exports fell from \$19.8 million in 1984 to \$72.5 million. A sharp fall in re-exports accounted for most of the decline. The rise in imports and the fall in exports resulted in a deterioration in the deficit position of the current account in the balance of payments from \$41.1 million in 1984 to \$70.0 million.

Capital inflows increased from \$47.9 million in 1984 to \$81.2 million. Private direct investment and the activities of the commercial banks were the major factors behind the increase noted.

Table 13  
ANTIGUA AND BARBUDA: BALANCE OF PAYMENTS  
(E.C. Dollars million)

|                                                     | 1983   | 1984   | 1985   |
|-----------------------------------------------------|--------|--------|--------|
| Current account                                     | -19.2  | -41.1  | -70.0  |
| Trade balance                                       | -209.0 | -315.0 | -379.1 |
| Exports (f.o.b.)                                    | 87.2   | 91.8   | 72.5   |
| Imports (c.i.f.)                                    | -296.2 | -406.8 | -451.6 |
| Service balance (net)                               | 176.1  | 257.3  | 288.6  |
| Travel (net)                                        | 162.1  | 232.2  | 253.5  |
| Other non-factor services                           | 22.1   | 20.0   | 30.0   |
| Interest payments                                   | -13.0  | -3.0   | -5.7   |
| Other factor services                               | 4.9    | 8.1    | 10.8   |
| Private transfers (net)                             | 13.2   | 14.3   | 15.7   |
| Official transfers (net)                            | 0.6    | 2.3    | 4.8    |
| Capital account                                     | 21.9   | 1.9    | -3.2   |
| Rest of public sector loans (net)                   | 1.5    | 0.3    | 3.5    |
| Commercial banks                                    | -14.7  | -2.6   | 26.4   |
| Private direct investment plus errors and omissions | 29.3   | 48.3   | 54.5   |
| Overall balance                                     | 2.7    | 6.8    | 11.2   |
| FINANCING                                           |        |        |        |
| Change in government foreign assets                 | ...    | ...    | ...    |
| Change in reserves (increase = -)                   | -2.7   | -6.8   | -11.2  |

Source: Statistical Office, Ministry of Finance and International Monetary Fund (IMF) estimates.

#### 4. Prices and wages

Wage contracts in Antigua and Barbuda are generally for a three year period. After the second oil shock in 1979-1980, wage increases in both the private and public sectors averaged 40-45% over a three year period. Since then, wage increases have moderated. In 1985, Civil Servants were awarded pay increases in the range 8% to 12% retroactive to September 1984. Wage and salary increases were also awarded to several other sectors of the work force, however, increases in the private sector were only slightly higher than those in the public sector.

#### 5. Monetary and fiscal policy

##### (a) Monetary policy

Antigua and Barbuda is one of the seven Member countries of the Eastern Caribbean Central Bank (ECCB), which was established in October 1983 to replace the Eastern Caribbean Currency Authority (ECCA). The ECCB has the sole right of currency issue in Member countries. Effective January 1985, the ECCB set a minimum interest rate of 4% on savings deposits.

The money supply as measured by (M-1) increased by 7.4% in 1985 compared to 18.8% in the previous year. The broader (M-2) measure increased by 11.28% compared to 20.2% in 1984.

Table 14  
 ANTIGUA AND BARBUDA: MONETARY BALANCE  
 (E.C. Dollars million)

|                            | 1983    | 1984    | 1985    | Percentage change |      |
|----------------------------|---------|---------|---------|-------------------|------|
|                            |         |         |         | 1984              | 1985 |
| Money supply (M-1)         | 64 773  | 76 918  | 82 624  | 18.8              | 7.4  |
| Currency outside banks     | 17 432  | 23 966  | 23 828  | 37.5              | -0.6 |
| Demand deposits            | 47 341  | 52 952  | 58 796  | 11.9              | 11.0 |
| Factors of expansion       |         |         |         |                   |      |
| Net international reserves | 4.0     | 12.0    | -3.3    | 200.0             | ...  |
| Domestic credit            | 212 698 | 248 307 | 300 405 | 16.7              | 21.0 |
| Government                 | 28 978  | 34 255  | 36 879  | 18.2              | 7.7  |
| Private sector             | 183 720 | 214 052 | 263 526 | 16.5              | 23.1 |
| Factors of absorption      |         |         |         |                   |      |
| Quasi money                | 204 278 | 246 589 | 277 386 | 20.7              | 12.5 |
| Savings deposits           | 77 425  | 88 146  | 103 295 | 13.8              | 17.2 |
| Time deposits              | 126 853 | 158 443 | 174 091 | 24.9              | 9.9  |
| Money (M-2)                | 269 051 | 323 507 | 360 010 | 20.2              | 11.3 |

Source: East Caribbean Central Bank (ECCB).

International reserve holding in Antigua and Barbuda comprises mainly the net foreign assets of the commercial banks which stood at minus \$3.3 million at the end of 1985 compared to almost \$12 million in 1984. Total domestic credit in 1985 was \$300.4 million an increase of almost 21% over 1984. Credit to the private sector accounted for 77.72% of the total compared to 86.20% in 1984. Personal loans accounted for \$111.7 million of the commercial banks' loan portfolio at the end of 1985. The greatest percentage increases in bank lending to the private sector were in agriculture and fisheries, distributive trades and tourism, entertainment and catering which recorded gains of 238%, 46.65% and 43.6% respectively. The actual increases for 1985 over 1984 were in agriculture and fisheries, the distributive trades, and in the tourism, entertainment and catering sector.

Table 15  
ANTIGUA AND BARBUDA: FACTORS OF EXPANSION  
(E.C. Dollars million)

|                                             | 1982    | 1983    | 1984    | 1985    |
|---------------------------------------------|---------|---------|---------|---------|
| Net foreign reserves                        | -1.52   | 4.04    | 11.95   | -3.27   |
| Domestic credit                             | 186 653 | 212 698 | 248 307 | 300 405 |
| Government & public utilities               | 34 465  | 28 978  | 34 255  | 36 879  |
| Private sector                              | 152 188 | 183 720 | 214 052 | 263 526 |
| Agriculture and fisheries                   | 1 627   | 1 437   | 1 568   | 5 301   |
| Manufacturing                               | 11 768  | 17 173  | 19 105  | 25 122  |
| Tourism, entertainment<br>and catering      | 9 310   | 12 667  | 21 321  | 30 615  |
| Distributive trades                         | 24 609  | 19 621  | 14 601  | 21 411  |
| Construction and land<br>development        | 18 029  | 25 477  | 25 381  | 30 064  |
| Other private sector other<br>than personal | 8 863   | 9 684   | 10 828  | 14 776  |
| Personal                                    | 59 787  | 77 726  | 96 540  | 111 689 |
| (1) House & land purchase                   | 24 896  | 25 081  | 26 777  | 34 492  |
| (2) Durable consumer goods                  | 14 946  | 24 183  | 36 132  | 47 110  |
| (3) Other personal                          | 19 945  | 28 462  | 33 631  | 30 087  |
| Other advances                              | 18 196  | 19 935  | 24 708  | 24 548  |

Source: Data supplied ECLAC.

Demand deposits increased by 11% during the year from almost \$53 million, a growth figure very similar to that of the previous year. Savings deposits increases by 17.2% compared to 13.9% in 1984 to \$103.3 million. The rate of growth in time deposits decreased significantly from 24.9% in 1984 to 9.9% in 1985. Deposits held by private individuals increased by \$21.8 million while those held by business firms increased by \$4.74 million to 46.38 million. The amount of deposits held by non-residents also increased from \$35 million to nearly \$41 million.

Table 16  
ANTIGUA AND BARBUDA: COMMERCIAL BANKS' TOTAL  
DEPOSITS BY DEPOSITOR  
(E.C. Dollars million)

|                                    | 1982    | 1983    | 1984    | 1985    |
|------------------------------------|---------|---------|---------|---------|
| Central govt. and statutory bodies | 10 487  | 11 971  | 17 716  | 17 340  |
| Business firms                     | 23 545  | 28 508  | 40 638  | 46 379  |
| Private individuals                | 129 838 | 163 458 | 108 922 | 202 751 |
| Non-bank financial institutions    | 7 447   | 8 257   | 8 204   | 8 614   |
| Foreign currency                   | 6 404   | 9 867   | 17 026  | 20 285  |
| Non-residents                      | 29 755  | 29 558  | 35 035  | 40 813  |
| Total deposits                     | 205 476 | 251 619 | 299 541 | 336 182 |
| Demand deposits                    | 37 291  | 47 341  | 299 541 | 336 182 |
| Savings deposits                   | 70 373  | 77 425  | 88 146  | 103 295 |
| Time deposits                      | 97 812  | 126 853 | 158 443 | 174 091 |

Source: Data supplied ECLAC.

## ANTIGUA AND BARBUDA

The prime lending rate fell from a 12.5% to 13.0% range at the beginning of 1985 to a 9.0% to 13.0% range at the end of the year. Saving deposit rates were increased from 3.0% to 5.0% to 3.5% to 6.0%. The returns on time deposits fell from 6.0% to 13.0% to 4.5% to 8.5%. The increase in the rates of interest paid on saving deposits was the main reason for the 17.2% increase in deposits.

### (b) Fiscal policy

The FY 1985 budget indicated a current account deficit of \$8.8 million or 6.4% of total recurrent expenditure. This was the lowest deficit in the last four years. The reduction in the deficit was accounted for by an estimated 40.2% increase in recurrent revenue from \$92.3 million to \$129.4 million of which 66.3% was derived from indirect taxes and 14% from direct taxes. The increase in recurrent expenditure was 34.2 percent.

The Government of Antigua and Barbuda had undertaken a number of steps during 1985 to improve the revenue collection machinery. Provisional returns for 1985 indicate that inland revenue, despite delays in the implementation of some measures, collected \$44.3 million, which represents an increase of \$8.5 million (26%) over the 1984 revenue.

The economy of Antigua and Barbuda has grown at 6.4%, 6.5% and 7.6% in real terms for the years 1983, 1984 and 1985 respectively. The corresponding revenue raised through the corporation tax has accordingly increased from \$9.8 million to \$19.4 million in 1983, 1984 and 1985 respectively. The \$19.4 million raised in 1985 compares more than favourably with the \$15.00 million estimated yield. The business tax collection only yielded \$0.55 million in 1985, however, the yield is well below the potential from this source.

The hotel paid and hotel guest taxes collections inland revenue increased from \$6.0 million in 1983 to \$7.3 million in 1984 and \$10.0 million in 1985. The foreign currency levy has fallen for the past three yedars from \$3.8 million to \$2.0 million in 1985.

Customs revenue for 1985 was approximately \$56.0 million, an increase of \$8.0 million over the 1984 return. The expected yield for 1985 was \$63 million but because of the non-implementation of the customs levy (expected yield \$8.0 million) the target was not met. The provisional returns revealed that import duties yielded \$26.2 million which was above the approved estimate of \$23.0 million. The consumption tax only produced \$26.1 million compared to the approved estimate of \$29.0 million.

The fiscal performance of the Government of Antigua and Barbuda improved during 1985 with the recurrent deficit decreasing from \$10.7 million in 1984 to \$8.8 million in 1985. Since 1979, the Government has experienced current account deficits as the growth in current expenditure outpaced the growth in revenues. Much of the growth in recurrent expenditure was due to an increase in the number of non-establishment workers and wage increases for the entire public service. Current expenditure as a percentage of GDP has risen from 27% in 1979 to over 30% in 1985. The growth in expenditure has been across all categories, however, recently, there has been a marked increase in interest payments.

Table 17  
ANTIGUA AND BARBUDA: BUDGETARY POSITION

|                         | 1983  | 1984  | 1985  |
|-------------------------|-------|-------|-------|
| Current revenue         | ...   | 92.3  | 129.4 |
| Recurrent expenditure   | ...   | 103.0 | 138.2 |
| Current account deficit | -12.8 | 10.7  | 8.8   |

Source: Data supplied ECLAC.

The 1985 budget changed the manner in which the consumption tax was calculated. It was expected that this change alone would increase the revenue yield of the consumption tax by more than 10%. There was also an upward adjustment of the embarkation tax and even though a 3% customs levy was enacted, its implementation was deferred.

A number of specific taxes and licences were increased under the revenue (miscellaneous provisions) Act 1985. The provisional collection of Taxes Act was also passed in order to increase the level of compliance. The Property Valuation Division started a revaluation of properties in the City of St. John's and surrounding areas.

Capital expenditure which had declined in 1983 to \$24.56 million as a result of the fiscal difficulties and a decline in official external financing, declined further in 1984 to \$22.77 million. An upturn in public sector investment took place in 1985 with expenditure rising from \$20.26 million to \$42.03 million. Approximately \$35.3 million (82%) of the expenditure on the public sector investment programme was spent on the productive sectors. Almost half of the total was accounted for by the \$16.43 million spent on the Deep Bay Project. The other major area of expenditure was on water and sewerage, where almost \$8.5 million was spent. The drought, which created an emergency situation during 1984 and forced expensive importation of water, made improvement in water distribution, maintenance and the efficiency of water resource utilization even more critical. The drought slowed down the implementation of two projects: one, the replacement of the main water pipelines, with funding from the Republic of Trinidad and Tobago and the second the rehabilitation and development of ground water resources, transmission, storage and treatment facilities funded by USAID.

The Government has experienced difficulties in servicing its external debt and during 1985 held discussions with lenders regarding the rescheduling of debt service obligations. If successful the immediate amortization requirements would be reduced.

Table 18  
 ANTIGUA AND BARBUDA: SUMMARY OF PUBLIC SECTOR INVESTMENT  
 (Dollars million)

| Programme                 | 1983  | 1984  | 1985  |
|---------------------------|-------|-------|-------|
| Total expenditure         | 24.57 | 22.77 | 43.03 |
| Central government        | 12.32 | 11.58 | 13.96 |
| Rest of the public sector | 12.25 | 11.19 | 29.07 |
| Financing                 |       |       |       |
| Central government        | 12.32 | 11.58 | 13.96 |
| Grants                    | 0.52  | 1.80  | 1.83  |
| Loans                     | 4.10  | 3.74  | -     |
| Local                     | 7.70  | 6.04  | 12.13 |
| Other public sector       | 12.25 | 11.19 | 29.07 |
| Grants                    | 1.27  | 3.40  | 0.74  |
| Loans                     | 6.71  | 6.39  | 22.78 |
| Local                     | 4.26  | 1.40  | 5.55  |

Source: Data supplied ECLAC.





PART II

COMMONWEALTH OF BAHAMAS

COUNTRY NOTES



## COMMONWEALTH OF THE BAHAMAS

## 1. Recent economic trends: Introduction and summary &lt;1&gt;

Economic performance continued to be positive for the survey period and preliminary indications are that nominal growth will exceed 5%. This follows a nominal Gross Domestic Product (GDP) growth of 13% for the previous year, however, and must be seen in the context of price increases of 3.9% and 4.6% for 1984 and 1985 respectively.

Table 1  
COMMONWEALTH OF BAHAMAS:  
MAIN ECONOMIC INDICATORS

|                                                                | 1982  | 1983  | 1984  | 1985<e> |
|----------------------------------------------------------------|-------|-------|-------|---------|
| <b>A. Basic economic indicators</b>                            |       |       |       |         |
| GDP (million Bahamas dollars)                                  | 1 636 | 1 750 | 1 978 | 2 081   |
| Population ('000)                                              | 218   | 222   | 226   | 231     |
| Per capita GDP (current Bahamas dollars)                       | 7 504 | 7 882 | 8 752 | 9 008   |
| Growth rates                                                   |       |       |       |         |
| <b>B. Short-term economic indicators</b>                       |       |       |       |         |
| GDP at current prices                                          | -     | 7.0   | 13.0  | 5.2     |
| Per capita GDP at current prices                               | -1.8  | 5.0   | 11.0  | 2.9     |
| Current value of exports of goods and non-factor services      | -7.1  | 12.7  | 2.5   | 7.3     |
| Current value of imports of goods and non-factor services      | 33.0  | -6.8  | 12.7  | 10.6    |
| Consumer price index December/December                         | 4.6   | 3.5   | 4.6   | 4.8     |
| Variation between annual averages                              | 6.0   | 4.0   | 3.9   | 4.6     |
| Money supply (M-1)                                             | 6.0   | 12.6  | 29.2  | 1.7     |
| Current income of government                                   | -2.8  | 5.8   | 14.8  | 9.9     |
| Fiscal deficit/total expenditure of government (%)             | 25.8  | 21.7  | 4.9   | 4.4     |
| Millions of dollars                                            |       |       |       |         |
| <b>C. External sector</b>                                      |       |       |       |         |
| Trade balance (goods and services)                             | -67   | -42   | -50   | -57     |
| Balance on current account                                     | -63   | -35   | -48   | -50     |
| Variation in net international reserves (- indicates increase) | -13.5 | -10.1 | -38.8 | -19.0   |
| Total external debt                                            | 93.5  | 112.9 | 114.5 | 109.6   |

Source: ECLAC on the basis of official data.

<1> The rate of exchange is US\$1.00 = B\$1.00.

## COMMONWEALTH OF THE BAHAMAS

Economic performance for 1985 was lead by strong tourist earnings and by a buoyant domestic construction sector. Agriculture continued a steady, if unspectacular, growth primarily in the output of fruits and vegetables, since meat production declined. Offshore financial services continued to expand and to provide useful income for the country. All these factors contributed to increased economic growth.

In the public sector current income increased faster than expenditures, and public consumption fell as a proportion of GDP. Growth in the money supply moderated significantly, from the previous year, and was less than the overall price increase, which was itself moderate if slightly above the level of the previous year.

## 2. Trends in economic activity

## (a) Global trends

Preliminary estimates indicate that nominal GDP grew by somewhat more than 5% in 1985. The figure computed is an under-estimate which does not account for \$87 million appearing in the balance of payments under errors and omissions. This preliminary estimate compares with the revised government figure of 13% nominal growth for 1984.

Table 2  
COMMONWEALTH OF BAHAMAS: TOTAL SUPPLY AND  
DEMAND AT CURRENT PRICES  
(millions of dollars)

|                                  | 1983  | 1984  | 1985<e> | Percentage<br>breakdown |         | Percentage<br>change |         |
|----------------------------------|-------|-------|---------|-------------------------|---------|----------------------|---------|
|                                  |       |       |         | 1984                    | 1985<e> | 1984                 | 1985<e> |
| Total supply                     | 2 749 | 3 104 | 3 327   | 157                     | 157     | 13                   | 4       |
| GDP (market prices)              | 1 750 | 1 978 | 2 081   | 100                     | 100     | 13                   | 5       |
| Imports of goods<br>and services | 999   | 1 126 | 1 246   | 57                      | 57      | 13                   | 11      |
| Total demand                     | 2 749 | 3 104 | 3 327   | 157                     | 157     | 13                   | 7       |
| Domestic demand                  | 1 514 | 1 837 | 1 967   | 86                      | 93      | 21                   | 7       |
| Gross domestic<br>investment     | 352   | 364   | 437     | 20                      | 18      | 3                    | 20      |
| Total consumption                | 1 161 | 1 473 | 1 530   | 66                      | 74      | 27                   | 4       |
| Public                           | 238   | 260   | 230     | 14                      | 13      | 9                    | -12     |
| Private                          | 923   | 1 213 | 1 300   | 53                      | 61      | 31                   | 7       |
| Exports of goods<br>and services | 1 236 | 1 267 | 1 360   | 71                      | 64      | 2                    | 7       |

Source: Department of Statistics; ECLAC estimates on the basis of official data.

## COMMONWEALTH OF THE BAHAMAS

The most notable change in the composition of GDP relates to gross domestic investment which is estimated to have increased by 20% and is accounted for by significant increases in the building construction sector. Investment accounted for a larger portion of GDP than in 1984, up from 18% to 21 percent.

Table 3  
COMMONWEALTH OF BAHAMAS: EXPENDITURE ON GROSS  
DOMESTIC PRODUCT - Current prices)  
(Millions of dollars)

|                                                     | 1983  | 1984  | 1985  | Percentage |       |
|-----------------------------------------------------|-------|-------|-------|------------|-------|
|                                                     |       |       |       | 1984       | 1985  |
| Consumption                                         | 1 161 | 1 473 | 1 530 | 74.5       | 73.5  |
| General government final<br>consumption expenditure | 238   | 260   | 230   | 13.0       | 11.0  |
| Private final consumption expenditure               | 923   | 1 213 | 1 300 | 61.3       | 62.5  |
| Resident household                                  | 899   | 1 187 | 1 273 | 60.0       | 61.2  |
| Non-profit institutions                             | 25    | 26    | 26    | 1.3        | 1.2   |
| Gross capital formation                             | 352   | 364   | 437   | 18.4       | 21.0  |
| Increase in stocks                                  | 42    | 52    | 46    | 2.6        | 2.2   |
| Gross fixed capital formation                       | 311   | 312   | 391   | 15.8       | 18.8  |
| Private                                             | 212   | 265   | 321   | 13.4       | 15.4  |
| Public                                              | 98    | 46    | 70    | 2.3        | 3.4   |
| Exports on goods & non-factor services              | 1 236 | 1 267 | 1 360 | 64.0       | 65.3  |
| Of which: Tourism                                   | 756   | 802   | 860   | 40.5       | 41.3  |
| Imports of goods & non-factor services              | 999   | 1 126 | 1 246 | 56.9       | 59.9  |
| Gross domestic product                              | 1 750 | 1 978 | 2 081 | 100.0      | 100.0 |

Source: Department of Statistics; ECLAC estimates.

Consumption grew more slowly than in the previous year, a factor explained by the 12% decrease in public consumption and a slowing down in private consumption. Consequently, consumption comprised a smaller proportion of GDP than in 1984.

(b) Growth of the main sectors

(i) Agriculture and fishing: While the contribution of agriculture to GDP is still small the sector has been making steady progress and is given a high priority in government policy, since it provides the best development option for some of the family islands not favoured by tourism.

The value of farm production increased by almost 1% in 1985, and represented a reduced momentum from 1984, which recorded a 25% growth.

## COMMONWEALTH OF THE BAHAMAS

Table 4  
COMMONWEALTH OF BAHAMAS:  
ESTIMATED VALUE OF FARM PRODUCTION

|                        | Millions of dollars |      |         |      | Percentage change |         |       |
|------------------------|---------------------|------|---------|------|-------------------|---------|-------|
|                        | 1982                | 1983 | 1984    | 1985 | 1983              | 1984    | 1985  |
| Fruit and vegetables   | 7.0                 | 8.8  | 12.0<p> | 13.4 | 25.7              | 36.4<p> | 11.7  |
| Meat (beef and mutton) | 0.7                 | 0.8  | 0.7     | 0.5  | 14.3              | -12.5   | -28.6 |
| Poultry products       | 15.1                | 17.2 | 20.9    | 20.0 | 13.9              | 21.5    | -4.5  |
| Total                  | 22.9                | 26.8 | 33.6    | 33.9 | 17.0              | 25.4    | 0.9   |

Source: Data supplied ECLAC.

Fruit and vegetable production continued its rapid expansion. Exports of fruits grew by almost 200%, notable gains being recorded in the production and export of grapefruits, persian limes, lemons, papayas, and avocados, orchards of which are now coming to maturity in Abaco and Grand Bahama Island. Cucumber exports have however declined by 16%. Domestic purchases of fruits and vegetables also showed an increase of 5%, by volume over 1984.

Production of fresh meat declined, due mainly to reduced slaughter of sheep and goats, down 32% and 43% respectively, though the slaughter of hogs and cattle increased by 3% and 27% respectively. Using 1979 as a base year the production index for fresh meat in 1985 stood at seventy-one.

Table 5  
COMMONWEALTH OF BAHAMAS:  
INDEX OF AGRICULTURAL PRODUCTION  
(1979 = 100)

|            | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|------------|------|------|------|------|------|------|
| Fresh meat | 92   | 101  | 106  | 113  | 100  | 71   |
| Broilers   | 105  | 119  | 90   | 103  | 119  | 110  |
| Eggs       | 110  | 110  | 109  | 107  | 105  | 110  |

Source: Department of Agriculture.

Poultry production declined in 1985 due to the closure of the major broiler producer. Increases by other farms were insufficient to compensate so that domestic production of chicken meat decreased by approximately 8% in weight although egg production increased by 5%. The index of broiler meat and egg production for 1985 both stand at 110, with the base year being 1979.

Crawfish exports continue to be the major fishing activity with exports of \$18.5 million in 1985, an increase of almost 10%. Scalefish exports have recovered somewhat from a severe decline in 1984 but have not reached 1983 figures. The bulk of scalefish caught is, however, sold for local consumption, which did not record a concomitant decline in 1984.

## COMMONWEALTH OF THE BAHAMAS

Table 6  
COMMONWEALTH OF BAHAMAS:  
EXPORTS OF MARINE PRODUCTS

|                     | 1982 | 1983  | 1984  | 1985  | %<br>1985 |
|---------------------|------|-------|-------|-------|-----------|
| Crawfish:           |      |       |       |       |           |
| Volume (mt)         | 891  | 1 029 | 1 288 | 1 410 | 9.5       |
| Value (\$m)         | 11.9 | 13.4  | 16.9  | 18.5  | 9.5       |
| Scalefish (mt)      | 184  | 157   | 2     | 49    | ...       |
| (\$m)               | .26  | .28   | .002  | .064  | ...       |
| Total exports (\$m) | 12   | 14    | 17    | 19    | 12        |

Source: Department of Agriculture and Fisheries.

While the sector has recorded steady gains it continues to operate far below potential, primarily because of competing claims on labour in the two main urban centres. Growth in the sector will continue to be modest for the future, despite the priority given to it by the government unless more capital intensive methods of farming and fishing can be introduced.

(ii) Tourism: Tourism is the single most important economic activity in the Bahamas. It contributes approximately 35% of GDP and employs almost 40% of the labour force, either directly or indirectly.

Judging by increased visitor arrivals, and compared with competing destinations, performance in the sector was good in 1985. While decreases in stopover visitors were recorded in many adjacent destinations, the Bahamas recorded an increase of 7%, while cruise ship visitors increased by almost 21 percent.

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Table 7  
COMMONWEALTH OF BAHAMAS:  
SELECTED TOURISM STATISTICS

|                                                 | 1983   | 1984   | 1985  | Percentage change |      |
|-------------------------------------------------|--------|--------|-------|-------------------|------|
|                                                 |        |        |       | 1984              | 1985 |
| Total visitors ('000)                           | 2 224  | 2 320  | 2 627 | 4.3               | 13.2 |
| of which:                                       |        |        |       |                   |      |
| Stopover                                        | 1 240  | 1 278  | 1 368 | 3.1               | 7.0  |
| Cruise<1>                                       | 854    | 1 042  | 1 258 | 22.0              | 20.8 |
| Total number of hotels                          | 200    | 209    | ...   | ...               | ...  |
| Avg. no. hotel & guesthouse rooms               | 13 233 | 13 792 | ...   | ...               | ...  |
| Avg. no. hotel & guesthouse beds                | 29 039 | 28 019 | ...   | ...               | ...  |
| Avg. hotel & guesthouse room occupancy rate (%) | 63.3   | 61.0   | ...   | ...               | ...  |
| Avg. length of stay (stopover visitors)         | 5.34   | 5.18   | 5.03  | ...               | ...  |
| Total visitor expenditure (\$m)                 | 770.2  | 801.5  | 865.0 | 4.0               | 7.9  |
| Stopover visitors                               | 715.0  | 747.0  | 800   | 4.5               | 7.1  |
| Cruise visitors                                 | 49.1   | 54.5   | 65    | 11.0              | 19.3 |

## Percentage of total visitor arrivals

|                                     |      |      |     |     |     |
|-------------------------------------|------|------|-----|-----|-----|
| United States (%)                   | 84.8 | 86.7 | 88  | ... | ... |
| Canada                              | 7.0  | 6.5  | 6.7 | ... | ... |
| United Kingdom                      | 1.4  | 1.4  | 1.1 | ... | ... |
| Other Europe                        | 2.2  | 1.5  | 1.6 | ... | ... |
| Caribbean )                         |      |      |     |     |     |
| Latin American (South and Central)) | 4.6  | 3.9  | 2.6 | ... | ... |
| Other )                             | ...  | ...  | ... | ... | ... |

Source: Ministry of Tourism.  
<1> Also includes day transits.

As a multi-island state with nearly 700 islands of cays, tourist activity tends to be unevenly spread, with New Providence receiving 58% of total hotel nights in 1985, Grand Bahama Island accounted for 30%, while the remaining family islands were host to 12% of total hotel nights. Moreover, in the recent past this concentration has tended to increase, and for 1985 the share of the family islands was reduced by a further 1%. The trend was, however, reversed in Grand Bahama Island which increased its share in 1985, after reaching a nadir of 27% in 1984.

The average length of stay of stopover visitors continues to decline. While stopover guest counts increased by 7%, hotel nights increased at a slower rate of 5%. The length of stay remains highest in the family islands, averaging 6 nights, and shows no change over the previous year. For Grand Bahama Island the length of stay decreased by 6.7% to 4.8 nights, the same as that recorded for New Providence.



COMMONWEALTH OF THE BAHAMAS

The United States continues to provide an increasing share of tourists to the Bahamas. For 1985 this share increased to 88%, due no doubt in part to the appreciation of the U.S. dollar to which the Bahamian currency is fixed. The second largest source of tourists is Canada, which increased its share marginally, to 6.7%. The rest of the world contributed 5%, a decrease from 1984 when the contribution was 7 percent.

Visitor expenditures just kept pace with arrivals, the average annual expenditure of stopover visitors remaining constant for 1985, at \$584 in current prices. Cruise ship visitors spent less per capita, at \$52, than in 1984, and reverses a trend of increasing expenditures from previous years. While expenditures of stopover visitors have increased in current prices, real percapita expenditures have declined by 14% since 1971. Declining expenditures, when taken together with declining occupancy rates and high operating costs, are a source of concern for the industry, and have prompted a marketing strategy directed at more affluent travellers and an upgrading of the tourist product, with the objective of increasing per capita expenditures.

(iii) Construction: For 1985 there was an overall increase in construction activity the bulk of which has taken place in the island of New Providence, and focussed on residential accommodation.

Table 8  
COMMONWEALTH OF BAHAMAS:  
CONSTRUCTION INDICATORS

|                                   | 1982  | 1983  | 1984  | 1985  | 1984  | 1985  |
|-----------------------------------|-------|-------|-------|-------|-------|-------|
| Building permits issued           |       |       |       |       |       |       |
| Number                            | 2 787 | 3 019 | 3 541 | 4 052 | 11.3  | 14.3  |
| Value (\$m)                       | 238   | 160   | 215   | 254   | 34.4  | 18.1  |
| Building starts                   |       |       |       |       |       |       |
| Number                            | 1 447 | 1 567 | 1 733 | 2 123 | 10.6  | 22.5  |
| Residential building starts (No.) |       |       |       |       |       |       |
| Value (\$m)                       | 1 269 | 1 387 | 1 499 | 1 972 | 8.0   | 31.5  |
| Commercial/industrial starts      |       |       |       |       |       |       |
| Number                            | 169   | 166   | 166   | 194   | 16.9  | -23.7 |
| Value (\$m)                       | 94    | 29    | 37    | 26    | 27.6  | -29.7 |
| Building completions              |       |       |       |       |       |       |
| Number                            | 767   | 934   | 1 165 | 1 501 | 24.7  | 28.8  |
| Value (\$m)                       | 63    | 185   | 75    | 102   | -59.4 | 36.0  |

Source: Central Bank, Quarterly Review.

Construction permits issued in New Providence increased overall in volume and value. The bulk of this construction was residential since there was a decrease in commercial construction. In Grand Bahama there was also a decrease in the number of permits issued for commercial construction, though this was off-set by residential construction. Although there was an increase in the number of permits in Grand Bahama, the overall value of construction permits fell leading to the conclusion that activity was concentrated in the lower income levels.

The number of construction starts and completions for the year increased overall, again with emphasis being placed on residential construction and a decrease in commercial building. This trend was noticeable throughout the Bahamas and not confined to any of the islands.

(iv) Manufacturing: Manufacturing remains a relatively small aspect of the Bahamian economy, contributing less than 10% of GDP at last estimate. The sector has tended to attract a few large scale capital intensive industries geared for the US market, some of which have outlived the conditions which encouraged their creation. This has been the fate of the steel and cement factories since 1980, although cement exports were resumed in 1985. For 1985 the offshore oil complex has suffered the vagaries of the international petroleum market, ceasing to refine crude by mid year, and leaving only transshipment and bunkering in operation. Even these activities are now in decline, with bunkering, registering a 12% decline in its activities from the 1984 level.

The production of pharmaceuticals continues to be a major activity in the sector, export earnings however for the three quarters in 1985 showing a 30% decrease from the previous period. Earnings from the export of salt increased marginally.

Government efforts and incentives have been directed towards the establishment of smaller scale, more labour intensive export enterprises of the free zone type. These efforts have not so far been successful, primarily because of the scarcity of qualified labour, and its resultant high price, compared with competing producers in the region. These factors, as well as the limited domestic market, also inhibit the expansion of the domestic manufacturing sector.

(v) Offshore services: Banking and trust companies continue to provide a notable source of income to the Bahamas. Despite difficulties being experienced elsewhere in the region, the establishment of international banking facilities in the United States, and attacks upon secrecy legislation, the number of banks and trust companies registered in the Bahamas rose to 374 with 11 new entities being registered in 1985. Of this total 270 are public entities while 104 have restricted, non-active, or nominee status.

Of the public banks and trust companies, 19 are authorized dealers and agents, and 134 are Eurocurrency branches of foreign banks, 98 of which are of United States nationality. One hundred and seventeen entities are incorporated in the Bahamas, 84 of which are subsidiaries of banks based outside the Bahamas, and whose operations are exclusively offshore, while 33 Bahamian based banks and trust companies, not considered to be offshore, come within the ambit of the local exchange control regulations. Of this total six banks transact local business only. All banks and trust companies are, however, subject to Bahamian regulations under the supervision of the Central Bank.

The offshore entities have traditionally been attracted to the Bahamas because of the absence of taxes, liberal registration rules, banking secrecy enshrined in law, an absence of foreign exchange controls for transactions between non-residents, a similar time zone to the New York stock exchange, and good communications infrastructure.

Benefits accruing to the Bahamian economy include a gross foreign exchange inflow of B\$91 million in 1985, one-quarter of which is estimated to represent salaries to the almost one thousand people employed in the sector, 85% of whom are Bahamians.

In recent years the Bahamas has grown rapidly as a centre for registering offshore vessels, so that by the end of 1985 three hundred and forty-three vessels had been registered, accounting for five million gross tons. Revenue benefits for 1985 are approximately \$2.5 million.

### 3. The external sector

The deficit on Merchandise Trade was reduced slightly in 1985, with imports growing more slowly than exports. Merchandise Imports (which include those petroleum imports used for local consumption, but not inputs for the offshore refinery), increased by almost 3%. Import growth has been contained to this figure because the cost of oil used locally has declined by 15%. Non oil imports have, however, increased by over 11% the major increases being recorded in the importation of machinery and transportation equipment and other manufactured goods.

Table 9  
COMMONWEALTH OF BAHAMAS: BALANCE OF PAYMENTS  
(Millions of dollars)

|                                                                         | 1982 | 1983 | 1984 | 1985  | Percentage change |        |
|-------------------------------------------------------------------------|------|------|------|-------|-------------------|--------|
|                                                                         |      |      |      |       | 1984              | 1985   |
| Merchandise (net)                                                       | -542 | -597 | -604 | -595  | 1.2               | -1.5   |
| Exports                                                                 | 213  | 225  | 262  | 296   | 16.4              | 13.0   |
| Imports                                                                 | -754 | -822 | -866 | -891  | 5.4               | 2.9    |
| Services (net)                                                          | 475  | 555  | 554  | 538   | -0.2              | -2.9   |
| Travel                                                                  | 547  | 671  | 691  | 735   | 3.0               | 6.4    |
| Other                                                                   | -72  | -49  | -137 | -197  | 179.6             | 43.8   |
| Net transfer payments                                                   | +4   | 7    | 2    | 7     | -71.4             | 250.0  |
| Balance on current account                                              | -63  | -35  | -48  | -50   | 37.1              | 4.2    |
| Capital account                                                         | 74   | 15   | -11  | -42   | -173.3            | +281.8 |
| Long-term capital                                                       | 74   | 15   | -11  | -42   | -173.3            | +281.8 |
| Official                                                                | (49) | (12) | (6)  | (-19) | -150.0            | -216.7 |
| Private sector                                                          | (25) | (3)  | (-5) | (-23) | -266.7            | 360.0  |
| Errors and omissions                                                    | -4   | 49   | 122  | 87    | -                 | -      |
| Global balance                                                          | 7    | 29   | 63   | -5    | -                 | -      |
| Commercial banks (net)                                                  | 5    | -18  | -22  | 26    | -                 | -      |
| Other financial institutions (net)                                      | 1    | -1   | -2   | -2    | -                 | -      |
| Changes in internat <sup>o</sup> l reserves (net)<br>(increase - debit) | -13  | -10  | -39  | -19   | -                 | -      |

Source: Central Bank, QUARTERLY REVIEW.

## COMMONWEALTH OF THE BAHAMAS

Exports have increased by almost 13%, if one excludes those inputs relating to the offshore refinery. The increase is explained in part by export growth in Agriculture, mainly in fruit and vegetables, and in increased exports of crawfish, since the performance of pharmaceuticals, rum and aragonite have not been buoyant. Exports of cement have also increased significantly over the previous year. A more complete breakdown of imports and exports, including the petroleum sector appears at tables 9a and 9b, respectively.

Table 9a  
COMMONWEALTH OF BAHAMAS:  
IMPORTS BY COMMODITY GROUP <1>  
(Dollars million)

|                                        | 1982         | 1983         | 1984         | 1985<e>      | Percentage change |             |
|----------------------------------------|--------------|--------------|--------------|--------------|-------------------|-------------|
|                                        |              |              |              |              | 1984              | 1985        |
| Food and live animals                  | 148          | 131          | 149          | 156          | 13.2              | 4.7         |
| Beverages and tobacco                  | 32           | 26           | 29           | 30           | 13.1              | 1.6         |
| Crude materials, inedible except fuels | 12           | 12           | 14           | 15           | 15.3              | 12.8        |
| Mineral fuels and lubricants           | 5 684        | 4 025        | 3 749        | 3 487        | -6.8              | -7.0        |
| Animal and vegetable oils and fats     | 2            | 2            | 2            | 2            | 34.8              | 2.7         |
| Chemicals                              | 111          | 76           | 105          | 116          | 39.4              | 9.8         |
| Manufactured goods                     | 104          | 104          | 125          | 139          | 20.2              | 11.2        |
| Machinery and transport equipment      | 145          | 129          | 158          | 196          | 22.4              | 24.0        |
| Miscellaneous articles                 | 101          | 112          | 135          | 147          | 8.6               | 8.6         |
| Commodities transactions n.e.c.        | -            | -            | -            | -            | 9.3               | 9.1         |
| <b>Total</b>                           | <b>6 349</b> | <b>4 616</b> | <b>4 466</b> | <b>4 287</b> | <b>-3.2</b>       | <b>-4.0</b> |

Source: Department of Statistics; ECLAC estimates.

<1> Discrepancies with balance of payments data due to inclusion of Petroleum refining and transshipment activities.

Table 9b  
COMMONWEALTH OF BAHAMAS:  
EXPORTS BY COMMODITY GROUP <1>  
(Dollars million)

|                                                 | 1982  | 1983  | 1984  | 1985<e> | 1984  | 1985 |
|-------------------------------------------------|-------|-------|-------|---------|-------|------|
| Food and live animals                           | 15    | 15    | 19    | 22      | 26.6  | 14.2 |
| Beverages and tobacco                           | 21    | 14    | 20    | 19      | 49.3  | -9.2 |
| Crude materials inedible except fuels           | 19    | 15    | 16    | 15      | 4.2   | 4.5  |
| Mineral fuels, lubricants and related materials | 4 307 | 3 713 | 3 650 | 3 315   | -1.7  | -9.1 |
| Animal & vegetable oils and fats                | -     | -     | -     | -       | -     | -    |
| Chemicals                                       | 143   | 185   | 200   | 234     | 8.0   | 17.1 |
| Manufactured goods                              | 5     | 3     | 6     | 10      | 104.1 | 69.0 |
| Machinery and transport equipment               | 23    | 22    | 18    | 17      | -20.4 | -0.5 |
| Miscellaneous manufactured articles             | 3     | 3     | 3     | 3       | -9.1  | 26.1 |
| Commodities and transactions n.e.c.             | -     | -     | -     | -       | -84.6 | 36.8 |
| Total                                           | 4 534 | 3 970 | 3 932 | 3 636   | -0.1  | -7.5 |
| Total less oil exports                          | -     | -     | 282   | 321     | -     | -    |

Source: Department of Statistics; ECLAC estimates.

<1> Discrepancies with balance of payments data due to inclusion of petroleum refining and transshipment activities.

As the Bahamas is essentially a services economy, the size of the surplus on the services account provides the best indicator of the balance of payments performance. For 1985 the surplus was slightly reduced from the 1984 figure. Earnings from travel, which is the most significant of the services, recorded an increased surplus of over 6%. Underlying this total was an increased expenditure by foreign visitors of 8%, as well as increased outflows to pay for travel abroad by locals, of 17%. Increased earnings were also obtained from the offshore companies, whose local expenses increased by 8 percent.

Increased expenditures were incurred for freight and insurance payments which were 9% greater than in 1984, and remittances for interest, dividends, and profits which were up by 10 percent.

There was an increased surplus recorded for transfer payments due to increased inflows to government. Private transfers remained unchanged.

As in the previous year, there was a deficit on the current account, and for 1985 the deficit increased by 4%. The capital account recorded a deficit over the survey period, due primarily to private external investments, although public sector outflows increased by 360% presumably as a result of debt repayment. Unaccounted inflows of \$87 million were also recorded for the survey period, a figure somewhat less than the previous year, by 28%. Based on the components described above, the global balance of payments recorded a small deficit for the first time since 1978. Short-term commercial bank debt was used to increase the central bank reserves, and for making payments to other financial institutions.

## External debt

The external debt declined for 1985, in absolute figures, while the relative cost of servicing it, measured by the ratio of government debt service to Government revenue was also reduced from 4.2% to 3.6 percent.

Table 10  
COMMONWEALTH OF BAHAMAS:  
INDICATORS OF EXTERNAL DEBT

|                                  | 1982 | 1983  | 1984  | 1985  |
|----------------------------------|------|-------|-------|-------|
| Public external debt             | 60.0 | 53.6  | 44.8  | 36.6  |
| Servicing of external debt       | 11.8 | 12.0  | 14.1  | 5.4   |
| Amortization                     | 6.3  | 7.7   | 9.3   | 4.3   |
| Interest payments                | 5.5  | 4.3   | 4.8   | 1.1   |
| Total external debt              | 93.5 | 112.9 | 114.5 | 109.6 |
| Servicing of total external debt | 15.7 | 11.0  | 14.5  | 23.2  |
| Amortization                     | 5.3  | 1.5   | 0.5   | 13.5  |
| Interest payments                | 10.4 | 9.5   | 14.0  | 9.7   |

Source: Central Bank.

## 4. Prices

Prices increased at a slightly faster pace than in 1984 and reflect essentially price changes of the Bahamas' main trading partners. Food and recreation prices grew faster than the average, while clothing and footwear, and health and personal care registered price increases below the norm.

Table 11  
COMMONWEALTH OF BAHAMAS:  
EVOLUTION OF DOMESTIC PRICES <1>

|                                       | Weight | 1982  | 1983  | 1984  | 1985  |
|---------------------------------------|--------|-------|-------|-------|-------|
| <b>Annual averages</b>                |        |       |       |       |       |
| Consumer price index (all items)      | 1 000  | 225.4 | 234.6 | 243.8 | 255.0 |
| Food                                  | 343    | 260.5 | 264.1 | 268.6 | 283.0 |
| Housing                               | 250    | 180.8 | 194.1 | 203.3 | 211.2 |
| Clothing and footwear                 | 101    | 252.6 | 266.0 | 282.2 | 287.7 |
| Transport                             | 91     | 225.9 | 240.4 | 252.8 | 262.5 |
| Health and personal care              | 70     | 212.1 | 222.1 | 237.8 | 244.6 |
| Recreation and reading                | 44     | 209.0 | 218.9 | 227.2 | 246.4 |
| Other goods and services              | 101    | 205.9 | 213.7 | 225.6 | 239.7 |
| <b>Variation December to December</b> |        |       |       |       |       |
| Consumer price index (all items)      |        | 4.6   | 3.5   | 4.6   | 4.8   |
| Food                                  |        | 6.8   | 1.4   | 2.1   | 7.3   |
| Housing                               |        | 5.6   | 6.9   | 4.5   | 3.9   |
| Clothing and footwear                 |        | 7.6   | 3.7   | 5.0   | 2.1   |
| Transport                             |        | 5.4   | 3.6   | 6.4   | 3.3   |
| Health and personal care              |        | 6.0   | 2.9   | 8.0   | 2.1   |
| Recreation and reading                |        | 2.7   | 5.7   | 8.8   | 6.0   |
| Other goods and services              |        | 4.0   | 3.7   | 9.0   | 3.2   |
| <b>Annual average variation</b>       |        |       |       |       |       |
| Consumer price index (all items)      |        | 6.0   | 4.0   | 3.9   | 4.6   |
| Food                                  |        | 3.3   | 1.4   | 1.7   | 5.4   |
| Housing                               |        | 5.3   | 7.4   | 4.7   | 3.9   |
| Clothing and footwear                 |        | 10.0  | 5.3   | 6.0   | 1.9   |
| Transport                             |        | 7.4   | 6.4   | 4.8   | 4.0   |
| Health and personal care              |        | 5.0   | 4.7   | 7.0   | 2.9   |
| Recreation and reading                |        | 2.0   | 4.7   | 3.8   | 8.4   |
| Other goods and services              |        | 1.9   | 3.8   | 5.6   | 6.2   |

Source: Department of Statistics, RETAIL PRICE INDEX.  
<1> New Providence Island (covers 60% of the population).

## 5. Monetary and fiscal policy

(i) **Monetary policy:** Money supply barely grew for 1985, reflecting a sharp contrast with the previous year. There was a reduced rate of increase in (M-1) and domestic credit while quasi money increased at a slightly faster rate.

Table 12  
COMMONWEALTH OF BAHAMAS:  
MONETARY BALANCE

|                        | Millions of dollars |      |      |      | Percentage change |       |
|------------------------|---------------------|------|------|------|-------------------|-------|
|                        | 1982                | 1983 | 1984 | 1985 | 1984              | 1985  |
| Money (M-1)            | 158                 | 178  | 230  | 234  | 29.2              | 1.7   |
| Currency outside banks | 41                  | 45   | 51   | 58   | 13.3              | 13.7  |
| Demand deposits        | 117                 | 133  | 179  | 176  | 34.6              | -1.7  |
| Factors of expansion   | 649                 | 721  | 810  | 821  | 12.3              | 1.3   |
| Foreign assets (net)   | 3                   | 30   | 91   | 83   | 203.3             | -8.8  |
| Domestic credit        | 646                 | 691  | 719  | 738  | 4.0               | 2.6   |
| Government (net)       | 112                 | 148  | 160  | 136  | 8.1               | -15.0 |
| Private sector         | 533                 | 543  | 559  | 602  | 2.9               | 7.7   |
| Factors of absorption  | 489                 | 543  | 579  | 558  | 6.6               | -3.6  |
| Quasi money            | 377                 | 419  | 449  | 489  | 7.1               | 8.9   |
| Savings deposits       | 108                 | 123  | 141  | 163  | 14.6              | 15.6  |
| Time deposits          | 258                 | 280  | 292  | 311  | 4.3               | 6.5   |
| Other deposits         | 11                  | 16   | 16   | 15   | -                 | -6.2  |
| Other items (net)      | 112                 | 124  | 130  | 99   | 4.6               | -23.8 |

Source: Central Bank.

Notable developments were a contraction of net foreign assets of almost 9% and the reduced growth of domestic credit. This was attributable mainly to a 15% decline in credit to Government, although there was a moderate expansion to the private sector.

A more detailed breakdown of credit advanced by the commercial banks is set out below. Noteworthy, is the reduction in credit to public corporations and increases to the Manufacturing sector.



Table 13  
COMMONWEALTH OF BAHAMAS:  
LOANS AND ADVANCES OF COMMERCIAL BANKS

| SECTOR                          | Million dollars at<br>year end |       |       |       | Percentage<br>change |       |
|---------------------------------|--------------------------------|-------|-------|-------|----------------------|-------|
|                                 | 1982                           | 1983  | 1984  | 1985  | 1984                 | 1985  |
| Agriculture and fisheries       | 5.4                            | 6.0   | 5.7   | 6.4   | -5.0                 | 12.3  |
| Manufacturing and quarrying     | 13.8                           | 13.6  | 13.3  | 26.9  | -2.3                 | 102.3 |
| Distribution                    | 78.6                           | 81.3  | 79.2  | 82.2  | -2.6                 | 3.8   |
| Tourism                         | 41.0                           | 43.0  | 52.3  | 46.7  | 21.6                 | -10.7 |
| Entertainment and catering      | 15.2                           | 18.3  | 15.0  | 17.9  | -18.0                | 19.3  |
| Transport                       | 13.9                           | 13.5  | 13.6  | 14.9  | 0.7                  | 9.6   |
| Public corporations             | 50.7                           | 33.3  | 25.0  | 9.6   | -24.9                | -51.6 |
| Construction                    | 47.2                           | 42.7  | 41.0  | 49.2  | -4.0                 | 20.0  |
| Government                      | 60.2                           | 72.8  | 70.8  | 63.6  | -2.7                 | -10.2 |
| Financial institutions          | 2.2                            | 2.6   | 1.6   | 2.3   | -38.5                | 43.7  |
| Professional and other services | 30.7                           | 35.2  | 34.0  | 37.9  | -8.4                 | 11.5  |
| Personal loans                  | 215.3                          | 230.6 | 253.7 | 288.7 | -10.0                | 13.8  |
| Miscellaneous                   | 15.1                           | 17.6  | 21.3  | 21.7  | 21.0                 | 1.8   |
| Total                           | 589.1                          | 610.5 | 626.5 | 668.1 | 2.6                  | 6.6   |

Source: Central Bank.

(ii) Fiscal policy: While the current income of government rose by 10% in 1985 it fell short of the original projections by 15%. Tax arrears and the continued inability of the tax collection system to meet fiscal targets, were primarily responsible. A special task force was established during the survey period to streamline the operations of the Customs department, and this action together with an increased tax rate, were responsible for the significant increase in import taxes, of 17%. The reorganization was considered a success and will be implemented in other revenue collection agencies.

An increased tariff rate of 2.5% was levied on all items in the 1985 budget, with the exception of certain foodstuffs, some items which had been increased in the previous budget, and certain building materials. A number of other fees were also affected, some relating to tourism and the offshore sectors being reduced, while others such as the tax on gasoline were increased.

Recurrent expenditure increased by almost 8%, but was 17% below the estimated figure. The major change relates to wages and salaries which account for 57% of recurrent expenses, and which increased by 15% over the previous year. Under the item Transfer Payments, disbursements for interest payments increased by 10%, the bulk of which related to the internal debt since external interest payments actually declined by 13 percent.

Capital Expenditure almost doubled in 1985 after a lull from the two previous years, and was directed at road improvement and the upgrading of water supplies throughout the various islands.

Despite increased expenditure the fiscal deficit remained the same as for the previous year and was financed primarily by domestic borrowing.

Table 14  
COMMONWEALTH OF BAHAMAS:  
CENTRAL GOVERNMENT REVENUE AND EXPENDITURE

|                                 | Millions of dollars |      |      |         |         | Percentage change |         |
|---------------------------------|---------------------|------|------|---------|---------|-------------------|---------|
|                                 | 1981                | 1982 | 1983 | 1984<r> | 1985<p> | 1984              | 1985<p> |
| 1. Current income               | 282                 | 274  | 290  | 333     | 366     | 14.8              | 9.9     |
| Tax revenue                     | 208                 | 208  | 238  | 266     | 310     | 11.8              | 16.5    |
| Imports                         | 146                 | 150  | 168  | 188     | 220     | 11.9              | 17.0    |
| Services                        | 16                  | 15   | 16   | 18      | 20      | 12.5              | 11.1    |
| Stamps                          | 16                  | 16   | 20   | 20      | 25      | -                 | 25.0    |
| Others                          | 29                  | 27   | 34   | 40      | 45      | 17.6              | 12.5    |
| Non-tax revenue                 | 75                  | 66   | 52   | 67      | 56      | 28.8              | -16.4   |
| 2. Current expenditure          | 244                 | 262  | 294  | 324     | 349     | 10.2              | 7.7     |
| Wages and salaries              | 134                 | 146  | 166  | 173     | 200     | 4.2               | 15.6    |
| Goods and services              | 69                  | 62   | 70   | 87      | 73      | 24.3              | -16.1   |
| Transfer payments and subsidies | 40                  | 55   | 58   | 64      | 75      | 10.3              | 17.2    |
| 3. Savings on current account   | 38                  | 12   | -4   | 9       | 17      | 325.0             | 88.9    |
| 4. Capital expenditure          | 46                  | 40   | 21   | 19      | 36      | -9.5              | 89.5    |
| capital formation               | 34                  | 28   | 15   | 14      | 26      | -6.7              | 85.7    |
| acquisition of assets           | -                   | -    | -    | -       | -       | -                 | -       |
| Others                          | 10                  | 12   | 5    | 5       | 10      | -                 | 100.0   |
| 5. Total expenditure            | 289                 | 302  | 314  | 343     | 384<1>  | 9.2               | 12.2    |
| Net lending                     | 55                  | 49   | 52   | 7       | -1      | -                 | -       |
| 6. Fiscal deficit               | -62                 | -78  | -68  | -17     | -17     | -                 | -       |
| Domestic borrowing              | -                   | 42   | 75   | 39      | 71      | -                 | -       |
| Foreign borrowing               | -                   | 52   | 20   | 2       | 6       | -                 | -       |
| Other financing                 | -                   | 3    | -1   | 22      | 3       | -                 | -       |
| Debit repayment                 | -                   | 23   | 22   | 24      | 46      | -                 | -       |
| Change in cash balances         | -                   | -25  | -3   | -22     | -16     | -                 | -       |
| 7. Total national debt          | -                   | 435  | 505  | 512     | 543     | 1.4               | 6.0     |

Source: Treasury accounts; Central Bank.

<1> Discrepancies due to rounding.

PART III

BARBADOS

COUNTRY NOTES



BARBADOS <1>

1. Recent economic trends: Introduction and summary

After experiencing real growth of 3.5% in 1984, the Barbadian economy grew by 0.3% in 1985. This was due to a number of outturns, some of which were unexpected. The market for electronic components contracted, the tourism sector did not live up to expectations and virtually no growth was recorded in the agricultural sector.

Table 1  
BARBADOS: MAIN ECONOMIC INDICATORS

|                                                       | 1983  | 1984  | 1985  |
|-------------------------------------------------------|-------|-------|-------|
| <b>A. Basic economic indicators</b>                   |       |       |       |
| GDP at factor cost (\$ mill. current prices)          | 1 899 | 2 073 | 2 242 |
| Per capita GDP (current prices)                       | 7 535 | 8 194 | 8 827 |
| GDP at factor cost (\$ million, constant 1974 prices) | 751   | 778   | 780   |
| Per capita GDP (constant 1974 prices)                 | 2 980 | 3 075 | 3 071 |
| Population ('000 inhabitants)                         | 252   | 253   | 254   |
| Annual growth rates                                   |       |       |       |
| <b>B. Short-run economic indicators</b>               |       |       |       |
| Gross domestic product (real)                         | 0.4   | 3.5   | 0.3   |
| Per capita gross domestic product (real)              | -     | 3.2   | -0.1  |
| Current value of exports of goods                     | 35.7  | 9.8   | -10.1 |
| Current value of imports of goods                     | 13.7  | 5.3   | -7.8  |
| Consumer price index December - December              | 5.5   | 5.1   | 2.4   |
| Consumer price index - average for year               | 5.3   | 4.6   | 3.9   |
| Money supply (M-1)                                    | 16.2  | -2.5  | 14.6  |
| Rate of unemployment                                  | 15.0  | 17.0  | 18.1  |
| Current revenue of government                         | 9.1   | 6.1   | 13.2  |
| Fiscal deficit as % of total gov't expenditure        | 16.1  | 22.7  | 20.4  |
| Dollars million                                       |       |       |       |
| <b>C. External sector</b>                             |       |       |       |
| Balance on current account                            | -100  | -24   | 42    |
| Variation in net international reserves               | -43.5 | -10.1 | -73.7 |
| National debt                                         | 861   | 951   | 1 095 |
| External debt                                         | 347   | 365   | 444   |

Source: ECLAC; on the basis of official data.

<1> Since 1975, the Barbados dollar has been linked to the U.S. dollar at the rate of US\$1.00 = Bds\$2.00.

Sugar production was about the same as in the previous year, and small and relatively high cost producers were driven out of production. With market prices for sugar falling far below costs of production, serious concern for the future of the industry has been expressed. Sugar's contribution to total GDP was of the order of 3.2%. In current prices, total Gross Domestic Product (GDP) rose to \$2,241.5 million in 1985, an increase of 8.1% over the previous year. The fact that in real terms growth was 0.3% indicates the extent of the influence of prices.

Table 2  
 BARBADOS: GROSS DOMESTIC PRODUCT BY ECONOMIC  
 ACTIVITY, AT FACTOR COST - (Current prices)

|                                                  | Million of dollars |         | Percentage breakdown |        | Percentage change |       |
|--------------------------------------------------|--------------------|---------|----------------------|--------|-------------------|-------|
|                                                  | 1984<r>            | 1985    | 1983                 | 1985   | 1984              | 1985  |
| Gross domestic product                           | 2 072.8            | 2 241.5 | 100.0                | 100.0  | 9.2               | 8.1   |
| Goods                                            | 564.9              | 550.5   | (27.6)               | (24.6) | 8.0               | -2.5  |
| Agriculture and fishing                          | 139.2              | 160.1   | 7.1                  | 7.1    | 2.7               | 15.0  |
| Mining and quarrying                             | 29.4               | 44.0    | 0.9                  | 2.0    | 80.8              | 49.7  |
| Manufacturing                                    | 264.1              | 231.7   | 12.6                 | 10.3   | 10.6              | -12.3 |
| Construction                                     | 130.0              | 114.7   | 7.0                  | 5.1    | -1.9              | -11.8 |
| Basic services                                   | 239.0              | 259.7   | (10.9)               | (11.6) | 15.5              | 8.7   |
| Electricity, gas and water                       | 68.0               | 74.7    | 2.8                  | 3.3    | 28.6              | 9.9   |
| Trans., storage and communication                | 171.0              | 185.0   | 8.1                  | 8.3    | 11.0              | 8.2   |
| Other services                                   | 1 271.1            | 1 431.4 | (61.5)               | (63.8) | 8.7               | 12.6  |
| Wholesale and retail trade                       | 412.2              | 486.0   | 19.9                 | 21.7   | 8.9               | 17.9  |
| Tourism                                          | 206.8              | 214.0   | 9.8                  | 9.5    | 10.9              | 3.5   |
| Finance, ins., real estate and business services | 270.9              | 297.8   | 13.6                 | 13.3   | 4.6               | 9.9   |
| General services                                 | 85.7               | 89.6    | 4.1                  | 4.0    | 6.0               | 4.6   |
| Government services                              | 295.5              | 344.0   | 13.9                 | 15.3   | 11.8              | 16.4  |

Source: Barbados Statistical Service.

Table 3  
 BARBADOS: GROSS DOMESTIC PRODUCT BY ECONOMIC  
 ACTIVITY AT FACTOR COST - (Constant prices)  
 (1974 = 100)

|                                                           | Millions of dollars |       | Percentage breakdown |       | Percentage change |      |
|-----------------------------------------------------------|---------------------|-------|----------------------|-------|-------------------|------|
|                                                           | 1984                | 1985  | 1980                 | 1985  | 1984              | 1985 |
| Gross domestic product                                    | 777.6               | 779.9 | 100.0                | 100.0 | 3.5               | 0.3  |
| Goods                                                     | 224.9               | 218.2 | 29.8                 | 28.0  | 5.0               | -3.0 |
| Agriculture and fishing                                   | 76                  | 75.6  | 10.3                 | 9.7   | 9.5               | -0.5 |
| Mining and quarrying                                      | 6.8                 | 7.5   | 0.5                  | 1.0   | 38.8              | 10.3 |
| Manufacturing                                             | 90.4                | 81.8  | 11.8                 | 10.5  | 1.9               | -9.5 |
| Construction                                              | 51.7                | 53.3  | 7.0                  | 6.8   | 1.0               | 3.1  |
| Basic services                                            | 75.8                | 77.4  | 8.3                  | 9.9   | 6.6               | 2.1  |
| Electricity, gas and water                                | 20.4                | 21.4  | 2.1                  | 2.7   | 4.6               | 4.9  |
| Transport, storage and communication                      | 55.4                | 56.0  | 6.2                  | 7.2   | 2.0               | 1.1  |
| Other services                                            | 476.9               | 484.3 | 62.0                 | 62.1  | -                 | 1.6  |
| Wholesale and retail trade                                | 146.8               | 151.2 | 19.5                 | 19.4  | 4.0               | 3.0  |
| Tourism                                                   | 93.4                | 90.6  | 13.8                 | 11.6  | 7.0               | -3.0 |
| Finance, ins., real estate, general and business services | 135.4               | 137.1 | 16.0                 | 17.6  | 1.0               | 1.3  |
| Government services                                       | 101.3               | 105.4 | 12.7                 | 13.5  | 0.5               | 4.0  |

Source: Barbados Statistical Service.

There was significant real growth in the mining and quarrying sector. Other sectors recording substantial real growth were: Electricity, gas and water, Government services, construction and the the distributive trades. Contraction in the manufacturing and tourism sectors however, resulted in the very small overall real growth noted.

Output in manufacturing fell sharply in 1985 because of the collapse in the market for semi-conductors and because of non-tariff barriers to trade imposed by at least one CARICOM country. Despite the decline in the manufacturing sector in 1985, however, government continued to promote investment in the sector, and finalized arrangements for two joint ventures.

Real output in the tourism sector declined by an estimated 3% during 1985, reflecting a drop in the number of arrivals and in average length of stay. The decline in summer traffic reflected the reduced level of economic activity in some of the CARICOM countries.

Both imports and exports declined in value as trading difficulties continued. The configuration of supply and demand therefore changed to the new circumstances.

Table 4  
 BARBADOS: SUPPLY AND DEMAND  
 (Dollars million)

|                               | 1982  | 1983  | 1984  | 1985  |
|-------------------------------|-------|-------|-------|-------|
| Total supply                  | 3 313 | 3 578 | 3 882 | 3 957 |
| GDP at market prices          | 1 990 | 2 113 | 2 301 | 2 474 |
| Imports of goods and services | 1 323 | 1 466 | 1 581 | 1 484 |
| Total demand                  | 3 313 | 3 578 | 3 882 | 3 957 |
| Domestic demand               | 2 043 | 2 088 | 2 190 | 2 360 |
| Gross domestic investment     | 451   | 421   | 374   | 406   |
| Total consumption             | 1 592 | 1 667 | 1 816 | 1 954 |
| Public                        | 329   | 346   | 391   | 469   |
| Private                       | 1 263 | 1 321 | 1 425 | 1 485 |
| Exports of goods and services | 1 270 | 1 490 | 1 692 | 1 598 |

Source: Data supplied ECLAC.

Crude oil production, while continuing to increase, did so at a reduced rate in 1985, as the country was able to benefit from lower prices of imported crude. The 1985 local production of crude satisfied over 50% of domestic demand. Total energy consumption increased by an estimated 4.8% in 1985, reflecting at one and the same time two opposite movements: the increased consumption of energy of the cement plant and the decline in demand from several subsectors of manufacturing.

The recessionary conditions contributed to an increase in the rate of unemployment in 1985. Employment in the manufacturing sector declined as a result of reduced markets, and as employment in the tourism-related sectors flagged because of reduced activity.

A surplus on the current account of \$42 million resulted mainly from a decline in imports, and contributed to an increase of \$86 million in foreign reserves.

## 2. Trends in economic activity

### (a) Growth in the main sectors

(i) **Agriculture:** The Agriculture sector contributed \$160.1 million to current-priced GDP, accounting thereby for 7.1% of total GDP. The 1985 performance reflected a 15% increase over the level of the previous year. In real terms, however, the sector's performance fell very slightly below that of 1984. A 1974 constant price estimate of the sector's contribution to GDP produced a figure of \$75.6 million as sugar production declined somewhat and a mixed performance in other agriculture was noted.



The production of sugar remained as much the same level as that of the previous year, with a level of 100.2 thousand tonnes having been recorded in 1985 as compared with 100.4 thousand tonnes in the previous year. Increasing costs of production not compensated for by receipts from sales, forced many small farms to go out of operation. The fact that since 1983, farmers have had to rely on price supports from Government is a fair indication of the future of the industry in terms of profitability.

Table 5  
BARBADOS: SUGAR PRODUCTION - INDICATORS OF PERFORMANCE

|                             | UNIT            | 1982  | 1983  | 1984  | 1985<p> |
|-----------------------------|-----------------|-------|-------|-------|---------|
| Area of canes reaped        | '000 hectares   | 15.8  | 14.1  | 14.1  | 13.9    |
| Canes milled                | '000 tonnes     | 766.0 | 705.0 | 812.8 | 793.5   |
| Canes per hectare reaped    | tonnes          | 51.0  | 50.1  | 57.8  | 57.3    |
| Sugar produced              | '000 tonnes     | 85.5  | 82.8  | 100.4 | 100.2   |
| Tonnes cane per tonne sugar | tonnes          | 9.4   | 8.5   | 8.1   | 7.9     |
| Tonnes sugar per hectare    | tonnes          | 5.4   | 5.9   | 7.1   | 7.2     |
| Sugar value                 | \$ million Bds. | 71.5  | 69.4  | 76.9  | 79.5    |
| Sugar value as % of GDP     | %               | 3.1   | 3.0   | 2.8   | 3.2     |
| Export of sugar             | '000 tonnes     | 89.0  | 73.5  | 85.9  | 83.4    |
| Avg. export price per tonne | \$ Bds.         | 776.3 | 717.8 | 747.9 | 755.0   |
| Total export earnings       | \$ million Bds. | 71.0  | 53.6  | 64.2  | 62.9    |
| Production cost per tonne   | \$ Bds.         | 1 220 | 1 223 | 1 197 | 1 251   |

Source: Barbados Economic Report, 1985.

Whereas in 1984 some 14.1 thousand hectares of canes were reaped, the acreage reaped in 1985 fell to 13.9 thousand hectares. The production cost per tonne rose to \$1,251, while the average export price per tonne was \$755. Sugar exported in 1985 fell to 83.4 thousand tonnes in 1985 from 85.9 thousand tonnes in the previous year. The value of sugar produced was estimated at 3.2% of GDP.

Non-sugar agriculture increased by 11.3% in 1985 in terms of contribution to current-priced GDP. In real terms, the subsector declined slightly. Significant increases in the production of beetroot, onions and pumpkins were noted, while stagnancy or decline characterized movement in production of the other crops.

Table 6  
BARBADOS: INDICATORS OF AGRICULTURAL PRODUCTION

|                                 | Tonnes |       | Percentage change |
|---------------------------------|--------|-------|-------------------|
|                                 | 1984   | 1985  | 1985              |
| <b>Production of main crops</b> |        |       |                   |
| Sugar cane                      | 813    | 794   | -2.3              |
| <b>Root crops</b>               |        |       |                   |
| Sweet potatoes                  | 1 957  | 2 066 | 5.6               |
| Yams                            | 3 195  | 2 943 | -7.9              |
| <b>Vegetables</b>               |        |       |                   |
| Beans                           | 384    | 384   | -                 |
| Beets                           | 230    | 358   | 55.7              |
| Cabbage                         | 1 074  | 767   | -28.5             |
| Carrots                         | 1 099  | 844   | -23.2             |
| Cucumber                        | 307    | 321   | 4.6               |
| Onions                          | 549    | 776   | 41.3              |
| Pumpkins                        | 208    | 362   | 74.0              |
| Tomatoes                        | 496    | 372   | -25.0             |
| <b>Stock-raising production</b> |        |       |                   |
| Beef                            | 274    | 272   | -0.7              |
| Veal                            | 5      | 7     | 40.0              |
| Pork                            | 755    | 937   | 24.1              |
| Mutton                          | 21     | 22    | 4.8               |
| Chicken                         | 6 550  | 6 257 | -4.5              |
| Eggs                            | 1 880  | 1 287 | -31.5             |
| Milk                            | 8 730  | 9 331 | 6.9               |
| Fish                            | 3 194  | 3 526 | 10.4              |

Source: Barbados Economic Report, 1985 and Agricultural Planning Unit.

Crop damage, resulting from heavy rains during the latter part of the year, as well as a contraction in plantings depressed the output of cabbage, carrots and tomatoes. The significant increases in the production of beets, onions, pumpkins and cucumbers resulted from improved yields and a greater area sown.

The livestock subsector experienced modest growth in 1985, with production of veal, pork and mutton increasing while beef production fell slightly. The poultry industry experienced some contraction during 1985. Egg production fell by 31.5% to 1.28 tonnes, probably in response to the glut experienced in the previous year.

Fish landings in 1985 exceeded the figure of the previous year by 10.4%. Flying fish landings declined by 19.2%, but landings of the other major species increased significantly. The size of the fishing fleet increased by 2.2% in 1985 to a total of 651 vessels. A larger number of iceboats in operation facilitated longer expeditions and greater catches.

The Ministry of Agriculture continued to manage or inaugurate several projects of importance to the sector. A fishing harbour project estimated to cost \$24.6 million was started in the second half of 1985, and by year end, much demolition and infrastructural work had been completed. A project funded by the European Economic community to establish a centre for the production of pineapple plantings continued. Work on a soil conservation project experienced difficulties in the procurement of spare parts for trucks, but provided training to staff in the areas of mechanics and vehicle operation. The European Development Fund (EDF) approved a fisheries project estimated to cost \$4 million. The project came on stream early in 1986.

(ii) Manufacturing: The recent reduction in economic activity, both domestic and subregional, resulted in a reduced contribution of the Manufacturing sector to total GDP. Activity contracted by 12.3% in current terms in 1985. Continuing trading problems in the CARICOM region were a major contributor to the poor performance of the sector. In addition, the extra-regional market for electronic products was curtailed, causing the eventual closure of some companies and the loss of jobs. Because of foreign exchange difficulties in the region, expansion of trade could not be realized.

The index of Industrial Production fell by 5.4% in 1985, reflecting falling production in the major subsectors. Substantial declines were noted in the production of electronic components, wearing apparel, wooden furniture and chemicals. Increased output of cement boosted the index in the non-metallic mineral products subsector, by 12.1% over the level of the previous year. Increased activity in mining and quarrying as well as in electricity and gas was noted.

Government, through the Industrial Development Corporation (IDC), continued to promote investment in the Manufacturing sector. In 1985, two joint ventures were finalized. In 1986, promotional activities will seek raw materials markets and investment from Brazil, greater activity in offshore financial services, and increased technical training to support the industrialization programme.

Table 7  
BARBADOS: INDICATORS OF INDUSTRIAL PRODUCTION

|                                              | Weight<br>1982 =<br>100 | 1984    | 1985    | Percentage<br>change |       |
|----------------------------------------------|-------------------------|---------|---------|----------------------|-------|
|                                              |                         |         |         | 1985                 | 1985  |
| I. Production Index                          |                         |         |         |                      |       |
| Total all industries                         | 1 000                   | 108.2   | 102.4   | 3.0                  | -5.4  |
| Mining and quarrying                         | 53                      | 161.6   | 174.0   | 32.7                 | 7.7   |
| Electricity and gas                          | 102                     | 121.7   | 130.2   | 4.8                  | 7.0   |
| Total manufacturing                          | 845                     | 103.2   | 94.5    | 0.0                  | -8.4  |
| Food                                         | 156                     | 99.7    | 101.3   | 0.4                  | 1.6   |
| Beverages and tobacco                        | 97                      | 90.4    | 90.9    | -7.8                 | 0.6   |
| Wearing apparel                              | 122                     | 110.7   | 93.4    | 4.2                  | -15.6 |
| Wooden furniture                             | 29                      | 115.9   | 101.5   | -1.2                 | -12.4 |
| Chemicals                                    | 46                      | 83.9    | 74.6    | -13.6                | -11.1 |
| Petroleum products                           | 18                      | 99.5    | 103.7   | 2.1                  | 4.2   |
| Non-metallic mineral products                | 34                      | 77.8    | 87.2    | -7.6                 | 12.1  |
| Electronic products                          | 110                     | 141.0   | 112.4   | 15.4                 | -20.3 |
| Other manufacturing                          | 233                     | 95.2    | 87.0    | -2.7                 | -8.6  |
| II. Production of some<br>Manufactured goods |                         |         |         |                      |       |
| Sugar and fancy molasses<1>                  |                         | 100.4   | 100.2   | 21.3                 | -0.2  |
| Rum<2>                                       |                         | 2 701   | 3 948   | -3.5                 | 46.2  |
| Beer<2>                                      |                         | 5 777   | 5 551   | -22.2                | -3.9  |
| Margarine<3>                                 |                         | 2 776   | 5 584   | -20.5                | -6.9  |
| Lard<3>                                      |                         | 1 218   | 1 013   | -14.8                | -16.8 |
| Malt beverages<2>                            |                         | 2 926   | 2 759   | -14.5                | -5.7  |
| Non-alcoholic beverages<2>                   |                         | 15 514  | 14 595  | -4.5                 | -5.9  |
| Animal feeds<1>                              |                         | 42 787  | 44 927  | -1.1                 | 5.0   |
| Milk products<3 4>                           |                         | 8 640   | 9 344   | 4.2                  | 8.1   |
| Cigarettes<3>                                |                         | 238     | 199     | -1.2                 | -16.4 |
| Crude petroleum<5>                           |                         | 100.9   | 108.0   | 57.9                 | 7.0   |
| Natural gas (million (M-3))                  |                         | 19.5    | 25.3    | 18.2                 | 29.7  |
| Gasolene<5>                                  |                         | 56.6    | 58.9    | -3.2                 | 4.1   |
| Diesel oil<5>                                |                         | 45 853  | 39 250  | -4.9                 | -14.4 |
| Fuel oil<5>                                  |                         | 110 431 | 128 123 | 14.9                 | 16.0  |
| III. Other indicators                        |                         |         |         |                      |       |
| Electricity generated<6>                     |                         | 360     | 364     | 1.7                  | 1.1   |

Source: Barbados Economic Report, 1985.

<1> Thousands of tonnes. <2> Thousands of litres. <3> Tonnes.

<4> Converted to the fresh milk equivalent.

<5> Millions of cubic feet. <6> Millions of kWh.

(iii) Energy: Domestic production of crude oil continued to increase, rising by 7% in 1985 over the 635 thousand barrels recorded in 1984 and increasing the domestically supplied component of consumption to 56.6%. The value of energy imports declined by 10.9% to \$49.2 million, reflecting the increased production of local crude and the reduction, by 4%, in international energy prices.

Table 8  
BARBADOS: COMMERCIAL ENERGY CONSUMPTION - (1981/1985)

|                                             | 1981    | 1982    | 1983    | 1984    | 1985       |
|---------------------------------------------|---------|---------|---------|---------|------------|
| Petroleum products<br>( '000 bbls.) - total | 1 298.4 | 1 322.3 | 1 267.7 | 1 374.8 | 1 646.1    |
| Gasolene                                    | 346.8   | 342.0   | 354.7   | 355.7   | 371.8      |
| Diesel 48/52                                | 261.7   | 249.5   | 247.0   | 219.7   | 199.1      |
| Diesel 43/47                                | 48.2    | 46.9    | 48.1    | 68.6    | 65.5       |
| Kerosene                                    | 41.6    | 39.1    | 39.1    | 37.3    | 35.5       |
| Gas oil                                     | 3.6     | 2.4     | 0.9     | 0.4     | 0.5        |
| Fuel oil                                    | 596.3   | 642.4   | 577.9   | 693.2   | 791.7      |
| Electricity (million kWh)                   | 300.6   | 310.1   | 317.4   | 327.9   | 334.3      |
| Natural gas (million M-3))                  | 5.8     | 6.1     | 9.4     | 10.3    | 10.4<p>    |
| Liquified petroleum gas (tonnes)            | 9 137.0 | 9 036.0 | 8 451.0 | 8 888.0 | 8 720.0<p> |

Source: Barbados Economic Report, 1985.

The consumption of electricity increased by almost 2% to 334.3 million kilowatt hours from the 1984 level of 327.9 million kilowatt hours. Capital expenditure by the Barbados Light and Power Company increased by \$11.4 million to \$24.2 million in 1985. An estimated 2% increase in the number of consumers was observed.

Natural gas consumption totalled 10.4 million cubic metres to register a 10% increase over the level of the previous year. Greater consumption of this commodity continues to be hindered by inadequate distribution.

Policy measures were taken in 1985 to accelerate the energy conservation process. The 1985 budget proposal to remove the consumption tax on a selected number of items related to energy conservation was implemented. In order to facilitate conservation of energy in the tourism sector, retrofitting was encouraged, and import duties on energy-saving materials and equipment were waived. The Public Sector Energy Conservation Plan which had been enunciated in 1984 was implemented in 1985 and resulted in a saving of approximately \$400,000.

(iv) Construction: Whereas constant price estimates show a 3.1% increase in the sector's contribution to GDP, in current prices, the contribution of the Construction sector to total GDP fell by 11.8% to \$114.7 million, accounting for 5.1% of GDP. The sector's decline in relative importance is seen when viewed against its 1983 relative contribution of 7% of GDP. The total number of housing starts in 1985 was 1,236, a 5% decline from the level of the previous year. Public sector construction activity continued to drive the sector as the construction of houses and the preparation of housing sites continued to be undertaken by the Government.

#### (b) Employment

As recessionary conditions persisted, the unemployment rate remained relatively high. Unemployment as a percentage of the labour force rose to 18.7% in 1985. Unemployment among the male labour force rose from 13.3% in 1984 to 14.1% in 1985, while the corresponding rate among the females moved from 22.1% to 24.0 percent.

Employment in the manufacturing sector fell in 1985 by an estimated 500 persons to a level of 12 thousand, as firms continued to shed labour in order to reduce costs, or as trading difficulties resulted in the accumulation of inventories. In the Services sector, employment flagged in response to reduced tourism activity.

Table 9  
BARBADOS: EMPLOYMENT AND UNEMPLOYMENT

|                                   | 1983   | 1984   | 1985   |
|-----------------------------------|--------|--------|--------|
| Rate of unemployment - %          | 15.0   | 17.1   | 18.1   |
| Male                              | (10.9) | (13.0) | (14.1) |
| Female                            | (19.8) | (22.1) | (24.0) |
| Labour force ('000) - total       | 112.6  | 112.3  | 113.2  |
| Male                              | (61.0) | (61.1) | (60.5) |
| Female                            | (51.6) | (51.2) | (52.7) |
| Numbers employed ('000) - total   | 95.7   | 93.1   | 92.1   |
| Male                              | (54.3) | (53.2) | (52.0) |
| Female                            | (41.4) | (39.9) | (40.1) |
| Total number of adults ('000)     | 175.9  | 176.9  | 177.7  |
| Labour force as % of total adults | 64.0   | 63.5   | 63.8   |

Source: Barbados Economic Report, 1984 and 1985.

### 3. The external sector

#### (a) Merchandise trade

(i) **Exports:** In response to the general reduction in economic activity in 1985, exports fell by 10.1% to \$707.8 million in 1985. Whereas re-exports increased slightly to \$211.3 million, domestic exports fell in value to \$496.5 million. Exports of electronic components fell by \$33 million or almost 10%. Total export earnings from sugar as per the trade data decreased by \$7 million to a value of \$50.3 million. The value of exports of clothing fell from \$64.8 million in 1984 to \$45 million in 1985 as a result of the CARICOM trading difficulties. Exports of building cement increased in value as a result of the output of the Arawak cement plant which went into full operation.

Table 10  
 BARBADOS: SELECTED DOMESTIC EXPORTS - (1983/1985)  
 (Dollars million)

|                             | 1983  |       | 1984  |       | 1985  |       |
|-----------------------------|-------|-------|-------|-------|-------|-------|
|                             | \$m   | %     | \$m   | %     | \$m   | %     |
| Sugar                       | 38.7  | 6.7   | 57.3  | 9.8   | 50.3  | 10.1  |
| Molasses and syrup          | 7.1   | 1.2   | 8.4   | 1.4   | 7.6   | 1.5   |
| Rum                         | 4.9   | 0.8   | 6.5   | 1.1   | 8.0   | 1.6   |
| Lard and margarine          | 5.3   | 0.9   | 6.4   | 1.1   | 3.2   | 0.6   |
| Electronic components       | 179.0 | 30.8  | 334.1 | 57.2  | 301.1 | 60.6  |
| Clothing                    | 69.3  | 11.9  | 64.8  | 11.1  | 45.0  | 9.1   |
| Furniture                   | 12.6  | 2.2   | 4.4   | 0.8   | 1.2   | 0.3   |
| Insecticides                | 11.2  | 1.9   | 8.6   | 1.5   | 8.5   | 1.7   |
| Building cement (grey)      | -     | -     | 2.1   | 0.4   | 10.2  | 2.0   |
| Total selected dom. exports | 328.1 | 56.4  | 492.7 | 84.4  | 435.0 | 87.6  |
| All other domestic exports  | 253.5 | 43.6  | 91.0  | 15.6  | 61.5  | 12.4  |
| Total domestic exports      | 581.6 | 100.0 | 583.7 | 100.0 | 496.5 | 100.0 |

Source: Barbados Economic Report, 1985.

(ii) Imports: The value of imports fell by \$103 million in 1985 to \$1,221.6 million. The food import bill fell by 7.4%, while imports of beverages and tobacco increased to \$19.5 million. The U.S.A. remained the major source of imports, accounting for 40.9% of total imports into Barbados. Imports from CARICOM countries increased from \$154.7 million in 1984 to \$182.5 million in 1985, or to 14.9% of total imports.

Table 11  
 BARBADOS: VALUE OF IMPORTS BY SITC SECTION - (1983/1985)  
 (Dollars million)

|                                               | 1983<r> | 1984  | 1985  |
|-----------------------------------------------|---------|-------|-------|
| 0. Food                                       | 148.7   | 159.7 | 147.9 |
| 1. Beverages and tobacco                      | 19.4    | 17.9  | 19.5  |
| 2. Crude materials (inedible except food)     | 26.4    | 29.5  | 27.0  |
| 3. Lubricants, minerals, fuels, etc.          | 153.7   | 214.1 | 221.8 |
| 4. Animal and vegetable oils                  | 11.8    | 13.4  | 12.5  |
| 5. Chemicals                                  | 101.2   | 93.2  | 98.6  |
| 6. Manufactured goods                         | 202.7   | 181.1 | 165.9 |
| 7. Machinery and transport equipment          | 465.0   | 475.3 | 387.4 |
| 8. Miscellaneous manufactured articles        | 116.1   | 118.7 | 114.4 |
| 9. Miscellaneous commodities and transactions | 12.8    | 21.8  | 26.5  |

Source: Barbados Economic Report, 1985.

(iii) Direction and balance of trade: The U.S.A. and CARICOM countries continued to be the major trading partners of Barbados in 1985, accounting for almost 56% of imports and 41.1% of exports of Barbados. The U.S. market for Barbadian exports however, contracted significantly in 1985. Exports of electronic components and furniture were adversely affected by the contraction. The decline in exports to CARICOM countries reflected in part elements of protectionism instituted in at least one other CARICOM country.

The net effect of external trade transactions was a deficit on visible trade of \$513,824 in 1985.

Table 12  
 BARBADOS: IMPORTS, EXPORTS AND VISIBLE TRADE BALANCE - (1980/1985)

|                          | 1981    | 1981    | 1982    | 1983    | 1984    | 1985    |
|--------------------------|---------|---------|---------|---------|---------|---------|
| Imports                  | 1 064.1 | 1 151.1 | 1 106.1 | 1 258.0 | 1 324.6 | 1 221.6 |
| Domestic exports         | 337.6   | 297.0   | 383.7   | 581.6   | 583.7   | 496.5   |
| Re-exports               | 118.1   | 94.0    | 144.9   | 135.9   | 203.7   | 211.3   |
| Total exports            | 455.7   | 391.0   | 528.6   | 717.4   | 787.4   | 707.8   |
| Balance on visible trade | -608.4  | -760.3  | -577.5  | -540.5  | -537.3  | -513.8  |

Source: Barbados Economic Report, 1985.

(b) Services trade

Barbados is dependent on tourism for the generation of both employment and foreign exchange earnings. Tourism has grown to be a major determinant of growth in the economy, employing labour both directly in tourism plant, as well as indirectly in the services associated with tourism. Although tourism is not STRICTU SENSU a sector in terms of the System of National Accounts, it has been treated as much in a number of countries that depend on this activity. Tourism grew, in terms of its contribution to GDP, by 3.5% in 1985. This represented a deceleration from the 10.9% increase in the previous year. In real terms, the sector declined by 3%, from the level of the previous year consequent on a decline in the numbers of long-stay arrivals and a fall in the average length of stay to 6.7 nights. The estimated tourist expenditure in 1985 was of the order of \$618.1 million, an increase of 8.8% over the 1984 figure.

After two consecutive years of growth in arrivals, stopover visitor arrivals declined by 2.3% in 1985. In relative terms, the most significant declines in arrivals were from the United Kingdom and the CARICOM countries, the latter being the result of reduced economic activity.



Table 13  
BARBADOS: SELECTED TOURISM STATISTICS

|                                                | 1983  | 1984  | 1985  | Percentage change |       |
|------------------------------------------------|-------|-------|-------|-------------------|-------|
|                                                |       |       |       | 1984              | 1985  |
| Total ('000) visitors<1>                       | 430.8 | 466.9 | 481.3 | 8.4               | 3.1   |
| Stopover visitors                              | 328.3 | 367.7 | 359.1 | 12.0              | -2.3  |
| from: U.S.A.                                   | 114.0 | 140.2 | 148.1 | 22.9              | 5.6   |
| Canada                                         | 53.2  | 67.3  | 70.6  | 26.5              | 4.9   |
| United Kingdom                                 | 47.7  | 46.3  | 38.8  | -2.9              | -16.2 |
| Europe                                         | 17.3  | 16.8  | 16.4  | -2.9              | -2.4  |
| CARICOM                                        | 83.9  | 84.4  | 71.8  | 0.6               | -14.9 |
| Other                                          | 12.2  | 12.7  | 12.4  | 4.1               | -2.4  |
| Cruise ship visitors ('000)                    | 102.5 | 99.2  | 122.2 | -3.2              | 23.2  |
| Hotel and guest house bed-nights avg. ('000)   | 14.8  | 14.8  | 14.8  | -                 | -     |
| Avg.lgth.of stay of stopover visitors (nights) | 7.7   | 7.1   | 6.7   | -                 | -5.6  |
| Hotel bed occupancy rate (%)                   | 46.7  | 45.1  | 35.6  | -3.4              | -21.1 |
| Estimated visitor expenditure - (\$ million)   | 503.2 | 568.3 | 618.1 | 12.9              | 8.8   |

Source: Barbados Economic Report, 1985.

<1> Includes cruise ship visitors.

The Barbados Board of Tourism increased its expenditure on promotion by nearly 30% above the \$3.1 million of 1984. Some 75% of promotional effort as judged by expenditure was concentrated in North America.

#### (c) Balance of payments

The reduction in merchandise trade, sluggish invisible earnings, large debt payments and insignificant private capital inflows determined to a great extent the balance of payments in 1985. Trading difficulties within the CARICOM region led to reduced exports and a fall off in production levels as stocks accumulated. This was echoed on the import side by the reduced need for raw materials and intermediate goods. The result was a decline in the value of certain imports. The resulting reduced demand on foreign exchange put the current account into surplus for the second successive year, the \$42 million surplus constituting an improvement over the \$24 million surplus of 1984.

Capital outflows in the form of both private and official debt repayments were substantial, while inflows were weak. Government engaged in foreign borrowing, mainly at medium-term through a bond placement in Japan and a Euro-dollar issue. The foreign reserves increased by \$86 million.

Table 14  
 BARBADOS: BALANCE OF PAYMENTS  
 (Millions of dollars)

|                                   | 1982   | 1983   | 1984   | 1985   |
|-----------------------------------|--------|--------|--------|--------|
| Current account                   | -83    | -100   | 24     | 42     |
| Export of goods and services      | -1 282 | 1 431  | 1 695  | 1 655  |
| Domestic exports                  | 372    | 510    | 583    | 507    |
| Travel                            | 509    | 510    | 575    | 592    |
| Imports of goods and services     | -1 412 | -1 572 | -1 700 | -1 642 |
| Retained imports                  | -963   | -1 113 | -1 121 | -1 016 |
| Transfers (net)                   | 47     | 41     | 29     | 29     |
| Capital account                   | 96     | 131    | -29    | 88     |
| Long-term                         | 30     | 72     | -36    | 88     |
| Short-term                        | 30     | 8      | -6     | -2     |
| Other                             | 36     | 51     | 1      | 2      |
| Errors and omissions              | 5      | -18    | 7      | -37    |
| Overall surplus (+) or deficit(-) | 18     | 13     | 2      | 93     |
| Official financing                | 48     | 29     | 9      | -7     |
| Reserves: (increase = -)          | -66    | -42    | -11    | -86    |

Source: Central Bank; Barbados Economic Report, 1985.

#### 4. Wages and prices

##### (a) Wages

Moderate wage increases were awarded to some major sectors of the economy in 1985, with a generally observed lower wage increase than that of the previous year. Wage increases ranged from 11.7% to 4%, with an average of 5.8% increase in the major sectors. Table 15 presents the awards by sector.

Table 15  
 BARBADOS: PERCENTAGE WAGE INCREASES BY SECTOR - 1985

| Sector                           | Award -% |
|----------------------------------|----------|
| Agriculture                      | -        |
| Quarrying and construction       | 5.1      |
| Manufacturing                    | 4.0      |
| Electricity, gas and water       | 11.7     |
| Commerce                         | 11.2     |
| Transport and communication      | 4.7      |
| Financial institutions           | ...      |
| Services (Government and others) | 5.0      |
| Weighted average                 | 5.8      |

Source: Barbados Economic Report, 1985

## (b) Prices

The general price level as measured by the annual average of the monthly retail price index was 149.7, representing an increase of 3.9% over the level of the previous year. The relative change in the index in 1985 also represented a deceleration in the rate of inflation, as the index responded to falling energy prices and lower import prices for several manufactured products. The December 1985 change from the figure of December 1984 was 2.4 percent.

The largest relative change was observed in the housing section of the index with an increase of 8.8%. The general price level of food increased by 5.2%, while declines were observed in fuel and light, household operations and clothing and footwear.

Table 16  
 BARBADOS: EVOLUTION OF DOMESTIC PRICES  
 (March 1980 = 100)

|                                         | 1982  | 1983  | 1984  | 1984  |
|-----------------------------------------|-------|-------|-------|-------|
| Annual averages                         |       |       |       |       |
| All items consumer price index          | 130.8 | 137.7 | 144.1 | 149.7 |
| Food                                    | 128.0 | 131.4 | 136.6 | 143.7 |
| Alcoholic beverages                     | 130.4 | 144.2 | 153.2 | 156.1 |
| Housing                                 | 154.0 | 168.3 | 182.6 | 198.7 |
| Fuel and light                          | 110.7 | 119.1 | 122.2 | 120.9 |
| Household operations                    | 123.2 | 127.6 | 125.4 | 123.2 |
| Clothing and footwear                   | 129.4 | 132.3 | 131.4 | 130.2 |
| Transportation                          | 139.0 | 147.0 | 154.8 | 159.5 |
| Medical and personal care               | 134.6 | 144.8 | 161.7 | 166.3 |
| Education, recreation and miscellaneous | 121.5 | 129.3 | 135.8 | 137.9 |
| December to December variation          |       |       |       |       |
| All items consumer price index          | 6.9   | 5.5   | 5.1   | 2.4   |
| Food                                    | 2.5   | 7.1   | 4.0   | 4.2   |
| Alcoholic beverages                     | 17.3  | 8.8   | 2.8   | 2.3   |
| Housing                                 | 10.1  | 4.2   | 14.0  | 2.9   |
| Fuel and light                          | 12.7  | 3.3   | 1.9   | -4.8  |
| Household operations                    | 7.4   | 1.3   | -1.4  | -1.6  |
| Clothing and footwear                   | -1.5  | 3.6   | -0.3  | -2.9  |
| Transportation                          | 15.1  | 2.6   | 5.7   | 8.3   |
| Medical and personal care               | 14.9  | 3.0   | 11.7  | -0.1  |
| Education recreation and miscellaneous  | 1.3   | 8.6   | 0.7   | 2.2   |
| Annual average variation                |       |       |       |       |
| All items consumer price index          | 10.3  | 5.3   | 4.6   | 3.9   |
| Food                                    | 7.3   | 2.7   | 4.0   | 5.2   |
| Alcoholic beverages                     | 13.5  | 10.6  | 6.2   | 1.9   |
| Housing                                 | 21.4  | 9.3   | 8.5   | 8.8   |
| Fuel and light                          | 2.6   | 7.6   | 2.6   | -1.1  |
| Household operations                    | 7.7   | 3.5   | -1.7  | -1.8  |
| Clothing and footwear                   | 4.2   | 2.2   | -0.7  | -0.9  |
| Transportation                          | 18.7  | 5.8   | 5.3   | 3.0   |
| Medical and personal care               | 16.1  | 7.6   | 11.7  | 2.8   |
| Education recreation and miscellaneous  | 5.5   | 6.4   | 5.0   | 1.5   |

Source: Barbados Statistical Service.

## 5. Monetary and fiscal policy

## (a) Monetary policy

Commercial bank deposits increased by 7.1% in 1985 to a value of \$1,120.3 million, reflecting an abatement in the rate of increase of economic activity. Both demand and savings deposits increased in 1985, but time deposits fell by 2.6 percent.

Table 17  
BARBADOS: COMMERCIAL BANKS' LIABILITIES  
(As at December 31)

|                             | Million of dollars |         |         | Percentage change |       |       |
|-----------------------------|--------------------|---------|---------|-------------------|-------|-------|
|                             | 1983               | 1984    | 1985    | 1983              | 1984  | 1985  |
| Total deposits              | 941.6              | 1 046.2 | 1 120.3 | 7.0               | 11.1  | 7.1   |
| Demand deposits             | 200.1              | 209.6   | 252.3   | 19.8              | 4.7   | 20.4  |
| Time deposits               | 302.1              | 365.3   | 355.8   | 0.4               | 20.9  | -2.6  |
| Savings deposits            | 439.4              | 471.3   | 512.3   | 6.6               | 7.3   | 8.7   |
| Balance due to Central Bank | 26.1               | 24.3    | 15.1    | 61.1              | -6.9  | -37.9 |
| Balance due to other        |                    |         |         |                   |       |       |
| Local banks                 | 13.0               | 8.5     | 9.2     | -3.7              | -34.6 | 8.2   |
| Other liabilities           | 127.9              | 124.0   | 155.0   | 2.8               | -3.0  | 25.0  |
| Foreign liabilities         | 102.8              | 107.8   | 111.0   | 36.3              | 4.9   | 3.0   |
| Total liabilities           | 1 211.3            | 1 310.9 | 1 410.6 | 9.2               | 8.2   | 7.5   |

Source: Central Bank, Economic and Financial Statistics, May 1986.

Commercial bank credit rose by 5.2% to a level of \$849.4 million by the end of 1985. Apart from loans to the household sector and the miscellaneous category, the largest amount of credit outstanding was in the tourism and entertainment sector, followed by the manufacturing and distribution sectors. Loans and advances to the Agriculture and Construction sectors were by year-end 1985, lower than the level of the previous year.

Table 18  
 BARBADOS: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT  
 (As at December 31)

|                                 | Millions of dollars |       |       | Percentage change |      |      |
|---------------------------------|---------------------|-------|-------|-------------------|------|------|
|                                 | 1983                | 1984  | 1985  | 1983              | 1984 | 1985 |
| Total                           | 776.4               | 807.2 | 849.4 | 14.1              | 4.0  | 5.2  |
| Agriculture including fisheries | 39.0                | 38.8  | 35.3  | 20.0              | -0.5 | -9.0 |
| Mining and quarrying            | 2.4                 | 2.3   | 2.6   | 60.0              | -4.2 | 13.0 |
| Manufacturing                   | 120.9               | 123.3 | 116.3 | 4.6               | 2.0  | 6.0  |
| Distribution                    | 114.1               | 107.4 | 115.3 | 23.0              | -5.9 | 7.4  |
| Construction                    | 30.8                | 35.6  | 34.5  | -4.6              | 15.6 | -3.1 |
| Tourism including entertainment | 119.6               | 116.1 | 119.3 | 4.4               | -2.9 | 2.8  |
| Government and statutory bodies | 14.2                | 15.5  | 20.7  | 42.0              | 9.2  | 33.5 |
| Public utilities                | 58.3                | 59.6  | 67.9  | 55.1              | 2.2  | 13.9 |
| Personal                        | 152.8               | 160.4 | 173.2 | 16.6              | 5.0  | 8.0  |
| Other                           | 124.3               | 148.2 | 164.3 | 10.7              | 19.2 | 10.9 |

Source: Central Bank, Economic and Financial Statistics, May 1986.

The stability of the interest rates which was observed in 1984 did not obtain in 1985 when domestic rates fell in line with foreign interest rates. Interest rates on three-month deposits which ranged from 5% to 6.5% in the first quarter of 1985, fell to between 4% and 5% in the last two quarters. On six-month deposits the range of interest rates fell from 6% to 7% at December 1984 to between 4.5% and 5.5% by the end of the last quarter of 1985. On twelve-month deposits, the rates at December 1985 were about the same as those for the six-month deposits. The prime lending rate ranged from 10.3% to 11.5% in the first quarter, then fell to between 8.8% and 10% in the third quarter. The upper limit of the range fell to 9.5% in the fourth quarter.

Table 19  
**BARBADOS: SELECTED INTEREST RATES 1984 AND 1985 -**  
 Percentages at end of period

|                      | 1984        | 1985         |
|----------------------|-------------|--------------|
| Treasury bills       |             |              |
| Qr. 1                | 6.85        | 6.31         |
| Qr. 2                | 6.81        | 6.31         |
| Qr. 3                | 6.92        | 4.63         |
| Qr. 4                | 7.19        | 4.58         |
| Deposits - 6 months  |             |              |
| Qr. 1                | 6.0 - 7.5   | 5.0 - 6.75   |
| Qr. 2                | 6.0 - 7.5   | 4.5 - 6.5    |
| Qr. 3                | 6.0 - 7.0   | 4.25 - 5.5   |
| Qr. 4                | 6.0 - 7.0   | 4.50 - 5.5   |
| Deposits - 12 months |             |              |
| Qr. 1                | 6.0 - 8.0   | 5.0 - 7.0    |
| Qr. 2                | 6.0 - 7.5   | 5.0 - 6.5    |
| Qr. 3                | 6.0 - 7.5   | 4.5 - 5.5    |
| Qr. 4                | 6.0 - 7.5   | 4.5 - 5.5    |
| Savings              |             |              |
| Qr. 1                | 5.0 - 5.5   | 5.0 - 5.5    |
| Qr. 2                | 5.0 - 5.5   | 4.0 - 5.0    |
| Qr. 3                | 5.0 - 5.5   | 4.0 - 4.5    |
| Qr. 4                | 5.0 - 5.5   | 4.0 - 4.5    |
| Prime lending rate   |             |              |
| Qr. 1                | 10.0 - 11.5 | 10.25 - 11.5 |
| Qr. 2                | 10.0 - 11.5 | 10.0 - 10.5  |
| Qr. 3                | 10.5 - 11.5 | 8.75 - 10.0  |
| Qr. 4                | 10.5 - 11.5 | 8.75 - 9.5   |
| Barbados bank rate   |             |              |
| Qr. 1                | 16.0        | 16.0         |
| Qr. 2                | 16.0        | 13.0         |
| Qr. 3                | 16.0        | 13.0         |
| Qr. 4                | 16.0        | 13.0         |

Source: Barbados Economic Report, 1985.

The narrowly defined Money supply increased by 14.6% to \$345 million by the end of 1985. Currency outside banks rose by 4.2%, while demand deposits increased by 21.3%, making commercial bank liquidity relatively high during 1985.

Table 20  
**BARBADOS: MONETARY BALANCE**  
 (As at 31 December)

|                                     | Millions of dollars |       |       | Percentage change |      |       |
|-------------------------------------|---------------------|-------|-------|-------------------|------|-------|
|                                     | 1983                | 1984  | 1985  | 1983              | 1984 | 1985  |
| Money supply (M-1)                  | 309                 | 301   | 345   | 16.2              | -2.5 | 14.6  |
| Money supply (M-2)                  | 1 044               | 1 130 | 1 205 | ...               | ...  | ...   |
| Currency outside banks              | 114                 | 118   | 123   | 3.2               | 3.5  | 4.2   |
| Demand deposits (adjusted)          | 195                 | 183   | 222   | 25.4              | -6.0 | 21.3  |
| Factors of expansion                | 1 291               | 1 378 | 1 452 | 10.1              | 6.7  | 5.4   |
| Foreign assets (net)                | 227                 | 239   | 322   | 23.1              | 5.0  | 34.7  |
| Domestic credit                     | 1 064               | 1 139 | 1 130 | 7.7               | 7.0  | -0.8  |
| Government (net)                    | 249                 | 273   | 228   | -4.7              | 9.6  | -16.5 |
| Private sector                      | 815                 | 867   | 902   | 12.1              | 6.4  | 4.0   |
| Factors of absorption               | 982                 | 1 077 | 1 106 | 8.4               | 9.6  | 2.7   |
| Quasi money (svgs. & time deposits) | 735                 | 829   | 860   | 4.2               | 12.7 | 3.7   |
| Other items (net)                   | 247                 | 248   | 246   | 23.5              | 0.4  | -0.8  |

Source: Central Bank, Economic and Financial Statistics, May 1986.

By year-end 1985, total assets of trust companies stood at \$167.0 million, an increase of almost 4% over the level of the previous year. A substantial portion of total loans was made available for the construction of private dwellings, industrial and commercial sites.

During 1985, international business companies, exempt insurance companies, foreign sales corporations and offshore banks were encouraged to establish operations in Barbados. By the end of the year, more than five hundred companies were active in the offshore sector. Direct government revenue from incorporation and licencing fees amounted to some \$750,000. Efforts to develop Barbados as a port of ship registry continued. Under the Shipping Act of December 1982, ten vessels were registered by 31 December 1985.

Offshore banking activity continued to grow in 1985 and by year-end, assets totalled some \$1.79 billions, an increase of more than 19% over the figure at the end of the previous year. Towards the end of 1985, the US Congress voted in favour of ratifying the Double Taxation Agreement of 1984 between Barbados and the United States. Large numbers of business enquiries about the benefits to be derived ensued.

#### (b) Fiscal policy

Provisional estimates indicate that the deficit on Government's current account amounted to \$27 million in 1985-1986, whereas for the earlier period the figure was \$21.1 million. A significant increase in current expenditure resulting from higher wages and salaries, and transfer payments, partially explained the deficit. Revenue, although increased, did not offset the increase in current expenditure. The expansion in current revenue was due to increased stamp duties and improved tax collections.



Table 21  
 BARBADOS: CURRENT REVENUE, EXPENDITURE AND CAPITAL EXPENDITURE  
 1982-1983 - 1985-1986  
 (Dollars million)

|                         | 1982-1983 | 1983-1984 | 1984-1985<p> | 1985-1986<p> |
|-------------------------|-----------|-----------|--------------|--------------|
| Current revenue         | 496.2     | 541.2     | 574.3        | 650.2        |
| Current expenditure     | 528.1     | 518.8     | 595.4        | 677.2        |
| Current account balance | -31.1     | +22.8     | -21.1        | -27.0        |
| Capital expenditure     | 112.7     | 126.7     | 147.6        | 139.2        |
| Overall balance         | -144.1    | -104.3    | -168.7       | -166.2       |

Source: Barbados Economic Report, 1985.

Table 22  
 BARBADOS: CURRENT REVENUE BY FUNCTIONAL CLASSIFICATION  
 1982/1983 - 1985/1986  
 (Dollars million)

|                              | 1982-1983 | 1983-1984 | 1984-1985 | 1985-1986<r> |
|------------------------------|-----------|-----------|-----------|--------------|
| Taxes on income and profits  | 190.7     | 191.6     | 185.0     | 208.6        |
| Employers' levy              | (0.5)<l>  | (0.6)<l>  | (4.8)     | ..           |
| Taxes on property            | 26.4      | 28.1      | 28.3      | 31.1         |
| Taxes on goods and services  | 127.9     | 141.3     | 162.0     | 169.8        |
| Taxes on international trade | 74.7      | 89.6      | 84.1      | 97.0         |
| Other taxes                  | 17.5      | 25.8      | 46.7      | 75.0         |
| Special receipts             | 5.2       | 6.9       | 6.7       | 4.9          |
| Loans and advances           | 1.6       | 1.9       | 3.3       | 7.7          |
| Non-tax revenue              | 52.2      | 55.7      | 58.0      | 56.6         |
| Total                        | 495.7     | 541.2     | 574.3     | 650.2        |

Source: Barbados Economic Report, 1985.

<l> Retroactive payment from Employers' Levy.

Capital expenditure decreased by 5.6% and the overall fiscal deficit also declined by 1.4% from \$168.7 million in 1984-1985 to \$166.2 million in 1985-1986. Several projects came to an end, partially accounting for the reduction in capital expenditure. Work continued, however, on such projects as soil conservation and rural development.

The total national debt rose from \$950.9 million at the end of 1984 to \$1,094.6 million at year-end, representing an increase of 15.1%. Total domestic debt increased by 11% to a figure of \$650.6 million, accounting for some 59% of the total debt. Of this figure of \$650.6 million, some 70% comprised short-term debt, whose value had increased in 1985 by 10.3%. Long-term debt increased by \$22.3 million or 13% to a figure of \$193.1 million.

Foreign debt increased from \$365.3 million to \$444.2 million in 1985, an increase of 21.6%, showing that foreign borrowing outstripped domestic borrowing. The major element of external borrowing was from international institutions, which accounted for 38% of total foreign debt.

Table 23  
 BARBADOS: NATIONAL DEBT - 1981/1985  
 (Dollars million)

|                            | 1981  | 1982  | 1983  | 1984  | 1985    |
|----------------------------|-------|-------|-------|-------|---------|
| Total national debt        | 683.4 | 760.0 | 861.3 | 950.9 | 1 094.6 |
| Domestic debt              | 424.0 | 473.1 | 514.0 | 585.6 | 650.6   |
| Short-term                 | 275.5 | 308.0 | 346.8 | 414.8 | 457.5   |
| Long-term                  | 146.5 | 165.1 | 167.2 | 170.8 | 193.1   |
| Foreign debt               | 259.4 | 286.9 | 347.3 | 365.3 | 444.2   |
| U.K.                       | -     | -     | 0.6   | 0.4   | 0.3     |
| Euro-dollar                | 93.7  | 88.9  | 106.1 | 95.0  | 131.6   |
| Canada                     | 30.9  | 29.3  | 27.9  | 29.2  | 26.1    |
| International institutions | 93.8  | 127.7 | 154.0 | 163.7 | 169.6   |
| Other                      | 41.0  | 41.0  | 58.7  | 37.0  | 38.3    |

Source: Barbados Economic Report, 1985.

International reserves were boosted by a bond placement of \$38.6 million on the Japanese market and a \$50 million Euro-dollar loan. Reserves remained above \$244 million throughout the year. At the end of 1985, total reserves stood at \$315.3 million, a 30.5% increase over the level of the previous year, and sufficient to finance nearly 4 months of retained imports.

PART IV

COMMONWEALTH OF DOMINICA

COUNTRY NOTES



## COMMONWEALTH OF DOMINICA

## 1. Recent economic trends: Introduction and summary

An uneven growth path characterized the Dominican economy during the first half of the 1980's. Economic performance was varied and unstable both in terms of sectoral as well as overall performance. Following on the high growth rates of 1980 and 1981 of 16.4% and 6.4% respectively which resulted from the massive hurricane reconstruction efforts and associated huge capital inflows, the economy slowed down in 1982 and 1983. Economic growth again accelerated in 1984 to reach 6.2%, fuelled by the increased injection of foreign capital associated with the major road project and declined to 1.2% in 1985.

Table 1  
COMMONWEALTH OF DOMINICA: MAIN ECONOMIC INDICATORS

|                                            | 1983    | 1983    | 1985    |
|--------------------------------------------|---------|---------|---------|
| <b>A. Basic economic indicators</b>        |         |         |         |
| GDP at factor cost (EC\$m. at 1977 prices) | 102.6   | 108.9   | 110.2   |
| Population (thousands)                     | 81.5    | 83.3    | 83.5    |
| Per capita GDP (EC\$m. at 1977 prices)     | 1 258.9 | 1 307.3 | 1 319.8 |
| Growth rates                               |         |         |         |
| <b>B. Short-run economic indicators</b>    |         |         |         |
| Gross domestic product                     | 2.1     | 6.1     | 1.2     |
| Per capita GDP                             | 1.7     | 3.8     | 0.96    |
| Terms of trade                             | 9.9     | -13.6   | 0.0     |
| Current value of exports                   | 12.2    | -6.9    | 10.9    |
| Current value of imports                   | -5.1    | 28.3    | -4.3    |
| Consumer prices annual variation           | 4.2     | 2.1     | 2.1     |
| Money supply (M-2)                         | 10.6    | 11.3    | 2.9     |
| Rate of unemployment                       | ...     | ...     | ...     |
| Current income of government               | 20.8    | 8.3     | 9.7     |
| Current expenditure of government          | 11.0    | 7.2     | 8.5     |
| Fiscal deficit/total expenditure           |         |         |         |
| E.C. Dollars million                       |         |         |         |
| <b>C. External sector</b>                  |         |         |         |
| Trade balance                              | -47.46  | -86.99  | -72.7   |
| Balance on current account                 | -8.81   | -16.1   | -4.2    |
| Balance on capital account                 | 2.4     | 21.2    | 1.5     |
| Overall balance                            | -6.4    | 5.1     | -2.7    |
| External public debt                       |         |         |         |

Source: Statistics Division, Ministry of Finance.

Note:

Fiscal year 1 July to 30 June. Figures based on revised estimates.

Table 2  
COMMONWEALTH OF DOMINICA: TOTAL SUPPLY AND DEMAND  
(E.C. Dollars million)

|                               | 1983   | 1984   | 1985 |
|-------------------------------|--------|--------|------|
| Total supply                  | 341.8  | 396.61 | ...  |
| GDP at market prices          | 210.98 | 230.71 | ...  |
| Imports of goods and services | 130.70 | 165.90 | ...  |
| Total demand                  | 341.68 | 396.61 | ...  |
| Domestic demand               | 252.88 | 310.21 | ...  |
| Gross domestic investment     | 57.62  | 88.93  | ...  |
| Private consumption           | 142.86 | 163.52 | ...  |
| Government consumption        | 52.40  | 57.76  | ...  |
| Exports of goods and services | 88.80  | 86.40  | ...  |

Source: Statistics Division, Ministry of Finance.

Two factors are mainly responsible for the poor performance during the 1985 period. Firstly, the economy is highly dependent on developments in the agricultural sector and as such, the 7.2% decline in output there, had a marked effect on the growth of the economy. Secondly, construction activity which had also been a significant contributor to growth in 1984 as well as other periods of high growth, contracted by close to 14% as the road project came to an end. The combined effect of these two developments severely dampened whatever positive developments occurred in the rest of the economy. The manufacturing sector recovered sufficiently to record a 9.2% growth as the major non-traditional exports were again better able to access CARICOM markets, and new manufacturing enterprises went into production. The transport and communication sector as well as the wholesale and retail trade also made moderate contributions to growth.

The Central Government current surplus increased from EC\$0.2 million in 1983 to EC\$1 million in 1984 to EC\$1 million in 1985. The revised estimates for FY 1985 to 1986 put the surplus at EC\$0.2 million. The deficit on the current account of the balance of payments improved slightly as a result of an increase in the value of exports and a decrease in the level of imports.

The broad money supply (M-2) and domestic credit increased by 2.9% and 8.4% respectively. The rate of inflation as measured by the Consumer Price Index rose by 3.5% during 1985. Towards the end of 1985, Civil Servants were awarded a three-year wage package amounting to 8.5% in the first year, 5% in the second and 7% in the third. Although data on wages in the private sector are not available, it has in the past been the practice for such wages to keep in line with the wage increase of the public sector.

## 2. Trends in economic activity

### (a) Growth of the main sectors

(i) Agriculture: Economic activity continues to be dominated by agriculture which is the major contributor to production and exports, accounting for nearly 30% of Gross Domestic Product (GDP).

Table 3  
COMMONWEALTH OF DOMINICA: GROSS DOMESTIC PRODUCT BY KIND OF  
ECONOMIC ACTIVITY, AT FACTOR COST - (Current prices)  
(E.C. Dollars million)

|                                 | 1983  | 1984  | 1985  | Percentage<br>breakdown |       | Percentage<br>change |       |
|---------------------------------|-------|-------|-------|-------------------------|-------|----------------------|-------|
|                                 |       |       |       | 1984                    | 1985  | 1984                 | 1985  |
| Gross domestic product          | 178.4 | 197.9 | 213.9 | 100.0                   | 100.0 | 10.9                 | 8.1   |
| Agriculture                     | 52.5  | 56.8  | 62.6  | 28.7                    | 29.3  | 8.2                  | 10.2  |
| Mining and quarrying            | 1.3   | 1.5   | 1.5   | 0.8                     | 0.7   | 12.8                 | -2.7  |
| Manufacturing                   | 14.1  | 13.8  | 15.5  | 7.0                     | 7.2   | -2.0                 | 11.7  |
| Construction                    | 12.6  | 17.2  | 15.0  | 8.7                     | 7.0   | 36.5                 | -12.6 |
| Basic services                  |       |       |       |                         |       |                      |       |
| Electricity and water           | 5.2   | 5.9   | 6.5   | 3.0                     | 3.0   | 13.0                 | 10.0  |
| Transport                       | 15.0  | 17.4  | 20.0  | 8.8                     | 9.3   | 15.9                 | 14.6  |
| Communication                   | 7.2   | 8.9   | 9.8   | 4.5                     | 4.6   | 22.8                 | 10.0  |
| Other services                  | 2.3   | 2.4   | 2.5   | 1.2                     | 1.2   | 3.9                  | 3.8   |
| Wholesale and retail            | 4.1   | 14.7  | 16.2  | 7.4                     | 7.6   | 4.0                  | 10.7  |
| Hotels and restaurants          | 1.9   | 2.2   | 2.2   | 1.1                     | 1.0   | 18.8                 | -1.4  |
| Banks and insurance             | 9.7   | 11.4  | 12.0  | 5.8                     | 5.6   | 17.0                 | 5.8   |
| Real estate and housing         | 9.1   | 9.4   | 9.7   | 4.8                     | 4.5   | 3.1                  | 3.2   |
| Government services             | 40.6  | 45.5  | 50.3  | 23.0                    | 23.5  | 12.0                 | 10.5  |
| Less imputed service<br>charges | 7.4   | 9.3   | 9.8   | 4.7                     | 4.6   | 25.5                 | 5.8   |

Source: OECS, Economic Affairs Secretariat (EAS).

The sector itself is heavily dependent on banana production which in 1985 contributed over 50% of the value of domestic exports and as such is the single largest foreign exchange earner. Given this, the agricultural sector comprises a major focus of the Government's development strategy aimed at stimulating growth and employment. During the first half of the eighties and including the period under review, agricultural policy has had as its main objective the revitalization of the lagging traditional crops - banana and citrus - and the diversification of the agricultural base. Successive programs which have been instituted to address the problems of the banana industry include a major restructuring of the marketing branch of the industry, U.K. technical assistance for financial management and the adoption of field packing. Other measures adopted for the development of the agricultural sector include measures to bring idle and underutilized land into production, rural settlement schemes and a programme of tree crop diversification.

Generally, the agricultural sector has recovered from the effects of the two hurricanes in 1979 and 1980, but has not yet attained the level of activity of the year 1978. While production in certain crops produced mainly for home consumption has increased beyond hurricane levels, production has for the most part remained below the 1978 levels. One major constraint to faster progress in the sector, has been the price paid to banana growers which had been affected by the low parity of the pound sterling in which the price of bananas is quoted and the high cost of the Corporation's debt-servicing. Another serious constraint to production and marketing is the poor state of access roads. To ameliorate this latter situation, the Government is hoping to establish a

special unit in the Ministry of Agriculture to assist farmers to undertake improvements of these roads in support of the Government's own feeder road programme.

(ii) Bananas: The banana industry continued to improve on its performance, both in terms of fruit quality and slightly increased export tonnage, as it moved closer to achieving its annual production target of 50,000 tonnes. During 1985, 38,086 tonnes of bananas were produced, 33,866 tonnes of these being exported to the United Kingdom - an increase of 3.6% and 3.8% respectively, over the 1984 period.

Table 5  
COMMONWEALTH OF DOMINICA: INDICATORS OF AGRICULTURAL PRODUCTION  
(Tonnes)

|                                         | 1983   | 1984   | 1985   | Percentage change |       |
|-----------------------------------------|--------|--------|--------|-------------------|-------|
|                                         |        |        |        | 1984              | 1985  |
| <b>Total production of major crops:</b> |        |        |        |                   |       |
| Bananas                                 | 33 940 | 36 766 | 38 086 | 8.3               | 3.6   |
| Coconuts                                | 3 563  | 3 351  | 3 342  | -5.95             | -0.27 |
| Grapefruit                              | 4 897  | 5 034  | 7 500  | 2.8               | 48.99 |
| Limes                                   | 5 525  | 5 689  | 5 779  | 2.97              | 1.6   |
| Oranges                                 | 2 012  | 2 076  | 2 500  | 3.2               | 20.4  |
| Cocoa beans                             | 422    | 429    | 445    | 1.7               | 3.7   |
| Coffee                                  | 323    | 366    | 374    | 13.3              | 2.2   |
| Bay leaf                                | 16     | 18     | 19     | 12.5              | 5.6   |
| Cut flowers                             | 11     | 20     | 24     | 81.8              | 20.0  |
| Cassava                                 | 765    | 842    | 861    | 10.1              | 2.3   |
| Mangoes                                 | 142    | 1 352  | 3 500  | 852.1             | 158.9 |
| <b>Exports of major crops</b>           |        |        |        |                   |       |
| Bananas                                 | 29 305 | 32 632 | 33 866 | 11.4              | 3.8   |
| Grapefruit                              | 2 484  | 2 345  | 2 387  | -5.6              | 1.8   |
| Oranges                                 | 526    | 513    | 640    | -2.5              | 24.8  |
| Plantains                               | 502    | 622    | 645    | 23.9              | 3.7   |
| Dasheen                                 | 331    | 413    | 261    | 24.8              | -36.8 |
| Avocado                                 | 67     | 90     | 68     | 34.3              | -24.4 |
| Tannia                                  | 174    | 226    | 170    | 29.9              | -24.8 |
| Yams                                    | 70     | 91     | 63     | 30.0              | -30.8 |
| <b>Internal consumption</b>             |        |        |        |                   |       |
| Bananas                                 | 4 635  | 4 134  | 4 220  | -10.8             | 2.1   |
| Grapefruit                              | 1 079  | 1 006  | 955    | -6.8              | -5.1  |
| Oranges                                 | 1 486  | 1 563  | 1 860  | 5.2               | 19.0  |
| Plantains                               | 742    | 744    | 980    | 0.3               | 31.7  |
| Dasheen                                 | 11 500 | 11 725 | 10 739 | 1.96              | -8.4  |
| Avocado                                 | 105    | 116    | 119    | 10.5              | 2.6   |

Source: Statistical Division, Ministry of Finance.



Climate conditions and the country's susceptibility to droughts and strong winds are a natural constraint on the projected levels of production. As in other years, severe losses were suffered as a result of windstorm and drought damage which occurred at different times in the year, restricting production levels below that which would otherwise have been achieved. Additionally, the island, located as it is at the end of the Geest Line, in 1985, saw 775 tonnes of its bananas left behind.

During the period, major emphasis was placed on increasing productivity through greater and better use of inputs as well as the reduction of wastage. Though larger quantities of the major production inputs were used in 1985, the amounts are still inadequate as is evidenced by the slow plant growth, poor root systems, small bunches and the low farm yields.

Field packing which commenced in 1984 and stood at 57% of total production by the end of that year, increased to 86% by December 1985 and was a significant contributor to the increased production with pronounced impact on fruit quality. The low quality of the Boxing Plant Fruit, however, lowered the island's overall fruit quality so that from a position of first for field-packed fruit, the quality of Dominica's bananas rated third when the quality of boxing plant fruit was taken into consideration. The corporation has taken a decision to discontinue all wet operations by the end of June 1986. Also, in an effort to make production inputs more readily available to growers, the corporation has concluded negotiations with the Government of Dominica for a Banana Expansion Programme under which money available to the Government from the United Kingdom Independence Package, will be passed on to the Corporation on concessionary terms for the provision of inputs (mainly fertilizer and weedicide). It is anticipated that this expansion programme will serve to raise annual production level to the targeted 50,000 tonnes.

(b) Other crops

Coconut production again suffered a slight decline (-0.27%) during 1985. However, with the CIDA-financed coconut rehabilitation and expansion programme having progressed well and all targets met, the prospects for the future look good and production is expected to reach the pre-hurricane level by year end 1986.

The Citrus Industry registered significant increases during 1985 (ref: table 5), with most of the fresh fruit being exported to the traditional United Kingdom market. However, performance is still disappointing with production levels still much below the projected levels. Expansion of citrus production is a major focus of the Government's Agricultural Policy. This need to increase production has acquired added importance in view of the commencement in 1985, of fruit processing by the Dominica Agro-Industries Limited (DAI) which presently makes use of fruits not suitable for export as fresh fruit, to produce grapefruit concentrate, grapefruit segments and lime oil for export to the U.S. market. Although the DAI did surpass its target of processing 2,000 tonnes of fruit during 1985, the plant still operates much below full capacity. To increase capacity utilization at the plant will require that production levels of both grapefruit and lime be raised to the capacity level of the processing plant. There has in the past, been a gradual easing out of citrus production because of the low returns to growers. The government has, however, taken steps to arrest and reverse this downward trend. In this regard, the lime rehabilitation project and the proposed restructuring of the Citrus Growers' Co-

operative are aimed at resolving the production problems which are at present a major bottleneck to the full operations of the processing plant. In addition, and with funding from the British Development Division (BDD), the Government is proposing to supply fertilizers to growers and also, undertake a spray programme.

Phases 1 and 2 of the Tree Crop Diversification Project were completed in 1985 but the success of this project is conditional upon the availability of markets once output exceeds regional demand in another two years. A market study which sought to assess the demand in the United States and Europe, identified the United Kingdom as the market offering the better prospects, since inadequate shipping links pose a problem in reaching some United States and Canadian markets. To meet the need for more effective marketing, the Government is restructuring the existing marketing agencies so as to increase the efficiency and effectiveness.

The Patchouli Oil project is yet to enter the commercial stage. The pilot project completed in 1985 has shown it to be feasible and commercial production for which technical assistance is being sought, is expected to commence during 1986. At present, only a few countries in the world are engaged in the production of patchouli. This and the more than adequate demand for the product means that this project could hold good promise for the future agricultural development of Dominica. Quite apart from the value of the project in its own rights, this attempt to diversify essential oil production assumes additional importance in view of the present fall in demand and subsequent glut on the market, for bay oil.

The Coffee programme is progressing well and the second phase is awaiting BDD's approval. Given the demand for cocoa on the world market and the favourable natural environment which Dominica possesses for its growth, the scope for re-developing this product is being seriously examined. The crop has been in a steady state of decline and therefore, undertaking such a project will require external financial assistance.

Floriculture is another area which offers tremendous prospects given the existing unsatisfied demand for cut flowers and other ornamental plants. Realising this, co-operatives have been established to promote production for export to the United States and Puerto Rico markets, and a test marketing is underway in the United States. Exports of ornamental plants also have a good prospects of finding a market in Canada.

#### (c) Livestock and fisheries

Livestock production which has traditionally played a marginal role in the agricultural development of Dominica, is still at a very underdeveloped state, but efforts are being made to upgrade the subsector. The small dairy farms project set up with assistance from CARDI exemplifies this new thrust in the development effort.

Fishing in Dominica has remained at the traditional artisanal level and consequently very underdeveloped. This sector offers much scope for growth as presently the demand far exceeds the supply of fish and this food is very much a part of the diet of Dominicans. The sector's potential for growth has not gone unnoticed and with the measures to be adopted to encourage its development, it is expected that fishing will acquire new impetus over the next few years. A

few years. A fisheries vessel to be provided by the United Nations will train fishermen and demonstrate commercial fishing techniques. This, combined with the provision of equipment would serve to encourage the indigenous fishermen to adopt more advanced fishing techniques. There is at present no immediate demand for the cold storage facility in place at the Roseau Market and as such, there is scope for an increased supply of fish. To complement this effort at developing sea fishing, aquaculture is another area being given special focus. A prawn farming project which commenced in 1985, has progressed satisfactorily and the first crop is expected to be harvested in June 1986. The pilot project funded by European Development Fund (EDF) with technical assistance from OAS and the Republic of China has demonstrated the viability of this venture. In view of the demonstrated potential, it is the hope that the private sector will plan an increasingly important role in the further development of this activity. Ponds for the cultivation of fresh water lobsters are being completed.

The Government of Dominica has commenced the negotiation of a fishing agreement with the European Economic Community (EEC) which would allow the two French colonies, Guadeloupe and Martinique, signing access to Dominica's waters within a six-week limit. The negotiations remain to be finalized pending an agreement on the issue of compensation.

#### (d) Land reform

The success of much of Dominica's plans and policies for the agricultural sector is contingent on a meaningful land reform programme which takes the form of the distribution and settlement of government-owned land. This also comprises an important element of the Government's employment strategy. Such a re-distribution should result in greater productivity.

The process of land allocation has already commenced following the design of rural development strategies by the OAS for designated locations. Under the land reform programme, four estates - the Geneva, Soufriere, Castle Bruce and Melville Hall estates - are to be subdivided into small holdings and allocated to small farmers. Geneva Estate in the south of the island is at an advanced stage of progress while the Soufriere Estate is at a much earlier stage. Allocations on the latter estate are tied in with the lime rehabilitation project, and farmers will be required to plant a certain percentage of their holdings in lime. The Geneva and Castle Bruce Estates form part of an "Integrated Rural Development" project to be partly financed by the International Fund for Agricultural Development (IFAD) with possible assistance from the Caribbean Development Bank (CDB) and other sources not yet identified. A major component of this project will be the provision of credit for land development to small farmers, through the Agricultural and Industrial Development Bank (AIDB). This scheme will not, however, finance the purchase of land.

Table 6  
COMMONWEALTH OF DOMINICA: INDICATORS OF MANUFACTURING PRODUCTION

|                   | Unit         | 1983  | 1984  | 1985  | Percentage change |       |
|-------------------|--------------|-------|-------|-------|-------------------|-------|
|                   |              |       |       |       | 1984              | 1985  |
| Laundry soap      | lg. tons     | 4 858 | 2 424 | 3 838 | -50.1             | 58.3  |
| Toilet soap       | lg. tons     | 1 713 | 1 645 | 1 984 | -4.0              | 20.6  |
| Animal feed       | lg. tons     | 795   | 789   | 752   | -0.75             | -4.7  |
| Copra             | lg. tons     | 2 673 | 2 543 | 2 471 | -4.9              | 2.8   |
| Crude Coconut oil | '000 gal.    | 407   | 387   | 397   | -4.9              | 2.6   |
| Edible oil        | '000 gal.    | 407   | 175   | 30    | -14.2             | -82.9 |
| Galvanized sheets | lg. tons     | 1 404 | 2 739 | 530   | 95.1              | -80.6 |
| Garments<1>       | EC\$ '000    | 527   | 540   | 1 384 | 2.5               | 156.3 |
| Bottled water     | '000 bottles | ...   | 600   | 401   | ...               | -33.2 |

Source: Statistical Division, Ministry of Finance.

<1> Value of exports.

Like all the countries in the region, Dominica's industrial strategy followed the import substitution approach adopted by most developing countries in their quest for industrialization and hence diversification of the productive base. Between 1978 and 1982, the sector experienced significant growth as industries were established or expanded production to supply the domestic and regional market under the protection afforded by the CARICOM arrangement. Notwithstanding the progress made, the sector remained dominated by one industry, Dominica Coconut Products which accounts for more than 75% of manufacturing output and is the second largest earner of foreign exchange. Moreover, with the problems which have affected CARICOM trade over the past four years, manufacturing inevitably lost momentum and growth in the sector slowed down and even contracted as industries either cut back production or went out of business.

Despite the continued problems affecting manufacturing, the sector in 1985, experienced a 9.6% growth in output as a result of the near 40% increase in soap production following the 23% decline in 1984. A mission to the Republic of Trinidad and Tobago which made ministerial representation to the government, resulted in a marked improvement in trade in soaps and to a much lesser extent oil. However, galvanize production which had been a major contributor to manufacturing activity in 1984, declined substantially, because of the problems faced in its principal export market, Trinidad and Tobago. The closure of two garment factories and an electronic assembly plant due to market difficulties were further setbacks to the industrialization effort, experienced in 1985.

Dominica's industrial strategy emphasizes private sector initiative. However, while there has in recent years been a growing involvement of the local private sector in manufacturing, private sector activity is still heavily concentrated in commercial activity, i.e. distribution as opposed to production. This is, in spite of the range of incentives offered by the Government to encourage investment in the sector. Dominica like its OECS partners, offers fiscal incentives such as duty-free concessions and tax-free holidays to both local and foreign investors under the Harmonized Fiscal Incentive Scheme. The Scheme is administered by the Industrial Development Corporation (IDC), the

institutional agency responsible for the identification and promotion of private manufacturing activities through both domestic and foreign involvement. Throughout, there is an emphasis on encouraging resource-based industries, as well as export-oriented and labour intensive industries.

One factor which has constrained the more rapid development of and shift into manufacturing, has been the shortage of financing on affordable terms. The National Development Fund though providing some relief, is constrained in its efforts by the very low ceiling of \$20,000 on loans to small businesses. Some progress has also been made in attracting foreign investment but this is still only marginal, and much below the level desired. Dominica lacks most of the attributes foreign investors seek in considering new countries in which to invest and as such much more is required in packaging the island in the competition for foreign investment.

In keeping with the Government's Industrialized Programme, the AIDB completed the construction of 10,000 sq.ft. of industrial space during the 1984-1985 period. Funds for the programme were made available through the CDB and the Organization of Petroleum Exporting Countries (OPEC) sources.

#### (e) Tourism

The Tourism industry in Dominica is still in its infancy, with its contribution to GDP being less than 1% in 1985. During the period under review, output of the sector as reflected by the value-added of the hotels and restaurants, fell by 3.5%. Stayover visitors declined by 3.6%. Moreover, the number of these staying in hotels declined, leading to a reduction in tourist expenditure.

Dominica does not fall into the conventional image of a tourist resort. Rather, its potential in this area lies more in targeting a certain type of tourist such as nature lovers. At its present stage of development, the sector has much potential for growth. Three new hotels which opened in 1985 will improve the quality of, and expand tourism accommodation.

The Government recognizes the potential that tourism has for contributing to the development of the economy, and in recent years, the sector has been given renewed Governmental attention. Efforts are being made to formulate a realistic tourism development strategy directed towards special target groups and tour operators in the region. New investment in the sector will be directed towards the development of national parks, spas, historical sites and mountain lodges. The completion of the road project should be of some benefit to tourism. However, in view of the type of tourism being aimed at, some outlay on access roads to areas of interest will also be required.

Table 7  
COMMONWEALTH OF DOMINICA: SELECTED TOURISM INDICATORS

|                                   | 1983  | 1984  | 1985  | Percentage change |       |
|-----------------------------------|-------|-------|-------|-------------------|-------|
|                                   |       |       |       | 1984              | 1985  |
| Total arrivals ('000)             | 28.5  | 27.0  | 28.9  | -5.3              | 7.0   |
| Stayover visitors ('000)          | 19.7  | 22.2  | 21.4  | 12.7              | -3.6  |
| Cruiseship passengers ('000)      | 6.1   | 3.2   | 6.9   | -47.5             | 115.6 |
| Excursionists                     | 2.7   | 1.6   | 0.5   | -40.7             | -73.3 |
| Average length of stay            | 6.8   | 10.1  | 11.6  | 48.5              | 14.9  |
| Average daily expenditure (US\$)  |       |       |       |                   |       |
| Cruiseship                        | 17.0  | 17.9  | 18.3  | 5.3               | 2.2   |
| Day tour                          | 42.0  | 44.1  | 45.0  | 5.0               | 2.0   |
| Stayover (tourist-hotel)          | 59.6  | 62.6  | 63.9  | 5.0               | 2.1   |
| Stayover (business-hotel)         | 72.1  | 75.7  | 77.3  | 4.98              | 2.1   |
| Total tourist expenditure (US\$m) | 6.27  | 10.23 | 9.58  | 63.2              | -6.4  |
| Cruiseship (US\$'000)             | 103.9 | 57.6  | 127.2 | -44.6             | 120.8 |
| Day tour                          | 113.1 | 71.4  | 22.9  | -36.9             | -67.9 |
| Stayover (hotel-tourist EC\$m)    | 3.22  | 5.46  | 4.38  | 69.6              | -19.8 |
| Stayover (hotel-business EC\$m)   | 2.44  | 3.85  | 3.71  | 57.8              | -3.6  |

Percentage share of arrivals by origin

|                    |      |      |      |
|--------------------|------|------|------|
| United Kingdom     | 7.9  | 8.3  | 8.1  |
| Europe             | 14.2 | 10.8 | 1.7  |
| OECS countries     | 10.4 | 11.2 | 13.6 |
| Other CARICOM      | 10.5 | 10.9 | 11.6 |
| United States      | 18.6 | 17.8 | 18.2 |
| Canada             | 4.9  | 5.4  | 5.1  |
| French West Indies | 19.0 | 20.1 | 20.7 |
| Other              | 14.5 | 15.5 | 21.0 |

Source: Data supplied ECLAC.

3. The external sector

(i) Trade and balance of payments: The visible trade balance which had deteriorated significantly in 1984, improved slightly in 1985 as the deficit narrowed from EC\$87 million to EC\$72.6 million.

Table 8  
COMMONWEALTH OF DOMINICA: VISIBLE TRADE  
(E.C. Dollars million)

|                  | 1983   | 1984   | 1985   |
|------------------|--------|--------|--------|
| Domestic exports | 72.30  | 67.18  | 70.90  |
| Re-exports       | 1.89   | 1.92   | 5.87   |
| Total exports    | 74.19  | 69.10  | 76.77  |
| Total imports    | 121.71 | 156.10 | 149.37 |
| Trade balance    | -47.52 | -87.00 | -72.60 |

Source: Statistics Division, Ministry of Finance.

This improved situation resulted from an increase in export earnings combined with a reduction in expenditure on imports.

Following the 6.9% decline in 1984, total export earnings increased by 11.1%. Earnings from the main traditional exports increased by 10.6%. Bananas and soap export which are the two major contributors to foreign exchange earnings, increased their earnings by 19.7% and 28.9% respectively. Both price and quantity factors contributed to the increase in earnings from banana exports.

In 1984, export earnings from bananas had suffered reverses. However, with some recovery in the value of the pound as well as the increase in green market price, which in turn contributed to increase in the level of production, earnings from banana recovered somewhat. Soap exports which had fallen significantly over the past two years as a result of difficulties faced in the CARICOM market increased by 28.9% in 1985. A mission to the Republic of Trinidad and Tobago which held Ministerial discussions, resulted in Dominica's soaps gaining better access to the Trinidad market, resulting in a significant increase in soap exports. Galvanize exports, though which had increased significantly in 1983 and 1984, experienced an 81.8% reduction in the value of exports because of difficulties faced in its major market, Trinidad and Tobago. Commodity concentration, coupled with market concentration, means that Dominica is subject to export earnings instability. Bananas alone account for over 50% of total domestic exports, with the United Kingdom market absorbing almost 98% of banana exports. In addition, soap exports, the second largest earner of foreign exchange, accounting for more than 27% of total domestic exports are also totally dependent on the CARICOM market.

The level of imports which had increased significantly in 1984, principally as a result of imports associated with the road project, contracted by 4.3% from the 1984 level. Imports of machinery and transport which had increased by 67.6%, declined by 13.6% in 1985, as the road project came to a close. Imports of food and manufactured goods also declined by 11.1% and 9.4% respectively.

The current account of the balance of payments improved significantly in 1985 with the deficit narrowing from EC\$16 million to EC\$4.2 million. Much of this improvement is due to the 16.6% decline in the trade deficit as well as the near 15% increase in official transfers.

Table 9  
COMMONWEALTH OF DOMINICA: EXPORT OF GOODS - (f.o.b.)  
(E.C. Dollars million)

|                           | Value |      |      | Percentage breakdown |       | Percentage change |       |
|---------------------------|-------|------|------|----------------------|-------|-------------------|-------|
|                           | 1983  | 1984 | 1985 | 1984                 | 1985  | 1984              | 1985  |
| Total                     | 74.2  | 69.1 | 76.8 | 100.0                | 100.0 | -6.9              | 11.1  |
| Main traditional exports  | 37.5  | 37.9 | 41.9 | 54.8                 | 54.6  | 1.1               | 10.6  |
| Bananas                   | 30.3  | 30.1 | 35.9 | 43.4                 | 46.7  | -0.99             | 19.7  |
| Citrus fruits             | 2.2   | 1.9  | 3.0  | 2.7                  | 3.9   | -13.6             | 57.9  |
| Coconut oil               | 3.3   | 4.5  | 1.9  | 6.5                  | 2.5   | 36.4              | -57.8 |
| Lime oil                  | 0.7   | 0.2  | 0.0  | 0.3                  | 0.0   | -71.4             | 100.0 |
| Bay oil                   | 1.0   | 1.2  | 1.1  | 1.7                  | 1.4   | 20.0              | -8.3  |
| Main non-tradit'l exports | 25.6  | 22.0 | 20.7 | 31.8                 | 26.95 | -14.1             | -5.9  |
| Soap                      | 20.4  | 14.9 | 19.2 | 21.6                 | 25.0  | -26.9             | 28.9  |
| Galvanized sheets         | 3.5   | 6.6  | 1.2  | 9.6                  | 1.6   | 88.6              | -81.8 |
| Garments                  | 1.7   | 0.5  | 0.3  | 0.7                  | 0.4   | -70.6             | -40.0 |

Source: Statistics Division, Ministry of Finance.

Table 10  
COMMONWEALTH OF DOMINICA: IMPORTS OF GOODS - (c.i.f.)  
(E.C. Dollars million)

|                           | 1983  | 1984  | 1985  | Percentage breakdown |       | Percentage change |       |
|---------------------------|-------|-------|-------|----------------------|-------|-------------------|-------|
|                           |       |       |       | 1984                 | 1985  | 1984              | 1985  |
| Total                     | 121.7 | 156.1 | 149.4 | 100.0                | 100.0 | 28.3              | -4.3  |
| Consumer goods            | 58.5  | 71.1  | 64.6  | 45.5                 | 43.2  | 21.9              | -4.9  |
| Food and live animals     | 27.0  | 32.4  | 28.8  | 20.8                 | 19.3  | 20.0              | -11.1 |
| Beverage and tobacco      | 3.9   | 4.8   | 5.1   | 3.0                  | 3.4   | 23.1              | 6.3   |
| Manufactures              | 27.6  | 33.9  | 30.7  | 21.7                 | 20.5  | 22.8              | -9.4  |
| Intermediate goods        | 31.7  | 37.7  | 41.4  | 24.2                 | 27.8  | 18.9              | 9.8   |
| Crude materials           | 2.4   | 2.6   | 2.8   | 1.7                  | 1.9   | 8.3               | 7.7   |
| Mineral fuels             | 10.1  | 15.4  | 16.4  | 9.9                  | 10.9  | 52.5              | 6.5   |
| Chemicals                 | 14.6  | 13.9  | 16.9  | 8.9                  | 11.4  | 4.8               | 21.6  |
| Animal and vegetable oils | 4.6   | 5.8   | 5.3   | 3.7                  | 3.6   | 26.1              | -8.6  |
| Capital goods             | 23.2  | 38.9  | 33.6  | 25.0                 | 22.5  | 67.6              | -13.6 |
| Machinery and transport   | 23.2  | 38.9  | 33.6  | 25.0                 | 22.5  | 67.6              | -13.6 |
| Miscellaneous             | 8.2   | 8.4   | 9.7   | 5.3                  | 6.5   | 2.4               | 15.5  |

Source: Statistics Division, Ministry of Finance.



Table 11  
COMMONWEALTH OF DOMINICA: BALANCE OF PAYMENTS  
(E.C. Dollars million)

|                                        | 1983   | 1984   | 1985<p> |
|----------------------------------------|--------|--------|---------|
| Current account balance                | -8.81  | -16.10 | -4.2    |
| Exports                                | 96.29  | 99.60  | 103.47  |
| Merchandise                            | 74.19  | 69.10  | 76.77   |
| Non-factor services                    | 22.10  | 30.50  | 26.70   |
| Imports                                | 129.80 | 164.40 | 160.77  |
| Merchandise                            | 121.70 | 156.10 | 149.37  |
| Non-factor services                    | 8.10   | 8.30   | 11.40   |
| Resource balance                       | -33.51 | -64.80 | -57.30  |
| Net factor services                    | 3.4    | 2.0    | 1.0     |
| Interest payments                      | -4.1   | -4.1   | -5.4    |
| Private transfers                      | 13.5   | 17.0   | 18.1    |
| Official transfers                     | 11.9   | 34.3   | 39.4    |
| Capital account balance                | 2.4    | 21.2   | 1.5     |
| Public sector loans (net)              | 14.30  | 12.10  | 8.90    |
| Private direct investment              | 0.50   | 4.30   | 4.90    |
| Commercial banks                       | -6.50  | 8.50   | -5.30   |
| Other (including errors and omissions) | -5.90  | -3.70  | -7.00   |
| Overall balance                        | -6.40  | 5.1    | -2.7    |
| Financing                              | 6.4    | -5.1   | 2.7     |
| Change in government foreign assets    | -1.1   | -5.1   | -0.6    |
| Change in use of IMF reserves          | 4.9    | -0.8   | -4.1    |
| Change in reserves                     | 2.6    | -4.8   | 7.4     |

Source: Data supplied ECLAC.

#### 4. MONETARY AND FISCAL POLICY

##### (a) Monetary policy

In keeping with the slow down in the economy, the rate of growth of the monetary aggregates declined during the 1985 period. The rate of growth of the money supply fell from 11.3% in 1984 to 2.9% in 1985. During the year, commercial banks were requested to increase the interest rate on savings deposits from the 2.5% which had existed for many years, to 4% in an effort to increase the level of savings. However, the total deposits of the commercial banks grew by less than they did in 1984, primarily as a result of an acceleration in the growth of both demand and time deposits. The rate of growth of savings deposits accelerated somewhat, and for the year, these deposits increased by 5.9% compared with the 4.5% recorded in 1984.

Table 12  
COMMONWEALTH OF DOMINICA: MONEY SUPPLY  
(E.C. Dollars million)

|                               | 1983   | 1984   | 1985   | Percentage change |       |
|-------------------------------|--------|--------|--------|-------------------|-------|
|                               |        |        |        | 1984              | 1985  |
| Money supply (M-1)            | 31.31  | 38.58  | 36.00  | 23.2              | -6.7  |
| Currency (notes and coins)    | 6.39   | 12.22  | 8.58   | 91.2              | -21.6 |
| Demand deposits               | 24.92  | 26.36  | 26.42  | 5.8               | 0.2   |
| Quasi money                   | 99.60  | 107.12 | 113.90 | 7.6               | 6.3   |
| Savings deposits              | 51.46  | 53.78  | 57.00  | 4.5               | 5.99  |
| Time deposits                 | 48.14  | 53.34  | 56.90  | 10.8              | 6.7   |
| Money supply (M-2)            | 130.91 | 145.70 | 149.90 | 11.3              | 2.9   |
| Factors of expansion          |        |        |        |                   |       |
| Net foreign assets            | 13.15  | 9.35   | 8.97   | -28.9             | -4.1  |
| Net domestic credit           | 96.10  | 109.46 | 118.60 | 13.9              | 8.4   |
| Private sector                | 76.10  | 83.56  | 92.01  | 9.9               | 10.1  |
| Public sector                 | 13.93  | 20.41  | 21.23  | 46.5              | 4.0   |
| Central government            | 10.62  | 11.39  | 13.87  | 7.3               | 21.8  |
| Other                         | 3.31   | 9.02   | 7.36   | 172.8             | -18.4 |
| Non-bank financial institut's | 6.16   | 5.49   | 5.35   | -10.9             | -2.6  |

Source: Eastern Caribbean Central Bank (ECCB).

Net domestic credit increased by 8.4% during the 1985 period.

Central Government borrowing from the commercial bank increased by 21.8% while the rest of the public sector reduced its borrowing from the banking system.

Table 13  
COMMONWEALTH OF DOMINICA: SECTORAL DISTRIBUTION OF  
COMMERCIAL BANK CREDIT  
(E.C. Dollars million)

|                                   | 1983 | 1984  | 1985  | Percentage change |       |
|-----------------------------------|------|-------|-------|-------------------|-------|
|                                   |      |       |       | 1984              | 1985  |
| Agriculture                       | 4.9  | 5.0   | 5.1   | -49.2             | 0.8   |
| Manufacturing                     | 6.2  | 6.7   | 6.8   | 7.4               | 2.5   |
| Distributive trades               | 19.3 | 19.1  | 22.7  | -1.0              | 19.1  |
| Tourism                           | 3.6  | 4.7   | 4.9   | 30.0              | 5.2   |
| Entertainment                     | 0.9  | 1.0   | 0.7   | 15.5              | -27.7 |
| Transport                         | 7.3  | 8.7   | 8.7   | 20.0              | -0.2  |
| Public utilities                  | 0.3  | 0.5   | 0.9   | 93.9              | 85.3  |
| Construction and land development | 7.9  | 10.4  | 5.1   | 31.5              | -51.4 |
| Government and statutory bodies   | 14.4 | 18.7  | 25.1  | 29.4              | 34.3  |
| Professional and other services   | 1.4  | 1.8   | 1.7   | 25.5              | -2.8  |
| Personal                          | 21.1 | 22.7  | 28.5  | 13.2              | 25.5  |
| Other advances                    | 4.9  | 10.1  | 8.3   | 108.6             | -18.2 |
| Total                             | 96.3 | 109.5 | 118.6 | 13.7              | 8.3   |
| Long-term loans and % of total    | 53.7 | 43.4  | 41.6  | -19.2             | -4.1  |

Source: Eastern Caribbean Central Bank (ECCB).

(b) Fiscal policy

As was the case during the rest of the eighties, fiscal policy in 1985 - 1986, continued to emphasize restraint on public sector recurrent expenditure in a continuing effort to increase public sector savings to finance external debts and contribute towards the financing of the public sector investment programme.

Central Government recurrent revenue is estimated to have increased by 9.7% in 1985. In spite of the tax concessions which had to be made to the manufacturing sector during the year, tax revenue which accounts for over 90% of recurrent revenue, increased by 12.8%. Non-tax revenue, on the other hand, fell for the second consecutive year.

The rate of growth of recurrent expenditure which had fallen in 1984 - 1985, increased in 1985 - 1986. However, the improvements achieved on the Central Government finance since 1983 - 1984 when the current account moved from a deficit of EC\$4.9 million to an EC\$0.2 million surplus, appears to have been maintained, and the surplus for 1985 - 1986 is estimated to be EC\$2.0 million.

Capital expenditure fell by 22.3% from the 1984 - 1985 level and much below that projected in 1985 - 1986 budget. The overall deficit consequently fell from EC\$18.3 million to EC\$7.3 million.

Table 14  
COMMONWEALTH OF DOMINICA: CENTRAL GOVERNMENT REVENUE AND EXPENDITURE  
(E.C. Dollars million)

|                            | 1983/<br>1984 | 1984/<br>1985 | 1985/<br>1986 | Percentage<br>change |               |
|----------------------------|---------------|---------------|---------------|----------------------|---------------|
|                            |               |               |               | 1984/<br>1985        | 1985/<br>1986 |
| Current revenue            | 69.7          | 75.5          | 83.8          | 8.3                  | 9.7           |
| Tax revenue                | 60.2          | 66.3          | 74.8          | 10.1                 | 12.8          |
| Non-tax revenue            | 9.5           | 9.2           | 9.0           | -3.2                 | -13.0         |
| Current expenditure        | 69.5          | 74.5          | 80.8          | 7.2                  | 8.5           |
| Wages and salaries         | 39.6          | 42.3          | 47.0          | 6.8                  | 11.1          |
| Goods and services         | 13.4          | 12.9          | 14.4          | 3.7                  | 11.6          |
| Interest                   | 6.3           | 7.3           | 7.0           | 15.9                 | -4.1          |
| Savings on current account | 0.2           | 1.0           | 2.0           | 400.0                | 200.0         |
| Capital expenditure        | 34.6          | 49.7          | 38.6          | 43.6                 | -22.3         |
| Total expenditure          | 104.1         | 124.2         | 119.4         | 19.3                 | -3.9          |
| Total revenue              | 90.4          | 105.9         | 112.1         | 17.1                 | 5.9           |
| Overall balance            | -13.7         | -18.3         | -7.3          | 33.6                 | -60.1         |

Source: Data supplied ECLAC.

PART V

COMMONWEALTH OF GRENADA

COUNTRY NOTES



## COMMONWEALTH OF GRENADA &lt;1&gt;

## 1. Recent economic trends: Introduction and summary

The Grenadian economy continued on the slow path to recovery commenced in 1984, to record a moderate 3.1% growth in 1985. This low rate of growth, however, masks the major strides made in some sectors of the economy. With the exception of the agricultural and Government sectors - which two sectors impact significantly on economic growth - the upswing in economic activity varied in degree from sector to sector.

Table 1  
COMMONWEALTH OF GRENADA: MAIN ECONOMIC INDICATORS

|                                            | 1983    | 1984    | 1985     |
|--------------------------------------------|---------|---------|----------|
| <b>A. Basic economic indicators</b>        |         |         |          |
| GDP at factor cost (EC\$m. at 1980 prices) | 178.9   | 182.5   | 188.1    |
| GDP at market prices (EC\$ million)        | 222.2   | 242.2   | 259.5    |
| Population ('000)                          | 92.3    | 96.0    | 95.8     |
| Per capita GDP                             | 1 938.2 | 1 901.0 | 1 963.5  |
| <b>Growth rates</b>                        |         |         |          |
| <b>B. Short-run economic indicators</b>    |         |         |          |
| Gross domestic product                     | -2.9    | 2.0     | 3.1      |
| Per capita GDP                             | -4.4    | -1.9    | 3.3      |
| Current value of exports                   | 1.9     | -9.5    | 29.7     |
| Current value of imports                   | 0.8     | -1.7    | 22.3     |
| Consumer price index -                     |         |         |          |
| Average annual variation                   | 6.1     | 5.7     | 2.5      |
| December to December                       | 6.5     | 3.6     | 1.8      |
| Money supply (M-1)                         | -0.1    | -8.9    | 2.9      |
| Unemployment rate                          |         |         |          |
| Current income of government               | ...     | 7.5     | 14.9     |
| Fiscal deficit/total expenditure           | 31.2    | 46.7    | 48.1     |
| <b>Dollars million</b>                     |         |         |          |
| <b>C. External sector</b>                  |         |         |          |
| Trade balance (merchandise)                | -102.7  | -103.1  | -125.95  |
| Balance on current account                 | -23.6   | 10.8    | 10.9     |
| Balance on capital account                 | 17.6    | 20.9    | 14.4     |
| Overall balance                            | -6.0    | 31.7    | 23.3     |
| External public debt                       | ...     | ...     | 105.7<1> |

Source: ECLAC, on basis of data supplied.

<1> Central Government only.

<1> Unless otherwise stated, all currencies used are EC dollars (Rate of exchange is US\$1 = EC\$2.70).

## COMMONWEALTH OF GRENADA

Table 2  
COMMONWEALTH OF GRENADA: TOTAL SUPPLY AND DEMAND  
(E.C. Dollars million)

|                               | 1983  | 1984  | 1985  |
|-------------------------------|-------|-------|-------|
| Total supply                  | 422.5 | 433.2 | 511.4 |
| GDP at market prices          | 222.2 | 242.3 | 259.5 |
| Imports of goods and services | 200.3 | 190.9 | 251.9 |
| Total demand                  | 422.5 | 433.2 | 511.4 |
| Domestic demand               | 317.8 | 324.4 | 362.4 |
| Gross domestic investment     | 107.2 | 88.5  | 104.9 |
| Private consumption           | 141.3 | 158.6 | 174.6 |
| Government consumption        | 69.3  | 77.3  | 82.9  |
| Exports of goods and services | 104.7 | 108.8 | 149.0 |

Source: Data supplied OECS/ECLAC.

Growth however, was moderated as agriculture, now barely overtaken by the Government sector as the largest contributor to Gross Domestic Product (GDP) (20.4% to the latter's 20.6%), contracted by 6.6%. Additionally, the control exerted on Government expenditure restricted growth of this sector to only 1%. These developments severely dampened the impact of the significantly increased activity recorded in the tourism, construction and manufacturing sectors which together account for just over 20% of GDP. Tourism, improving on the 23% growth experienced in 1984, grew by a further 38.5% followed by construction and manufacturing which which grew by 13.95% and 11.5% respectively - a significant improvement on their 1984 performance.

Table 3  
COMMONWEALTH OF GRENADA: GROSS DOMESTIC PRODUCT, BY KIND OF  
ECONOMIC ACTIVITY, AT FACTOR COST - (Current prices)  
(E.C. Dollars million)

|                             | 1983  | 1984  | 1985  | Percentage change |      |
|-----------------------------|-------|-------|-------|-------------------|------|
|                             |       |       |       | 1984              | 1985 |
| Agriculture                 | 41.6  | 43.8  | 44.3  | 5.3               | 1.1  |
| Quarrying                   | 2.4   | 2.6   | 2.9   | 8.3               | 11.5 |
| Manufacturing               | 14.3  | 13.6  | 15.2  | -4.9              | 11.8 |
| Construction                | 17.3  | 18.4  | 21.7  | 6.4               | 17.9 |
| Utilities                   | 4.9   | 5.3   | 5.6   | 8.2               | 5.7  |
| Transport and communication | 16.8  | 17.5  | 18.7  | 4.2               | 6.9  |
| Hotels and restaurants      | 10.0  | 12.7  | 18.2  | 27.0              | 43.3 |
| Wholesale and retail        | 35.5  | 37.5  | 40.2  | 5.6               | 7.2  |
| Finance and housing         | 15.3  | 16.2  | 17.0  | 5.9               | 4.9  |
| Government services         | 52.4  | 62.1  | 62.7  | 18.5              | 0.97 |
| Other services              | 11.7  | 12.5  | 13.0  | 6.8               | 4.0  |
| Gross domestic product      | 222.2 | 242.2 | 259.5 | 9.0               | 7.1  |

Source: Statistics Division.



In spite of a 14.9% increase in Central Government current revenue, public finances deteriorated as the balance on the recurrent account moved from a position of a small surplus of EC\$0.7 million in 1984 to a deficit of EC\$14.7 million (or 5.7% of GDP) in 1985. This is mainly the result of the EC\$28.4 million (32.8%) increase in recurrent expenditure in excess of the EC\$13 million increase in recurrent revenue. The overall deficit increased by EC\$16.2 million in 1985 to EC\$92.9 million to reach a level equivalent to 35.8% of GDP from 31.7% in 1984. Capital expenditure of EC\$78.2 million was financed mainly from external sources.

Table 3b  
COMMONWEALTH OF GRENADA: GROSS DOMESTIC PRODUCT, KIND OF  
ACTIVITY, AT FACTOR COST - (Constant prices of 1980)  
(E.C. Dollars million)

|                            | 1983  | 1984  | 1985  | Percentage<br>breakdown |       | Percentage<br>change |       |
|----------------------------|-------|-------|-------|-------------------------|-------|----------------------|-------|
|                            |       |       |       | 1984                    | 1985  | 1984                 | 1985  |
| Gross Domestic Product     |       |       |       |                         |       |                      |       |
| Agriculture                | 41.1  | 1.2   | 38.5  | 22.6                    | 20.4  | 0.2                  | -6.6  |
| Quarrying                  | 1.8   | 1.8   | 2.0   | 0.99                    | 1.1   | 0.0                  | 11.1  |
| Manufacturing              | 11.7  | 10.1  | 11.3  | 5.5                     | 5.99  | -13.7                | 11.9  |
| Construction               | 12.7  | 12.9  | 14.7  | 7.1                     | 7.8   | 1.6                  | 13.95 |
| Utilities                  | 3.6   | 3.6   | 3.7   | 1.97                    | 1.96  | 0.0                  | 2.8   |
| Transport & communications | 13.5  | 13.8  | 14.2  | 7.6                     | 7.5   | 2.2                  | 2.9   |
| Hotels and restaurants     | 7.4   | 9.1   | 12.6  | 4.99                    | 6.7   | 22.97                | 38.5  |
| Wholesale and retail       | 30.4  | 30.9  | 31.5  | 16.9                    | 16.7  | 1.6                  | 1.9   |
| Finance and housing        | 12.0  | 12.1  | 12.2  | 6.6                     | 6.5   | 0.8                  | 0.8   |
| Government services        | 36.1  | 38.4  | 38.8  | 21.0                    | 20.6  | 6.4                  | 1.0   |
| Other services             | 8.6   | 8.6   | 8.6   | 4.7                     | 4.6   | 0.0                  | 0.0   |
| Gross domestic product     | 178.9 | 182.5 | 188.5 | 100.0                   | 100.0 | 3.6                  | 3.3   |

Source: Statistics Division.

The visible trade balance deteriorated as the deficit widened from EC\$103.1 million in 1984, to EC\$125.95 million in 1985. This is in spite of an EC\$11.5 million increase in exports over the 1984 period following a 5.8% decline in that year. Imports which had declined marginally (1.7%) in 1984, increased substantially in 1985 by EC\$34 million, far in excess of the increase in exports. The deterioration in the trade balance was, however, more than offset by the EC\$19.1 million or (79.6%) increase in the services balance, effectively a surplus of EC\$43.1 million. The net effect on the current account was to leave it virtually unchanged at a surplus of EC\$10.9 million, an EC\$0.1 million increase on the 1984 surplus. Owing to a reduction in the rate of capital inflows, the overall balance fell from a surplus of EC\$31.7 million in 1984 to 23.3 million in 1985.

Central Government total external debt outstanding at the end of 1985 was EC\$105.7 million. Debt service ratio fell from a high of 27% in 1984 to 13.7% in 1985 as one loan was rescheduled and payment of principal was deferred on two other loans.

Net domestic credit increased by 30.1% as a result of an EC\$28.7 million increase in lending to the private sector and a much smaller EC\$2.9 million increase in net lending to the public sector. The rate of inflation moderated further during 1985, falling from 3.6% to 1.8%. Unemployment, unofficially estimated to be in excess of 25% is expected to have remained virtually unchanged as the increase in tourism-related employment as well as the construction sector, would most probably have been offset by the reduction in Government employment and the continued difficulties in agriculture.

## 2. Trends in economic activity

### Growth of the main sectors

(i) **Agriculture:** The Agricultural sector has been in a depressed state of production since 1979. Although the sector still remains the most important sector in terms of its contribution to export earnings and employment its contribution to GDP has gradually declined from a level of 30.2% in 1979 to 20.4% in 1985.

Agriculture has been plagued by a number of problems, and its development has been constrained by a wide range of factors.

The low wages paid to agricultural workers, have resulted in a shortage of labour and the reduction in the price received for the major agricultural exports has affected the farmers incentive resulting in a decline in production of these crops. Other factors such as the poor state of farm access roads, the limited availability of capital for investment, high cost of agricultural inputs, crop disease and pest infestation, poor extension service, have all contributed towards retarding the growth of agriculture.

Recognizing the importance of the agricultural sector to Grenada's economic development, rehabilitation and revitalization of the sector constitutes a major objective of the Government's development strategy. The 1985 period was thus, mainly a year of planning and putting in place of measures designed to achieve the desired objective. As such, the declining trend in agricultural production continued during 1985, as the real value of output declined by a further 6.6 percent.

Policy measures adopted during 1985 to stimulate agricultural production include a 25% reduction in export duty as well as tax and duty concessions on vehicles imported for agricultural purposes. The wages of agricultural workers was increased by close to 25% from \$7.50 and \$8.50 daily, for women and men respectively, to \$9.50 and \$10.50. In addition, a number of projects have been at various stages of preparation and implementation. The most important of these is perhaps the Agricultural Rehabilitation and Diversification Project Project funded by the World Bank. This project, designed to alleviate or remove some of the problems faced in agriculture, is primarily geared towards the general strengthening of the agricultural sector. To this end, the project covers such areas as marketing, extension services, farm school training and involves such crops as bananas, coffee, sugar cane, tree crops, ornamental flowers and a range of vegetables. The project is also supplemented by a credit facility provided by the Caribbean Development Bank (CDB) which will serve to alleviate the problem of shortage of investment capital. Another project, the Model Farms Project, will develop

model farms through the conversion of some 3,500 acres of state farms into viable economic units for the settlement of small farmers.

Table 4  
COMMONWEALTH OF GRENADA: INDICATORS OF AGRICULTURAL PRODUCTION

|                                        | Tonnes |       |       | Percentage change |       |
|----------------------------------------|--------|-------|-------|-------------------|-------|
|                                        | 1983   | 1984  | 1985  | 1984              | 1985  |
| Total production of traditional export |        |       |       |                   |       |
| Bananas                                | 9 179  | 8 947 | 8 931 | -2.5              | -0.2  |
| Cocoa                                  | 2 283  | 2 005 | 2 121 | -12.2             | 5.8   |
| Nutmeg                                 | 1 824  | 2 303 | 2 662 | 26.2              | 15.6  |
| Mace                                   | 136    | 218   | 218   | 60.3              | -0.2  |
| Coconuts (dry)                         | 318    | 267   | 281   | -16.1             | 5.1   |
| Ginger                                 | 7.7    | 5.9   | 6.4   | -23.5             | 7.7   |
| Fruits                                 |        |       |       |                   |       |
| Citrus                                 | 3 417  | 3 305 | 3 187 | -3.3              | -3.6  |
| Mangoes                                | 1 730  | 1 769 | 1 877 | 2.3               | 6.1   |
| Avocados                               | 1 586  | 1 588 | 1 619 | 0.1               | 2.0   |
| Sapodilla                              | 189    | 456   | 313   | 130.7             | -31.4 |
| Soursop                                | 557    | 709   | 1 344 | 27.2              | 89.5  |
| Papaw                                  | 35     | 101   | 122   | 185.9             | 20.6  |
| Sugar apples                           | 105    | 109   | 153   | 3.9               | 40.4  |
| Root crops                             |        |       |       |                   |       |
| Dasheen and eddoes                     | 391    | 352   | 275   | -10.1             | -21.8 |
| Yams                                   | 455    | 499   | 400   | 9.6               | -19.9 |
| Tannias                                | 141    | 95    | 64    | -32.6             | -33.0 |
| Sweet potatoes                         | 276    | 109   | 146   | -60.6             | 34.2  |
| Vegetables                             |        |       |       |                   |       |
| Cabbage                                | 32     | 61    | 61    | 91.4              | -0.7  |
| Carrots                                | 26     | 30    | 45    | 15.5              | 49.3  |
| Cucumbers                              | 41     | 21    | 34    | -47.8             | 61.7  |
| Corn                                   | 394    | 285   | 279   | -27.6             | -2.1  |
| Peas and beans                         | 648    | 899   | 634   | 38.8              | -29.6 |
| Tomatoes                               | 49     | 44    | 44    | -10.2             | 0     |
| Pumpkins                               | 445    | 196   | 136   | -56.0             | -30.8 |
| Lettuce                                | 24     | 16    | 30    | -30.8             | 86.1  |

Source: Statistics Division.

During the 1985 period, production of the major crops declined.

Banana production suffered a further decline of 0.2% following the 2.5% reduction in 1984, and its contribution to total domestic exports which has been declining since 1980 when it reached 24.4%, fell to a low of 14.4%. In fact, banana production has been steadily declining for the past seven years since 1979, and in comparison with the other Windward producers, Grenada has a very low quantity tonnage. Banana is one crop in a multiple cropping system which has been gradually eased out of the best land by the more permanent crops such as cocoa, while there has been no simultaneous move into new lands. Moreover, farming activity has tended to be divided between the three major crops - a

practice which has contributed to the low quality of Grenada's bananas. Low productivity, low yields per acre, high costs of inputs and the low returns to farmers as well as the moko disease problems are other factors which have contributed to the declining state of the banana industry. During 1985, the price paid to growers increased to 22.5 cents per pound from the 19.5 cents received in 1984. The quality of bananas was also improved by the increase in field pack operation which in 1985 accounted for 55% of all fruits shipped, moving from the 24% in 1984. The spread of the moko disease, which has resulted in a loss of some two to three hundred acres since its discovery, has been successfully contained, and the second phase of the Moko Eradication program (1985 - 1988) was commenced in June 1985.

Cocoa production which had declined successively over the six year period 1978 - 1984, grew by close to 6% in 1985. The industry has in the past, suffered adversely from the low price of the commodity on the world market which exacerbated in some years by the low value of the pound sterling. The increase in price paid in 1985 and which is expected to continue, should lead to a rejuvenation of the industry over the next few years.

(ii) Manufacturing: Grenada's manufacturing sector remains very small, contributing less than 6% to GDP. The sector's development is constrained by a number of factors including poor infrastructure (electricity, water communication), lack of funding and shortage of factory space. Following a 13.7% contraction in output in 1984, output increased by 11.9% in 1985 as production of the major industrial products increased. This recovery was, however, led mainly by industries producing for the market. On the other hand, industries producing for export such as the garment industry with its dependence on the Trinidad and Tobago market, suffered further cut backs in production and employment.

Table 5  
COMMONWEALTH OF GRENADA: INDICATORS OF MANUFACTURING PRODUCTION

|              | Unit        | 1983    | 1984    | 1985    | Percentage change |       |
|--------------|-------------|---------|---------|---------|-------------------|-------|
|              |             |         |         |         | 1984              | 1985  |
| Flour        | '000 lbs.   | 104.1   | 105.2   | 109.6   | 1.1               | 4.2   |
| Poultry      | '000 lbs.   | 35.0    | 39.5    | 44.9    | 12.9              | 13.7  |
| Laundry soap | pounds      | 57.0    | 48.6    | 86.5    | -14.7             | 77.98 |
| Coconut meal | pounds      | 232.2   | 137.2   | 165.3   | -40.9             | 20.5  |
| Rum          | proof gals. | 72.4    | 50.9    | 76.0    | -29.7             | 49.3  |
| Beer         | bulk gals.  | 246.8   | 247.1   | 307.0   | 0.1               | 24.2  |
| Malt         | gallons     | 103.0   | 66.3    | 81.3    | -35.6             | 22.6  |
| Edible oil   | gallons     | 56.7    | 29.3    | 32.9    | -48.3             | 12.3  |
| Cigarettes   | cartons     | 127.7   | 125.5   | 117.9   | -1.7              | -6.1  |
| Clothing<1>  |             | 4 860.0 | 1 890.0 | 1 747.3 | -61.1             | -7.6  |
| Soft drinks  | cases       | 167.5   | 248.4   | 304.2   | 48.3              | 22.5  |
| Stout        | bulk gals.  | 55.1    | 65.1    | 67.0    | 18.1              | 2.9   |

Source: Statistics Division.

<1> Value of exports.

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In order to promote the development of the manufacturing sector, the Industrial Development Corporation (IDC) was established in February 1985 with its primary objective being the stimulation, facilitation and undertaking of the establishment and development of industry in Grenada.

Unlike its regional partners, Grenada does not have any industrial parks, private or public and this has been cited as a major factor constraining industrial development. At present, total demand for publicly owned factory space is in excess of 200,000 sq.ft. while available supply does not exceed 20,000 sq.ft. of usable space. This unavailability of factory space has over the years led to loss of prospective foreign investment and in 1985 no fewer than five investment proposals did not materialize because of this reason. With the establishment of the IDC, serious attempts are now being made to remedy this situation. Through a recently concluded loan agreement with the Caribbean Development Bank (CDB) 40,000 sq.ft. of factory space are being constructed in the Time Blue - Frequent area, while a United States Agency for International Development (USAID) project will construct a further 20,000 sq.ft. of factory space.

The Government's industrial strategy emphasizes the encouragement of industries which make use of local raw material, and has as its main objectives, the increase in employment, foreign exchange earnings and the maximization of local value-added.

(iii) Construction: This sector which contributes less than 8% of GDP recorded a significant resurgence in activity during 1985 to grow by close to 14% following the 1.6% attained in 1984. Residential construction, together with infrastructural projects accounted for most of this increased activity. Construction of the airport terminal was completed during the 1985 period, and the completion of construction activity at Point Salines Airport is expected to lead to a slowdown of activity in the sector in the period. Road construction activity, comprising both maintenance activity and construction of new roads, was also partly responsible for the sector's overall performance.

Table 6  
COMMONWEALTH OF GRENADA: INDICATORS OF BUILDING CONSTRUCTION

|                                         | 1984 | 1985 | Percentage change |
|-----------------------------------------|------|------|-------------------|
|                                         |      |      | 1985              |
| Number of building applications         | 159  | 275  | 75.95             |
| Residential                             | 105  | 191  | 81.9              |
| Renovation, addition, extension         | 6    | 15   | 150.0             |
| Hotels/guesthouses (includ. extensions) | 3    | 9    | 200.0             |
| Shops and small commercial businesses   | 16   | 37   | 131.25            |

Source: Development Control Authority.

(iv) Tourism: Though still relatively small in terms of its contribution to gross domestic product, the tourism sector comprises a major focus of the Government development strategy, being at present the second largest earner of foreign exchange. Furthermore, it is anticipated that the sector will play an increasingly important role in the economy over the next few years.

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In spite of the constraint imposed on its performance by the shortage of tourist accommodation, the sector recorded significant growth (38.5%) during the 1985 period as all categories of visitors increased, continuing the trend which started in 1984. The most dramatic increase was in cruiseship arrivals, reflecting the intensive efforts made to increase cruise ship calls to the St. George's port. Over the last few years including 1984, this category of visitors had been declining. During the 1985 period, an extensive cruiseship promotion campaign was undertaken in Miami and New York with the effect that some ships made Grenada a port of call for the first time in five years, contributing to the more than 165% increase in cruise ship passengers. Stayover visitors also increased in the 1984 period. However, the large increase (56.6%) in American visitors which took place in 1984 in the aftermath of the American invasion, moderated significantly in 1985, the increase being kept to a small 7%. Visitors from the other Caribbean islands, particularly the Republic of Trinidad and Tobago accounted for the largest share of stayover visitors.

Table 7  
COMMONWEALTH OF GRENADA: SELECTED TOURIST INDICATORS

|                                               | 1983   | 1984  | 1985   | Percentage change |       |
|-----------------------------------------------|--------|-------|--------|-------------------|-------|
|                                               |        |       |        | 1984              | 1985  |
| Total visitors ('000)                         | 82.7   | 73.8  | 142.7  | -10.8             | 93.4  |
| of which:                                     |        |       |        |                   |       |
| Stayover visitors                             | 23.4   | 28.9  | 38.4   | 23.5              | 32.9  |
| Cruiseship passengers                         | 50.2   | 34.2  | 90.7   | -31.9             | 165.2 |
| Non-resident Grenadians                       | 9.1    | 10.7  | 13.6   | 17.6              | 27.1  |
| Average length of stay per visitor            |        |       |        |                   |       |
| Stayover visitors                             | 8.5    | 8.5   | 8.5    | 0.0               | 0.0   |
| Non-resident Grenadians                       | 10.0   | 10.0  | 10.0   | 0.0               | 0.0   |
| Average daily expenditure per visitor (EC\$)  |        |       |        |                   |       |
| Stayover visitors                             | 165.78 | 170.1 | 177.66 | 2.6               | 4.4   |
| Cruise ship passengers                        | 67.5   | 67.5  | 67.5   | 0.0               | 0.0   |
| Non-resident Grenadians                       | 40.5   | 40.5  | 40.5   | 0.0               | 0.0   |
| Total expenditure (EC\$m.)                    |        |       |        |                   |       |
| Stayover visitors                             | 32.94  | 41.85 | 58.32  | 27.0              | 39.4  |
| Cruise ship passengers                        | 2.7    | 1.89  | 5.94   | -30.0             | 214.3 |
| Non-resident Grenadians                       | 3.78   | 4.32  | 5.4    | 14.3              | 25.0  |
| Stayover visitors by country of origin ('000) |        |       |        |                   |       |
| United States                                 | 5.3    | 8.3   | 8.9    | 56.6              | 7.2   |
| Canada                                        | 1.5    | 1.4   | 1.7    | -6.7              | 21.4  |
| West Indies                                   | 10.8   | 13.8  | 21.3   | 27.8              | 54.3  |
| United Kingdom                                | 2.4    | 2.4   | 2.7    | 0.0               | 12.5  |
| Other                                         | 2.6    | 5.4   | 3.3    | 107.6             | -38.9 |

Source: Statistics Division.

With only 580 available beds, shortage of accommodation has constrained the growth of the industry during 1985. However, with the rehabilitation and renovation of hotels, as well as building of some new ones which commenced in 1985, it is expected that the number of beds should be increased to 800 by mid-1986. Moreover, it is projected that the number of rooms will be doubled over the next three years thereby meeting the necessary minimum room capacity requirement for major tour operations. Plans are also afoot for the conversion of the carenage area into a duty-free port in order to increase the expenditure of cruise ship visitors and so better benefit from the increased number of calls.

Tourism is seen as having the potential to contribute both directly and indirectly to the development of the economy. As such, part of the Government's policy is to encourage and strengthen the linkage between tourism and agriculture and manufacturing. In this regard, under the model farm projects, farmers are able to sell their produce to the hotels and attempts are made to encourage the use of locally produced furniture. However, given the decision to target the more up-market crowd, it is to be expected that tourism will remain very much dependent on imports to meet the majority of its requirements.

### 3. The external sector

#### Trade balance and payments

During the 1985 period, the value of most of Grenada's traditional exports increased. Revenue from the country's four major traditional cash crops increased by more than EC\$10 million as with the exception of bananas, both the quantity and unit price of exports increased. The increase in value of banana exports was due solely to price increase as the volume exported actually declined below the 1984 level. Tourism receipts also increased substantially by close to EC\$17 million. This improvement in exports of goods and services was, however, insufficient to fully offset the large increase of EC\$34 million in the value of imports, and the resource gap indeed. Food, machinery and transport equipment and manufactured goods accounted for most of the increase in the level of imports.

For the second consecutive year, Grenada recorded an overall balance of payments surplus. This surplus has been made possible primarily because of the high level of capital inflows mainly in the form of grants from USAID. Furthermore, this has allowed Grenada to increase its foreign exchange reserves for the second year running. In addition, net official transfers combined with private transfers financed more than half the level of imports of goods and services.

Table 8  
COMMONWEALTH OF GRENADA: SUMMARY BALANCE OF PAYMENTS  
(E.C. Dollars million)

|                                          | 1983   | 1984   | 1985   |
|------------------------------------------|--------|--------|--------|
| Current account balance                  | -23.6  | 10.8   | 10.9   |
| Exports, GNFS                            | 83.1   | 87.1   | 115.55 |
| Merchandise exports                      | 51.8   | 48.8   | 59.95  |
| Non-factor service                       | 31.3   | 38.3   | 55.60  |
| Imports, (Goods and non-factor services) | -164.2 | -161.7 | -196.5 |
| Merchandise imports                      | -154.4 | -151.9 | -185.9 |
| Non-factor service                       | -9.7   | -9.8   | 10.6   |
| Resource balance                         | -81.1  | -74.6  | -80.95 |
| Net factor income                        | -2.2   | -4.5   | 1.9    |
| Interest payments                        | -4.9   | -6.2   | -3.9   |
| ECCA profits                             | 3.6    | 2.5    | 2.1    |
| Other                                    | -0.9   | -0.8   | -0.1   |
| Net private transfers                    | 29.2   | 31.6   | 32.4   |
| Net official transfers                   | 30.5   | 58.3   | 61.5   |
| Capital account balance                  | 17.6   | 20.9   | 12.4   |
| Public sector borrowing (net)            | 37.5   | 11.9   | -7.1   |
| Private direct investment                | 6.8    | 7.6    | 11.1   |
| Commercial banks                         | -7.0   | -6.4   | 3.3    |
| Other (incl. errors and omissions)       | -19.7  | 7.8    | 5.0    |
| Overall balance                          | -6.0   | 31.7   | 23.3   |
| Charge in imputed reserve                | 2.8    | -29.5  | -17.0  |
| Charge in use of IMF reserve             | 3.2    | -2.2   | -6.3   |

Source: Data submitted to ECLAC.

#### 4. Prices, wages and employment

The rate of inflation as reflected by movements in the retail price index moderated even further during the 1985 period. The all items index increased by 1.8% over the December 1984 - 1985 period as compared to 3.6% over the same period a year earlier. This slower growth of prices is due primarily to the low rate of growth of food prices which, given the large weight of food in the index helped to offset the effect of other categories where prices increased by much more. The larger increases were in clothing and footwear (9.2%), housing (3.6%), furniture (20.7%) and services (8%). In addition, prices of household supplies actually declined by 13.6 percent.

The increases in wages of public sector employees as a result of the 11% settlement given in November 1984, had little effect on the level of prices. The fall in world inflation and consequent stabilization of import prices is therefore the principal contributor to the slow down of inflation in the Grenadian economy.



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The unemployment rate, unofficially estimated to be in excess of 25%, is estimated to have remained virtually unchanged. This is in spite of the growth in employment in the tourism and construction sectors, resulting from the increased activity there, since this would most likely have been offset by the loss of employment in manufacturing, the problems constraining the growth of agricultural employment and the slow growth in other sectors of the economy including Government, retail and wholesale sectors.

Table 9  
COMMONWEALTH OF GRENADA: EVOLUTION OF DOMESTIC PRICES  
(January 1979 = 100)

|                                | Weights | 1983  | 1984  | 1985  |
|--------------------------------|---------|-------|-------|-------|
| Annual averages                |         |       |       |       |
| All items consumer price index | 1.000   | 185.1 | 195.6 | 200.5 |
| Food and beverages             | 0.590   | 182.2 | 190.1 | 190.0 |
| Alcohol and tobacco            | 0.025   | 181.0 | 189.7 | 192.2 |
| Clothing and footwear          | 0.080   | 198.3 | 229.4 | 264.6 |
| Housing                        | 0.065   | 149.3 | 130.2 | 129.3 |
| Fuel and light                 | 0.060   | 182.1 | 186.1 | 191.3 |
| Furniture                      | 0.030   | 274.8 | 330.7 | 409.4 |
| Transport                      | 0.040   | 217.7 | 216.2 | 217.3 |
| Household supplies             | 0.035   | 219.8 | 221.0 | 208.3 |
| All other                      | 0.075   | 158.4 | 184.3 | 194.7 |
| December to December variation |         |       |       |       |
| All items consumer price index |         | 6.5   | 3.6   | 1.8   |
| Food and beverages             |         | 5.2   | 1.7   | 0.7   |
| Alcohol and tobacco            |         | 7.3   | -44.6 | 81.4  |
| Clothing and footwear          |         | 12.3  | 13.3  | 9.2   |
| Housing                        |         | 0.3   | -12.4 | 3.6   |
| Fuel and light                 |         | 0.1   | 1.6   | 2.6   |
| Furniture                      |         | 17.4  | 28.2  | 2.7   |
| Transport                      |         | 5.4   | 0.0   | 1.5   |
| Household supplies             |         | 6.9   | -4.7  | -13.6 |
| All other                      |         | 13.8  | 10.7  | 8.0   |
| Annual average variations      |         |       |       |       |
| All items consumer price index |         | 6.1   | 5.7   | 2.5   |
| Food and beverages             |         | 5.7   | 4.5   | 0.2   |
| Alcohol and tobacco            |         | 7.7   | 4.8   | 1.3   |
| Clothing and footwear          |         | 5.7   | 15.7  | 11.0  |
| Housing                        |         | 16.6  | -8.8  | -5.1  |
| Fuel and light                 |         | -2.4  | 2.2   | 2.8   |
| Furniture                      |         | 4.9   | 20.3  | 23.8  |
| Transport                      |         | 7.5   | -0.7  | 0.5   |
| Household supplies             |         | 13.6  | 0.5   | -5.7  |
| All other                      |         | 5.5   | 16.4  | 5.6   |

Source: Data provided ECLAC.

## 5. Monetary and fiscal policy

## (a) Monetary policy

Owing to its currency arrangement with the other OECS Member States and the absence of any developed financial market, monetary policy does not constitute an active instrument of economic policy. Desired changes are effected more through persuasion than through the direct intervention of the monetary authorities. Generally though, monetary variables respond passively to developments in the rest of the economy.

Table 10  
COMMONWEALTH OF GRENADA: MONEY BALANCE  
(E.C. Dollars million)

|                               | 1983   | 1984   | 1985   | Percentage change |       |
|-------------------------------|--------|--------|--------|-------------------|-------|
|                               |        |        |        | 1984              | 1985  |
| Money (M-1)                   | 65.71  | 59.89  | 61.61  | -8.9              | 2.9   |
| Currency (notes and coins)    | 41.36  | 20.58  | 23.45  | -50.2             | 13.9  |
| Demand deposits               | 24.35  | 39.31  | 38.16  | 61.4              | -2.9  |
| Quasi money                   | 106.76 | 117.58 | 141.90 | 10.1              | 20.7  |
| Savings deposits              | 66.21  | 72.23  | 84.13  | 9.1               | 16.5  |
| Time deposits                 | 40.55  | 45.35  | 57.77  | 11.8              | 27.4  |
| Money (M-2 = 1 + 2)           | 172.47 | 177.47 | 203.51 | 2.9               | 14.7  |
| Factors of expansion          |        |        |        |                   |       |
| Foreign assets (net)          | 9.13   | 11.66  | 14.81  | 27.7              | 27.0  |
| Domestic credit               | 97.64  | 100.84 | 131.18 | 3.3               | 30.1  |
| Private sector                | 77.97  | 83.03  | 111.75 | 6.5               | 34.6  |
| Public sector                 | 19.22  | 16.05  | 18.91  | -16.5             | 17.8  |
| Central government            | 10.46  | 8.66   | 11.53  | -17.2             | 33.1  |
| Other                         | 8.76   | 7.39   | 7.38   | -15.6             | -0.1  |
| Non-bank financial institut's | .45    | 1.76   | 0.52   | 291.1             | -70.5 |

Source: Data provided ECLAC.

During the 1985 period interest rates remained fairly stable with the only significant movements occurring early in the year when the banks adjusted their savings deposit and lending rates following the directive from the Central Bank to pay a minimum of 4% on savings deposit account. At the same time, there were upward movements of 1.5% points on the base of the prime lending rate to 10.5%. Time deposit rates remained relatively stable reflecting the fairly liquid state of the banks. Reflecting the expansion in the rest of the economy, the broad money supply increased by over 14%, significantly higher than the 2.9% in 1984. Both savings and time deposits experienced an acceleration in growth rates, but demand deposits declined marginally by 2.9 percent.

## COMMONWEALTH OF GRENADA

In spite of the increase in lending rate, domestic credit accounted for much of the increase in money during the 1985 period. Public sector borrowing increased significantly over the 1984 period by more than 33% as the balance on the Government's recurrent budget moved from a position of a small surplus in 1984 to a deficit of EC\$14.7 million in 1985. Subsequently, Central Government accounted for all this increase, as borrowing by the rest of the public sector actually declined, though by much less than in 1984. Private sector borrowing, however, accounted for much of the increase in domestic credit.

As usual, credit to the distributive trades and personal loans for the purchase of consumer durables, account for the greatest proportion of domestic credit (24 and 23% respectively in 1985) and for much of the growth in credit during the 1985 period. Credit to construction and manufacturing both of which contributed much to growth in 1985, also grew significantly in 1985. However, credit to the tourism sector - the largest single contributor to growth in 1985 - actually declined by 6.5%. The distribution of credit remains skewed towards consumption, with the share of credit going to the productive sectors with the exception of the agricultural sector.

Net foreign assets also accounted for much of the increase in the money supply as for the second consecutive year, the overall balance of the payments recorded a surplus.

Table 11  
COMMONWEALTH OF GRENADA: SECTORAL DISTRIBUTION OF  
COMMERCIAL BANK CREDIT

|                              | Dollars<br>million |        | Percentage<br>breakdown |       | Percentage<br>change |       |
|------------------------------|--------------------|--------|-------------------------|-------|----------------------|-------|
|                              | 1984               | 1985   | 1984                    | 1985  | 1984                 | 1985  |
| Total                        | 100.84             | 131.18 | 100.0                   | 100.0 | 3.3                  | 30.1  |
| Agriculture                  | 3.07               | 2.23   | 3.0                     | 1.7   | 5.9                  | -27.4 |
| Manufacturing                | 7.94               | 9.99   | 7.9                     | 7.6   | 44.6                 | 25.8  |
| Distributive trades          | 24.03              | 31.46  | 23.8                    | 23.98 | -12.6                | 30.9  |
| Tourism                      | 9.59               | 8.97   | 9.5                     | 6.8   | 50.8                 | -6.5  |
| Transport                    | 1.87               | 1.31   | 1.9                     | 0.99  | 10.7                 | -29.9 |
| Public utilities             | 1.395              | 0.85   | 1.4                     | 0.6   | 93.8                 | -39.1 |
| Construction and Development | 5.35               | 10.10  | 5.3                     | 7.7   | 42.5                 | 88.8  |
| Personal                     | 20.85              | 30.36  | 20.7                    | 23.1  | 22.8                 | 45.6  |
| Govt. and statutory bodies   | 9.76               | 12.72  | 9.7                     | 9.7   | 34.9                 | 30.3  |
| Other advances               | 4.73               | 5.55   | 4.7                     | 4.2   | 43.3                 | 17.3  |

Source: Eastern Caribbean Central Bank (ECCB).

**(b) Fiscal policy**

As in the other islands in the OECS subregion, fiscal policy comprises the most used instrument of economic policy. During the 1985 period, the Government pursued an expansionary fiscal policy in an effort to stimulate economic activity. Tax policy was used to affect both consumption and investment and as an incentive to produce and thereby generate growth in the economy. The rate of export duty was halved and the company tax was reduced from 55% to 50% to stimulate agricultural production and investment. Some income tax relief was also provided through an increase in certain allowances while the rate of personal income tax was effectively reduced in the revision of the rate structure which compressed the rates from a range of 10% to 65% to a new range of 10% to 50%. On the other hand, in keeping with the decision taken by the Commonwealth Caribbean Heads of Government in Nassau in July 1984 so as to stimulate extra-regional trade, the rate of duty was increased by 15% on certain extra-regional imports.

Despite these tax reliefs given, recurrent revenue increased by EC\$13 million (or 14.9%), as economic activity increased in most sectors of the economy. The recurrent revenue outturn of EC\$100.4 million was some EC\$5.5 million higher than the projected EC\$94.9 million. Tax revenue which accounts for close to 90% of recurrent revenue increased by EC\$13.65 million (or 17.1%) as intakes from most of the major taxes increased. Revenue from consumption taxes and import duty increased significantly by 27.3% and 46.6% respectively as a result of the increased volume of imports which accompanied the upsurge in economic activity.

Given the lack of control over recurrent expenditure because of the size of the public service and the weight of wages and salaries in recurrent expenditure, the high public debt burden with its debt service obligation, and the narrowness of the tax base, in 1985 budget projected a worsening of the deficit position resulting primarily from an increase in expenditure. A substantial portion of the projected increase in recurrent revenue was allocated for the servicing of the external debt, of which the major obligation included repayments to the International Monetary Fund (IMF) and repayment of debt contracted for the construction of the new international airport.

During the 1985 period, recurrent expenditure was EC\$115.1 million, EC\$8.1 million less than the projected figure for the period. While this excluded some debt repayments, the lower figure was achieved by deferring repayments on two loans and rescheduling another, as well as deferring contributions to a number of regional aid international organizations. However, recurrent expenditure increased significantly by EC\$28.4 million (or 32.8%), over the 1984 period. This large increase in expenditure resulted in a deterioration of public finance and a current deficit of EC\$14.7 million.

Table 12  
COMMONWEALTH OF GRENADA: CENTRAL GOVERNMENT  
REVENUE AND EXPENDITURE

|                                  | Dollars million |        |        | Percentage change |       |
|----------------------------------|-----------------|--------|--------|-------------------|-------|
|                                  | 1983            | 1984   | 1985   | 1984              | 1985  |
| Current revenue                  | 81.30           | 87.40  | 100.40 | 7.5               | 14.9  |
| Tax revenue                      | 69.48           | 75.95  | 89.60  | 9.3               | 17.97 |
| of which:                        |                 |        |        |                   |       |
| Income tax                       | 10.74           | 14.34  | 13.76  | 33.5              | -4.0  |
| Company tax                      | 7.70            | 6.60   | 6.88   | -14.3             | 4.2   |
| Import duty                      | 10.38           | 12.15  | 17.81  | 17.1              | 46.6  |
| Export duty                      | 3.78            | 3.23   | 0.36   | -14.6             | -88.9 |
| Consumption tax                  | 5.90            | 6.73   | 8.57   | 14.1              | 27.3  |
| Airport levy                     | 3.98            | 6.18   | 8.39   | 55.3              | 35.8  |
| Stamp duty                       | 16.86           | 15.47  | 18.25  | -8.2              | 17.97 |
| Recurrent expenditure            | 74.40           | 86.70  | 115.10 | 16.5              | 32.8  |
| Current account balance          | 6.90            | 0.70   | -14.70 | ...               | ...   |
| Capital expenditure              | 92.20           | 77.40  | 78.20  | ...               | ...   |
| Total expenditure                | 166.60          | 164.10 | 193.30 | ...               | ...   |
| Fiscal deficit/surplus           | -85.30          | -76.70 | -92.90 | ...               | ...   |
| Percentages                      |                 |        |        |                   |       |
| Current surplus/deficit/GDP      | 3.1             | 0.3    | 5.7    | ...               | ...   |
| Fiscal deficit/GDP               | 38.4            | 31.7   | 35.8   | ...               | ...   |
| Fiscal deficit/total expenditure | 51.2            | 46.7   | 48.1   | ...               | ...   |

Source: Ministry of Finance.

Capital expenditure of EC\$78.2 million was only slightly higher than that achieved in 1984, and 61% of that estimated in the 1985 budget. The main reasons for the shortfall include improper project preparation, donor administrative delays and shortages of construction materials which affected the major road projects. As in other years, financing of the Public Sector Investment Programme (PSIP) continued to be dependent on foreign resources. External funds accounted for roughly 90% of the financing in 1985. Moreover, the local counterpart resources consisted entirely of budgetary support grants, provided by USAID. This means that all expenditures on the PSIP were in fact externally funded.

Total Central Government external debt outstanding at the end of 1985 was EC\$105.7 million. Total repayment of principal on external debt was EC\$13.2 million. Most principal repayments were made during 1985, with the exception of the deferment of principal on two loans from Libya and the German Democratic Republic as well as the rescheduling of another loan. Interest payments were also deferred on the loan from the German Republic and rescheduled on another.



PART VI

REPUBLIC OF GUYANA

COUNTRY NOTES





REPUBLIC OF GUYANA  
(Guyana dollars used throughout) <1>

1. Recent economic trends: Introduction and summary

The signs of economic recovery which were evident in the Republic of Guyana's economy during 1984 were maintained in 1985, but the performance during the latter period fell below expectations. Gross Domestic Product (GDP) grew in real terms by 1% in 1985 compared with 2% in 1984 and negative growth of 9% and 10% in 1983 and 1982 respectively. The mining and quarrying sector was the only sector which grew in 1985, agriculture and construction remained at the 1984 level and activity while there was negative growth in manufacturing and services. In the agricultural sector increased production of the fishing and forestry subsectors were counter-balanced by the contraction experienced in the rice and livestock subsectors.

The manufacturing and processing sectors recorded a negative real growth of 3% below the 1984 level as acute shortages of foreign exchange continued to constrain the ability of manufacturers to purchase imported inputs and the services sector declined in real terms by 0.3 percent.

Sugar, bauxite and fishing products experienced improved export earnings during 1985. The value of total merchandise exports increased by 9.5% in 1985 to a level of \$910 million, despite a 34.4% fall in earnings from rice exports and reduced earnings from molasses and timber. The improved export performance was able to accommodate a higher level of imports of fuel, consumer goods and capital machinery. Total merchandise imports grew by 15% to a value of \$978 million. Net outflows of funds on the service account were 31% less than the 1984 outflow and were valued at \$256 million and current account balance narrowed from minus G\$373 million in 1984 to minus G\$349 million in 1985.

Difficulties in attracting capital inflows continued during 1985. In February, the Republic of Guyana was declared ineligible to borrow from the International Monetary Fund (IMF) due to the country's inability to meet outstanding payments. In addition, the bilateral arrangement with the Republic of Trinidad and Tobago which had facilitated the purchase of oil imports, came to an end in late 1985. The balance of payments gap was financed by a rundown of international reserves of \$186 million and an additional accumulation of public sector debt arrears of \$158 million and commercial arrears of \$48 million. At the end of 1985, the net international reserves of the banking system stood at minus \$2,186.8 million compared with minus \$1,952.7 million dollars the previous year and the external public debt was estimated at over \$722.8 million.

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<1> Official rates varied between G\$4.15 and G\$4.45 = US\$1.00 during 1985.

Table 1  
 REPUBLIC OF GUYANA: MAIN ECONOMIC INDICATORS

|                                                        | 1982  | 1983  | 1984  | 1985<p> |
|--------------------------------------------------------|-------|-------|-------|---------|
| <b>A. Basic economic indicators</b>                    |       |       |       |         |
| GDP at factor cost (G\$ million at 1977 prices)        | 886   | 804   | 821   | 829     |
| Population ('000)                                      | 776   | 782   | 788   | 795     |
| Per capita GDP (G\$m at 1977 prices)                   | 1 142 | 1 028 | 1 042 | 1 043   |
| Per capita GDP (G\$m at curr. prices)                  | 1 611 | 1 422 | 1 789 | 2 050   |
| Annual growth rates                                    |       |       |       |         |
| <b>B. Short-run economic indicators</b>                |       |       |       |         |
| GDP at current prices                                  | -7.4  | -11.0 | -26.8 | 15.6    |
| Per capita GDP (current prices)                        | -8.2  | -11.7 | 25.8  | 14.6    |
| Current value of exports of goods                      | -25.7 | -19.9 | 43.3  | 9.5     |
| Current value of imports of goods                      | -30.0 | -12.0 | 14.1  | 15.1    |
| Terms of trade (1977=100)                              | -33.5 | -19.9 | 16.9  | ...     |
| Consumer price index (urban, December to December)     | 19.3  | 9.6   | 14.4  | ...     |
| Consumer price index (Annual average variation, urban) | 22.2  | 20.9  | 15.1  | 25.0<e> |
| Money supply                                           | 27.4  | 20.8  | 18.3  | 19.5    |
| Current revenue of Government                          | -2.0  | 2.8   | 14.9  | 18.4    |
| Total expenditure of Government                        | 31.8  | -24.3 | 26.5  | 2.8     |
| Fiscal deficit as a % of total expenditure             | 63.3  | 50.3  | 51.4  | 45.8    |
| Dollars million                                        |       |       |       |         |
| <b>C. External sector</b>                              |       |       |       |         |
| Trade balance (merchandise)                            | -116  | -165  | -19   | -68     |
| Balance on current account                             | -426  | -468  | -373  | -349    |
| Balance on capital account                             | 86    | 31    | ...   | ...     |
| Variation in net international reserves                | -90.3 | -33.5 | -54.5 | -12.0   |
| External debt (US\$ million)                           | 462.2 | 703.8 | 715.5 | 722.8   |

Source: Data supplied ECLAC.

During 1985, a programme was put in place to restructure and strengthen the institutional arrangements of the public corporations. The Guyana Rice Board was separated into three new entities to manage separately the grading, milling and export of rice. The Guyana State Corporation, the holding company was also restructured. In addition, a system of performance contracts for corporations within the group was introduced.

The financial performance of both the Central Government and the public corporations improved during the year resulting in a combined public sector deficit of \$742 million compared with a deficit of \$994 million the previous year.

The reduced access to external borrowing resulted in the continuance of the domestic financial system as the major source of financing for the public sector. The banking system net credit to the Central Government increased by 31.4% in 1985 to reach a level of \$3,959.7 million at the end of the year, while credit to the rest of the public sector increased from \$389.8 million in 1984 to 681.8 million in 1985.

The total resources of the banking system increased by 19.5% in 1985 and stood at G\$2,169.6 million in 1986 while total credit increased by 29.5% for the same period.

2. Trends in economic activity

(a) Global trends

Gross domestic expenditure rose by 14.2% in 1985 to \$2,181 million compared with \$1,909 million the previous year. The expansion was due to an increase of 16% in consumption expenditure and a 5% increase in investment spending. Exports of goods and non-factor services increased by 18.1% while the value of imports increased by 15.5 percent.

Table 2  
REPUBLIC OF GUYANA: TOTAL SUPPLY AND DEMAND  
(Dollars million)

|                             | Current prices |       |         | Percentage breakdown | Percentage change |      |         |
|-----------------------------|----------------|-------|---------|----------------------|-------------------|------|---------|
|                             | 1983           | 1984  | 1985<p> | 1985<p>              | 1983              | 1984 | 1985<p> |
| <b>Total supply</b>         |                |       |         |                      |                   |      |         |
| GDP at market prices        | 2 428          | 2 852 | 3 295   | 100.0                | -2.2              | 17.5 | 15.5    |
| Imports of goods and n.f.s. | 973            | 1 152 | 1 331   | 40.4                 | -6.2              | 18.4 | 15.5    |
| <b>Total demand</b>         | 2 428          | 2 852 | 3 295   | 100.0                | -2.2              | 17.5 | 15.5    |
| Domestic demand             | 1 753          | 1 909 | 2 181   | 66.2                 | 3.7               | 8.9  | 14.2    |
| Investment (gross)          | 395            | 390   | 410     | 12.4                 | 3.9               | -1.3 | 5.1     |
| Public                      | 335            | 310   | 355     | 10.8                 | 4.7               | -7.5 | 14.5    |
| Private                     | 60             | 80    | 55      | 1.7                  | 0.0               | 33.3 | -31.3   |
| Consumption                 | 1 358          | 1 519 | 1 771   | 53.7                 | 3.5               | 11.9 | 16.6    |
| Public                      | 465            | 550   | 700     | 21.2                 | 6.9               | 18.3 | 27.3    |
| Private                     | 893            | 969   | 1 071   | 32.5                 | 1.9               | 8.5  | 10.5    |
| Exports of goods and n.f.s. | 675            | 943   | 1 114   | 33.8                 | -14.3             | 39.7 | 18.1    |

Source: Statistical Bureau, Ministry of Planning and Development.

The expansion in consumption expenditure was fuelled by a 24% increase in the public sector consumption expenditure, mainly due to a 17% increase in employment costs. Private sector consumption expenditure rose by 10.5%. In contrast, private sector outlays on investment contracted by some 31.3% in 1985 thereby reversing the previous year's growth of 33%. This fall in private sector investment was due in part to the continued shortage of foreign exchange. In recognition of the difficulties being faced by the private sector, a Private

Sector Advisory Committee was established late in 1985 to advise on measures which could not be put in place to stimulate investment and production in the private sector. Public sector investment expenditures increased by 14.5% in 1985 as central government outlays on capital projects expanded mainly in the agricultural and mining sectors. This accorded with the priority ranking set out for investments in the 1985 budget.

Domestic savings increased in 1985 increasing from 1% of GDP in 1984 to 3.1% of GDP in 1985. The performance in these two years followed a prolonged period of dissaving and was due entirely to private sector financial savings as the public sector continued to dissave.

(b) Growth of the main sectors

(i) Introduction: In current prices GDP at factor cost increased by 15.6% compared with an increase of 26.5% the previous year. The shares of the various sectors of GDP in current prices have shifted within the last five years. The share of agriculture in current prices increased from 23.3% in 1980 to 26% in 1985 with the fishery and forestry subsectors contributing significantly to the increase. In contrast, the share of the mining and quarrying sectors which in 1980 was the second largest sector contributing more than 16.5% to GDP, fell to 3.1% of GDP in 1985 due to a combination of lower prices and production problems. The manufacturing sector's contribution rose from 12.1% to 13.9% and the construction sector's share of GDP remained virtually unchanged. Government services contributed 21.2% to GDP in 1985 compared with 18.7% five years earlier.

Real GDP increased by 1% in 1985 compared with 2.1% growth a year earlier. The mining and quarrying sector, the fishing and livestock subsectors and the financial services sector all recorded positive rates of growth. However, the poor performance elsewhere, particularly in the rice subsector, forestry and manufacturing which all recorded negative rates of real growth, dampened the overall rate of growth. The shares of the various sectors in real GDP showed little change in 1985.

The mining and quarrying sector responded favourably to the improved prices and market conditions - evidence of the signs of economic recovery in the OECD countries. On the other hand the sugar industry was adversely affected by reduced access to one of its preferential markets and on the production side by labour problems and a shortage of spare parts. Performance in the rice industry suffered from the uncertainties faced by farmers with regard to availability of seedlings, fertilizers and spare parts.

Table 3  
 REPUBLIC OF GUYANA: GROSS DOMESTIC PRODUCT AT FACTOR COST - Current prices  
 (Dollars million)

|                        |       |       |         | %<br>break-<br>down | Percentage<br>change |         |         |
|------------------------|-------|-------|---------|---------------------|----------------------|---------|---------|
|                        | 1983  | 1984  | 1985<p> | 1985<p>             | 1983                 | 1984    | 1985<p> |
| GDP                    | 1 112 | 1 410 | 1 630   | 100.0               | -11.0                | 26.8    | 15.6    |
| Goods                  |       |       |         |                     |                      |         |         |
| Agriculture            | 268   | 347   | 439     | 26.9                | -8.2                 | 29.5    | 26.5    |
| Sugar                  | 52    | 104   | 162     | 9.9                 | -38.1                | 100.0   | 55.8    |
| Rice                   | 41    | 48    | 42      | 2.6                 | -10.9                | 17.1    | -12.5   |
| Other crops            | 75    | 80    | 92      | 5.6                 | 15.4                 | 6.7     | 15.0    |
| Livestock              | 40    | 45    | 43      | 2.6                 | -20.0                | 12.5    | -4.4    |
| Forestry               | 30    | 35    | 45      | 2.8                 | 20.0                 | 16.7    | 28.6    |
| Fishing                | 30    | 35    | 55      | 3.4                 | 36.4                 | 16.7    | 57.1    |
| Mining and quarrying   | 18    | 65    | 50      | 3.1                 | -79.5                | 261.1   | -23.1   |
| Bauxite/alumina        | 2     | 45    | 22      | 1.3                 | -97.1                | 2 150.0 | -51.1   |
| Other                  | 16    | 20    | 28      | 1.7                 | -11.1                | 25.0    | 40.0    |
| Manuf'g & processing   | 140   | 183   | 227     | 13.9                | -21.8                | 30.7    | 24.0    |
| Sugar milling          | 18    | 36    | 53      | 3.2                 | -35.7                | 100.0   | 47.2    |
| Rice milling           | 12    | 17    | 14      | 0.9                 | -25.0                | 41.7    | -17.6   |
| Other                  | 110   | 130   | 160     | 9.8                 | -18.5                | 18.2    | 23.0    |
| Construction           | 100   | 100   | 120     | 7.4                 | 5.3                  | 0.0     | 20.0    |
| Basic services:        |       |       |         |                     |                      |         |         |
| Electricity and water  | ...   | ...   | ...     | ...                 | ...                  | ...     | ...     |
| Trans. & communication | 93    | 100   | 128     | 7.8                 | 9.4                  | 7.5     | 28.0    |
| Other services:        |       |       |         |                     |                      |         |         |
| Distribution           | 95    | 125   | 133     | 8.2                 | -22.8                | 31.6    | 6.4     |
| Government             | 235   | 315   | 346     | 21.2                | -1.3                 | 34.0    | 9.8     |
| Financial services     | 88    | 95    | 100     | 6.1                 | 10.0                 | 7.9     | 5.3     |
| Other                  | 75    | 80    | 87      | 5.3                 | 7.1                  | 6.7     | 8.5     |

Source: Statistical Bureau, Ministry of Planning and Development.

Table 4  
 REPUBLIC OF GUYANA: GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY  
 AT FACTOR COST - Constant prices  
 (Dollars million - 1977 prices)

|                                      | 1983 | 1984 | 1985<p> | Percentage change |       |         |
|--------------------------------------|------|------|---------|-------------------|-------|---------|
|                                      |      |      |         | 1983              | 1984  | 1985<p> |
| Gross domestic product               | 804  | 821  | 829     | -9.3              | 2.1   | 1.0     |
| Agriculture, forestry<br>and fishing | 208  | 215  | 215     | -3.7              | 3.4   | 0.0     |
| Sugar                                | 93   | 89   | 89      | -2.1              | -4.3  | 0.0     |
| Rice                                 | 37   | 46   | 39      | -11.9             | 24.3  | 9.3     |
| Other crops                          | 91   | 43   | 47      | -10.8             | 4.9   | 9.3     |
| Livestock                            | 16   | 16   | 14      | -27.3             | 0.0   | -12.5   |
| Forestry                             | 8    | 7    | 8       | 0.0               | -12.5 | 14.3    |
| Fishing                              | 13   | 14   | 18      | 8.3               | 7.7   | 28.6    |
| Mining and quarrying                 | 51   | 62   | 74      | -4.0              | -21.6 | 19.4    |
| Bauxite/alumina                      | 44   | 49   | 58      | ...               | -11.4 | 18.4    |
| Other                                | 7    | 13   | 16      | ...               | 85.7  | 23.1    |
| Manufacturing & processing           | 102  | 96   | 93      | -16.4             | -5.9  | -3.1    |
| Sugar milling                        | 31   | 29   | 29      | -3.1              | -6.5  | 0.0     |
| Rice milling                         | 9    | 11   | 11      | -10.0             | 22.2  | 0.0     |
| Other                                | 62   | 56   | 54      | -22.5             | -9.7  | -3.6    |
| Construction                         | 61   | 61   | 61      | -4.7              | 0.0   | 0.0     |
| Services:                            | 382  | 387  | 86      | -4.2              | 1.3   | -0.3    |
| Distribution                         | 55   | 58   | 58      | -19.1             | 5.5   | 0.0     |
| Transport & communication            | 63   | 65   | 62      | 0.0               | 3.2   | -4.6    |
| Rent of dwelling                     | 16   | 17   | 17      | 0.0               | 6.3   | 0.0     |
| Financial services                   | 40   | 40   | 42      | 0.0               | 0.0   | 5.0     |
| Government                           | 187  | 187  | 187     | -2.1              | 0.0   | 0.0     |
| Other                                | 21   | 20   | 20      | 0.0               | -4.8  | 0.0     |

Source: Statistical Bureau, Ministry of Planning and Development.

(ii) Agriculture: The agriculture sector, in real terms, remained at the 1984 level. The output of fishing and non-traditional crops increased significantly in real terms but the contribution of sugar to GDP remained at the 1984 level while that of rice and livestock production fell. In current terms, however, the value of output in the agricultural sector increased sharply reflecting price increases.

Sugar cane production fell by 7.3% in 1985 to a total of 3,217 thousand tonnes. However, the volume of sugar produced increased slightly. The industry exceeded its 1984 dollar export earnings by 5.9% due mainly to gains from movements in the exchange rate. On the production side the industry continued to be plagued by work stoppages, adverse weather conditions and shortages of spare parts and machinery. The industry also faced a declining pool of labour for planting and reaping sugar cane which resulted in an inability to service adequately the available acreage under sugar. On the marketing side, in 1985 the US allocated quota was reduced from 90,000 tonnes to 18,000 tonnes. The loss in quota, the depressed international market and the decline in sugar cane production have resulted in excess factory capacity.

The rice industry experienced negative growth of 15.2% in GDP in real terms in 1985. The quantity of rice produced fell to 156,000 tonnes. As a result the value of rice exports fell by 34.4%. The poor performance in 1985 has been attributed to delays in sowing, inadequate supplies of seedlings and fertilizers and shortages of spare parts and equipment. During 1985, a new institutional framework for supporting the activities of the rice industry was established with the separation of the functions of the Guyana Rice Milling Board into three new entities - the Guyana Rice Milling and Marketing Authority, the Guyana Rice Milling and Marketing Authority, the Guyana Rice Export Board and the National Paddy and Rice Grading Centre.

Data are not available on the physical output of the other agricultural commodities during 1985, but indications are that production increased significantly over 1984, mainly as a result of the continued restriction of imported foodstuffs. Real growth in this subsector was estimated at 9 percent.

Table 5  
REPUBLIC OF GUYANA: INDICATORS OF AGRICULTURAL PRODUCTION

|                                                                            | 1983   | 1984   | 1985<p> | Percentage change |       |         |
|----------------------------------------------------------------------------|--------|--------|---------|-------------------|-------|---------|
|                                                                            |        |        |         | 1983              | 1984  | 1985<p> |
| Production of major agric <sup>o</sup> l<br>crops for export ('000 tonnes) |        |        |         |                   |       |         |
| Sugar cane                                                                 | 3 631  | 3 469  | 3 217   | -7.1              | -4.4  | -7.3    |
| Rice                                                                       | 149    | 187    | 156     | -18.1             | 25.5  | -16.6   |
| Internal consumption (tonnes)                                              |        |        |         |                   |       |         |
| Root crops                                                                 | 24 948 | ...    | ...     | 19.6              | ...   | ...     |
| Plantains                                                                  | 15 876 | ...    | ...     | 21.7              | ...   | ...     |
| Citrus                                                                     | 10 890 | ...    | ...     | 0.0               | ...   | ...     |
| Maize (corn)                                                               | 816    | ...    | ...     | 20.0              | ...   | ...     |
| Tomatoes                                                                   | 2 994  | ...    | ...     | 0.0               | ...   | ...     |
| Pineapples                                                                 | 2 268  | ...    | ...     | 19.0              | ...   | ...     |
| Bananas                                                                    | 4 990  | ...    | ...     | 0.0               | ...   | ...     |
| Coconuts (million nuts)                                                    | 50     | ...    | ...     | 4.2               | ...   | ...     |
| Indicators of livestock prod <sup>o</sup> n                                |        |        |         |                   |       |         |
| Beef (tonnes)                                                              | 2 206  | 1 600  | 1 700   | -2.8              | -27.5 | 6.3     |
| Pork (tonnes)                                                              | 795    | 1 000  | 1 100   | -29.9             | 25.8  | 10.0    |
| Mutton, goat (tonnes)                                                      | 53     | ...    | ...     | 0.0               | ...   | ...     |
| Poultry (tonnes)                                                           | 3 838  | 4 200  | 2 800   | -46.2             | 9.4   | -33.3   |
| Milk ('000 litres)                                                         | 3 322  | 3 200  | 2 600   | 16.4              | -3.7  | -18.8   |
| Indicators of fishing prod <sup>o</sup> n<br>(tonnes)                      |        |        |         |                   |       |         |
| Fish                                                                       | 24 757 | 28 100 | 40 900  | 13.4              | 15.8  | 45.6    |
| Shrimp                                                                     | 2 756  | 2 800  | 3 400   | -16.0             | 1.6   | 21.4    |

Source: Statistical Unit, Ministry of Planning and Development.

The livestock subsector experienced negative growth of 12.5% in real terms in 1985. Poultry and milk production declined by 33.3% and 18.8% respectively, outweighing the increased in pork and beef production. Poultry production continued to be affected by the shortages of stockfeed and baby chicks. The National Dairy Development Programme was launched in 1984 to stimulate increased domestic production of milk through the provision of material and technical support to farms. The expected increase in milk production did not materialise in 1985.

The level of activity in the forestry sector increased by 14% in real GDP terms. However, the volume of timber produced fell by 8.0 percent.

Fishing and shrimping improved significantly in 1985. In real terms, this growth was 28.6%. Data in table 5 indicate that both the fish and shrimp catch increased sharply. In addition to control measures requiring shrimp trawlers to land 4,000 pounds of fish per trip in order to ensure a minimum local supply of fish, various support services are being made available to artisanal fishermen. In 1985 a technical assistance grant of US\$2.3 million was received to re-equip the trawlers and increase the fleets. Increased supplies of fish also resulted from an increased demand for fish in response to the increases in price and the shortage of poultry meat.

(iii) Mining and quarrying: Activity in this sector is dominated by the operations of the bauxite industry. This industry has been experiencing production difficulties in recent years and has been operating at a loss. An intensive analysis was conducted to determine the measures which were necessary to rehabilitate the industry in the medium-term, and on the basis of this analysis a five-year resuscitation programme was developed. It was expected that the industry would have received an interim allocation of funds in 1985 to assist in the first stages of the rehabilitation process. The inflows were however, below the planned level and rehabilitation had to be conducted at a slower pace. Notwithstanding this drawback, production of all grades of bauxite increased during 1985.

Production of aluminous cement grade bauxite (ACGB), production metal grade bauxite (MAZ) and calcined bauxite increased during 1985. However, production of chemical grade bauxite fell. There was not production of alumina during 1984 and 1985. The value of bauxite exported rose by 19.6% during 1985. Overall the sector grew in real terms by 18.4% and continued the recovery which began in 1984. Despite improvements in the production and export of bauxite, the situation in the industry remained weak.

Data are not available on the physical production of gold and diamonds, the other commodities in the mining sector, however, preliminary estimates indicate a real GDP growth of 23%. The production of gold is planned as one of the significant growth areas for the future. A number of international firms have indicated an interest in engaging in exploration activities and in 1985 one firm began exploration in partnership with the local Bauxite Industry Development Company (BIDCO).



Table 6  
REPUBLIC OF GUYANA: INDICATORS OF MINING PRODUCTION

|                                   | 1983   | 1984  | 1985<p> | Percentage change |       |         |
|-----------------------------------|--------|-------|---------|-------------------|-------|---------|
|                                   |        |       |         | 1983              | 1984  | 1985<p> |
| Bauxite and alumina ('000 tonnes) | 1 087  | 1 303 | 1 628   | -12.7             | -19.9 | 24.9    |
| Calcined bauxite                  | 315    | 560   | 579     | -19.6             | 77.8  | 3.4     |
| Alumina                           | 12     | ...   | ...     | -83.6             | ...   | ...     |
| Metal grate (incl. dried)         | 542    | 447   | 771     | 21.3              | -17.5 | 72.5    |
| Chemical grade                    | 191    | 280   | 250     | -39.7             | 46.6  | -10.7   |
| Aluminous cement grade            | 27     | 16    | 28      | 68.8              | -40.7 | 75.0    |
| Gold (kg)                         | 143    | 328   | ...     | -46.8             | 129.4 | ...     |
| Diamonds (metric carats)          | 12 362 | 7 496 | ...     | 7.6               | -39.4 | ...     |

Source: Statistical Bureau, Ministry of Planning and Development.

(iv) Manufacturing: The real performance of the manufacturing sector has been on a declining trend in recent years. In 1984 and 1985 there was a reduction in this rate of decline to 5.9% and 3.1% respectively. Sugar milling increased by 47.2% in current terms while rice milling fell by 17.6%. However, in real terms, neither activity showed any change from the 1984 level. The rest of the manufacturing sector indicated a growth in current prices of 23.0% in 1985 compared with a growth of 18.2% in 1984. The increase in both years resulted from price changes since the real GDP of the subsector fell.

During 1985, the consumption tax on imported raw material was removed and the system of foreign exchange retention which was implemented in 1983 to provide exporters with some foreign exchange for imported inputs was retained. This was not sufficient, however, to relieve the foreign exchange constraint to production. In addition, the unreliability of supply of electricity also constrained production. The industries most severely affected were those which produced pharmaceuticals, refrigerators and freezers, soap and stoves.

During 1985, pharmaceuticals production fell for the third consecutive year. Production of refrigerators and freezers fell by 36.6% and while production of stoves increased output was still below the 1982 production level as the industry continued to experience both production and marketing difficulties.

Production of charcoal increased significantly as a result of increased demand due to the frequent shortages of liquified petroleum gas (LPG). Production of beverages and tobacco products also increased.

Table 7  
 REPUBLIC OF GUYANA: INDICATORS OF MANUFACTURING PRODUCTION

| Commodities            | Unit          | 1983    | 1984    | 1985<p>  | Percentage change |       |         |
|------------------------|---------------|---------|---------|----------|-------------------|-------|---------|
|                        |               |         |         |          | 1983              | 1984  | 1985<p> |
| Sugar                  | '000 tonnes   | 255.9   | 245.7   | 246.9    | -12.4             | -4.0  | 0.4     |
| Margarine              | tonnes        | 44.5    | ...     | ...      | -94.5             | ...   | ...     |
| Sotckfeeds             | '000 tonnes   | 24.9    | 26.1    | 25.5     | -23.1             | 4.8   | -2.3    |
| Rum                    | mill. litres  | 13.4    | 17.3    | 17.9     | 8.9               | 29.1  | 3.5     |
| Cigarettes             | millions      | 408.2   | 373.2   | 466.9    | -5.0              | -8.6  | 25.1    |
| Soap                   | tonnes        | 1 204.7 | 2 786.5 | 5 220.8  | -47.6             | 131.3 | 87.3    |
| Timber                 | '000 M3       | 189     | 175     | 161      | -5.0              | -7.4  | -8.0    |
| Refrigerators          | number        | 8 660   | 9 607   | 6 092    | -48.1             | 10.9  | -36.6   |
| Edible oil             | '000 litres   | 5 851   | ...     | ...      | 60.8              | ...   | ...     |
| Stoves                 | number        | ...     | 1 547   | 1 635    | ...               | ...   | 5.7     |
| Matches                | gross '000    | 181.7   | 114.5   | 160.8    | 2.4               | -37.0 | 40.4    |
| Charcoal               | tonnes        | 158.5   | 134.3   | 1 944    | ...               | -15.3 | 1 347.5 |
| Textiles               | '000 million  | 1 109.1 | 1 501.0 | 1 531<1> | ...               | 35.3  | 10.1<1> |
| Beer & stout           | '000 litres   | 7 905.4 | 7 731.5 | 7 982.0  | -39.4             | -2.2  | 3.2     |
| <b>Pharmaceuticals</b> |               |         |         |          |                   |       |         |
| Liquid                 |               |         |         |          |                   |       |         |
| preparations           | '000 litres   | 631.6   | 528.0   | 438.0    | -6.3              | -16.4 | -17.0   |
| Tablets                | mill. tablets | 29.2    | 22.5    | 18.4     | -36.2             | -22.9 | -18.2   |

Source: Statistical Bureau, Ministry of Planning and Development.

<1> January - November 1985.

At the beginning of 1986, the government announced a number of new measures to stimulate the private sector. These included national awards to the three companies which made the greatest contribution in any of the following six areas:

- increasing net foreign exchange earnings.
- decreasing imports.
- increasing employment.
- penetrating new or existing markets.
- contributing to new product development and/or transfer to technology.
- the most dynamic small business.

The government also undertook to review and revise the present fiscal incentives to industry with a view of making them more effective.

(v) **Energy:** Imports of hydrocarbons continued to be the largest single item in the Republic of Guyana's import bill accounting for 44.5% of total imports. The volume of these imports which has been recovering recently is still considerably below the levels of 1981 except for imports of motor gasoline which increased in 1985 by 4.2%. The volume of diesel oil imports which is very important to industry increased by 8.2% but the volume and value of all other categories fell during 1985.

Efforts continued during 1985 to attract local and foreign entrepreneurs to undertake individually or in the form of joint ventures the exploration and development of hydrocarbon resources. The Government of the Republic of Guyana obtained Interamerican Development Bank (IDB) financing for the Petroleum Exploration Promotion Project to assist in the collection, compilation, organization and interpretation of existing geological data. These studies are expected to form the technical basis for attracting foreign investment.

Table 8  
REPUBLIC OF GUYANA: VOLUME OF IMPORTS  
OF SELECTED HYDROCARBONS  
( '000 litres)

|                            | 1982      | 1983      | 1984         | 1985         |
|----------------------------|-----------|-----------|--------------|--------------|
| Aviation gasoline          | 1 922.5   | 2 157.5   | 2 030.5      | 1 800.0      |
| Motor gasoline             | 59 780.0  | 65 130.6  | 63 335.0     | 66 053.0     |
| Kerosene                   | 35 413.8  | 32 628.4  | 35 791.0     | 30 908.0     |
| Diesel oil<1>              | 137 991.8 | 136 771.3 | 119 751.6<3> | 129 634.0<3> |
| Gas oil                    | 9 085.2   | 10 072.3  | -<3>         | -<3>         |
| Liquified petroleum gas<2> | 6 573.0   | 6 465.0   | 5 956.0      | 5 595.0      |
| Bunker 'C' fuel oil        | 247 611.5 | 193 955.9 | 262 072.0    | 260 140.0    |

Source: Energy Unit, Energy Authority, Ministry of Energy and Natural Resources.

<1> Includes blended diesel and cetane 47 up to 1983.

<2> Thousands of kilograms.

<3> Includes imports of gas oil. Cetane 47 is no longer imported.

Table 8a  
REPUBLIC OF GUYANA: VALUE OF IMPORTS OF  
SELECTED HYDROCARBONS  
(Dollars thousand)

|                         | 1982    | 1983    | 1984       | 1985       |
|-------------------------|---------|---------|------------|------------|
| Aviation gasoline       | 2 571   | 2 576   | 2 769      | 2 817      |
| Motor gasoline<1>       | 46 417  | 44 589  | 62 521     |            |
| Kerosene                | 28 189  | 23 322  | 31 436     | 29 931     |
| Diesel oil<1>           | 97 052  | 92 312  | 104 436<3> | 121 539<3> |
| Gas oil                 | 6 962   | 6 743   | ...        | ...        |
| Liquified petroleum gas | 9 477   | 9 197   | 10 662     | 11 940     |
| Bunker 'C' fuel oil     | 117 791 | 99 069  | 186 747    | 184 730    |
| Sub-total<2>            | 308 526 | 278 077 | 389 450    | 413 469    |

Source: Energy Unit, Energy Authority, Ministry of Energy and National Resources.

<1> Includes blended diesel and cetane 47 up to 1983.

<2> Sub-totals may not agree because of rounding.

<3> Includes value of gas oil imported.

The supply of electricity continued to be unstable with many of the outages occurring as a result of unscheduled repairs to the generating plant. These interruptions led to reduced levels of production and earnings. During 1985, the amount of electricity generated was 2% below the 1984 level and less than two-thirds of the level generated in 1982.

Table 9  
REPUBLIC OF GUYANA: ELECTRICITY GENERATION AND CONSUMPTION <1 2>  
(Hundred of thousands of kWh)

|                             | 1982  | 1983  | 1984  | 1985  |
|-----------------------------|-------|-------|-------|-------|
| Total electricity generated | 359.3 | 222.3 | 235.8 | 230.2 |
| Total consumed              | 298.3 | ...   | ...   | ...   |
| Residential (households)    | 91.4  | ...   | ...   | ...   |
| Commercial and industrial   | 201.5 | ...   | ...   | ...   |
| Other                       | 13.4  | ...   | ...   | ...   |
| Transmission losses         | ...   | ...   | ...   | ...   |

Source: Statistical Bureau, Ministry of Planning and Development.

Note:

- <1> Data exclude sugar estates and small private plants.  
<2> Total electricity generated represents production for Guyana Electricity Corporation, GUYMINE, BERMINE and New Amsterdam plants.

### 3. The external sector

(i) Merchandise trade: The value of merchandise exports increased by 9.5% from the 1984 level of G\$831.0 million to stand at a level of G\$910.0 million at the end of 1985. The major contributions to the growth in the 1985 export levels were made by bauxite, sugar, rum and shrimp sales. Export sales of rice, molasses and timber were below the 1984 levels.

Bauxite sales continued to benefit from the upturn in demand evident since 1984 as a result of the tentative economic recovery in the OECD countries and during 1985 accounted for 45% of the country's export earnings. The earnings from dried and calcined bauxite increased by 19.6% or G\$68.3 million to a value of G\$416.6 million in 1985. The volume of both types of bauxite exports also increased. Prices of all bauxite products exported from the Republic of Guyana, except metal grade bauxite increased in 1985 compared with 1984, however, the price increase was particularly significant for abrasive grade bauxite which increased by 25 percent.

The value of sugar exports increased by 5.9% while the volume increased by 6.6% above the 1984 level. Value of exports to the EEC market was 12% higher than in 1984 mainly because of the exchange rate changes. However, the loss of a part of the preferential market forced a higher percentage of sales than normal onto the world market where prices were estimated at 37% below 1984 levels.

Table 10  
 REPUBLIC OF GUYANA: VALUE AND VOLUME OF SELECTED EXPORT PRODUCTS  
 (Value in dollars million; Volume in thousand tonnes)

|                           |         |         |         | Percentage change |         |       |
|---------------------------|---------|---------|---------|-------------------|---------|-------|
|                           | 1983    | 1984    | 1985    | 1983              | 1984    | 1985  |
| Total value of exports    | 500.0   | 831.0   | 910.0   | -19.9             | 43.2    | 9.5   |
| of which domestic exports | 560.0   | 813.4   | 871.5   | -20.3             | 45.2    | 7.1   |
| Traditional exports       |         |         |         |                   |         |       |
| Bauxite - dried/calced:   |         |         |         |                   |         |       |
| Value                     | 207.2   | 348.3   | 416.6   | -16.1             | 68.1    | 19.6  |
| Volume                    | 1 145.7 | 1 307.1 | 1 614.7 | 8.2               | 14.1    | 23.5  |
| Bauxite - dried:          |         |         |         |                   |         |       |
| Value                     | 68.1    | 80.0    | 113.7   | 15.4              | 17.5    | 42.1  |
| Volume                    | 799.1   | 765.6   | 1 068.1 | 15.6              | -4.2    | 39.5  |
| Bauxite - calcined:       |         |         |         |                   |         |       |
| Value                     | 139.1   | 268.3   | 302.9   | -26.0             | 92.8    | 12.9  |
| Volume                    | 346.6   | 541.5   | 546.6   | -5.6              | 56.2    | 0.9   |
| Sugar:                    |         |         |         |                   |         |       |
| Value                     | 208.0   | 271.0   | 287.0   | -20.9             | 30.3    | 5.5   |
| Volume                    | 221.6   | 201.3   | 214.3   | -11.4             | -9.2    | 6.6   |
| Rice:                     |         |         |         |                   |         |       |
| Value                     | 64.9    | 81.6    | 53.5    | 6.9               | 25.7    | -34.4 |
| Volume                    | 41.7    | 47.4    | 29.3    | 21.6              | 13.7    | -38.2 |
| Non-traditional exports   |         |         |         |                   |         |       |
| Rum:                      |         |         |         |                   |         |       |
| Value                     | 10.8    | 16.6    | 22.4    | -7.7              | 53.7    | 34.9  |
| Volume                    | 7.5     | 7.6     | 8.6     | 97.4              | 1.3     | 13.2  |
| Molasses:                 |         |         |         |                   |         |       |
| Value                     | 2.3     | 3.6     | 1.5     | -63.5             | 56.5    | -58.3 |
| Volume                    | 76.9    | 79.5    | 33.1    | -33.7             | 3.4     | -58.4 |
| Timber:                   |         |         |         |                   |         |       |
| Value                     | 13.2    | 14.7    | 12.7    | -10.8             | 11.4    | -13.5 |
| Volume                    | 0.7     | 0.7     | 0.5     | -46.2             | 0.0     | -28.6 |
| Shrimp:                   |         |         |         |                   |         |       |
| Value                     | 4.3     | 15.0    | 23.0    | 186.7             | 248.8   | 56.0  |
| Volume                    | 274.4   | 3 283.1 | -       | -3.2              | 1 096.5 | -     |
| Diamonds:                 |         |         |         |                   |         |       |
| Value                     | 1.3     | 1.5     | -       | -23.5             | 15.4    | -     |
| Volume                    | 215.0   | 137.5   | -       | -38.9             | 36.0    | -     |
| Other exports - Value     | 54.0    | 67.1    | -       | -37.1             | 24.3    | -     |
| Re-exports - value        | 14.0    | 17.6    | 29.0    | -55.1             | 25.7    | 64.8  |

Source: Statistical Bureau, Ministry of Planning and Development.

The value of rice exports was 34.4% below the 1984 level and at G\$53.5 million was the lowest level since 1974. This performance fell sharply below the targeted level at the beginning of the year when it was expected that the revival which began in 1984 would be maintained and the rice sector would have contributed G\$105 million total export earnings in 1985. This poor performance was partly as a result of delays in planting the first crop and partly due to the contraction of a major CARICOM market in the second half of the year.

The value of rum and shrimp exports increased while the sales of molasses and timber fell. The average price per cubic foot of timber increased by about 29% indicating the steep fall in the volume exported. CARICOM countries were the major markets for Guyana's timber sales. Data are not available for many non-traditional exports but indications are that the continuing low volumes of exports in this category resulted partly from production problems and partly because of difficulties being experienced in CARICOM markets.

The value of imports increased by 15% in 1985, almost the same rate of expansion as in 1984. Imports of fuel and lubricants accounted for 44.6% of total imports, capital goods 18.7% and consumer goods 10.2%. Imports of consumer goods increased by 81.0%, reversing the trend of the previous year when these imports had fallen by 26.6%. These imports are in fact significantly higher when account is taken of activities in the parallel market which are not all reflected in import statistics.

The increased expenditure on fuel imports was due to increases in the outlay on gasoline and diesel oil. Projections for a strong recovery in the manufacturing sector did not materialise and so imports of intermediate goods expanded only marginally in 1985. The imports of capital goods increased by an estimated 30% but this was due to increased volume of imports of machinery and equipment for public sector capital projects.

Table 11  
REPUBLIC OF GUYANA: IMPORTS BY ECONOMIC CLASSIFICATION - (c.i.f.)  
(Dollars million)

|                               | 1983  | 1984<p> | 1985<e> | Percentage change |         |         |
|-------------------------------|-------|---------|---------|-------------------|---------|---------|
|                               |       |         |         | 1983              | 1984<p> | 1985<e> |
| Total goods imported          | 745.0 | 850.0   | 982.0   | -12.0             | 14.1    | 15.1    |
| Consumer goods                | 75.0  | 55.0    | 100.0   | -32.4             | -26.7   | 81.8    |
| Food                          | 21.0  | 13.0    | ...     | -46.0             | -38.1   | ...     |
| Intermediate goods            | 520.0 | 650.0   | 699.0   | -11.4             | 25.0    | 7.5     |
| Fuel and lubricants           | 290.0 | 390.0   | 436.0   | -11.7             | 34.5    | 11.8    |
| Capital goods                 | 144.0 | 140.0   | 183.0   | 2.4               | -2.8    | 30.7    |
| Agric. & industrial machinery | 11.3  | 50.0    | ...     | -85.6             | 342.5   | ...     |
| Building materials            | 38.4  | 20.0    | ...     | 5.2               | -48.0   | ...     |
| Miscellaneous imports         | 6.0   | 5.0     | ...     | -25.9             | -16.7   | ...     |

Source: Statistical Bureau, Ministry of Finance and Planning.

(ii) Balance of payments: The deficit on the merchandise trade account widened from \$19 million in 1984 to \$68 million in 1985. In contrast, the deficit on the services account narrowed to G\$256 million. This improvement in services resulted in part from a reduction in the outflow of investment income as it became increasingly difficult to service the external commitments. As a result, the gap on the goods and services account narrowed to \$324 million. However, because of the decline in the value of unrequited transfers to minus \$25 million in 1985 the balance on the current account was minus \$349 million amounting to 21.4% of GDP in 1985 compared with 26.8% in 1984.

Table 12  
 REPUBLIC OF GUYANA: BALANCE OF PAYMENTS  
 (Dollars million)

|                               | 1983  | 1984  | 1985<p> |
|-------------------------------|-------|-------|---------|
| Current account               |       |       |         |
| Exports of goods and services | 576   | 944   | 1 114   |
| Merchandise exports           | 580   | 831   | 910     |
| Sugar                         | 208   | 271   | 287     |
| Rice                          | 65    | 82    | 54      |
| Bauxite                       | 207   | 348   | 417     |
| Services                      | 96    | 113   | 204     |
| Travel and transport          | 38    | 146   | 157     |
| Import of goods and services  | 1 460 | 1 335 | 1 438   |
| Merchandise imports           | 45    | 950   | 978     |
| Consumer goods                | 75    | 55    | 100     |
| Fuel and lubricants           | 290   | 390   | 436     |
| Other intermediate            | 230   | 260   | 263     |
| Capital goods                 | 144   | 140   | 183     |
| Services                      | 401   | 485   | 460     |
| Investment income             | 173   | 183   | 107     |
| Travel and transport          | 107   | 155   | 201     |
| Merchandise balance           | -165  | -19   | -68     |
| Services balance              | -305  | -372  | -256    |
| Balance on goods and services | -470  | -391  | -324    |
| Net unrequited transfers      | 2     | 18    | -25     |
| Current account balance       | -468  | -373  | -349    |
| Net capital inflows           |       |       |         |
| Public                        | -100  | -120  | -97     |
| Private                       | ..    | ..    | ..      |
| Other                         | ..    | ..    | ..      |
| Arrears payments              | 214   | 68    | 206     |
| Balance on capital account    | 31    | ..    | ..      |
| Errors and omissions          | ..    | -53   | +72     |
| Balance of payments deficit   | -436  | -472  | -238    |

Source: Statistical Bureau, Ministry of Planning and Development.

The levels of net capital flow continued to be below expectations. During the year the Republic of Guyana was declared ineligible for borrowing from the IMF due to inability to settle its indebtedness to the Fund. The major source of capital inflows in 1985 was the IDB, which granted assistance to finance projects in agriculture, industry, power and education. Net capital inflows have been estimated at minus \$97 million in 1985. This deficit was financed by a build-up of commercial arrears of \$48 million public sector arrears of \$158 million and a decline of net international reserves. The net international reserves were estimated at minus \$2,185.8 million at the end of 1985 while the external debt was estimated at \$722.8 million or 44% of Gross Domestic Product.

## 4. Prices and wages

Data are not available for 1985 on price changes as measured by the Urban Consumer Price Index. Preliminary estimates, however, indicate an increase in prices of almost 23% during the year. It will be noted that there were increases in the prices of all categories of petroleum products.

Table 13  
REPUBLIC OF GUYANA: EVOLUTION OF DOMESTIC PRICES - Urban Guyana)  
(1970 = 100)

|                                  | 1981  | 1982  | 1983  | 1984<e> | 1985 |
|----------------------------------|-------|-------|-------|---------|------|
| Annual averages                  |       |       |       |         |      |
| Consumer price index (all items) | 322.7 | 390.2 | 449.3 | 561.5   | ...  |
| Food                             | 416.3 | 538.4 | 650.8 | 867.4   | ...  |
| Clothing                         | 497.5 | 570.5 | 618.9 | 678.7   | ...  |
| Housing                          | 151.2 | 158.5 | 168.2 | 178.0   | ...  |
| Other                            | 308.5 | 343.8 | 358.0 | 402.1   | ...  |
| Annual average variation         |       |       |       |         |      |
| Consumer price index (all items) | 22.2  | 20.9  | 15.1  | 25.0    | ...  |
| Food                             | 27.7  | 29.3  | 20.9  | 33.3    | ...  |
| Clothing                         | 36.1  | 14.7  | 8.5   | 9.7     | ...  |
| Housing                          | 7.5   | 4.8   | 6.1   | 5.8     | ...  |
| Other                            | 12.8  | 11.4  | 4.1   | 12.3    | ...  |

Source: Statistical Bureau, Ministry of Planning and Development.

New guidelines for pricing policies were outlined in the 1985 Government Budget. The price mechanism was to be used together with administrative mechanisms to help determine a desirable allocation of resources. Prices were to be allowed to rise for those commodities, the consumption of which was being discouraged or for which efficiency of utilization was being encouraged. Subsidies were to be removed where they were deemed to be ineffectual or to be encouraging inefficient production.

As a result of the application of the above criteria, prices of most imported controlled items were adjusted in response to upward movements in the landed costs. Changes were made to allow for differentials in transport and handling costs in different regions of the country. Distributors' margins were also adjusted to more realistic levels.



Table 14  
 REPUBLIC OF GUYANA: RETAIL PRICES OF SELECTED PETROLEUM PRODUCTS  
 (Dollars per litre)

| Year | Motor gasoline |         | Kerosene | Diesel oil | Fuel oil | LPG<1> 100 lb. | LPG 20 lb. |
|------|----------------|---------|----------|------------|----------|----------------|------------|
|      | Regular        | Premium |          |            |          |                |            |
| 1976 | .46            | .49     | .26      | .30        | .24      | ...            | ...        |
| 1977 | .55            | .60     | .28      | .34        | .26      | ...            | ...        |
| 1978 | .65            | .71     | .28      | .34        | .27      | 39.85          | ...        |
| 1979 | .95            | 1.00    | .50      | .64        | .42      | 63.00          | ...        |
| 1980 | 1.12           | 1.17    | .82      | .81        | .66      | 63.00          | ...        |
| 1981 | 1.31           | 1.37    | .99      | .98        | .69      | 79.32          | ...        |
| 1982 | 1.31           | 1.37    | .97      | 1.00       | .71      | 95.32          | 15.00      |
| 1983 | 1.31           | 1.37    | 1.01     | 1.00       | ...      | 97.41          | 19.76      |
| 1984 | 1.48           | 1.55    | 1.08     | 1.16       | ...      | ...            | 23.01      |
| 1985 | 1.70           | 1.76    | 1.19     | 1.38       | ...      | 137.08         | 28.92      |

Source: Energy Unit - National Energy Authority, Ministry of Energy and Mines.  
 Note:

Prices represent last price in particular year.  
 <1> Cost per cylinder.

The parallel market continued to thrive in 1985 with the continuing shortage of foreign exchange on the official market. This phenomenon increased the difficulty of determining the actual changes in the cost of living.

With regard to incomes policy, a standing Committee on Income Distribution was established with a mandate to keep the levels and distribution of income under continuous review and to advise on required adjustments where appropriate.

During 1985, the daily minimum wage was adjusted to G\$16.01 from G\$15.10 in 1984 and the monthly minimum was increased to G\$382.00 from G\$360.00 in 1984. In December 1985 public sector employees were granted their first payment in a two year agreement. This payment contained two elements - an across-the-board award and an appraisal incentive based on a review by the relevant authority.

#### 5. Monetary and fiscal policy

(a) Monetary developments: During 1985, the total resources mobilised by the banking system increased by 19.5% and total money stock amounted to G\$2,169.6 million. The narrow money supplier, (M-1), and quasi money increased at the same rate. These resources were, however, not sufficient to finance the \$1,191.3 million or 29.3 expansion in domestic credit and as a consequence net international reserves (including arrears) continued to decline.

Table 15  
 REPUBLIC OF GUYANA: MONETARY BALANCE  
 (Dollars million)

|                         | Balance at end of |          |          | Percentage change |      |         |
|-------------------------|-------------------|----------|----------|-------------------|------|---------|
|                         | 1983              | 1984     | 1985<p>  | 1983              | 1984 | 1985<p> |
| Money (M-1)             | 507.9             | 619.8    | 740.0    | 16.3              | 22.0 | 19.4    |
| Currency outside banks  | 268.7             | 335.6    | 421.3    | 16.5              | 24.9 | 25.5    |
| Demand deposits         | 239.2             | 284.2    | 318.7    | 16.2              | 18.8 | 12.1    |
| Factors of expansion    |                   |          |          |                   |      |         |
| Net internat'l reserves | -874.4            | -1 487.8 | -1 673.6 | ...               | ...  | ...     |
| Domestic credit         | 3 191.2           | 4 033.7  | 5 225.0  | 27.9              | 26.4 | 29.5    |
| Government (net)        | 2 191.8           | 3 012.7  | 3 959.7  | 17.4              | 37.5 | 31.4    |
| Official entities       | 617.6             | 556.3    | 743.9    | 98.0              | -9.9 | 33.7    |
| Private sector          | 381.8             | 464.7    | 521.4    | 20.7              | 21.7 | 12.2    |
| Factors of absorption   |                   |          |          |                   |      |         |
| Quasi money             | 1 025.7           | 1 195.2  | 1 429.6  | 23.2              | 16.5 | 19.6    |
| Other items (net)       | 790.9             | 731.0    | 1 481.3  | 40.1              | -7.5 | 102.6   |

Source: Research Department, Bank of Guyana.

During 1985, monetary policy remained unchanged. Of the major variables, interest rates remained at the levels which were established in 1982 of 11.5% for savings deposits and 12% to 13% for term deposits. The prime lending rate remained at 15%. Time and savings deposits mobilised in 1985 increased by \$234.4 million while demand deposits increased by 12.1% to a total of \$318.7 million. Currency in circulation rose by 24.9% to \$421.3 million.

Bank credit to the central government increased by 31% during 1985 and credit to public sector entities increased by 34%. While the operating balances of a number of public sector entities improved during 1985, the sugar and bauxite industries continued to borrow heavily from the banking system and together accounted for 96% of the expansion in total commercial bank lending during the years.

Credit to the private sector increased by 12.2% with 76% of the credit being given to business enterprises. Credit to distributive trade remained at the same level as in 1985 while that to manufacturers and to the agricultural sector expanded.

The Bank of Guyana continued to operate exchange rate policy through adjustments based on movements within a "basket of currencies". During 1985, rates on the official market fluctuated between G\$4.15 and G\$4.45 to the US dollar while those on the parallel market continued to be significantly higher.

During 1985, the Government acquired the assets of Chase Manhattan Bank. This was the second foreign bank to be acquired in two years as a result of the decisions by parent banks to close their operations in the Republic of Guyana.

(b) Fiscal performance: During 1985, the current revenue realized by the Government was \$769.8 million or 18.4% higher than in 1984. Income tax revenues the largest single item increased by 21.0%. Improved collections procedures and increased earnings from higher export receipts from sugar and bauxite contributed partially to this increase. Consumption and production taxes increased by 21.0% and profits received from the Central Bank increased by 48 percent.

Current expenditure was G\$1,182.3 million in 1985 or 7.2% below the 1984 level. Payments of wages and salaries increased by 17.8% while increased costs of materials and supplies and other services led to 32% increase in other current expenditure. There was, however, a build-up in arrears of interest payments which was greater than the other increases. As a result of the increased current revenue and reduced current expenditure, the deficit on current account narrowed by 34.8% to minus \$313.9 million in 1985.

Expenditure on capital projects increased and while capital revenue declined transfers increased. The overall fiscal deficit improved by 8.4% from a gap of minus G\$741.7 million to minus G\$679.4 million at the end of 1985.

As level of capital inflows fell to \$40.0 million the fiscal deficit was financed mainly by net borrowing from the banking system and from the public.

The external debt at the end of 1985 was valued at G\$722.8 million and was 44.3% of GDP and 79.4% of total export earnings in that year. Internal public debt was about three times the value of GDP with short-term debt being 67% of the total.

Table 16  
 REPUBLIC OF GUYANA: CURRENT GOVERNMENT REVENUE AND EXPENDITURE  
 (Dollars million)

|                                                   | 1984     | 1985     | Percentage rates |          |       |
|---------------------------------------------------|----------|----------|------------------|----------|-------|
|                                                   |          |          | 1983             | 1984     | 1985  |
| Current revenue                                   | 650.1    | 769.8    | 2.8              | 14.9     | 18.4  |
| Tax revenue                                       | 586.6    | 693.2    | 3.5              | 20.0     | 18.2  |
| Income                                            | 239.8    | 290.2    | -4.5             | 19.8     | 21.0  |
| Consumption/production                            | 221.6    | 260.9    | 2.6              | 23.8     | 17.7  |
| Travel/transportation                             | 81.6     | 83.6     | 37.6             | 13.2     | 0.2   |
| Other revenue                                     | 43.6     | 58.5     | 0.4              | 15.6     | 34.2  |
| Non-tax revenue                                   | 63.5     | 76.6     | -0.1             | -17.6    | 20.6  |
| Current expenditure                               | 1 274.5  | 1 182.3  | 15.6             | 32.6     | -7.2  |
| Wages and salaries                                | 251.3    | 296.0    | -0.7             | 34.0     | 17.8  |
| Less:                                             |          |          |                  |          |       |
| Debt funding and repayment                        | 142.9    | 98.6     | -15.4            | 49.2     | -31.0 |
| Balance on current revenue net<br>of debt funding | -1 131.6 | -1 063.7 | -20.5            | -30.7    | 4.2   |
| Savings on current account                        | -481.5   | -313.9   | -78.7            | -60.3    | 34.8  |
| Capital revenue                                   | 51.2     | 34.6     | -54.5            | 3 313.3  | -32.4 |
| Capital expenditure                               | 511.4    | 400.1    | -65.1            | 13.0     | 28.5  |
| Transfers                                         | (48.0)   | (54.0)   | 56.9             | -47.3    | 12.5  |
| Total revenue                                     | 701.3    | 804.4    | 6.3              | 23.6     | 14.7  |
| Total expenditure                                 | 1 443.0  | 1 483.3  | -24.3            | 26.5     | 2.8   |
| Fiscal surplus (+) or deficit (-)                 | -741.7   | -679.4   | 39.9             | -29.3    | 8.4   |
| Financing of the deficit                          | 741.7    | 679.4    | ...              | ...      | ...   |
| - Net external borrowing                          | 54.0     | 40.0     | 64.7             | -35.7    | -25.9 |
| - Net banking system borrowing                    | 820.9    | 571.4    | -54.5            | 156.2    | -30.4 |
| - Net borrowing from public                       | 220.7    | 337.6    | 3.6              | 11.0     | 53.0  |
| - Other (incl. below the line<br>changes)         | -353.9   | -269.6   | -480.8           | -1 091.6 | 23.8  |

Source: Ministry of Finance, Estimates 1984 to 1986.

PART VII

JAMAICA

COUNTRY NOTES



## JAMAICA

## 1. Recent economic trends: Introduction and summary

During the first five years of the current decade, the Jamaican economy has grown at an average annual rate of about 0.3%, growing up to 1983 and declining

Table 1  
JAMAICA: MAIN ECONOMIC INDICATORS

|                                                      | 1982    | 1983    | 1984    | 1985<p> |
|------------------------------------------------------|---------|---------|---------|---------|
| <b>A. Basic economic indicators</b>                  |         |         |         |         |
| GDP at purchasers' prices<br>(\$ mill.: 1974 prices) | 1 893   | 1 931   | 1 924   | 1 853   |
| Population ('000 inhabitants)                        | 2 219   | 2 263   | 2 297   | 2 326   |
| Per capita GDP (\$mill. at<br>1974 prices)           | 853     | 853     | 838     | 797     |
| <b>Growth rates</b>                                  |         |         |         |         |
| <b>B. Short-run economic indicators</b>              |         |         |         |         |
| Gross domestic product                               | 1.0     | 2.0     | -0.4    | -3.7    |
| Per capita GDP                                       | 0.2     | 0.0     | -1.8    | -4.9    |
| Terms of trade                                       | ...     | ...     | ...     | ...     |
| Curr. val. of exports of goods<br>and services (\$J) | -10.8   | 17.0    | 92.0<r> | 20.7    |
| Curr. val. of imports of goods<br>and services (\$J) | -4.5    | 18.7    | 60.8<r> | 31.7    |
| Consumer price index (Dec.-Dec.)                     | 6.5     | 16.7    | 31.2    | 23.0    |
| Consumer price index<br>(annual average variation)   | 6.5     | 11.3    | 27.8    | 25.7    |
| Money supply (M-1)                                   | 6.1     | 21.3    | 14.5    | 19.6    |
| Wages and salaries<1>                                | ...     | ...     | 20.2    | 0.0     |
| Rate of unemployment                                 | 8.9     | -4.5    | 0.3     | -2.3    |
| Current revenue of government                        | -0.2    | 11.9    | 22.5    | 32.9<2> |
| Total expend. of government                          | -11.3   | 19.6    | 25.2    | 24.7<2> |
| Fiscal deficit as % of total<br>expenditure          | 50.1    | 36.1    | 41.2    | ...     |
| <b>US Dollars million</b>                            |         |         |         |         |
| <b>C. External sector</b>                            |         |         |         |         |
| Trade balance (goods)                                | -441.5  | -438.5  | -334.7  | -428.6  |
| Balance on current account                           | -387.9  | -480.5  | -297.5  | -401.1  |
| Balance on capital account                           | 465.6   | 190.5   | 482.7   | 319.3   |
| Var. in net internat'l reserves                      | -86.1   | 289.1   | 225.7   | 81.8    |
| External debt (public)                               | 2 740.0 | 3 275.0 | 3 267.0 | 3 418.0 |

Source: ECLAC on the basis of official data.

<1> Median weekly income of males.

<2> Fiscal year 1985-1986 compared with 1984-1985.

thereafter. During the same period the population has increased at an average annual rate of about 0.9%, despite the continuing decline in rates of natural increase. Given the relative sluggishness of total output, per capita Gross Domestic Product (GDP) in constant prices has fallen virtually throughout the period, the largest decline being experienced in 1985. Paradoxically, employment has increased steadily if not spectacularly at about an average annual rate of 2.3%, and a shift to more labour intensive production seems to have occurred in services, including commerce, agriculture, and in the manufacturing sector.

The shares of both consumption and investment expenditure as a proportion of GDP increased throughout this first half of the 1980's but this was accompanied by a constant decline of net exports. Fixed capital increased from less than 15% of GDP to more than 22% and has been recovering from abnormally low levels prior to the advent of the 1980's. Consumption lagged somewhat compared to fixed capital formation, with private consumption growing significantly, while government consumption has declined in relative terms.

A number of trends have been observed in the economy during the period, the most significant being a decline in the mining sector, a resurgence of agriculture, and some improvement in services, although the improvement did not apply to government services. Growth of the informal sector has continued. The construction sector showed volatility, as a result of its sensitivity to changes in policy, particularly regarding interest rates, credit and raw material imports.

Commodity exports including bauxite, alumina, and agricultural commodities, came under renewed pressure as a result of weak external demand. In the case of agriculture, domestic production constraints, and weaknesses in external marketing were additional factors. This inadequate external performance is reflected in the persistent deficit on the balance of payments, a tendency which has been evident prior to the eighties, and in three of the last five years, including 1985, this has been the case. Imports of goods and services have consistently exceeded exports of goods and services, and annual capital inflows have not been adequate always to offset current account deficits. The international reserves deficit at the beginning of the decade, has more than doubled in US dollar values, though the situation has improved to some extent from the nadir existing at the end of 1983. A corollary to the decline in international reserves is the growth in the net external debt, and available data on government external debt (private debt data are unavailable) showed a continuously increasing trend.

Exchange rate policy has been adapted to accommodate these developments. Initially, attempts were made to maintain a single fixed rate of exchange, but subsequently parallel rates were established. In 1984 a system for auctioning foreign exchange was introduced which initially allowed movement within specific limits, subsequently the currency was given greater freedom to float, but throughout it was in effect a managed market system. Through these mechanisms the exchange rate has depreciated from J\$1.78 to US\$1.00 in 1980, to J\$ 5.50 at the end of 1985.



The economy has been extremely liquid during the period, with deposit liabilities of the banking system rising fairly rapidly between 1980 and 1982, the rise tapering off somewhat in 1983 and 1984 but increasing again during 1985. Government's policy response has been to limit the impact of this liquidity by increasing interest rates and tightening credit controls. Minimum statutory liquidity requirements were also increased from 30% to 40% over the period. The money supply and deposit liabilities of commercial banks have nevertheless continued to increase, and the broader money supply (M-2) increased some 242 percent.

Credit controls have been employed selectively from time to time and appeared to become more stringent since 1984, in line with the very tight money policies of the structural adjustment programme. However, loans and advances particularly of commercial banks continued to grow. Given the high levels of inflation, however, the real value of loans increased much less than was apparent from the nominal figures.

Parallel with the movements of the other money indicators, all levels of interest rates have increased. These include the rates which are set by statute or regulation, including the bank rate, rediscount rate and the deposit rates as well as the prime rate and the rates on mortgages, instalments and personal loans. The yields of short and long-term securities have followed the same pattern. By the end of 1985, it was becoming evident that the tight monetary and credit policies were affecting the very productive sectors which it had been hoped would generate output for export to assist in redressing the balance of payments.

Since 1980-1981, policy has been directed to reducing the machinery of government which accounted for 14% of GDP in 1980 and grew to 15% by 1983. The policy seems to have started to take effect in 1984 so that by 1985 the government's share of GDP had contracted to 11%. The level of government ownership of income generating enterprises has been reduced through divestment to private owners, and subsidies have been cut. By 1985 reductions in government employment were also evident. However, the government budget deficit has grown despite new taxes, increases in the rates of existing taxes, expenditure restraint and a tightening of the tax administration. The built-in annual increments to public servants remuneration was partly responsible, but the cost of servicing the debt as a result both of the end of moratoria on earlier debts, and the higher Jamaican dollar payments required to service debts denominated in US dollars, bearing in mind the significant devaluations of the last few years, was the main cause. Nevertheless, since 1984, there has been a decline in the size of the deficit to GDP ratio. A tax reform study underway during early 1986 is expected not only to simplify collection procedures but also to increase revenue.

Inflation during the first five years of the 1980's has been lower than in the last five years of the previous decade, though the rates of increase during 1983-1985 were much higher than in the two earlier years of the quinquennium. For the period as a whole, the average annual rate of consumer price increases was approximately 18%. While many factors contributed to the inflation, the major influence would seem to be the currency devaluation of some 209% which occurred between the beginning of 1980 and the end of 1985 and has accordingly inflated the prices of imports. At the same time, and particularly during the last two years, price subsidies have been reduced or removed from many goods,

punitive taxation on imports has been levied, and higher interest rates have obtained while restrictions on consumer credit have been increased.

In summary, government policy directed at the problems facing the economy, at the beginning of the 1980's focussed on two major strategies, the Economic Recovery Programme and the Structural Adjustment Programme. The major aims were, to increase investment and output, increasing employment in the process, and to reduce both private and government consumption.

Of the mainly external aspects, the goal was to reduce the balance of payments deficits and increase the flow of foreign exchange into the official banking system. Measures were aimed at promoting non-traditional agriculture and manufactured goods exports, revitalizing agriculture, reducing the foreign debt burden, attracting foreign investment and allowing the Jamaican currency to find its natural equilibrium level.

On the mainly domestic side, the measures included "privatization" of the economy whereby several government enterprises were to be divested to private owners, fiscal action to reduce the budget deficit, and monetary measures particularly aimed at restraining credit.

During the period since 1981, these measures have undergone adjustments and modifications. Following the slight decline in total GDP during 1983-1984, some of the measures were tightened severely in the areas of demand management particularly to limit demand for scarce foreign exchange. As the outcome for 1985 was an even larger decline in GDP, policy adjustments were announced for fiscal year 1986-1987 and designed to promote growth by reflating the economy. These included:

- (a) Easing of the tight monetary policies - interest rates and the statutory liquidity requirements for commercial banks were to be lowered;
- (b) Passing on the savings realized from the decline in the price of crude petroleum to reduce prices of a limited number of basic consumer items, animal feed, electricity and cement;
- (c) Divestment of commercial enterprises to be accelerated;
- (d) Greater emphasis to be made on increasing output in agriculture, mining and export manufacturing; and
- (e) Introduction of stricter accounting procedures and new managerial techniques, including performance budgeting in both government ministries and public enterprises.

## 2. Trends in economic activity

## (a) Global trends

Following a minimal decline of 0.4% in 1984, GDP measured in constant prices declined by nearly 4% during 1985.

Table 2  
JAMAICA: TOTAL SUPPLY AND DEMAND

|                                  | J\$ million<br>current prices |          | Percentage<br>of GDP |         |         | Percentage<br>change |         |
|----------------------------------|-------------------------------|----------|----------------------|---------|---------|----------------------|---------|
|                                  | 1984<r>                       | 1985<p>  | 1983                 | 1984<r> | 1985<p> | 1984<r>              | 1985<p> |
| Total supply                     | 14 715.7                      | 18 360.6 | 150.2                | 160.9   | 166.5   | 42.0                 | 24.8    |
| GDP at market<br>prices          | 9 144.8                       | 11 024.8 | 100.0                | 100.0   | 100.0   | 32.6                 | 20.6    |
| Imports of goods<br>and services | 5 570.9                       | 7 335.8  | 50.0                 | 60.9    | 66.5    | 60.8                 | 31.7    |
| Total demand                     | 14 715.7                      | 18 360.6 | 150.2                | 160.9   | 166.5   | 42.0                 | 24.8    |
| Domestic demand:                 | 9 682.2                       | 12 283.7 | 112.2                | 105.9   | 111.4   | 25.1                 | 26.9    |
| Gross domestic<br>investment     | 2 000.6                       | 2 535.8  | 21.6                 | 21.9    | 23.0    | 34.5                 | 26.8    |
| Total consump'n:                 | 7 681.6                       | 9 747.9  | 90.7                 | 84.0    | 88.4    | 22.8                 | 26.9    |
| Public                           | 1 577.8                       | 1 772.1  | 20.6                 | 17.3    | 16.1    | 11.0                 | 12.3    |
| Private                          | 6 103.8                       | 7 975.8  | 70.0                 | 66.7    | 72.3    | 26.3                 | 30.7    |
| Exports of goods<br>and services | 5 033.5                       | 6 076.9  | 38.0                 | 55.0    | 55.1    | 92.0                 | 20.7    |

Source: Statistical Institute of Jamaica.

Domestic demand once again was fairly well contained, since the 27% nominal increase shown in table 2 above was virtually offset by the rise in domestic prices. A similar trend was shown by total consumption; private consumption increasing in real terms while public consumption declined, when measured in constant values. The decline in public consumption reflects the severe constraints imposed on public sector spending as part of the overall adjustment policy implemented during 1985. Domestic investment remained almost at the level of 1984 when viewed in real terms, although it has been increasing as a proportion of GDP.

Demand for foreign goods and services continued to grow faster than output, increasing to almost two-thirds of Gross Domestic Product.

Table 3  
 JAMAICA: GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC  
 ACTIVITY IN PURCHASERS' VALUE - (Current prices)  
 (J\$ million)

|                                               |         |          | Percentage<br>change |      |
|-----------------------------------------------|---------|----------|----------------------|------|
|                                               | 1984<r> | 1985<p>  | 1984                 | 1985 |
| Gross domestic product                        | 9 144.8 | 11 024.8 | 32.6                 | 20.6 |
| Goods                                         | 3 636.8 | 4 304.8  | 34.6                 | 18.4 |
| Agriculture, forestry and fishing             | 525.5   | 655.7    | 17.6                 | 24.8 |
| Mining and quarrying                          | 597.6   | 548.9    | 110.6                | -8.2 |
| Manufacturing                                 | 1 672.8 | 2 157.5  | 21.1                 | 29.0 |
| Construction and installation                 | 840.9   | 942.7    | 42.6                 | 12.1 |
| Basic services                                | 925.0   | 1 107.4  | 65.3                 | 19.7 |
| Electricity and water                         | 305.1   | 365.4    | 79.4                 | 19.8 |
| Transport, storage and communication          | 619.9   | 742.0    | 59.1                 | 19.7 |
| Other services                                | 4 583.0 | 5 612.6  | 26.0                 | 22.5 |
| Distributive trades                           | 1 917.3 | 2 563.0  | 42.1                 | 33.7 |
| Finance, banking and insurance                | 589.2   | 639.3    | 6.2                  | 8.5  |
| Real estate and business services             | 813.9   | 1 006.4  | 20.5                 | 23.7 |
| Government                                    | 1 126.0 | 1 196.0  | 12.1                 | 6.2  |
| Miscellaneous services, hotels, etc.          | 386.8   | 483.9    | 24.1                 | 25.1 |
| Household and private non-profit institutions | 70.0    | 76.7     | 23.2                 | 9.6  |
| LESS: imputed service charges                 | 320.2   | 352.7    | 1.4                  | 10.1 |

Source: Statistical Institute of Jamaica.

Table 3a  
 JAMAICA: GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC  
 ACTIVITY IN PURCHASERS' VALUE - (Constant 1974 prices)  
 (J\$ million)

|                                                 | 1984     | 1985<p> | Percentage<br>breakdown |         | Percentage<br>change |         |
|-------------------------------------------------|----------|---------|-------------------------|---------|----------------------|---------|
|                                                 |          |         | 1984                    | 1985<p> | 1984                 | 1985<p> |
| Gross domestic product                          | 1 923.8  | 1 853.1 | 100.0                   | 100.0   | -0.4                 | -3.7    |
| Goods                                           | 695.0    | 650.0   | 36.1                    | 35.1    | -1.5                 | -6.5    |
| Agric. forestry & fishing                       | 169.6    | 163.9   | 8.8                     | 8.8     | 10.0                 | -3.4    |
| Mining and quarrying                            | 118.5    | 95.4    | 6.2                     | 5.1     | 0.7                  | -19.5   |
| Manufacturing                                   | 291.6<r> | 291.0   | 15.2                    | 15.7    | -6.4                 | -0.2    |
| Constr'n & installation                         | 115.3    | 99.7    | 6.0                     | 5.4     | -5.4                 | -13.5   |
| Basic services                                  | 161.6<r> | 156.2   | 8.4                     | 8.4     | 1.7                  | -3.3    |
| Electricity and water                           | 26.1     | 25.4    | 1.4                     | 1.4     | 1.2                  | -2.7    |
| Trans., storage & communica'n                   | 135.5<r> | 130.8   | 7.0                     | 7.1     | 1.8                  | -3.5    |
| Other services                                  | 1 067.2  | 1 046.9 | 55.5                    | 56.5    | .0                   | -1.9    |
| Distributive trades                             | 288.2    | 284.0   | 15.0                    | 15.3    | 1.8                  | -1.5    |
| Fin., banking & insurance                       | 131.3    | 125.6   | 6.8                     | 6.8     | -6.3                 | -4.3    |
| Real estate & bus. services                     | 229.5    | 224.6   | 11.9                    | 12.1    | -2.5                 | -2.1    |
| Government                                      | 364.2    | 344.4   | 18.9                    | 18.6    | -2.6                 | -5.4    |
| Misc. services - hotels,<br>restaurants, others | 104.4    | 105.8   | 5.4                     | 5.7     | 1.5                  | 1.3     |
| Household & private non-<br>profit institutions | 20.5     | 22.0    | 1.1                     | 1.2     | 3.0                  | 7.3     |
| LESS: imputed services<br>charges               | 70.9     | 59.5    | 3.7                     | 3.2     | -19.6                | -16.1   |

Source: Statistical Institute of Jamaica.

Except for miscellaneous services and household and private non-profit institutions, all major sectors of the economy declined during 1985. The goods-producing sectors, influenced by a 20% decline in mining output and a 14% decline in construction, declined overall by more than 6% in real terms. The services sectors fared somewhat better. However, the government sector declined by more than 5% as a result of divestment and "privatization" of the economy and restraint of expenditure, and consequently influenced downward various other service sectors through constriction of demand. Finance, insurance and banking were most affected showing larger declines than the services sector as a whole.

Various monetary, fiscal and price strategies were employed to curtail demand but these may have adversely affected production and exports. The downward float of the Jamaican dollar had an upward impact on receipts from the sale of some commodities and on prices of imports and made exports cheaper. However, while exports of certain products expanded, market penetration has proved difficult in many cases despite the apparent improvement in price competitiveness.

Employment increased by less than 1% in 1985. Unemployment declined however, by over 2%, due to a declining labour force. Consumer prices increased by 26%, and were largely influenced by the continued depreciation of the Jamaican dollar. In the external sector a balance of payments deficit was once again recorded, with a consequent worsening of the international reserve position, and the external debt. For the last two months of 1985 the exchange rate seemed to have stabilized at US\$1.00 = J\$5.50.

(b) Evolution of the main sectors

(i) Agriculture: During 1985, the contribution of agriculture to GDP declined by an estimated 3.4% in real terms, conforming to the rate of downturn for the economy as a whole. This decline reverses the trend of the two previous years when the average growth rate was 9%. All the subsectors, except the small forestry subsector, shared in the contraction which was lead by a 9% decline in livestock. At the same time the sector, which has increased employment for the second successive year, has borrowed heavily from commercial banks, increasing its loan balances during 1984 and 1985 by 51% and 24% respectively as part of its thrust to modernize, utilize higher level technology and take advantage of opportunities provided by the Caribbean Basin Economic Recovery Act (CBERA) commonly referred to as the Caribbean Basin Initiative (CBI).

The contrasting trends in output and employment reflect weather conditions, high input costs, diseases, praedial larceny and cyclical crop decline. Low prices for some commodities as well as the time lag between initiating new investment and reaping crops are also partly responsible for the discrepancy. The prognosis for 1986 was for a significant increase in non-traditional export crops including "winter vegetables" and flowers and shrubs. Increases in inland fishing, coffee, bananas and rice production are also projected in accordance with the "Agro 21" production programme launched in 1983.

The "Agro 21" programme is a broad-based programme aimed at extensive development of the agriculture sector to achieve targets of employing over 100,000 persons and to effect considerable savings in foreign exchange. This programme includes measures to restructure the sector focussing on both the production pattern and the institutional framework. It aims to develop a much higher level of food self-sufficiency with the attendant increased production and savings of foreign exchange, improve domestic as well as foreign marketing facilities, increase agricultural research and develop a new system of agricultural incentives.

Table 4  
JAMAICA: INDICATORS OF AGRICULTURAL PRODUCTION

|                                               | 1983<r> | 1984<r> | 1985<p> | Percentage change |         |
|-----------------------------------------------|---------|---------|---------|-------------------|---------|
|                                               |         |         |         | 1984<r>           | 1985<p> |
| Index of agricultural production (1974 = 100) |         |         |         |                   |         |
| Agriculture                                   | 100.1   | 110.1   | 106.4   | 10.0              | -3.4    |
| Export                                        | 64.8    | 67.2    | 64.9    | 3.7               | -3.4    |
| Domestic                                      | 107.2   | 124.1   | 122.4   | 15.8              | -1.4    |
| Livestock                                     | 124.1   | 127.4   | 116.1   | 2.7               | -8.9    |
| Forestry                                      | 44.4    | 53.7    | 75.0    | 20.9              | 39.7    |
| Fishing                                       | 106.9   | 122.6   | 122.3   | 14.7              | -0.2    |
| Production of major export crops              |         |         |         |                   |         |
| Sugar cane, milled ('000 tonnes)              | 2 323.0 | 2 421.8 | 2 269.5 | 4.3               | -6.3    |
| Bananas ('000 tonnes)<1>                      | 23.0    | 10.8    | 12.5    | -53.0             | 15.7    |
| Citrus ('000 tonnes)<2>                       | 680.7   | 570.8   | 754.0   | -16.1             | 32.1    |
| Pimento (tonnes)                              | 2 751.5 | 3 200.9 | 3 267.4 | 16.3              | 2.1     |
| Copra (tonnes)                                | 2 152.8 | 1 476.9 | 2 629.1 | -31.4             | 78.0    |
| Cocoa (tonnes, dry weight)                    | 3 566.1 | 2 791.7 | 2 360.0 | -21.7             | -15.5   |
| Coffee ('000 boxes)<3>                        | 290.8   | 325.9   | 221.5   | 12.1              | -32.0   |
| Other production                              |         |         |         |                   |         |
| Yams (tonnes)                                 | 130.6   | 149.1   | 163.8   | 14.2              | 9.9     |
| Plantain (tonnes)                             | 25.1    | 29.5    | 30.4    | 17.5              | 3.1     |
| Vegetables (tonnes)                           | 112.3   | 137.4   | 116.6   | 22.4              | -15.1   |
| Indicators of livestock production            |         |         |         |                   |         |
| Cattle slaughtered ('000 head)                | 71.0    | 71.0    | 68.0    | 0.0               | -4.2    |
| Hogs slaughtered ('000 head)                  | 117.0   | 126.0   | 133.0   | 7.7               | 5.6     |
| Poultry meat ('000 tonnes)                    | 32.7    | 29.7    | 22.8    | -9.2              | -23.2   |
| Eggs (million)                                | 99.5    | 105.6   | 78.1    | 6.1               | -26.0   |
| Indicators of fish production                 |         |         |         |                   |         |
| Fish (tonnes)                                 | 8.3     | 8.4     | 8.7     | 1.2               | 3.6     |

Source: Statistical Institute of Jamaica.

<1> Exports.

<2> Handled by Jamaica Citrus Growers.

<3> Deliveries to Coffee Industry Board.

Export agriculture: After being the prominent subsector in earlier years, traditional agricultural exports now account for only about 15% of sector GDP. During 1985, this subsector continued its generally declining trend, sliding by more than 3%. Traditional crops nevertheless maintained their position as the more important agricultural commodities.

Sugar cane production declined, but sugar output increased due to improved sucrose content. This resulted from favourable weather conditions and the outcome of fairly extensive rationalization of the industry which included closing some less efficient estates and factories.

Banana production and exports have recovered somewhat from 1984. Although the volume of imports increased by nearly 16% exports are still somewhat below those of 1983. This partial recovery is due to the restructuring programme which seeks to rationalize the institutional base, as well as cultivation practices, in order to optimize output from reduced acreage. This process has in turn resulted in better quality fruit being shipped for higher average prices.

Production of citrus and spices also increased, but these gains were more than offset by decreases in the production of coffee and cocoa. Although cocoa and coffee production and exports decreased in volume, cocoa production still maintained the higher output trend observed since 1982. The decrease in coffee production largely resulted from the effects of drought during the early part of the year which affected the bearing cycle.

The underlying price trend for these commodities in world markets exerted a negative influence during the year. It should be noted, however, that most of these prices are negotiated under special commodity agreements and tend to be more favourable than commodity spot market prices.

**Domestic agriculture:** Domestic agriculture, which is defined to include all other crops except traditional export crops, has averaged about 50% of total agriculture GDP during most of the 1980's and increased its share during 1984 and 1985. However, its production declined slightly during 1985 following a 16% increase in 1984. Production of most pulse and vegetable crops, some root crops, rice and tobacco declined. Exports of non-traditional crops including ethnic foods and flowers and other live plants increased both in volume and in US dollar value terms during 1985. Production was, however, hampered by adverse weather conditions, a scarcity of some planting materials, the high cost of agricultural inputs, and by marketing problems.

This subsector has attracted considerable attention under the "Agro 21" programme mentioned above; a development which helped to contain the decline in output of the subsector.

**Livestock:** This is the second largest agriculture subsector contributing on average about 27% of the sector GDP during the last two years. During 1985, subsector GDP in constant prices decreased by 9% following successive increases in 1983 and 1984. Pork and milk were the only items to resist the trend, the latter, however, showing only a minor increase largely due to market protection measures instituted by the government during the year. The important poultry industry declined significantly due to reduced consumer demand in the face of high prices, resulting from higher prices for imported inputs.

**Fishing:** This relatively small subsector which contributes approximately 5% of sector GDP, declined slightly during 1985. Marine fishing which constituted more than 91% of the catch in 1985 has been declining in importance since 1984, and inland fishing is growing rapidly due to the impact of the self-sufficiency programme.

**Forestry:** Forestry production is miniscule and only now appears to be recovering from a long-run decline originating in the early 1970's. Growth was estimated at nearly 40% during 1985, a performance also stimulated by the restructuring policy.



(ii) Mining: The slump in this sector, noted since 1982 continued in 1985 and GDP fell by nearly 20% in real terms. This decline is reflected in the production figures for all the major mineral export commodities, except gypsum. Employment, on average, declined by 15 percent.

Table 5  
JAMAICA: INDICATORS OF MINING PRODUCTION  
(Thousand tonnes)

|                    | 1982  | 1983<r> | 1984<r> | 1985<p> | Percentage change |      |       |
|--------------------|-------|---------|---------|---------|-------------------|------|-------|
|                    |       |         |         |         | 1983              | 1984 | 1985  |
| Bauxite (mined)    | 8 158 | 7 725   | 8 605   | 6 219   | -5.3              | 11.4 | -27.7 |
| Bauxite (exported) | 4 079 | 3 009   | 4 559   | 2 325   | -26.2             | 51.5 | -49.0 |
| Alumina            | 1 761 | 1 854   | 1 751   | 1 512   | 5.3               | -5.6 | -13.6 |
| Gypsum             | 188   | 136     | 160     | 176     | -27.7             | 23.1 | 10.0  |

Source: Statistical Institute of Jamaica.

The sector is dominated by bauxite/alumina production which despite its sharp decline still accounts for 96% of the total sector GDP. Foreign exchange earnings from this export-oriented subsector deteriorated by a further 25% in terms of US dollars during 1985. Export volumes and prices fell, compared to 1984. The bauxite industry has been affected by a global reduction in demand which has led to the phasing out of some high cost/low productivity units particularly in the US gulf coast to which the industry was linked. It has accordingly been affected by the reduction of operations of producers, followed in 1984 and 1985 by the closing down of local bauxite and alumina plants. The adverse impact of these developments has been mitigated by shipments made under the terms of the general stockpile agreement between the United States and Jamaica, which however, ended during 1985.

In an attempt to revive the industry a rationalization of the operations of one plant acquired by government, has significantly increased productivity, and new marketing arrangements have been concluded to assure the sale of output in the medium-term. The decline in the industry seems to have been halted, and some degree of stability assured for the short-term.

Other mining production, with the exception of gypsum, is mainly for local industry and construction. The trend in production of these industrial minerals was mixed, but overall their contribution to GDP declined. Future growth in this subsector will be dependent on an expansion in building construction.

(iii) Manufacturing: Manufacturing GDP measured in constant prices declined slightly over the survey period following a 6% decline in 1984. Increases in output were recorded for cereals and cereal preparations, edible oil, sugar, beverages, textiles and refinery products. Chemicals and other heavy industry such as steel, and cement, declined. Sales of electricity to industrial and commercial users, a usually good indicator of trends in industry increased but this is due largely to the recovery in petroleum refinery production.

Table 6  
JAMAICA: INDICATORS OF MANUFACTURING PRODUCTION  
( '000 tonnes except otherwise specified)

|                                              | 1983    | 1984    | 1985<p> | Percentage change |         |
|----------------------------------------------|---------|---------|---------|-------------------|---------|
|                                              |         |         |         | 1984              | 1985<p> |
| Sugar                                        | 198.2   | 187.8   | 225.5   | -5.2              | 20.1    |
| Flour (wheat)                                | 61.8    | 85.9    | 131.7   | 39.0              | 53.3    |
| Animal feed                                  | 217.1   | 222.2   | 164.7   | 2.3               | -25.9   |
| Rum and alcohol<1>                           | 14.7    | 16.9    | 17.0    | 15.0              | 0.6     |
| Fertilizers                                  | 24.6    | 46.6    | 38.9    | 89.4              | -16.5   |
| Petroleum products<1>                        | 1 153.3 | 702.4   | 1 024.7 | -39.1             | 45.9    |
| Textile fabrics<2>                           | 3 692.3 | 1 753.8 | ...     | -52.5             | ...     |
| Sales to industrial and commercial users <3> | 670.4   | 657.5   | 670.4   | -1.9              | 2.0     |
| Employment ('000)<4>                         | 90.8    | 97.1    | 98.6    | 6.9               | 1.5     |

Source: Statistical Institute of Jamaica.

<1> Million litres. <2> '000 metres. <3> '000 mWh.

<4> Average of April and October data.

Manufacturing has been considered a key sector in the programme of structural adjustment, which was initiated in 1981. Between 1981 and 1983 output of the sector measured in constant prices increased, but declined thereafter so that the contribution to GDP in 1985 is now the same as in 1981. Despite the decline during 1985 the sector still accounts for more than 15% of GDP since it has nevertheless performed better than most other sectors. During the period 1981-1984 export earnings derived from manufacturing and measured in U.S.dollars remained almost constant, but recorded a 5% increase for 1985.

Performance of the sector needs to be seen in the context of a contracting domestic market as well as reduced CARICOM trade. At the same time, production has also been constrained since foreign exchange has not been readily available, and moreover has become increasingly expensive as a result of devaluation.

A number of measures have been taken in an effort to resuscitate the sector. It should be noted that the ceiling on bank credit was relaxed in November 1985 and a Technical Assistance Fund for Exports (TAFEX) was established in early 1985 to finance consulting services in marketing, sales, quality control, and product development, for non-traditional exports. These new incentives as well as the more competitive prices, lower fuel prices and the relative stability of the exchange rate have limited the decline in manufacturing output to the marginal rate noted.

(iv) Construction: GDP in constant prices declined in 1985 by more than 13% following a 5% decline in 1984. The sector share is now just about 5% of the total GDP, considerably below the proportion obtaining in the 1970's.

Table 7.  
JAMAICA: INDICATORS OF CONSTRUCTION

|                         | 1983<r> | 1984    | 1985<p> | Percentage change |       |       |
|-------------------------|---------|---------|---------|-------------------|-------|-------|
|                         |         |         |         | 1983              | 1984  | 1985  |
| Cement ('000 tonnes)    | 278.3   | 259.2   | 240.5   | 31.7              | -6.9  | -7.2  |
| Paint ('000 litres)     | 7 364.7 | 5 778.1 | 5 373.5 | 18.1              | -21.5 | -7.0  |
| Steel ('000 tonnes)     | 14.0    | 13.2    | 12.4    | 5.3               | -5.7  | -6.1  |
| Imports of construction |         |         |         |                   |       |       |
| Materials (US\$m)<1>    | 71.2    | 67.4    | 56.1    | 0.0               | -5.3  | -16.8 |
| Employment ('000)<2>    | 34.6    | 32.7    | 33.4    | 16.1              | -5.5  | 2.1   |

Source: Statistical Institute of Jamaica.

<1> From External Trade (Prov.) 1984, 1985; Statistical Institute of Jamaica.

<2> Average of April and October data.

All the indicators except employment and government spending on construction showed declines during 1985. Production of main building materials such as cement, paint and steel products declined by 6% - 7% and imports of construction materials declined by 17%. Outstanding loans and advances by commercial banks for construction and land development declined slightly during 1985, reflecting the lower working capital needed to service the reduced construction activities. Similarly, the net value of loans made by building societies also fell. On the other hand, employment increased by more than 2% and it appeared that government spending on construction also increased during 1985. The government budget allocation for fiscal 1985-1986 even allowing for currency devaluation was significantly higher than the 1984-1985 allocation.

The increase in employment in the sector is explained by government's higher level of spending on construction activities, including improvement and repairs to roads and bridges, and by the relatively intensive use which was made of labour in 1985.

A number of factors explain the decline in construction GDP during the year. Despite its relatively extensive use of domestic resources, the construction sector nevertheless has a high import content. The currency depreciation, when taken together with an additional 6% stamp duty imposed on imported raw materials, and already high import duties therefore had a dampening effect on the industry. Credit restrictions and high interest rates while imposed as part of a wider economic strategy were also restraining factors. By mid-year 1985, the prime lending rate of commercial banks had reached 23 percent.

(v) **Employment and wages:** The mean population of Jamaica was estimated at 2.3 million persons during 1985 and although the rate of natural increase of the population declined to 18.3 births per thousand, the rate of increase for the year was 1.3%. During this period, the labour force declined slightly, by 0.3%, and the labour force participation rates for both males and females also declined. Part of this decline would appear to be due to losses from emigration, net migration increasing from 4.6 to 5.8 per thousand.

Table 8  
JAMAICA: EMPLOYMENT AND UNEMPLOYMENT

|                             | 1983    | 1984    | 1985    | Percentage change |      |       |
|-----------------------------|---------|---------|---------|-------------------|------|-------|
|                             |         |         |         | 1983              | 1984 | 1985  |
| Labour force ('000)         | 1 008.4 | 1 045.8 | 1 042.4 | -0.1              | 3.7  | -0.3  |
| Employment (%)              | 73.6    | 74.5    | 75.0    | 1.7               | 1.2  | 0.7   |
| Employed ('000)             | 742.4   | 779.0   | 781.7   | 1.5               | 4.9  | 0.3   |
| Of which:                   |         |         |         |                   |      |       |
| Agriculture                 | 246.6   | 257.8   | 279.8   | -5.3              | 4.5  | 8.5   |
| Manufacturing               | 90.8    | 97.1    | 98.6    | 10.6              | 6.9  | 1.5   |
| Construction                | 34.6    | 32.7    | 33.6    | 16.1              | -5.5 | 2.8   |
| Commerce                    | 107.6   | 109.4   | 113.7   | 9.0               | 1.7  | 3.9   |
| Public administration       | 101.5   | 100.5   | 81.9    | 1.3               | -1.0 | -18.5 |
| Unemployment ('000)         | 266.0   | 266.9   | 260.8   | -4.5              | 0.3  | -2.3  |
| Unemployed (%)              | 26.4    | 25.5    | 25.0    | -4.3              | -3.4 | -2.0  |
| Participation rates (%) <1> |         |         |         |                   |      |       |
| Total                       | 45.3    | 46.1    | 45.3    | ...               | ...  | ...   |
| Male                        | 49.6    | 50.0    | 49.6    | ...               | ...  | ...   |
| Female                      | 41.0    | 42.4    | 41.1    | ...               | ...  | ...   |

Source: The Labour Force 1985; Statistical Institute of Jamaica.

<1> Labour force as percentage of relevant population.

Note:

Labour Force data have been revised back to 1975 resulting from data provided in the 1982 Census of Population. Absolute numbers are averages of April and October survey data.

The number of unemployed persons and the unemployment rate both decreased, and employment increased, notable in view of the overall decline in the GDP. A part of the increase may be due to random features in the biannual April and October surveys, although it is noted that there was a rise in the numbers and the shares of self-employed, and persons employed in service occupations which tend to be labour intensive.

Employment increased in all the major sectors except government and "other services", this latter including also personal services. Employment in the government sector declined by nearly 19%, as a result of the policy of structural adjustment and efforts to reduce the budget deficit. The agriculture sector, which is the largest in terms of employment, increased by nearly 9% during 1985, following an increase of approximately 5% during 1984. Commerce increased by nearly 4%, and construction by nearly 3%, and taken together with agriculture, more than offset the decline in employment in public administration.

Like most developing countries, the age-group distribution of the unemployed is skewed towards the young. Fifty-six percent of the unemployed are of age 24 and under, with the 20-24 age-group being the largest, and accounting for 32% of total unemployed on average during 1985. The rate of natural increase of the population is however, declining and will eventually reduce the numbers of fourteen year olds qualifying for entry into the labour force.

Comprehensive published data on wages and salaries are not available. However, an index published by the Statistical Institute of Jamaica shows that the mean weekly income of males remained constant between October 1984 and October 1985. For women, there was a rise of 4.5% over the same period. By way of comparison, the increases between 1983 and 1984 were 20% for men and 33% for women. The smaller increase for 1985 relates to the decline in economic activity and its dampening effect on wage increases.

(vi) **Tourism:** As of 1985, tourism has become the single most important earner of foreign exchange in Jamaica. This pride of place, it should be noted, arose not so much because of any major growth in tourism activities during the year but because of the continued decline in the bauxite/alumina sector. The importance of tourism is underscored by the relatively large amount of foreign exchange and employment which it generates. During 1984, direct employment in accommodation exceeded 12,000 and tourism was estimated to provide employment indirectly for nearly 28,000 persons, in tourism related services such as transportation, catering, retail trade and personal services, such as tailoring and laundering.

Visitor expenditure was estimated at approximately US\$407 million, showing a minimal increase over the figure for 1984. This outcome resulted mainly from the fact that while total visitor arrivals increased by approximately 0.5%, the important category "stopover visitors" declined by 5% and more than offset the increased income earned from the 14% rise in cruise ship visitors. The latter spend little time on shore and considerably less money on average than stopover visitors. The decline in the number of stopover visitors was not attributable to cost since the downward float of the Jamaican dollar during the year has made Jamaica more attractive cost wise than most of its competitors. Neither could it be blamed on scarcity of rooms since the number of beds available increased during the year and the room occupancy rate fell to 52%. The stagnation was largely attributable to internal socio-political factors which led to disturbances in the early part of the year and resulted in the cancellation of some bookings.

Table 9  
JAMAICA: SELECTED TOURISM STATISTICS

|                                                  | 1983       | 1984<r> | 1985<p> | Percentage change |         |
|--------------------------------------------------|------------|---------|---------|-------------------|---------|
|                                                  |            |         |         | 1984<r>           | 1985(p) |
| Total visitors ('000)                            | 782.4      | 842.4   | 846.7   | 7.6               | 0.5     |
| of which:                                        |            |         |         |                   |         |
| Stopover                                         | 566.2      | 603.4   | 572.7   | 6.6               | -5.1    |
| Cruise                                           | 210.2      | 229.7   | 261.5   | 9.3               | 13.8    |
| Total no. of hotels                              | 96         | 91      | ...     | -5.2              | ...     |
| Total no. guesthouses                            | 19         | 48      | ...     | 152.6             | ...     |
| Average no. hotel and guesthouse rooms           | 7 554      | 7 113   | 7 423   | -5.8              | 4.4     |
| Average no. hotel and guesthouse beds            | 15 522     | 14 567  | 14 649  | -6.2              | 0.6     |
| Average hotel and guesthouse bed occupancy rate  | 53.2       | 55.8    | 48.8    | 4.9               | -12.5   |
| Average hotel and guesthouse room occupancy rate | 58.6       | 60.4    | 51.8    | 3.1               | -14.2   |
| Average length of stay (stopover visitors)       | 9.2        | 9.0     | 9.5     | -2.2              | 5.6     |
| Total visitor expenditure (US\$ million)         | 399.3      | 406.6   | 406.8   | 1.8               | 0.1     |
| of which:                                        |            |         |         |                   |         |
| Stopover visitors                                | (389.6)<r> | (394.5) | (393.4) | 1.3               | -0.3    |
| Cruise visitors and , armed forces               | (9.7)      | (12.1)  | (13.4)  | 24.7              | 10.7    |
| Percentage of stopover visitor arrivals          |            |         |         |                   |         |
| United States                                    | 75.1       | 77.5    | 75.8    | ...               | ...     |
| Canada                                           | 13.5       | 13.1    | 14.4    | ...               | ...     |
| United Kingdom                                   | 3.8        | 3.4     | 3.8     | ...               | ...     |
| Other Europe                                     | 2.7        | 2.0     | 1.7     | ...               | ...     |
| Caribbean                                        | 3.5        | 2.6     | 2.8     | ...               | ...     |
| Latin America (South and Central)                | 0.7        | 0.8     | 0.8     | ...               | ...     |
| Other                                            | 0.7        | 0.6     | 0.7     | ...               | ...     |

Source: Bank of Jamaica and Jamaica Tourist Board.

Considerable investment of funds and effort continued to be devoted to increasing tourism during 1985, and is partly reflected in the 48% increase in loans owed to commercial banks as of the end of 1985. The investment is based on an assumption that the market would expand with the continued economic growth of the industrialized countries, particularly the United States of America. The devalued and now relatively stable rate of exchange was also expected to be a positive factor. Both local and foreign private investment, some in joint ventures, were either being planned or put into place to establish new plant or to upgrade existing facilities. In addition the government has been allocating

more funds for development of tourism infrastructure, tourist attractions are being developed and upgraded, and various training schemes for industry personnel have been implemented as part of the effort to stimulate the industry. During 1985-1986 the government earmarked some 70 million dollars for tourism, and for 1986-1987 the budget allocation was increased by 150% in terms of local currency, a significant portion of the increase being earmarked for tourism promotion.

### 3. The external sector

#### (a) The balance of payments

Despite the implementation of various policy measures during 1985, the balance of payments was negative and there was a decline in foreign exchange reserves.

The merchandise trade deficit increased significantly over 1984 due to a 19% decline in the value of exports measured in US dollars, while imports (f.o.b) declined by less than 4 percent.

Most of the major traditional export commodities declined, bananas and citrus and citrus related products being the exceptions, but these accounted for only a small part of the value of total exports. On the other hand, the major commodities; bauxite, alumina and sugar declined sharply. The 35% decline in the combined export earnings from bauxite/alumina reflected the stagnation in the world alumina market while sugar earnings continued to decline owing to softness in the market, a reduction of the US sugar quotas, and domestic production difficulties. The value of non-traditional export commodities however, increased by 10% during the year, but could make only a limited impact in offsetting the decline of traditional exports.

Table 10  
 JAMAICA: EXPORTS OF GOODS - (f.o.b.)  
 (U.S. dollars million)

|                                                        | 1983     | 1984<r> | 1985<p> | Percentage change |         |
|--------------------------------------------------------|----------|---------|---------|-------------------|---------|
|                                                        |          |         |         | 1984<r>           | 1985<p> |
| Total exports                                          | 685.7    | 702.3   | 568.6   | 2.4               | -19.0   |
| Traditional exports                                    | 521.0<r> | 547.8   | 381.0   | 5.1               | -30.4   |
| of which:                                              |          |         |         |                   |         |
| Bauxite                                                | 109.2    | 159.7   | 77.5    | 46.2              | -51.5   |
| alumina                                                | 314.6    | 283.8   | 212.2   | -9.8              | -25.2   |
| Sugar                                                  | 57.3     | 66.0    | 49.8    | 15.2              | -24.5   |
| Bananas                                                | 6.8      | 1.5     | 4.2     | -77.9             | 180.0   |
| Citrus and related products                            | 3.9<r>   | 6.6     | 7.3     | 69.2              | 10.6    |
| Coffee and related products                            | 8.3      | 8.9     | 7.5     | 7.2               | -15.7   |
| Cocoa and related products                             | 4.1<r>   | 6.2     | 5.7     | 51.2              | -8.1    |
| Non-traditional exports                                | 152.1<r> | 140.0   | 154.1   | -8.0              | 10.1    |
| of which:                                              |          |         |         |                   |         |
| Beverages and tobacco                                  | 24.6     | 20.0    | 19.6    | -18.7             | -2.0    |
| Manufactures incl. chemicals<br>and petroleum products | 96.7     | 96.2    | 101.5   | -0.5              | 5.5     |
| Re-exports                                             | 12.6     | 14.5    | 33.5    | 15.1              | 131.0   |

Source: Statistical Institute of Jamaica.

Increasing emphasis is being given to promotion of exports of non-traditional export items under the structural adjustment programme and their share of total domestic exports reached approximately 28% in 1985, as compared to 13% in 1981. The main commodity groups involved here are food (excluding sugar) cut flowers and foliage, and wearing apparel, and these accounted for the major share of the increase in 1985.



Table 11  
 JAMAICA: IMPORTS OF GOODS - (c.i.f.)  
 (U.S. dollars million)

|                                      | 1983<r> | 1984<r> | 1985<p> | Percentage<br>breakdown |         | Percentage<br>change |         |
|--------------------------------------|---------|---------|---------|-------------------------|---------|----------------------|---------|
|                                      |         |         |         | 1984<r>                 | 1985<p> | 1984<r>              | 1985<p> |
| Total                                | 1 280.9 | 1 183.2 | 1 143.6 | 100.0                   | 100.0   | -7.6                 | -3.4    |
| Consumer goods                       | 207.1   | 163.7   | 158.2   | 13.8                    | 13.8    | -21.0                | -3.4    |
| Food                                 | 107.7   | 98.9    | 82.1    | 8.4                     | 7.2     | -8.2                 | -17.0   |
| Other non-durable                    | 59.1    | 42.9    | 40.9    | 3.6                     | 3.6     | -27.4                | -4.7    |
| Durable                              | 40.3    | 21.9    | 35.2    | 1.8                     | 3.0     | -45.7                | 60.7    |
| Raw materials                        | 768.9   | 732.3   | 702.9   | 61.9                    | 61.5    | -4.8                 | -4.0    |
| Fuels                                | 385.5   | 349.0   | 367.8   | 29.5                    | 32.2    | -9.5                 | 5.4     |
| Other                                | 383.4   | 383.3   | 335.1   | 32.4                    | 29.3    | 0.0                  | -12.6   |
| Capital goods                        | 304.9   | 287.3   | 282.5   | 24.3                    | 24.7    | -5.8                 | -1.7    |
| Constr. materials                    | 71.2    | 67.4    | 56.1    | 5.7                     | 4.9     | -5.3                 | -16.8   |
| Trans. equipment                     | 55.7    | 41.9    | 55.2    | 3.5                     | 4.8     | -24.8                | 31.7    |
| Other machinery &<br>capital imports | 178.0   | 178.0   | 171.2   | 15.0                    | 15.0    | 0.0                  | -3.8    |

Source: Statistical Institute of Jamaica.

The approximately 4% decline in imports during 1985 continued the downward trend observed since 1982. All the broad categories of imports, consumer goods, raw materials and capital goods shared in the decline but capital goods imports were least affected, declining by less than 2%. Within the broad groups, the individual sub-groups showed a less consistent pattern. For example, consumer food imports decreased by 17% while imports of consumer durables rose by 61%. Imports of fuels and transport equipment also increased, the latter by nearly one third. Consumer goods imports declined partly in response to the reimposition of import licensing for some agricultural products and the imposition of an additional stamp duty on consumer goods in early 1985. It should also be noted that imports of items such as fish and fish preparations and cereals preparation have decreased quite significantly since 1983, while the production of rice, corn, soya and the local fish catch have all increased. The growth in imports of consumer durables, though spread over virtually all the component items, is mainly attributable to motor vehicles, imports of which had fallen in 1984. Increased motor vehicle imports for 1985 resulted from further de-regulation of imports as well as special trading arrangements with respect to vehicles.

Virtually all components of raw materials and intermediate goods imports declined, the notable exception being fuels as observed previously. The decline is consistent with the contraction of the manufacturing sector dependent as it is on raw material inputs. Imports of fuel for the bauxite sector fell, consistent with the decline in that subsector, while other fuel imports rose to replenish inventories.

The behaviour of the capital goods group of imports also concealed a varied pattern; transport equipment increased sharply by 32% but this was not a sufficiently large increase to offset declines in other sub-groups. The decline in construction materials imports is consistent with the trend noted in the construction sector. Imports of industrial machinery also increased, contrary to the main trend, and reflected the thrust being given to boosting industrial output for export.

The services component of the balance of payments also continued the familiar pattern of deficits. Net receipts on foreign travel, reflecting receipts from tourism, were slightly lower in 1985 than in 1984, and with the ever-increasing outflow on investment income combined to worsen the current accounts position, despite a 14% improvement in the other services account. Unrequited transfers, particularly official transfers, continued the improvement noted in 1984.

The net effect, however, was a current account deficit of US\$401 million. Net capital inflows were lower by 34% in 1985 than in 1984 and as a result, 1985 external transactions resulted in a deficit compared with the substantial surplus gained in 1984.

Table 12  
JAMAICA: BALANCE OF PAYMENTS  
(U.S. dollars million)

|                                          | 1982    | 1983    | 1984<r> | 1985<p> |
|------------------------------------------|---------|---------|---------|---------|
| A. Merchandise                           | -441.5  | -438.5  | -334.7  | -428.6  |
| Exports (f.o.b.)                         | 767.4   | 685.7   | 702.3   | 570.2   |
| Imports (f.o.b.)                         | 1 208.9 | 1 124.2 | 1 037.0 | 998.8   |
| B. Services (net)                        | -96.8   | -143.5  | -83.4   | -112.7  |
| Foreign travel                           | 306.1   | 374.3   | 385.3   | 374.0   |
| Investment income                        | -183.5  | -266.1  | -265.2  | -310.8  |
| Other                                    | -219.4  | -251.7  | -203.5  | -175.9  |
| Goods and services (net)                 | -538.3  | -582.0  | -418.1  | -541.3  |
| C. Unrequited transfers (net)            | 150.4   | 101.5   | 120.6   | 140.2   |
| Private                                  | 134.5   | 94.7    | 80.4    | 97.4    |
| Official                                 | 15.9    | 6.8     | 40.2    | 42.8    |
| Current account balance                  | -387.9  | -480.5  | -297.5  | -401.1  |
| D. Net capital movements                 | 465.6   | 190.5   | 482.7   | 319.3   |
| Official                                 | 446.0   | 300.7   | 362.9   | 248.7   |
| Private                                  | 19.6    | -110.2  | 119.8   | 70.6<l> |
| E. Change in reserves (increase = minus) | -86.1   | 289.1   | -225.7  | 81.8    |
| Holdings of SDR's                        | 1.2     | 0.1     | -       | -       |
| Reserve portions of the IMF              | -1.3    | 4.1     | -       | -       |
| Government                               | -1.0    | 17.4    | -4.3    | 5.0     |
| Capital Development Fund                 | 4.1     | 0.2     | -0.1    | -       |
| Bank of Jamaica                          | -90.4   | 257.6   | -183.3  | 76.7    |
| Export Development Fund                  | 1.3     | 9.7     | -37.5   | 0.1     |
| F. Net errors and omissions              | 8.4     | 0.9     | 40.5    | -<l>    |

Source: Bank of Jamaica.

<l> Net errors and omissions included in private capital.

Jamaica's foreign trade policy is inextricably bound up with its overall economic policy. Indeed, given the economic realities of small size, limited resource base and traditional openness, the predominance of external trade considerations in formulating economic policies is inevitable. Thus, as explained in recent issues of these economic survey notes on Jamaica, the overall strategy for achieving long run structural transformation involves several policies specifically related to the external sector. Among these are the various measures geared toward export-oriented development of the economy and include a more flexible exchange rate policy, the enactment of measures to promote and encourage establishment of free zones for manufacturing, and granting special tariff concessions for imports of raw materials and capital goods used in production destined for export.

Jamaica participates in and benefits from a number of multilateral and bilateral arrangements intended to promote its exports. Included among these are the Generalized System of Preferences (GSP), the Caribbean Basin Initiative (CBI), the European Economic Community/African Caribbean Pacific Countries (EEC/ACP) Agreements, the Caribbean Common Market (CARICOM) arrangements, the CARIBCAN programme (an arrangement between Canada and Commonwealth Caribbean countries), the Jamaica/USA Textile Agreement and other AD HOC agreements for exports of specific commodities, including counter-trade arrangements.

During 1985, major efforts to benefit further from the CBI programme were concentrated on attracting new US investment in plant and machinery to exploit the opportunities under the "807 programme," where US pre-cut textile fabrics are shipped to Jamaica for finishing and shipped back to the US markets. Significant efforts were also made in connection with food and food related export products especially of winter vegetables, the production of which is being stimulated by the "Agro 21" programme. However, during 1985, proposed protectionist legislation in the United States of America threatened the continued existence of these opportunities. Additionally, the sugar export quota granted by the United States faced further reduction and that country also imposed quotas on some food related products which contain sugar.

Trade with the EEC continued at a relatively high level, exports from Jamaica being maintained largely by the LOME Convention. During 1985, LOME II was on its last year and along with other Caribbean participants, Jamaica was looking towards the inauguration of LOME III, which would come into effect in May 1986, with its somewhat more liberal definition of area of origin for exports. Greater efforts at export promotion in EEC countries other than the UK might usefully be included as part of the export diversification programme.

CARIBCAN is an improvement on the GSP and grants duty free status for all but a few product groups; but among the excluded items are textiles, garments and leather products, thus limiting the benefits obtainable in the short to medium-term. It is also to be noted that the high domestic value-added criteria under CARIBCAN reduces the scope of products that can qualify for entry.

The value of trade between Jamaica and her CARICOM partner countries, in US dollars, declined again in 1985 despite the existence of the Nassau Accord of 1984 which had been expected to generate the opposite effect. A bilateral agreement between Jamaica and its main trading partner, the Republic of Trinidad and Tobago during the year should result in some improvement in 1986.

Counter-trade can be expected to become an important part of the promotion and trade diversification strategy in the next few years as a response to chronic foreign exchange shortages.

(b) External debt

The levelling off of the external debt during 1984 proved short-lived, growth of the debt resuming in 1985 with an increase of nearly 5%. Government direct loans increased by 4% while the smaller commitment on government guaranteed loans increased much more substantially. A fundamental shift in the maturities of loans became apparent in 1984. During the two previous years, short-term loans exceeded long and medium-term loans but in 1984, a considerable shift to the longer maturities became apparent indicating that rescheduling had occurred. Data are not available for 1985 but it is expected that the 1984 trends continued.

During 1984, amortization and interest payments to service the external debt increased as a percentage of total exports, to 56%. On the basis of partial 1985 data, which showed a significant rise in debt payments and bearing in mind the sluggish performance of exports, the ratio of debt service to exports is expected to have increased in the year under review.

Table 13  
JAMAICA: INDICATORS OF EXTERNAL DEBT  
(U.S. dollars million)

|                                  | 1983    | 1984    | 1985    | Percentage change |      |
|----------------------------------|---------|---------|---------|-------------------|------|
|                                  |         |         |         | 1984              | 1985 |
| Total external debt<1>           | 3 275.0 | 3 267.0 | 3 418.0 | -0.2              | 4.6  |
| of which:                        |         |         |         |                   |      |
| Long and medium-term             | 1 566.0 | 2 084.5 | ...     | 33.1              | ...  |
| Short-term                       | 1 709.0 | 1 182.5 | ...     | -30.8             | ...  |
| of which:                        |         |         |         |                   |      |
| Government guaranteed            | 269.2   | 294.5   | 330.8   | 9.4               | 12.3 |
| Government direct                | 1 650.6 | 1 747.2 | 1 826.3 | 5.9               | 4.5  |
| Servicing of total external debt | 371.4   | 394.8   | ...     | 6.3               | ...  |
| Amortization                     | 176.1   | 208.8   | ...     | 18.6              | ...  |
| Interest payments                | 195.3   | 186.0   | ...     | -4.8              | ...  |

Source: Bank of Jamaica.

<1> Represents government direct, Bank of Jamaica external debt, debt of public entities and external borrowing guaranteed by Government.

#### 4. Monetary and fiscal policy

##### (a) Monetary policy

As was the case in 1984, money supply during 1985 continued to be restricted in order to limit aggregate demand and the consequent demand for foreign exchange. The policy instruments employed in the process included a managed exchange rate depreciation, increasing the statutory liquidity ratios, increasing interest rates to encourage domestic savings, and a controlled expansion of credit to ensure a larger flow of funds to the productive sectors.

At the end of 1984, the commercial banking sector was extremely liquid and as this situation persisted into 1985, the statutory liquidity requirement was increased in April to 48%. Between the end of 1984 and July 1985 the cash reserve ratio was increased from 14% to 20%, where it remained for the rest of the year. Trust companies, merchant banks and finance houses have become important as depositories of funds, the average deposits of trust companies and merchant banks amounting to nearly \$767 million during December 1985. While this is less than one sixth the size of deposits of commercial banks the share is growing. Accordingly, the liquidity assets ratio of these institutions was increased during the year and a cash reserve requirement was imposed, rising at 5% by the end of the year.

Throughout most of 1984 the exchange rate was fixed at bi-weekly auctions. Bids were made within an adjustable band of J\$0.15 above or below the mid-point of the band. Fortnightly reviews of the bands were made and adjustments effected as deemed necessary. Towards the end of 1984, the system was modified to allow the currency to float freely and discarding the prescribed band limits, a procedure which continued throughout 1985.

During the year 1985, the exchange rate depreciated from US\$1.00 = J\$4.90 to J\$6.00 at the end of October, appreciating thereafter to J\$5.50 one month later and remaining at that level until year end.

Interest rates continued to increase throughout the year in accord with the strategy mentioned above. For example, the rate at which the Bank of Jamaica would lend to commercial banks increased to 21% at end of 1985 compared to 16% at end of 1984. Treasury bill rates and prime lending rates of commercial banks also increased by 5 percentage points during the period. Instalment interest rates charged by commercial banks averaged in excess of 29% by December 1985. Parallel to this movement rates paid on savings and time deposits and the yields of portfolio investment also increased. By mid-year, the rates on some savings deposits had reached 23 percent.

The level of credit is affected by a number of factors, including the legal liquidity requirements of financial institutions mentioned above. During the year, the government also imposed direct administrative credit restrictions including setting absolute ceilings for banks and other financial institutions and selective limitations biased against consumer credit.

Table 14  
 JAMAICA: MONETARY BALANCE  
 (Jamaica dollars million)

|                             | 1983     | 1984     | 1985<p>  | Percentage change |         |
|-----------------------------|----------|----------|----------|-------------------|---------|
|                             |          |          |          | 1984              | 1985<p> |
| Money (M-1)                 | 884.3    | 1 012.4  | 1 210.4  | 14.5              | 19.6    |
| Currency outside banks      | 372.8    | 433.3    | 524.5    | 16.2              | 21.0    |
| Demand deposits             | 511.5    | 579.1    | 685.9    | 13.2              | 18.4    |
| Factors of expansion        |          |          |          |                   |         |
| Net international reserves  | -3 587.0 | -4 799.6 | -6 456.1 | -33.8             | -34.5   |
| Domestic credit             | 5 633.8  | 5 999.1  | 6 089.6  | 6.5               | 1.5     |
| Government (net)            | 3 603.8  | 3 714.6  | 3 677.0  | 3.1               | -1.0    |
| Private sector              | 2 030.0  | 2 284.5  | 2 412.6  | 12.5              | 5.6     |
| Factors of absorption       |          |          |          |                   |         |
| Quasi money                 | 2 097.2  | 2 438.8  | 3 099.2  | 16.3              | 27.1    |
| Long-term foreign borrowing | -        | -        | -        | -                 | -       |
| Bonds                       | -934.7   | -2 251.7 | -4 676.1 | 140.9             | 107.7   |
| Other items (net)           | ...      | ...      | ...      | ...               | ...     |

Source: Bank of Jamaica.

Despite the additional restrictions on liquidity and credit, money supply increased faster in 1985 than in 1984, the broader money supply (M-2) increasing by 27%. Likewise, outstanding loans of commercial banks also increased but at a decreasing rate reflecting the higher interest rates. Loans made by building societies, mainly for home mortgages were reduced substantially, but new instalment credit, destined mainly for the purchase of commercial motor vehicles increased quite significantly.

In general, the measures instituted seem to have been partly successful. The increase in aggregate demand was contained in constant prices, and (M-1), the measure of the narrow money supply, and commercial bank credit increased at a slower pace than the consumer price index. In addition, loans of commercial banks for personal reasons declined while loans to agriculture, tourism and transport increased. On the other hand loans of commercial banks to manufacturing and construction declined in real terms, while loans to central and local government increased significantly.

Table 15  
**JAMAICA: COMMERCIAL BANKS - LOANS AND ADVANCES**  
 (Jamaica dollars million)  
 (As at 31 December)

|                                         | 1983  | 1984  | 1985  | Percentage change |       |
|-----------------------------------------|-------|-------|-------|-------------------|-------|
|                                         |       |       |       | 1984              | 1985  |
| Total outstanding                       | 2 447 | 2 746 | 3 048 | 12.2              | 11.0  |
| of which:                               |       |       |       |                   |       |
| Agriculture                             | 265   | 401   | 497   | 51.3              | 23.9  |
| Manufacturing                           | 520   | 681   | 726   | 31.0              | 6.6   |
| Construction and land development       | 514   | 617   | 612   | 20.0              | -0.8  |
| Central and local government            | 107   | 44    | 142   | -58.9             | 222.7 |
| Personal                                | 173   | 143   | 132   | -17.3             | -7.7  |
| Distribution                            | 134   | 104   | 99    | -22.4             | -4.8  |
| Tourism                                 | 108   | 125   | 185   | 15.7              | 48.0  |
| Transportation, storage & communication | 285   | 334   | 391   | 17.2              | 17.1  |

Source: Bank of Jamaica.

#### (b) Fiscal policy

The main fiscal policy objective in 1985 continued as in 1984 to be the reduction of the government budget deficit to the target ratio of 4% of GDP. The ratio for the fiscal year April 1985 - March 1986 derived from provisional data was approximately 5.7% of Gross Domestic Product.

The policy targets could be achieved by increasing GDP and/or reducing the deficit, the latter implying action in reducing the size of government expenditure relative to revenue. The measures utilized attempted to address both the total output and the fiscal aspects within the context of the twin strategies of stimulating economic recovery and achieving structural adjustment of the economy. The structural adjustment process included the strategy of "privatization" of the economy which translated into action meant largely divestment of government enterprises, some of which had required government subsidies to keep them solvent. Sale of these enterprises added to non-tax revenue and reduced expenditure on subsidies.

The impact of the policy measures is reflected in the decreasing contribution of the government sector to GDP since 1983. Also, it appears from preliminary data for 1985 that the relative position of revenue to expenditure improved.

The cut back in government activity is more pronounced than appears in the table since during 1985, interest payments on earlier incurred debt increased substantially. If interest payments are excluded, expenditure during 1985 would be lower than in 1984. Account should also be taken of the 26% inflation and the 18.5% decline in employment in public administration, during 1985, which further substantiate the trend.

Preliminary revenue data for fiscal 1984-1985 and 1985-1986 show a 9% increase. When loan receipts and transfers from the Capital Development Fund are excluded, the increase in revenue is around 30% arising from the imposition of higher rates on stamp duties, consumption taxes, customs and excise duties and various minor taxes. Revenue also benefitted from the "fiscal drag effect" which inflation has on the level of taxation receipts.

Table 16  
JAMAICA: CENTRAL GOVERNMENT REVENUE AND EXPENDITURE  
(Jamaica dollars million)

|                                             | 1984<p>  | 1984/<br>1985<p 1> | 1985/<br>1986<p 2> | Percentage<br>change |                  |
|---------------------------------------------|----------|--------------------|--------------------|----------------------|------------------|
|                                             |          |                    |                    | 1984<p>              | 1985/<br>1986<p> |
| Current revenue                             | 2 059.4  | 2 121.6            | 2 819.3            | 22.5                 | 32.9             |
| Customs                                     | 131.2    | 169.1              | 211.8              | 0.5                  | ...              |
| Excise duties                               | 22.6     | 24.8               | 26.9               | 0.4                  | ...              |
| Consumption duty                            | 447.2    | 522.0              | 587.8              | 5.9                  | ...              |
| Income tax                                  | 735.3    | 903.7              | 1 145.0            | 8.5                  | ...              |
| Stamp duty                                  | 151.4    | 183.8              | 432.5              | 47.7                 | ...              |
| Other                                       | 571.7    | 318.2              | 415.3              | 75.7                 | ...              |
| Special bauxite transaction                 | -        | -                  | -                  | -                    | -                |
| Current expenditure                         | 2 742.5  | ...                | ...                | 43.6                 | ...              |
| Wages, salaries, subsidies<br>and transfers | 1 689.2  | ...                | ...                | 14.9                 | ...              |
| Interest payments                           | 1 053.3  | ...                | ...                | 139.4                | ...              |
| Savings on current account                  | -683.1   | ...                | ...                | -197.8               | ...              |
| Capital revenue                             | 11.3     | 10.7               | 27.5               | 151.1                | 157.0            |
| Capital expenditure                         | 777.4    | ...                | ...                | -13.8                | ...              |
| Amortization                                | 257.4    | ...                | ...                | -12.8                | ...              |
| Other                                       | 520.0    | ...                | ...                | -14.8                | ...              |
| Total expenditure                           | 3 519.9  | 3 664.6            | 4 569.0            | 25.2                 | 24.7             |
| Fiscal surplus or deficit (-)               | -1 449.2 | -1 532.3           | -1 725.2           | 42.9                 | 12.6             |
| Financing of deficit                        | 1 222.9  | ...                | ...                | 10.3                 | ...              |
| Foreign                                     | 713.0    | ...                | ...                | 31.2                 | ...              |
| Domestic bank                               | 99.9     | ...                | ...                | -84.9                | ...              |
| Domestic non-bank                           | 410.0    | ...                | ...                | -                    | ...              |
| Residual                                    | 226.3    | ...                | ...                | -                    | -                |

Source: Bank of Jamaica and Ministry of Finance and Planning.

<1> Actual expenditure on Government Accounts.

<2> Expenditures from the consolidated fund.

### (c) Domestic prices

The average annual rate of inflation as measured by the consumer price index was nearly 26% during 1985 compared with a rate of almost 28% during 1984. It should be noted however, that these price increases exceed those for 1982 and 1983 which registered 6% and 11% respectively. Price increases were fairly evenly spread over the range of major groups of items, except for household furnishings and furniture which increased by only 12%. The rate of price increases abated during the latter part of the year and only a 1.8% rise



occurred during the last quarter of 1985.

Several factors influence the price levels in Jamaica and it is generally acknowledged that import prices play a major role. Accordingly, any domestic policies, such as a change in the rate of exchange, which have the effect of increasing the cost of imports will impact strongly upon domestic prices. Data published by the Statistical Institute of Jamaica for the food and beverages component of the index show that imported items now carry a larger weight, about one-third compared to 13% when the index was originally compiled in 1975.

While there were some developments in external markets that should have exerted downward pressure on prices these factors were not sufficient to offset the impact of devaluation. Petroleum prices trended downward in the latter part of 1985 though these reductions were not passed on to the consumer, while the rate of inflation prevailing in Jamaica's major trading partner countries was much lower than 10 percent.

On the domestic side, other major contributors to price movements, were the imposition of additional stamp duties on imports, and additional taxes on specific local consumer items. Production levels were somewhat lower during the year but these were offset, at least to some extent, by the elimination of some restrictions on imports. Interest rates were also high and contributed to inflation. On the other hand, relatively stable wage levels and the lower level of real disposable income tended to dampen inflationary trends.

Table 17  
 JAMAICA: EVOLUTION OF DOMESTIC PRICES  
 (All Jamaica)

|                                | Weights | 1982  | 1983  | 1984  | 1985  |
|--------------------------------|---------|-------|-------|-------|-------|
| January 1975 = 100             |         |       |       |       |       |
| All items consumer price index | 100.00  | 347.4 | 386.7 | 494.3 | 621.1 |
| Food and drink                 | 53.28   | 368.2 | 412.4 | 529.6 | 664.6 |
| Housing                        | 8.87    | 245.4 | 264.4 | 349.4 | 419.1 |
| Clothing and accessories       | 8.18    | 334.0 | 360.9 | 421.7 | 504.7 |
| Personal expenses              | 8.43    | 338.6 | 394.8 | 509.1 | 660.9 |
| Variation December to December |         |       |       |       |       |
| All items consumer price index |         | 6.5   | 16.7  | 31.2  | 23.0  |
| Food and drink                 |         | 7.5   | 17.3  | 31.6  | 24.6  |
| Housing                        |         | 8.7   | 7.4   | 47.0  | 4.5   |
| Clothing and accessories       |         | 3.4   | 14.0  | 16.1  | 21.1  |
| Personal expenses              |         | 6.0   | 22.5  | 29.9  | 32.0  |
| Annual average variation       |         |       |       |       |       |
| All items consumer price index |         | 6.5   | 11.3  | 27.8  | 25.7  |
| Food and drink                 |         | 6.1   | 12.0  | 28.4  | 25.5  |
| Housing                        |         | 10.0  | 7.7   | 32.1  | 19.9  |
| Clothing and accessories       |         | 4.8   | 8.1   | 16.8  | 19.7  |
| Personal expenses              |         | 7.7   | 16.6  | 29.0  | 29.8  |

Source: Statistical Institute of Jamaica.

PART VIII  
MONTSERRAT  
COUNTRY NOTES



## MONTserrat

## 1. Recent economic trends: Introduction and summary

The Montserrat economy continued to recover from the recession of 1983 in 1985. The real Gross Domestic Product (GDP) increased by 4.6% in 1985 compared to 3.2% in 1984 and -4.7% in 1983. The main cause of this increase in growth was the recovery in the tourism sector. Receipts from tourism increased by 11% in 1985 to some \$20 million. In agriculture, there was increased activity in vegetable and beef production. The construction industry also experienced a slight revival in 1985, with both private and commercial construction gaining momentum.

Table 1

## MONTserrat: MAIN ECONOMIC INDICATORS

|                                                                 | 1983   | 1984   | 1985   |
|-----------------------------------------------------------------|--------|--------|--------|
| <b>A. Basic economic indicators</b>                             |        |        |        |
| GDP at factor costs in current prices (EC\$ million)            | 76.4   | 84.2   | 90.7p  |
| Real GDP at factor costs in constant 1977 prices (EC\$ million) | 36.2   | 37.4   | 39.1   |
| Population (No. of inhabitants)                                 | 11 730 | 11 790 | 11 830 |
| Per capita GDP (EC\$ at 1977 prices)                            | 3 046  | 3 246  | 3 303  |
| <b>Annual growth rates</b>                                      |        |        |        |
| <b>B. Short-run economic indicators</b>                         |        |        |        |
| Real gross domestic product                                     | -4.7   | 3.2    | 4.6    |
| Per capita gross domestic product                               | -6.4   | 6.6    | 1.8    |
| Current value of export of goods                                | 55.1   | -5.0   | -32.0  |
| Current value of imports of goods                               | -2.0   | -15.4  | 4.7    |
| Consumer price index (Dec. - Dec.)                              | 7.0    | 6.1    | 3.2    |
| Consumer price index (ann. avg. var.)                           | 4.7    | 5.5    | 2.7    |
| Money supply                                                    |        |        |        |
| Rate of unemployment                                            | 7.0    | 5.8    | ...    |
| Current revenue of Central Government                           | 5.7    | 1.4    | 8.2    |
| Current expenditure of Central Government                       | 7.9    | 2.3    | 2.7    |
| Fiscal (deficit) surplus as % of Central Government expenditure | 1.4    | 0.4    | 6.6    |
| <b>EC dollars million</b>                                       |        |        |        |
| <b>C. External sector</b>                                       |        |        |        |
| Trade balance                                                   | -41.5  | -38.7  | -41.8  |
| Balance on current account                                      | -9.9   | -3.9   | ...    |
| Variation in net international reserves                         | 3.5    | 0.1    | -0.4   |
| Gross external debt (public debt only)                          | 5.5    | 5.8    | ...    |

Source: Data supplied ECLAC.

Domestic exports declined by 32% in 1985 from \$4.1 million to \$2.7 million. This change in export performance was mainly due to the closure of CARITEX Ltd, the polypropylene bag producer, which was experiencing difficulties accessing the Trinidad market. With the upturn in economic activity, imports saw a 4% increase from \$47 million in 1984 to \$49 million in 1985. The deficit on merchandise trade increased from \$38.7 million in 1984 to \$41.8 million in 1985. This deficit was financed by remittances from abroad, tourism receipts and foreign grants in that order. Cash remittances represent the greatest single source of foreign exchange.

The rate of increase in the cost of living as measured by the retail price index fell for the third year in succession from 6.1% in 1984 to 3.2% in 1985. Public sector savings increased during 1985 from \$0.1 million in the previous year to an estimated \$1.5 million with revised total revenue at \$24.4 million and expenditure at \$22.9 million.

Table 2  
MONTSERRAT: GROSS DOMESTIC PRODUCT, BY ECONOMIC  
ACTIVITY, AT FACTOR COST - (Current prices)  
(EC dollars million)

| Sector                        | 1980         | 1981         | 1982         | 1983         | 1984         | 1985p        |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Agriculture                   | 2.4          | 3.0          | 3.3          | 3.3          | 4.0          | 4.3          |
| 1.1 Crops                     | 1.13         | 1.56         | 1.77         | 1.72         | 2.25         | 2.23         |
| 1.2 Livestock                 | 0.63         | 0.71         | 0.75         | 0.74         | 0.86         | 1.10         |
| 1.3 Forestry                  | 0.37         | 0.40         | 0.45         | 0.47         | 0.47         | 0.48         |
| 1.4 Fishing                   | 0.27         | 0.32         | 0.34         | 0.33         | 0.37         | 0.49         |
| Mining and quarrying          | 0.36         | 0.45         | 1.11         | 0.69         | 1.10         | 1.22         |
| Manufacturing                 | 3.4          | 4.10         | 4.03         | 5.30         | 5.60         | 5.12         |
| Electricity and water         | 1.86         | 2.03         | 2.12         | 2.97         | 3.08         | 3.13         |
| Construction                  | 5.23         | 6.39         | 8.26         | 5.75         | 6.17         | 7.10         |
| Wholesale and retail trade    | 8.92         | 12.65        | 13.47        | 13.68        | 13.34        | 14.86        |
| Hotels and restaurants        | 1.75         | 2.40         | 2.67         | 2.84         | 3.82         | 4.33         |
| Transport                     | 3.51         | 4.33         | 4.93         | 5.53         | 5.55         | 6.39         |
| 8.1 Road transport            | 1.45         | 1.70         | 1.96         | 2.15         | 2.39         | 2.68         |
| 8.2 Sea transport             | 1.11         | 1.12         | 1.16         | 1.64         | 1.07         | 1.44         |
| 8.3 Air transport             | 0.95         | 1.51         | 1.81         | 1.74         | 2.09         | 2.27         |
| Communications                | 0.75         | 0.88         | 1.60         | 2.95         | 4.17         | 4.58         |
| Banks and insurance           | 2.67         | 3.49         | 4.05         | 4.24         | 5.41         | 5.68         |
| Real estate and housing       | 14.28        | 11.16        | 11.44        | 13.49        | 13.86        | 14.19        |
| Government service            | 4.85         | 4.86         | 5.76         | 6.64         | 7.86         | 8.27         |
| Other services                | 9.44         | 10.99        | 11.91        | 12.71        | 14.56        | 15.68        |
| Less imputed services charges | 1.89         | 2.78         | 3.67         | 3.64         | 4.07         | 4.16         |
| <b>Total</b>                  | <b>57.61</b> | <b>63.94</b> | <b>70.99</b> | <b>76.41</b> | <b>84.19</b> | <b>90.69</b> |
| Growth rate                   | 51.37        | 10.99        | 11.03        | 7.63         | 10.18        | 7.72         |

Source: Data supplied ECLAC.

Table 3  
 MONTserrat: GROSS DOMESTIC PRODUCT BY ECONOMIC  
 ACTIVITY, AT FACTOR COST - (Constant 1977 prices)  
 (EC dollars million)

|                              | 1980  | 0981  | 1982  | 1983  | 1984  | 1985p |
|------------------------------|-------|-------|-------|-------|-------|-------|
| Agriculture                  | 1.52  | 1.71  | 1.62  | 1.37  | 1.74  | 1.78  |
| 1.1 Crops                    | 0.71  | 0.84  | 0.80  | 0.58  | 0.85  | 0.73  |
| 1.2 Livestock                | 0.46  | 0.52  | 0.46  | 1.43  | 0.53  | 0.66  |
| 1.3 Forestry                 | 0.22  | 0.22  | 0.22  | 0.23  | 0.23  | 0.24  |
| 1.4 Fishing                  | 0.13  | 0.13  | 0.14  | 0.13  | 0.13  | 0.13  |
| Mining and quarrying         | 0.30  | 0.33  | 0.73  | 0.28  | 0.45  | 0.50  |
| Manufacturing                | 3.13  | 3.50  | 3.44  | 3.59  | 3.52  | 3.51  |
| Electricity and water        | 1.14  | 1.14  | 1.11  | 1.21  | 1.25  | 1.33  |
| Construction                 | 3.56  | 3.96  | 4.72  | 3.08  | 3.30  | 3.79  |
| Wholesale and retail trade   | 6.46  | 6.96  | 7.06  | 6.94  | 6.38  | 6.47  |
| Hotels and restaurants       | 1.29  | 1.14  | 1.09  | 1.05  | 1.38  | 1.52  |
| Transport                    | 2.26  | 2.35  | 2.53  | 2.51  | 2.48  | 2.67  |
| 8.1 Road transport           | 0.96  | 1.01  | 1.07  | 1.19  | 1.22  | 1.28  |
| 8.2 Sea transport            | 0.43  | 0.47  | 0.50  | 0.50  | 0.30  | 0.38  |
| 8.3 Air transport            | 0.87  | 0.87  | 0.96  | 0.82  | 0.96  | 1.01  |
| Communications               | 0.51  | 0.53  | 0.58  | 0.68  | 0.78  | 0.83  |
| Banks and insurance          | 1.78  | 1.82  | 1.85  | 1.83  | 1.91  | 2.01  |
| Real estate and housing      | 6.16  | 6.29  | 6.35  | 5.41  | 6.54  | 6.72  |
| Government services          | 3.20  | 3.09  | 3.25  | 3.61  | 3.89  | 4.12  |
| Other services               | 5.63  | 5.46  | 5.32  | 5.26  | 5.43  | 5.52  |
| Less imputed service charges | 1.58  | 1.61  | 1.64  | 1.61  | 1.69  | 1.70  |
| Total                        | 35.36 | 36.67 | 38.01 | 36.21 | 37.36 | 39.07 |
| Growth charges               | 1.58  | 1.61  | 1.64  | 1.61  | 1.69  | 1.70  |
| Total                        | 35.36 | 36.67 | 38.01 | 36.21 | 37.36 | 39.07 |
| Growth rate                  | 9.31  | 3.70  | 3.65  | -4.74 | 3.18  | 4.58  |

Source: Data supplied ECLAC.

## 2. Trends in economic activity

### (a) Growth of the main sectors

(i) Agriculture, Fisheries, Forestry and Livestock: Agriculture production increased in 1984 and this trend continued into 1985. Its contribution to GDP at constant 1977 prices was EC\$1.78 million, an increase of 2.3% over the 1984 performance. Minor increases were observed in the contribution of forestry and fisheries. Livestock contribution increased from EC\$0.5 million to \$0.7 million. A decline in traditional crop production from \$0.9 million to \$0.7 million in 1985 was the main reason for the sector's sluggish performance. The volume of most fruit and vegetable production fell during 1985 but there was significant production of white potatoes for the first time.

Table 4  
MONTserrat: CROP PRODUCTION

|              | Amount sold | Value    | Amount sold | Value    |
|--------------|-------------|----------|-------------|----------|
|              | (tonnes)    | (\$'000) | (tonnes)    | (\$'000) |
|              | 1984        |          | 1985        |          |
| Cabbage      | 32.0        | 93.3     | ...         | ...      |
| Carrots      | 70.0        | 137.1    | ...         | ...      |
| Cucumbers    | 34.1        | 71.1     | ...         | ...      |
| Egg plant    | 16.3        | 35.5     | ...         | ...      |
| Hot pepper   | 33.6        | 55.5     | ...         | ...      |
| Peanuts      | 13.0        | 83.1     | ...         | ...      |
| Pumpkins     | 2.1         | 3.5      | ...         | ...      |
| Sweet potato | 178.3       | 216.3    | ...         | ...      |
| Sweet pepper | 14.2        | 29.1     | ...         | ...      |
| String beans | 20.7        | 71.1     | ...         | ...      |
| Tomatoes     | 55.0        | 176.4    | ...         | ...      |
| Water melon  | 3.9         | 8.1      | ...         | ...      |
| Total        | 473.2       | 980.1    | ...         | ...      |

Source: Data supplied ECLAC.

The 1983 Farmer Survey had registered 554 farming units of which approximately 130 were actively involved in agriculture. These farmers were divided into two groups. A total of 136 primary farmers holding 532 acres of land were identified. It was estimated that these farmers were responsible for 80% of the island's agricultural production. Direct assistance was given to these farmers by the Ministry of Agriculture in production planning, arrangement of farm inputs, improved production practices, and marketing. However, growth in the sector is still hindered by severe marketing problems, poor export facilities, lack of adequate extension services and the absence of an effective credit system.

The Government of Montserrat has outlined the following goals for the agricultural sector:

1. Satisfy domestic requirements to the extent possible.
2. Improve forestry resources.
3. Export agricultural products where feasible.

In order to fulfil these goals, the Government had proposed an Agricultural Rehabilitation programme in the development plan 1985-1986 - 1988-1989 with four major components, namely:

1. Establishment of 1,500 acres of tree crops primarily mango and guava.
2. Development of livestock.
3. Expansion of vegetable production.
4. The development of agro-processing.



To support the agricultural rehabilitation programme, the Government has made irrigation a priority. During 1984, fourteen acres of land were under continuous irrigation. In 1985, an additional 35 acres primarily in the centre and north of the island were irrigated with funding provided by the British Development Division (BDD) and USAID. The Government also provided a subsidy to farmers for water used for irrigation purposes so that they only had to pay 25% of the normal costs.

Marketing has been identified as a critical obstacle to the expansion of agricultural production in Montserrat. The small domestic market requires careful programming of production, and exporting is difficult because of irregular shipping and high production costs. Major local outlets such as supermarkets, the medical school, hotels and restaurants were approached by staff of the Ministry of Agriculture in order to quantify their demand. Having ascertained their demand, the Ministry selected farmers to produce for specific outlets. To strengthen the co-ordination between producers and purchasers, a Production Co-ordination Unit was established within the extension division of the Ministry of Agriculture in June 1984. Efforts are continuing to secure other external markets.

In 1985, specific production plans were drawn up and allocations were made to meet local and export demand. A total of 264.53 acres of vegetables and ground provisions were planted in 1985 of which 134.70 acres was for domestic consumption and 129.85 acres for exports.

Although exports of fruits and vegetables fell in 1985 from \$91,000 in 1984 to \$36,000, 1985 saw the further consolidation of Montserrat's attempts to bring about self-sufficiency in selected items of food particularly, potatoes, fresh and processed meats and fresh chicken. There were substantial reductions in the imports of tomatoes, cabbages, carrots, string beans and sweet peppers. This is highlighted by the fact that in 1984, 121,871 lbs. of vegetables (excluding root crops) valued at \$97,497 were imported into Montserrat, whereas in 1985 imports fell to 46,951 lbs. valued at \$39,908. In 1986 there will be a continuation of the move away from traditional root crops to such vegetables as white potatoes, onions, broccoli and cauliflower.

The operation of the abbatoir had facilitated an expansion in the sales of locally produced meat in 1985 with 515 cattle locally slaughtered. Local livestock sales amounted to \$234,600 in 1985. All of the supplies of ground beef were met from local supplies and 15,000 lbs. of fresh beef were exported. An increased proportion of the fresh pork and whole chickens consumed in Montserrat is also being locally produced.

In 1984, a food processing technologist assumed duties in the Ministry of Agriculture. His energies were directed to the commercial processing of fruits and vegetables that are available in Montserrat. It is anticipated that production levels will increase dramatically in 1986. The future emphasis will be on the processing of products derived from mangoes, guavas and sorrel. Additional funds are also expected from BDD during 1986 for the procurement of more equipment.

In fisheries, the Ministry of Agriculture has submitted for donor consideration a comprehensive project which includes gearing equipment, training, provision of infrastructure and planning staff with the objective of increasing supplies of fish for the domestic market. During 1985, CIDA provided a two-ton ice making machine as part of this project.

A survey of forestry resources has been completed and donor support for watershed management and training is being sought.

(ii) Manufacturing: Although Montserrat's manufacturing sector is small in size, it is diverse and is centred around enclave type assembly in garments and electronics. Some of the other main industrial activities are the spinning and weaving of sea island cotton, the tanning of leather, photo processing and the manufacture of concrete blocks.

The manufacturing sector with over 550 jobs represents over 10% of Montserrat's employment, with the electronics and garment industries generating the greatest number of jobs. The contribution of this sector to GDP in constant prices was \$3.5 million in 1985, a fall of \$100,000. The sector's contribution to GDP is approximately 8%. Domestic exports of the manufacturing sector declined by 32% from \$4.06 million in 1984 to \$2.76 million in 1985. Much of this decline was due to the closure of the polypropylene bag factory CARITEX Ltd., which accounted for over 40% of domestic exports by value. A slight decline in the export of assembled electronic parts in 1985 was recorded. The prospects for 1986 appear to be very good with a 50% rise in activity predicted.

Table 5  
MONTSEERRAT: INDUSTRIAL SALES OF SELECTED COMMODITIES  
(EC dollars million)

| Commodity               | 1982  | 1983   | 1984   | 1985   |
|-------------------------|-------|--------|--------|--------|
| Soft drinks             | 325   | -      | -      | -      |
| Bread                   | 560   | 551    | 505    | n.a.   |
| Film processing         | 772   | 296.5  | 161.3  | n.a.   |
| Electronic components   | 1 500 | 1 499  | 1 380  | n.a.   |
| Concrete blocks         | 700   | 657    | 656    | n.a.   |
| Polyethylene bags       | 1 388 | n.a.   | 1 296  | n.a.   |
| Leather                 | 180   | 114.00 | 61.57  | 58.18  |
| Sea island cotton goods | n.a.  | 181.67 | 267.77 | 326.27 |
| Plastic bags            | n.a.  | 182.00 | 193.00 | 235.00 |

Source: Data supplied ECLAC.

The majority of manufacturing businesses in Montserrat are owned and managed by Montserratians. Foreign-owned businesses tend to be export-oriented. However, in recent years, Montserrat has experienced the closure of some manufacturing industries and a reduction of operations in others. Many of the manufacturers suffer from a limited customer base, some only servicing one customer, and therefore entirely dependent on trade with that market. In the light of trading difficulties, several manufacturing establishments either terminated operations or curtailed production.

The Montserrat Sea Island Cotton Company (MSICC) which processes locally grown sea island cotton into a variety of unrelated course spun and woven products including womens wear, mens wear and table linen, continued to experience severe marketing problems. During 1985, the MSICC reduced the number of weavers employed from 60 to 15 but was able to strengthen its commercial position by obtaining sales outlets in Antigua and Barbuda, Barbados and Saint Lucia.

The Development Finance and Marketing Corporation (DFMC) is involved in the development of agriculture and small industrial enterprises. It does agricultural marketing, lending money in its capacity of development bank, administers the industrial park in the role of landlord and administers the assets of the Government-owned Montserrat Industrial Enterprise Ltd. (MIEL). The DFMC has written off much bad debt but a substantial portion of the remaining portfolio may not now be collectable. It is expected that the DFMC will be restructured within the near future and new funds will be forthcoming from the Caribbean Development Bank so that it can carry out its mandated functions.

In November 1985, Montserrat obtained the assistance of Coopers and Lybrand to help in its investment promotion. Promotion will take place mainly in North America. The aim is to try and attract industries such as information processing and contract against manufacture. This technical assistance is expected to end in May 1986.

(iii) Tourism: Total tourist arrivals rose by 16.5% in 1985. Stopover visitors increased by 588 to 16,509 while cruiseship visitors and air excursionists increased by 902 to 5,191.

The number of stop over visitors reached 15,554 in 1981 before declining to 14,381 in 1983. Despite the increase in stopover visitors in 1985, the rate of growth slowed from 11.2% in the previous year to 3.7 percent.

Cruiseship passengers increased steadily to 9,145 in 1982 before declining dramatically in 1983 to 3,628. Arrivals began to increase again in 1984, rising to 4,285 and 5,191 in 1984 and 1985 respectively.

Table 6  
MONTserrat: SELECTED TOURISM STATISTICS

|                                            | 1982    | 1983    | 1984    | 1985    |
|--------------------------------------------|---------|---------|---------|---------|
| Total visitors                             | 24 900  | 18 844  | 21 147  | 24 626  |
| Of which:                                  |         |         |         |         |
| Stopover                                   | 14 979  | 14 341  | 15 921  | 16 509  |
| Cruise                                     | 9 145   | 3 628   | 4 284   | 5 191   |
| Average no. hotel rooms                    | 176     | 176     | 176     | 176     |
| Bed-nights offered                         | 64 000  | 64 000  | 64 000  | 64 000  |
| Bed-nights realized                        | 23 000  | 22 000  | 29 784  | 32 840  |
| Occupancy rate (%)                         | 35.9    | 34.5    | 59.4    | 51.3    |
| Average length of stay (nights)            | 8.0     | 8.1     | 8.0     | 8.1     |
| Total visitor expenditure (\$m)            | 15.7    | 16.2    | 18.0    | 20.0    |
| Growth of receipts (%)                     | 8.0     | 3.0     | 11.0    | 11.0    |
| Total expenditure of stopover visitors     | 15.2    | 15.9    | 17.7    | 19.5    |
| Total expenditure cruise visitors          | 0.5     | 0.3     | 0.3     | 0.5     |
| Average expenditure stopover visitors (\$) | 1 012.2 | 1 112.0 | 1 112.0 | 1 180.0 |
| Average expenditure cruise visitor (\$)    | 53.9    | 59.0    | 59.0    | 63.0    |

Source: Statistics Division.

The upturn in the tourism sector in 1984 which continued into 1985 was mainly due to the recovery in the US economy which resulted in stopover arrivals from that source increasing from 5,390 in 1983 to 6,701 in 1984 and 7,038 in 1985.

Table 7  
MONTserrat: TOURIST ARRIVALS BY COUNTRY OF ORIGIN  
(Number of persons)

|                   | 1982   | 1983   | 1984   | 1985   | Growth<br>1979 - 1985<br>% |
|-------------------|--------|--------|--------|--------|----------------------------|
| CARICOM           | 4 489  | 4 696  | 4 867  | 5 191  | 11.9                       |
| U.S.A.            | 5 689  | 5 390  | 6 701  | 7 038  | 84.2                       |
| Canada            | 1 604  | 1 655  | 1 503  | 1 574  | -6.9                       |
| Rest of America   | 1 070  | 716    | 1 203  | 1 155  | -4.3                       |
| U.K.              | 1 672  | 1 326  | 1 223  | 1 155  | -13.1                      |
| Europe            | 314    | 464    | 294    | 281    | -11.1                      |
| Rest of the world | 141    | 94     | 130    | 115    | -                          |
| Total             | 14 979 | 14 341 | 15 921 | 16 509 | 26.4                       |

Source: Statistics Division.

In 1985, total on-island visitor expenditure was of the order of EC\$20.00 million. While stopover visitors represented 67% of all tourists, their expenditure equalled EC\$19.5 million or 97.5% of all spending by visitors. In terms of contributions to the economy, cruiseship passengers are not an important component. The direct impact of tourism and tourist expenditure, is reflected in local employment. Direct tourism employment accounts for over 650 jobs, an estimated 13% of all employment and approximately 20% of private sector jobs. If indirect tourism-related employment in construction, trade and

services is included, tourism would account for over one third of total private sector employment in Montserrat.

The 1985 local hotel physical plant consisted of 176 beds, the same as the previous year, but bed capacity was increased from 50,146 in 1984 to 59,440 in 1985. The number of persons staying in hotels increased from 3,723 in 1984 to 4,035 in 1985 while the length of stay increased from 8 to 8.1 days. A total of 32,840 bed nights were realized in 1985 - an increase of 3,056 over the previous year, but occupancy rates averaged 55.2%, a reduction of 4.2% from the 1984 rate.

In early 1982, a feasibility study was done for a hotel/condominium/marina development with ancillary services, to be located at Little Bay. The study examined three different development options:

- (1) A 150 room hotel with ancillary services including golf course.
- (2) The former plus an inland marina and associated services.
- (3) The hotel/marina development plus 20 condominium blocks and some villas.

The current idea for financing the project is that the Government would be responsible for putting in the infrastructure using external grant aid where possible, while a private developer would complete the rest of the construction and operate the facilities.

The estimated costs of the development range from \$9.9 million (1982 prices) to \$31.6 million depending on the option, of which infrastructure accounts for from \$7.2 million to \$10.4 million. The main components of the infrastructure costs are the golf course, roads, augmented water mains, storage tanks and a centralized sewerage treatment plant. Surplus generating capacity on the island means that the only need in the area of electricity would be the upgrading of a transmission line.

The direct employment is estimated at 340 permanent jobs, with a similar amount of indirect employment. Although the Government has discussed the project with several potential developers, none has made a firm commitment to undertake the project. Work started on the Little Bay Access Road at the end of 1984 and is continuing. Several donors have agreed in principle to assisting the Government in funding its share of the infrastructural development as soon as there is a commitment by a private developer.

(iv) Construction and transportation: Figures for gross domestic capital formation are not available for 1985. However, it is expected that 1985 would be higher than the \$12.7 million (1977 prices) recorded in 1984.

Table 8  
 MONTSERRAT: GROSS DOMESTIC FIXED CAPITAL FORMATION  
 BY TYPE OF GOODS - (Current and Constant prices)  
 (EC dollars million)

|                                  | 1982   | 1983   | 1984   | 1985 |
|----------------------------------|--------|--------|--------|------|
| Current prices                   |        |        |        |      |
| Transport equipment              | 3 194  | 2 382  | 4 576  | n.a. |
| Agricultural Machinery and tools | 195    | 317    | 194    | n.a. |
| Office machinery and furniture   | 406    | 416    | 306    | n.a. |
| Industrial machinery and engines | 4 117  | 1 115  | 2 185  | n.a. |
| Other equipment                  | 4 110  | 6 415  | 4 023  | n.a. |
| New construction                 | 18 591 | 12 935 | 13 089 | n.a. |
| Total                            | 30 613 | 23 580 | 24 373 | n.a. |
| Constant 1977 prices             |        |        |        |      |
| Transport equipment              | 2 047  | 1 429  | 2 602  | n.a. |
| Agricultural machinery and tools | 106    | 162    | 93     | n.a. |
| Office machinery and furniture   | 272    | 262    | 182    | n.a. |
| Industrial machinery and engines | 2 642  | 666    | 1 226  | n.a. |
| Other equipment                  | 1 877  | 2 677  | 1 645  | n.a. |
| New construction                 | 10 620 | 6 930  | 6 993  | n.a. |
| Total                            | 17 564 | 12 126 | 12 741 | n.a. |

Source: Data supplied ECLAC.

The contribution of the construction sector to GDP increased (in 1977 prices) from \$3.30 million in 1984 to \$3.79 million in 1985, an increase of almost 15%. The main cause of the revival in construction came from increased activity in private and public sector housing as well as commercial construction.

The Government continued to encourage house construction and during the year \$1.00 million was spent on the self-help housing programme which resulted in 52 units being constructed. Some 20 more are under construction. Other major projects undertaken during the year in the public sector were the third phase of the road improvement and bitumen tank scheme and the start of the Little Bay Access Road.

The financial position of the Port Authority remains weak despite the increase in import volume recorded in 1985. During the year \$1.38 million was spent on repairs to the port for hurricane-inflicted damage.

Montserrat Aviation Services Ltd. (MASL), the island's only scheduled operator, continued to register growth in 1985. Up until the 1982-1983 tourist season, it was estimated that 40% of the tourists to Montserrat were forced to make an unanticipated stopover in Antigua. This was reduced to 20% in 1984 and further reduced in 1985. In October 1984, the company took delivery of a second aircraft which enabled it to extend its services to Guadeloupe and St. Kitts.

(v) **Electricity and water:** Electricity and water contribution to GDP increased from \$3.08 million in 1984 to \$3.13 million in 1985. Installed generating capacity remained at 5 MW but production increased by 6.3% and consumption by 6.0% in 1985 over 1984. Consumption averaged 83% of power generated. Per capita consumption was 984 kWh compared to 933 kWh in the previous year.

To meet projected electricity demand increases beyond 1987 and to replace older equipment, Montserrat Electricity Services Ltd. (MONTEC) is undertaking a \$4.0 million expansion programme which began in 1985 with financing equally split between a EIB loan and internally generated funds. A total of \$2.0 million was used to purchase a 1,750 kWh diesel generator unit which is expected to be commissioned in 1986. The balance will be used to improve transmission and distribution lines and to computerize operations. An application was made to BDD during 1985 for the financing of the electrification of the few areas of Montserrat that are at present not serviced.

In 1985, over 165,000 gallons of water were sold in Montserrat compared to 154,000 gallons in the previous year. To cater for future increases in demand, the Water Authority using technical assistance, has drawn up a master plan covering the supply and use of water resources in Montserrat over the next decade. The focus is to improve spring water resources, transmission lines, increase storage capacity, provide cathodic protection to reservoirs, and replace existing equipment. The Government has secured EC\$2.7 million in funding from EDF and CIDA for this purpose.

The Water Authority intends to increase the quantity of water available for domestic and commercial use by 50% in 1986.

Table 9  
MONTERRAT: ELECTRICITY AND WATER PRODUCTION

|                    | 1982    | 1983   | 1984    | 1985    |
|--------------------|---------|--------|---------|---------|
| <b>Electricity</b> |         |        |         |         |
| 000' kWh generated | 11 770  | 12 960 | 13 170  | 13 990  |
| 000' kWh sold      | 9 534   | 10 604 | 10 982  | 11 640  |
| <b>Water</b>       |         |        |         |         |
| 000' gallons sold  | 147 271 | 15 154 | 154 030 | 163 354 |

Source: Data supplied ECLAC.

(vi) **Unemployment:** The labour force in Montserrat has stabilized at approximately 5,000 people. Unemployment was 298 in 1980 (census) 271 and 282 in 1981 and 1982 respectively. The figure for 1983 was 357 and for 1984, 300. Estimates for 1985 are not currently available, but it is estimated that the level of unemployment fell again in 1985 after reaching a height of 7% in 1983.

Table 10  
MONTserrat: EMPLOYMENT AND UNEMPLOYMENT  
(Percentage)

|                      | 1982  | 1983  | 1984  | 1985 |
|----------------------|-------|-------|-------|------|
| Rate of unemployment | 5.6   | 7.0   | 5.8   | ...  |
| Labour force         |       |       |       |      |
| Employment           | 4 753 | 4 743 | 4 900 | ...  |
| Unemployment         | 282   | 357   | 300   | ...  |

Source: Data supplied ECLAC.

Essentially, these figures indicate full employment but considerable under-employment exists, though, consisting of part-time, seasonal and disguised unemployment. This situation is common to many sectors in particular, agriculture, construction, tourism and Government non-established workers. It has been estimated that if the effect of under-employment is taken into account, the available labour supply in Montserrat would increase to 1,250.

### 3. The external sector

Table 11  
MONTserrat: OVERSEAS TRADE  
(EC dollars thousand)

| Year | Exports<br>Domestic | Re-exports | Total<br>exports | Imports | Balance of<br>trade |
|------|---------------------|------------|------------------|---------|---------------------|
| 1980 | 1 770               | 1 431      | 3 201            | 44 549  | -41 348             |
| 1981 | 3 511               | 2 454      | 5 965            | 50 999  | -45 034             |
| 1982 | 2 746               | 4 232      | 6 978            | 54 871  | -47 893             |
| 1983 | 4 269               | 8 061      | 12 330           | 53 797  | -41 467             |
| 1984 | 4 055               | 4 457      | 8 512            | 47 257  | -38 745             |
| 1985 | 2 760               | 5 064      | 7 824            | 49 594  | -41 770             |

Source: Statistics Division.

The value of imports increased in 1985 to \$49.6 million from \$47.26 million, an increase of almost 5% on the previous year. Four categories of imports, food, fuel, manufactured goods and machinery and transport equipment valued respectively at \$10.3 million, \$5.8 million, \$8.96 million and \$10.46 million accounted for almost 71.6% of the value of merchandise imports in 1985. The proportion that they formed of merchandise imports in 1984 was 71.3%. Imports of food fell from \$11.5 million in 1984 to \$10.3 million, a fall of 10.43% partly as a result of the end of the drought and partly as a result of the food import substitution policy being pursued by Government.

The biggest increase in imports was observed in the manufactured goods sector which increased from \$7.0 million in 1984 to \$8.96 million in 1985, an increase of 28.0%. This increase was mainly due to the upturn in business activity. The other sector to exhibit a significant increase in activity was machinery and transport equipment from \$9.73 in 1984 to \$10.40 in 1985.



Data on the origin of imports are not yet available but over the period 1982 to 1984, the only country from which Montserrat's imports grew was the U.S.A.. A steady trend can be identified in which Montserrat has increased trade with the USA and with countries with US linked currencies and decreased trade with the U.K. and EEC countries. Much of this change in origin of imports can be attributed to the recent instability in currency movement.

Table 12  
MONTserrat: IMPORTS BY COUNTRY OF ORIGIN - 1982 - 1984  
(EC dollars thousand)

|                         | 1982   | 1983   | 1984   | 1985 |
|-------------------------|--------|--------|--------|------|
| OECS                    | 2 591  | 2 596  | 2 523  | ...  |
| Rest of CARICOM         | 7 571  | 8 119  | 7 619  | ...  |
| U.S.A.                  | 13 866 | 17 559 | 18 199 | ...  |
| Canada                  | 2 315  | 3 608  | 1 715  | ...  |
| Latin America           | 881    | 1 323  | 733    | ...  |
| U.K.                    | 9 928  | 7 986  | 7 160  | ...  |
| EEC other than the U.K. | 2 420  | 2 345  | 2 126  | ...  |
| Other W. Europe         | 271    | 493    | 288    | ...  |
| Japan                   | 2 669  | 2 327  | 2 242  | ...  |
| Hong Kong               | 112    | 119    | 64     | ...  |
| Rest of the world       | 7 676  | 6 322  | 4 588  | ...  |
| Total                   | 50 300 | 52 797 | 47 257 | ...  |

Source: Statistics Division.

Domestic exports peaked at \$4.27 million in 1983 to decline to \$4.06 in 1984 and to slump dramatically in 1985 to \$2.76 million; a fall of 33%. The change in export performance was due principally to the closure of the polypropylene bag manufacturing company CARITEX Ltd. which accounted for over 40% of domestic exports by value. There was also a slight drop in the export of assembled electronic products from \$1.59 million to \$1.44 million.

Table 13  
MONTserrat: DOMESTIC EXPORTS SITC SECTIONS  
(EC dollars thousand)

|                                   | SITC No. | 1980  | 1981  | 1982  | 1983  | 1984  | 1985  |
|-----------------------------------|----------|-------|-------|-------|-------|-------|-------|
| Food                              | 0        | 211   | 339   | 87    | 52    | 157   | 231   |
| Beverages and tobacco             | 1        | 10    | 16    | 21    | 32    | 4     | 2     |
| Crude materials except fuel       | 2        | 240   | 364   | 407   | 324   | 208   | 200   |
| Fuels                             | 0        | -     | -     | -     | -     | -     | -     |
| Arrival and vegetable oil         | 4        | -     | -     | -     | -     | -     | -     |
| Chemicals                         | 5        | -     | -     | -     | -     | -     | 15    |
| Manufactured goods                | 6        | 49    | 194   | 167   | 144   | 104   | 209   |
| Machinery and transport equipment | 7        | 352   | 350   | 238   | 1 090 | 1 585 | 1 223 |
| Misc. Manufactured goods          | 8        | -     | -     | -     | -     | -     | -     |
| Total                             |          | 1 489 | 3 511 | 2 746 | 4 269 | 4 055 | 2 760 |

Source: Statistics Department.

Source: Statistics Department.

Of the other principal domestic exports, cattle and beef increased dramatically from \$5,000 in 1984 to \$164,000 in 1985. Elsewhere, the performance was not dynamic except in the export of exercise books and pads but the company producing them closed in the latter part of 1985.

Table 14  
MONTISERRAT: PRINCIPAL DOMESTIC EXPORTS  
(EC dollars thousand)

|                           | 1982  | 1983  | 1984  | 1985  |
|---------------------------|-------|-------|-------|-------|
| Agriculture               | 475   | 372   | 366   | 430   |
| Of which:                 |       |       |       |       |
| Cattle and beef           | 21    | -     | 5     | 164   |
| Honey                     | -     | -     | 2     | 3     |
| Vegetable and fruit       | 21    | 10    | 91    | 36    |
| Lime juice                | 3     | 4     | 12    | 5     |
| Live plants               | 388   | 319   | 208   | 199   |
| Miscellaneous agriculture | -     | 1     | -     | 2     |
| Manufacturing             | 2 271 | 3 897 | 3 689 | 2 330 |
| Of which:                 |       |       |       |       |
| Hair and body chemicals   | 19    | 3     | -     | 16    |
| Leather                   | 118   | 85    | 35    | 50    |
| Exercise books and pads   | -     | -     | 2     | 83    |
| Lamps                     | -     | -     | -     | 25    |
| Clothing and cotton goods | 422   | 272   | 600   | 601   |
| Plastic bags              | 189   | 86    | 85    | 110   |
| Polypropylene bags        | 1 245 | 2 305 | 1 296 | -     |
| Electronic parts          | 238   | 1 090 | 1 585 | 1 436 |
| All other items           | 40    | 56    | 86    | 6     |
| Total                     | 2 746 | 4 269 | 4 055 | 2 760 |

Source: Statistics Division.

Overall, 1985 was a very disappointing year for Montserratian exports with even the market for hot pepper being lost to cheaper competitors. A number of potential export industries are being developed, particularly, hair and body cosmetics, fibre glass items, furniture, honey and processed fruit juices other than grapefruit and lime. Continued efforts to promote investment in Montserrat are being made and a number of potential investors have been identified.

#### Balance of payments

It is estimated that during 1985, Montserrat recorded an estimated \$1.9 million surplus in its overall balance of payments compared to \$4.5 million in the previous year. The services balance (net) which is comprised mainly of receipts from tourism increased from \$14.6 million in 1984 to \$15.4 million in 1985. Private transfers were estimated at \$19.4 million in 1985 compared to the \$18.4 million in 1984. The corresponding estimates of official transfers were \$9.2 million and \$7.3 million respectively. The number of foreign retirees who have taken up residence on the island has made private transfers the most important source of foreign exchange for Montserrat. Long-term private capital inflows were estimated to be \$3.9 million in 1985 compared to \$10 million in 1984.

Table 15  
MONTISERRAT: BALANCE OF PAYMENTS  
(E.C. dollars million)

|                                                            | 1983   | 1984   | 1985p  |
|------------------------------------------------------------|--------|--------|--------|
| Current account                                            | -5.41  | -1.12  | -2.85  |
| Trade balance                                              | -49.90 | -41.40 | -46.84 |
| Exports (f.o.b.)                                           | 4.30   | 4.10   | 2.70   |
| Imports (c.i.f.)                                           | 54.20  | 45.50  | 49.60  |
| Services balance (net)                                     | 13.19  | 14.58  | 15.39  |
| Travel (net)                                               | 12.00  | 13.60  | 15.40  |
| Other factor services (net)                                | 0.70   | 0.50   | 0.30   |
| Other non-factor services (net)                            | 0.50   | 0.50   | -0.30  |
| Interest payments                                          | -0.01  | -0.02  | -0.01  |
| Private transfers (net)                                    | 27.00  | 18.40  | 19.40  |
| Official transfers (net)                                   | 4.30   | 7.30   | 9.20   |
| Capital account                                            | 6.61   | 5.62   | 4.21   |
| Public sector loans (net)                                  | ...    | ...    | -0.20  |
| Private sector investment (including errors and omissions) | 2.07   | 0.09   | 3.89   |
| Commercial banks                                           | 4.64   | 4.73   | 0.52   |
| Overall balance                                            | 1.20   | 4.50   | 1.90   |
| Financing                                                  | -1.20  | -4.50  | -1.90  |
| Change in Government foreign assets                        | ...    | ...    | ...    |
| Change in reserves                                         | -1.20  | -4.50  | -1.90  |

Source: Statistical Division, Ministry of Finance.

#### 4. Prices and wages

The rate of increase in the cost of living as measured by the Retail Price Index fell for the third year in succession in 1985. Food prices tended to fall during 1985 before rising appreciably in the month of the year, when they rose on average by 3%. The only category of goods to increase significantly in price during the year was clothing and footwear which increased by 14.7%. During 1985, there was also a significant fall in import prices which after an increase of 3% in 1984 decreased by 7% in 1985.

Government employees received on average a 5.4% increase in salaries and wages in 1984, but in 1985 there were no major revisions.

#### 5. Monetary and fiscal policy

Montserrat is one of the seven member countries of the Eastern Caribbean Central Bank (ECCB) which was established in October 1983 to replace the East Caribbean Currency Authority (ECCA). The ECCB has the sole right of currency issue in Member States. Effective January 1985, the ECCB set a minimum interest rate of 4% on savings deposits on all the banks in member territories.

(a) Monetary policy

The money supply as measured by (M-1) increased by 0.67% in 1985. Measured by the broader measure (M-2), the increase was 0.5% for 1985. These increases compare with a 10.4% increase in (M-1) and a 0.13% increase in (M-2) for 1984.

Table 16  
MONTSERRAT: MONETARY BALANCE  
(Dollars thousand)

|                                                  | 1982   | 1983   | 1984   | 1985   |
|--------------------------------------------------|--------|--------|--------|--------|
| Net issue of notes                               | 4 498  | 4 464  | 5 435  | 3 716  |
| LESS Notes and coins held by<br>Commercial Banks | 1 238  | 1 247  | 1 526  | 1 034  |
| Total                                            | 3 260  | 3 217  | 3 909  | 2 682  |
| PLUS Net issue of coins                          | 336    | 328    | 345    | 345    |
| Currency held by the public                      | 3 596  | 3 545  | 4 254  | 3 027  |
| PLUS Demand deposits                             | 8 126  | 9 802  | 10 177 | 10 776 |
| (M-1)                                            | 11 722 | 13 347 | 14 431 | 13 803 |
| Quasi money                                      | 26 548 | 26 736 | 28 368 | 29 277 |
| Savings deposits                                 | 21 219 | 21 127 | 21 626 | 22 685 |
| Time deposits                                    | 5 329  | 5 609  | 6 742  | 6 592  |
| (M-2)                                            | 38 270 | 40 083 | 42 799 | 42 865 |

Source: Data supplied ECLAC.

International reserve holdings in Montserrat comprise mainly of net foreign assets of the commercial banks. These stood at \$0.8 million at the end of 1985 an increase of \$0.36 million over the previous year.

Total domestic credit in 1985 was \$32.7 million, an increase of 0.3% over 1984. Credit to the private sector accounted for 87% compared to 86% in 1984. At the end of 1984, personal loans accounted for \$16.3 million of the Montserrat commercial banks private sector loan portfolio. At the end of 1985, the total personal loan portfolio outstanding was \$15.9 million. The greatest increase in commercial bank lending to the private sector was to the tourism, entertainment and catering subsectors. Commercial bank lending to the Central Government and Public Utilities decreased from \$4.54 million in 1984 to \$4.25 million in 1985.

Table 17  
MONTserrat: ANALYSIS OF LOANS OUTSTANDING  
(As at 31 December 1985)  
(Dollars thousand)

|                                            | 1982   | 1983   | 1984   | 1985   |
|--------------------------------------------|--------|--------|--------|--------|
| Factors of expansion                       |        |        |        |        |
| Net International reserves                 | 48     | 524    | 436    | 795    |
| Domestic credit                            | 30 984 | 30 759 | 32 605 | 32 703 |
| Government and public utilities            | 4 071  | 3 254  | 4 538  | 4 251  |
| Private sector                             | 26 913 | 27 506 | 28 067 | 28 452 |
| - Agriculture and fisheries                | 246    | 351    | 282    | 136    |
| - Manufacturing                            | 1 074  | 954    | 897    | 1 030  |
| - Tourism, entertainment and catering      | 1 763  | 1 455  | 1 131  | 2 021  |
| - Distributive trades                      | 5 561  | 6 309  | 5 247  | 5 478  |
| - Other private sector other than personal | 4 331  | 2 937  | 4 166  | 3 888  |
| Purchase                                   | 13 938 | 15 500 | 16 344 | 15 899 |
| House and land purchase                    | 9 700  | 10 909 | 11 858 | 11 275 |
| Durable and consumer goods                 | 2 086  | 2 677  | 2 703  | 3 354  |
| Other personal                             | 2 152  | 1 914  | 1 783  | 1 270  |

Source: Data supplied ECLAC.

Demand deposits increased by 8.7% to \$10.8 million. Time deposits decreased by 8.9% to \$6.7 million and saving deposits remained almost constant at \$22.7 million. Deposits held by private individuals increased by \$1.25 million while those held by business firms decreased by \$0.8 million to \$4.3 million. The amount of deposits held by non-residents increased from \$9.0 million to \$9.7 million. During 1985, the prime lending rate ranged from 8.5% to 10% while the range for other lending rates was from 9.5% to 18 percent.

Table 18  
MONTserrat: COMMERCIAL BANKS' TOTAL DEPOSITS BY DEPOSITOR

|                                         | 1982   | 1983   | 1984   | 1985   |
|-----------------------------------------|--------|--------|--------|--------|
| Central government and statutory bodies | 1 579  | 2 468  | 1 007  | 1 277  |
| Business firms                          | 4 217  | 4 378  | 5 130  | 4 293  |
| Private individuals                     | 19 717 | 19 723 | 21 226 | 22 479 |
| Non-bank financial institutions         | 575    | 1 385  | 1 231  | 1 698  |
| Foreign currency                        | 267    | 175    | 931    | 629    |
| Non-residents                           | 8 319  | 8 409  | 9 020  | 9 677  |
| Total                                   | 34 674 | 36 538 | 38 545 | 40 053 |

Source: Data supplied ECLAC.

#### (b) Fiscal policy

The 1985 budget indicated a current account surplus of \$1.5 million, or 6.6% of total recurrent expenditure, the largest surplus for the last four years. This increase in the surplus was accounted for by a 8.9% increase in revenues from \$22.4 million to \$24.4 million. The corresponding increase in recurrent expenditure was 2.7% from \$22.3 million to \$22.9 million.

Over 50% of recurrent expenditure is accounted for by salaries, wages and allowances. The Government hope to restrict salaries and wage increases to a level not exceeding overall growth in productivity as measured by growth in per capita real GDP. In 1984, the ratio of tax revenue to GDP stood at 23.5%, with the 1985 ratio estimated at 22.2%, a fall of 1.3 percent.

Table 19  
MONTISERRAT: GOVERNMENT REVENUE AND EXPENDITURE  
(EC dollars million)

|                         | 1983 | 1984 | 1985 |
|-------------------------|------|------|------|
| Recurrent revenue       | 22.1 | 22.4 | 22.4 |
| Tax revenue             | 18.6 | 19.8 | 20.1 |
| Direct taxes            | 8.0  | 8.2  | 8.0  |
| Taxes on income         | 6.9  | 7.0  | 6.8  |
| Property                | 1.1  | 1.2  | 1.2  |
| Indirect taxes          | 10.6 | 11.6 | 12.1 |
| Import duties           | 2.4  | 2.1  | 2.3  |
| Export duties           | -    | -    | -    |
| Consumption taxes       | 3.2  | 4.1  | 4.0  |
| Other taxes             | 5.0  | 5.4  | 5.8  |
| Recurrent expenditure   | 21.8 | 22.3 | 22.9 |
| Personal emoluments     | 11.5 | 12.2 | 12.8 |
| Goods and services      | 8.7  | 9.3  | 8.4  |
| Public debt charges     | 1.0  | 0.9  | 1.0  |
| Transfers               | 0.6  | 0.7  | 0.4  |
| Current account surplus | 0.3  | 0.1  | 1.5  |

Source: Data supplied ECLAC.

Capital expenditure is mainly financed by grants from the U.K. and to a lesser extent, Canada, the U.S.A. and EDF. In 1985, an estimated \$14.4 million was expected to be spent on capital projects but because of an inability to obtain donor funding for some projects only \$5.77 million was actually spent.

PART IX

NETHERLANDS ANTILLES

COUNTRY NOTES





## NETHERLANDS ANTILLES

## 1. Recent economic trends: Introduction and summary

Economic developments in the Netherlands Antilles during 1985 provide a classic picture of a small society struggling to adjust to changes in the international economy, of which it is a small but integral part. Indicators are that the economy might have experienced slight growth in 1985 after declines in 1983 and 1984. The Antilles have been somewhat sheltered from the economic impacts of the seventies, and indeed, like the oil producing countries, it was in the main a beneficiary from them, since it was a provider of services to the global petroleum industry and to its other regional beneficiaries. With shifts and adjustments taking place in that market, however, many of the services which it provided now have to be adjusted to take into account new clients, newly emerging competitors, and shifting patterns of demand.

Table 1  
NETHERLANDS ANTILLES: MAIN ECONOMIC INDICATORS

|                                                        | 1982   | 1983   | 1984   | 1985<p> |
|--------------------------------------------------------|--------|--------|--------|---------|
| <b>A. Basic economic indicators</b>                    |        |        |        |         |
| GDP at market prices                                   | 2 558  | ...    | ...    | ...     |
| Population ('000)                                      | 234    | 236    | 237    | 239     |
| Per capita GDP                                         | 10 932 | ...    | ...    | ...     |
| <b>Annual growth rates</b>                             |        |        |        |         |
| <b>B. Short-run economic indicators</b>                |        |        |        |         |
| Curr.val. of exports of goods                          | -11.6  | -55.0  | 47.0   | -0.7    |
| Curr.val. of imports of goods                          | -12.4  | -9.5   | -5.3   | 5.5     |
| Consumer price index Dec.-Dec.                         | 4.7    | 2.2    | 1.8    | 0.3<1>  |
| Var. between annual averages                           | 7.6    | 1.5    | 2.4    | ...     |
| Money supply                                           | 14.0   | 5.1    | 1.9    | 4.9     |
| <b>Millions of Antillean guilders</b>                  |        |        |        |         |
| <b>C. External sector</b>                              |        |        |        |         |
| Trade balance (merchandise)                            | -1 450 | -1 407 | -1 283 | -1 362  |
| Balance on current account                             | 105    | -83    | -70    | 108     |
| Balance on capital account                             | -33    | -11    | -32    | -11     |
| Variation in net international reserves (- = increase) | -91    | 47     | 70     | -129    |
| Total international reserves (minus gold)              | 433    | 386    | 316    | 445     |

Source: ECLAC on the basis of official data.

<1> New series, figure relates to Curaçao and Bonaire only.

As a multi-island state, with islands widely separated geographically, the pace and manner of adjustment differs, as does the perception of each island as to its future development path. This difference in perception, explains in part the decision by Aruba to leave the Netherlands Antilles grouping at the end of 1985, and operate as an autonomous entity within the Kingdom of the Netherlands, in spite of the increased risk and the most unpropitious time chosen for doing so.

The two salient issues of 1985, those of economic adjustment, and of constitutional re-accommodation absorbed the energies of these islands for 1985, the latter perhaps, to the detriment of the former. Curaçao, the capital, was perhaps most absorbed by the impending constitutional changes, while at the same time facing the need for comprehensive adjustment in all its current productive activities. Its tourism has not yet recovered any dynamism following the collapse of the Venezuelan market; that cluster of activities surrounding the port has been adversely affected by reduced tanker traffic; the oil refinery is in decline and unlikely to contribute to the economy as in the past; and the offshore financial services sector seems to be facing a significant reduction.

Aruba seems to have absorbed the shock surrounding the closure of its oil refinery, and has managed to adjust its tourist sector to the decline of the Venezuelan market. It seems to face its new constitutional status with equanimity.

St. Maarten continues to grow rapidly, in a free wheeling spirit which seems to benefit from the insecurities and the rigidities which have developed in the Leeward islands, since its growth has in part been achieved through divestment in the other islands. Questions, nevertheless, are raised as to how long the low level of regulatory activity can be sustained, in the face of such rapid economic expansion.

## 2. Trends in economic activity

### (a) Balance of payments - a general overview

In the absence of up-to-date National Income and Product statistics, the balance of payments provides the most convenient framework within which to analyse the structure and performance of the economy of the Netherlands Antilles. It is at the same time, a fairly accurate indicator since the economy is, like most other small island economies, characterised by extreme openness and a reliance upon external trade for its sustenance. This is demonstrated by the fact that in 1982, the last year for which the Gross Domestic Product (GDP) was measured, and a fairly typical year, foreign inflows on current account amounted to a figure equivalent to 96% of GDP. Judged by its external performance therefore, 1985 was a fairly good year, coming after declines in 1983 and 1984, and accordingly, some growth in GDP may be assumed.

On the surface, the economy of the Antilles seems to be fairly diversified. Aside from tourism which generated 26% of export earnings in 1985, the transport sector generated 17%, as did the petroleum industry. The offshore sector, provided 16% of inflows, which went directly to the Government in the form of taxes, while private remittances and other services provided a further 12%. The relatively small goods producing sector is reflected by the fact that only 6% of foreign inflows were earned by the export of goods. This picture of

## NETHERLANDS ANTILLES

diversification, however, disguises the fact that tourism is the paramount economic activity in all the islands, save Curaçao, and it is the only industry not currently beset by severe structural problems.

Based on a measurement of cash flows, the deficit on merchandise trade, which excludes the activities of the offshore petroleum refineries, increased over the previous year, since imports increased, while the value of exports declined marginally. While exports have not shown significant change, the increase in imports serves to redress some of the contraction that has been necessary with the downturn of economic activity, and while returning to the 1983 level, is still somewhat below the import levels registered in 1981 and 1982.

Table 2  
NETHERLANDS ANTILLES: BALANCE OF PAYMENTS - CASH FLOW BASIS  
(NA.f million)

|                                      | 1982   | 1983   | 1984   | 1985   |
|--------------------------------------|--------|--------|--------|--------|
| Merchandise trade balance            | -1 450 | -1 407 | -1 283 | -1 362 |
| Exports                              | 208    | 93     | 137    | 136    |
| Imports                              | 1 658  | 1 500  | 1 420  | 1 498  |
| Services balance                     | 1 555  | 1 324  | 1 213  | 1 470  |
| Transportation                       | 223    | 184    | 214    | 292    |
| Shiphandling                         | 13     | 5      | 1      | -1     |
| Maintenance                          | 82     | 41     | 35     | 51     |
| Passenger fares                      | 33     | 40     | 38     | 32     |
| Storage fee                          | 108    | 88     | 75     | 94     |
| Other                                | -13    | 10     | 65     | 116    |
| Tourism                              | 618    | 383    | 392    | 460    |
| Investment income                    | -6     | 16     | 5      | 39     |
| Government n.i.e.                    | 209    | 318    | 342    | 376    |
| Private remittances                  | -112   | -134   | -162   | -169   |
| Intercompany remittances             | 513    | 444    | 307    | 393    |
| Other services                       | 110    | 113    | 115    | 79     |
| Current account                      | 105    | -83    | -70    | 108    |
| Capital account                      | -33    | -11    | -32    | -11    |
| Private capital                      | -95    | -123   | -125   | -114   |
| Securities                           | -29    | -59    | -65    | -78    |
| Real estate                          | -2     | -9     | -6     | -8     |
| Loans                                | -7     | 1      | -56    | -23    |
| Commercial banks foreign borrowing   | -11    | -7     | -10    | -7     |
| Short-term capital                   | -45    | -49    | 11     | 2      |
| Government capital                   | 62     | 112    | 93     | 103    |
| Errors and omissions                 | 18     | 45     | 33     | 33     |
| Overall balance<1>                   | 90     | -49    | 69     | 130    |
| Changes in international reserves<2> | -91    | 47     | 70     | -129   |

Source: Central Bank.

<1> Discrepancies due to rounding.

<2> Increase: - sign.

The services balance has been somewhat restored from the previous two years, though it remains 5% below that reached in 1982. Transportation services continued to record increased earnings, though, ship handling and maintenance recorded reduced earnings, as they have since 1981, and so has the national airline.

Tourism earnings increased by over 17% and continued its steady progress since the nadir of 1983. Intercompany remittances, which relate primarily to the inflows of the oil refineries, increased over the last year, but the increase was due to a NA.f 217 million redundancy payment by the Shell Oil Company which terminated its operations in Curaçao. Other Government earnings also increased due mainly to increased taxes from the offshore financial sector.

The current account of the balance of payments returned to surplus for the first time since 1982, and while the capital account once again recorded a deficit, it was reduced from the previous year primarily because of reduced private capital outflows. As a consequence, therefore, of the performance of the current account, the international reserves improved significantly, but there would instead have been a further erosion of the reserves, 25% greater than 1984, had the one-time redundancy payments not served to inflate the total earnings.

Table 3  
NETHERLANDS ANTILLES: ARUBA AND CURACAO  
Imports by SITC Sections  
(NA.f million)

| SITC Sections                         | I m p o r t s |       |      | Percentage change |
|---------------------------------------|---------------|-------|------|-------------------|
|                                       | 1983          | 1984  | 1985 | 1985              |
| 0. Food                               | 280           | 264   | ...  | ...               |
| 1. Beverages and tobacco              | 32            | 29    | ...  | ...               |
| 2. Crude materials, inedible          | 12            | 14    | ...  | ...               |
| 3. Petroleum products                 | 6 901         | 6 168 | ...  | ...               |
| 4. Animal and vegetable oils and fats | 4             | 4     | ...  | ...               |
| 5. Chemical products                  | 147           | 167   | ...  | ...               |
| 6. Manufactured goods                 | 212           | 171   | ...  | ...               |
| 7. Machinery and transport equipment  | 344           | 233   | ...  | ...               |
| 8/9. Miscellaneous and other articles | 217           | 194   | ...  | ...               |
| Total<1>                              | 8 149         | 7 244 | ...  | ...               |

Source: Bureau of Statistics.

<1> Discrepancies in total imports and exports appearing between tables 2, 3, and 4 are due to the exclusion of imports and exports for the offshore petroleum sector from the balance of payments cash flow measurement.

## (b) Tourism

Tourism continues to increase in importance for the Netherlands Antilles. Whereas in the past it had been supplemented by oil refining in Aruba, and by oil refining and transportation services in Curaçao, the demise of refining in Aruba and faltering performance in that sector as well as in transportation services in Curaçao, has served to increase the faith placed in tourism for the future survival of all the islands.

Overall, this faith has been justified for the year under review. For the Antilles as a whole, there was an increase in both stopover and cruiseship visitors, the former by 3%. Overall, tourist earnings per capita did not keep pace for 1985. There was, however, a wide variation in the performance of the various islands.

Table 4  
NETHERLANDS ANTILLES: SELECTED TOURISM STATISTICS

|                                                 | 1982  | 1983  | 1984  | 1985  | Percentage change |       |
|-------------------------------------------------|-------|-------|-------|-------|-------------------|-------|
|                                                 |       |       |       |       | 1984              | 1985  |
| Stopover visitors ('000)                        | 635.9 | 589.7 | 683.2 | 703.5 | 15.8              | 3.0   |
| Aruba                                           | 220.2 | 195.2 | 210.2 | 206.7 | 7.7               | -1.7  |
| Curaçao                                         | 174.4 | 111.0 | 130.0 | 116.3 | 17.2              | -10.5 |
| Bonaire                                         | 28.0  | 20.2  | 25.4  | 24.0  | 25.8              | -5.5  |
| St. Maarten                                     | 213.3 | 263.3 | 317.6 | 356.5 | 20.6              | 12.2  |
| Cruise ship visitors ('000)                     | 266.2 | 216.5 | ...   | 329.7 | ...               | ...   |
| Aruba                                           | 51.1  | 39.1  | 30.1  | 72.2  | -23.0             | 139.9 |
| Curaçao                                         | 110.0 | 107.1 | 121.0 | 108.8 | 13.0              | -10.1 |
| Bonaire                                         | 6.8   | 0.3   | 2.9   | 2.7   | ...               | -7.4  |
| St. Maarten                                     | 98.3  | 73.0  | ...   | 146.0 | ...               | ...   |
| Cruise ship calls                               |       |       |       |       |                   |       |
| Aruba                                           | 84    | 63    | 51    | 106   | -19.0             | 107.8 |
| Bonaire                                         | 10    | 1     | 4     | 4     | 300.0             | -     |
| Curaçao                                         | 183   | 170   | 182   | 162   | 7.0               | -11.0 |
| St. Maarten                                     | 153   | 181   | 196   | 246   | 8.3               | 25.5  |
| Average length of stay (nights)                 |       |       |       |       |                   |       |
| Aruba                                           | 6.2   | 6.4   | 6.6   | 6.6   | -                 | -     |
| Curaçao                                         | 4.5   | 5.4   | 4.4   | 5.4   | -18.5             | 22.7  |
| Bonaire                                         | 4.5   | 5.3   | 4.4   | ...   | -17.0             | ...   |
| St. Maarten                                     | ...   | ...   | ...   | ...   | -                 | -     |
| Hotel occupancy rate (%)                        |       |       |       |       |                   |       |
| Aruba                                           | 77.2  | 74.1  | 79.8  | 79.3  | -                 | -     |
| Curaçao                                         | 64.9  | 47.5  | 51.4  | 54.9  | -                 | -     |
| Bonaire                                         | ...   | ...   | ...   | ...   | -                 | -     |
| St. Maarten                                     | 48.4  | 63.7  | 68.5  | 72.0  | -                 | -     |
| Estimated tourist expenditure<br>(NA.f million) | 759.0 | 576.5 | 574.8 | 590.6 | -0.2              | 2.7   |

Source: Central Bank.

In Aruba, while there was a modest decline in stopovers, there was a significant increase in cruise ship visitors, so that overall earnings increased by almost 7%. Although that industry in that island has not yet returned to the profitability of the early eighties, it has recorded increased earnings for the third successive year, while occupancy rates exceeding 79% and an average length of stay of 6.6 nights are the highest in the Antilles.

Curacao recorded a decline in both stopover as well as in cruise visitors. The average length of stay has recorded an increase, as has the hotel occupancy rate, the latter due to the closure of some non-viable hotels. Net earnings in Curacao have once again registered a modest surplus after two years in deficit.

Table 5  
NETHERLANDS ANTILLES: TOURISM FOREIGN EXCHANGE INFLOW  
(NA.f million)

|             | 1982 | 1983 | 1984 | 1985 | Percentage<br>change<br>1985 |
|-------------|------|------|------|------|------------------------------|
| Aruba       | 292  | 205  | 212  | 226  | 6.6                          |
| Curacao     | 241  | 139  | 123  | 126  | 2.4                          |
| Bonaire     | 12   | 10   | 5    | 8    | 60.0                         |
| St. Maarten | 214  | 223  | 234  | 230  | -1.7                         |

Source: Central Bank.

The industry in Curacao which has been geared primarily towards duty-free shopping, has had greater difficulty in adjusting to the reduced purchasing power and the parity changes of those countries from which it draws the bulk of its visitors, than has been the case of those islands having the added attraction of beach tourism.

Major efforts are currently underway to improve the tourism product by enhancing the attractiveness of the capital which is already rich in charm and historic interest, reducing costs, and diversifying the attractions of the island. A special task force has been formed comprising representatives from the public and private sectors to oversee the sector, which is still seen as the best alternative activity to compensate for the declines taking place in petroleum refining, the transportation sector, and in offshore financial services.

St. Maarten recorded a 12% increase in stopover visitors in 1985 and a 100% increase in cruiseship visitors over 1983, the last year for which data exists. The industry which is relatively new, having been established for only about thirty years, has had a rapid and sustained growth over the last twenty years, receiving 118,000 stopover visitors by 1975 and growing by over 200% since then. In the same period, net earnings have increased by 250 percent.

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Tourism in St. Maarten has a comparative advantage over competing island destinations due in part to its dual culture, two-thirds of the island is under French jurisdiction, thus providing cultural diversity within a small land space. It has also proved attractive to potential investors because of the relative absence of administrative bottlenecks, while its freeport status appeals to investors and visitors alike.

The bulk of stopover guests to the Netherlands Antilles originate in the U.S.A. up to 62% in 1985 an increase of one percentage point over the previous year. The proportion of guests originating in Venezuela continues to fall, from 28% in 1982 to 7% in 1985 while visitors from the EEC have increased.

Table 6  
NETHERLANDS ANTILLES: STOPOVER TOURISTS BY ORIGIN  
(Thousands)

|                                    | 1982  | 1983  | 1984  | 1985  | Percentage<br>change |
|------------------------------------|-------|-------|-------|-------|----------------------|
|                                    |       |       |       |       | 1985                 |
| U.S.A                              | 281.0 | 349.9 | 418.5 | 435.4 | 4.0                  |
| Venezuela                          | 178.0 | 58.6  | 53.7  | 48.9  | -8.9                 |
| Other Latin American and Caribbean | 93.1  | 98.6  | 120.2 | 114.7 | -4.6                 |
| Netherlands                        | 18.2  | 18.1  | 18.6  | 18.5  | -0.5                 |
| Other EEC                          | 33.4  | 33.8  | 36.9  | 46.4  | 25.7                 |
| Rest of the world                  | 32.2  | 30.6  | 35.3  | 39.6  | 12.2                 |
| Total                              | 635.9 | 589.6 | 683.2 | 703.5 | 3.0                  |

Source: ECLAC derived from official data.

Table 7  
NETHERLANDS ANTILLES: STOPOVER TOURISTS BY ORIGIN  
(Percentage)

|                                    | 1982  | 1983  | 1984  | 1985  |
|------------------------------------|-------|-------|-------|-------|
| U.S.A.                             | 44.2  | 59.3  | 61.0  | 62.0  |
| Venezuela                          | 28.0  | 9.9   | 7.9   | 7.0   |
| Other Latin American and Caribbean | 14.6  | 16.7  | 17.6  | 16.3  |
| Netherlands                        | 2.9   | 3.1   | 2.7   | 2.6   |
| Other EEC                          | 5.2   | 5.7   | 5.4   | 6.6   |
| Rest of the world                  | 5.1   | 5.2   | 5.3   | 5.6   |
| Total                              | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Derived from official data.

(c) Offshore financial sector

Tax revenue derived from the offshore financial services increased by 11% in 1985, while the operational expenditures of the sector increased slightly over the 1984 level.

Table 8  
NETHERLANDS ANTILLES: OFFSHORE FINANCIAL SERVICES  
(NA.f million)

|                             | 1981   | 1982   | 1983   | 1984   | 1985     |
|-----------------------------|--------|--------|--------|--------|----------|
| No. of companies registered | 28 455 | 31 814 | 33 919 | 35 795 | ...      |
| Tax revenue                 | 137    | 220    | 300    | 321    | 358      |
| Operational expenditure     | 189    | 193    | 219    | 212    | 217      |
| Total assets/liabilities    | 13 523 | 15 321 | 14 018 | 10 281 | 8 457<1> |
| Percentage change           | 58     | 11     | -8     | -27    | -184<2>  |

Source: Central Bank.

<1> Balance relates to third quarter 1985.

<2> Percentage change relates to third quarter 1984-1985.

The industry is, however, facing a period of contraction, due to the termination of the withholding tax agreement originally signed with the U.S.. That portion of the sector dealing in Eurodollar bonds is, therefore, unlikely to record further growth, although the immediate impact is cushioned by an arrangement whereby existing bonds will retain tax advantages, so the host country will gain revenue, if routed through the Antilles. The actual adjustment of the industry to changed circumstances has been faster than anticipated, the short-term benefit being accelerated tax payments, although at a longer term price of reducing the period of adjustment available to the island government of Curaçao. Accordingly, revenues are expected to further increase in 1986, but thereafter to stabilize at a reduced figure of 100 million per annum by 1988.

The implications for the Antilles are daunting since tax revenues from the offshore sector account for 53% of the revenues of the island government of Curaçao and 15% of the total foreign exchange inflows of the Netherlands Antilles. Reduced activity will also indirectly affect central government revenues.

#### (d) Transportation services

The net foreign earnings derived from transportation services increased by over 36% in 1985. The sector which is built around petroleum, has had to face a period of uncertainty since 1981, and developments during the year did nothing to reduce this in 1985, a year in which the Shell Company ceased operations in Curaçao and the level of shipping activity through the harbour continued to decline.



Table 9  
NETHERLANDS ANTILLES: NET EARNINGS FROM  
SELECTED TRANSPORTATION SERVICES  
(NA.f million)

|                 | 1982  | 1983  | 1984  | 1985  | Percentage<br>change |
|-----------------|-------|-------|-------|-------|----------------------|
|                 |       |       |       |       | 1985                 |
| Ship handling   | 13.1  | 5.1   | 0.6   | -1.0  | -                    |
| Storage         | 108.2 | 88.2  | 75.5  | 93.9  | 24.4                 |
| Maintenance     | 81.8  | 40.8  | 34.8  | 51.5  | 48.0                 |
| Passenger fares | 32.9  | 39.8  | 38.3  | 32.4  | -15.4                |
| Other           | -12.6 | 10.4  | 65.0  | 115.7 | 78.0                 |
| Total           | 223.4 | 184.3 | 214.2 | 292.5 | 36.6                 |

Source: Central Bank.

Earnings from ship handling have decreased steadily since 1978 with a decrease in tonnage, mainly of oil tankers, through the Curaçao harbour. The index of gross tonnage passing through Curaçao has fallen from 95 in 1981 to 6 in 1985 and this activity is now a net user of foreign exchange.

Storage fees earned by the oil terminals in Curaçao and Bonaire increased in 1985 from the depressed position of 1984. The terminals continue to face an uncertain future, because of the vicissitudes of oil marketing, since the storage facilities were developed in an era of stable oil contracts. With the development of a volatile spot market, shifts in consumption patterns in the United States and the development of deep water harbours near to the United States coast, storage and transshipment is no longer as viable an activity as in the past, and is declining.

Despite declining business in the harbours generally, earnings from ship repair and maintenance increased in 1985. The increase is due in part to a concerted effort to reduce the operating costs of the shipyards, and improve the viability of the port in order to regain some of the custom lost to competitors. Because the shipyards are large employers of labour, this transformation is being carried out with large Government subsidies and viability remains a still somewhat distant goal.

Net foreign earnings from the national airline declined by 15%. Efforts continued to be made to increase the efficiency of the airline and to reduce its reliance on the national budget.

#### (e) Oil refining

Despite the fact that the petroleum refining sector has been in decline in recent years, it was nevertheless a major contributor to the economies of Aruba and Curaçao and to the central government. By the end of the survey period it had declined in importance for the national economy as a whole, and the closure of the Lago refinery in Aruba had created a significant reduction in economic activity in that island.

Table 10  
NETHERLANDS ANTILLES: CONTRIBUTION OF OIL REFINERIES  
TO ARUBA AND CURACAO - 1984

|                                            | Shell (Curacao) | Lago (Aruba) |
|--------------------------------------------|-----------------|--------------|
| Direct employment (numbers)                | 1 950           | 1 200        |
| Indirect employment (numbers)              | 7 156           | 4 650        |
| 1 + 2 as % of island labour force          | 14              | 21           |
| Est. value added as % of island GNP        | 17              | 39           |
| Direct tax revenue (NA.f million)          | 71              | 70           |
| Total tax revenue (NA.f million)           | 119             | 110          |
| Direct revenue as % of gross island income | 9               | 35           |
| Total revenue as % of gross island income  | 15              | 55           |

Source: ECLAC derived from official data.

After a series of protracted negotiations with the central government, the Shell Oil Company decided to terminate its operations in Curaçao from September of 1985. Redundancy payments commenced in October and amounted to NA.f 217 million by the end of the survey period. The Shell installations have been procured by the island government of Curaçao, and leased to Petreleos de Venezuela (PDVSA) for a five year period.

Operations under PDVSA began in October, with a directly employed workforce reduced to 1500 persons, while the new terms of the agreement mean that revenue benefits to the island government will amount to less than NA.f 20 million. At the same time, extensive investment will need to be incurred by the island government.

### 3. Monetary and fiscal development

#### (a) Monetary developments

In contrast to the previous year, there was an increase in the money supply. (M-1) grew by 15%, and although there was a contraction in currency outside the banks demand deposits increased.

Domestic credit contracted both to the private sector and to the central government, although credit to the island government increased. At the same time, there was a significant expansionary effect resulting from the increase in net foreign assets, mainly as a result of redundancy payments to refinery workers resulting from the termination of Shell operations in Curaçao. Measures were introduced in an attempt to prevent these funds from flowing out of the economy by reducing the tax rate on funds lodged in domestic banks for periods in excess of three years.

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Table 11  
NETHERLANDS ANTILLES: MONETARY BALANCE

|                        | (NA.f millions) |       |       |       | Percentage change |       |
|------------------------|-----------------|-------|-------|-------|-------------------|-------|
|                        | 1982            | 1983  | 1984  | 1985  | 1984              | 1985  |
| Money (M-1)            | 486             | 484   | 471   | 544   | -2.7              | 15.5  |
| Currency outside banks | 167             | 163   | 168   | 137   | 3.0               | -18.4 |
| Demand deposits        | 319             | 321   | 303   | 407   | -5.6              | 34.3  |
| Factors of expansion   | 1 214           | 1 275 | 1 301 | 1 365 | 2.0               | 4.9   |
| Foreign assets (net)   | 433             | 386   | 316   | 445   | -18.0             | 41.0  |
| Domestic credit        | 781             | 890   | 986   | 920   | -0.4              | -6.7  |
| Government (net)       | 136             | 124   | 129   | 119   | 4.0               | -7.7  |
| Island governments     | -86             | -101  | -10   | 26    | 94.0              | 360.0 |
| Private sector         | 957             | 1 091 | 1 101 | 1 038 | 0.9               | -5.7  |
| Miscellaneous (net)    | -226            | -225  | -235  | -263  | 4.4               | -11.9 |
| Factors of absorption  | 728             | 792   | 830   | 821   | 4.8               | -1.0  |
| Quasi money            | 728             | 792   | 830   | 821   | 4.8               | -1.1  |
| Savings deposits       | 621             | 656   | 687   | 673   | 4.7               | -2.0  |
| Time deposits          | 107             | 136   | 143   | 148   | 5.1               | 3.5   |

Source: Central Bank.

A breakdown of credit extended by commercial banks to the private sector, shows an overall reduction of almost 6 percent. Significant shifts in loans took place from manufacturing and construction towards real estate, insurance and other services.

Table 12  
NETHERLANDS ANTILLES: COMMERCIAL BANK LOANS BY SECTOR <1>  
(NA.f million)

|                                       |      |       |       |      | Percentage change |
|---------------------------------------|------|-------|-------|------|-------------------|
|                                       | 1982 | 1983  | 1984  | 1985 | 1985              |
| Manufacturing                         | 82   | 116   | 117   | 50   | -57.3             |
| Electricity, gas, water               | 42   | 37    | 38    | 30   | -21.0             |
| Construction                          | 23   | 27    | 30    | 27   | -10.0             |
| Trade                                 | 351  | 376   | 361   | 355  | -1.7              |
| Hotels and restaurants                | 38   | 60    | 59    | 62   | 5.1               |
| Transport, storage and communications | 21   | 17    | 24    | 33   | 37.5              |
| Finance, insurance and real estate    | 46   | 56    | 64    | 87   | 35.9              |
| Other services                        | 33   | 33    | 36    | 48   | 33.3              |
| Individuals                           | 287  | 319   | 326   | 301  | -7.7              |
| Total private sector                  | 923  | 1 041 | 1 055 | 993  | -5.9              |

Source: Central Bank.

<1> Amounts relate to November of each year.

**(b) Fiscal developments**

Total revenues to the central government declined by slightly over 2% in 1985. Concealed within a slight decline of 2% in tax revenues however, is the fact that while most sources of tax revenue recorded an increase, there was a dramatic fall in import duties due in part to contracting imports of dutiable goods.

Non-tax revenues recorded a slight decline, mainly due to reduced tax transfers from Aruba. Since it will be recalled that wages, income and profit taxes among others are collected by island governments and are in part returned to the central government, the reduced remittances reflect reduced business activities on that island. Also contributing to the reduced non-tax revenue was a 46% reduction in central bank profits.

Total expenditures both current and capital, declined. Economies were effected by reduced purchases of goods and services and a slight reduction in the payment of wages and salaries. Subsidies to flagging industries, however, increased as did outlays for interest payments.

The budget deficit increased slightly over the previous year although it was still less than half that accumulated for 1983. Financing was secured from domestic sources, a portion of which was used to repay foreign obligations.

Table 13  
NETHERLANDS ANTILLES: REVENUES AND EXPENDITURES  
OF CENTRAL GOVERNMENT  
(NA.f million)

|                                | 1982 | 1983 | 1984 | 1985 | Percentage change |       |
|--------------------------------|------|------|------|------|-------------------|-------|
|                                |      |      |      |      | 1984              | 1985  |
| Tax revenue                    | 359  | 400  | 431  | 422  | 7.7               | -2.0  |
| Import duties                  | 105  | 96   | 90   | 68   | -6.7              | -24.4 |
| Excise                         | 43   | 50   | 60   | 77   | 20.0              | 28.3  |
| Foreign exchange               | 16   | 17   | 20   | 23   | 17.6              | 15.0  |
| Stamp duties                   | 8    | 7    | 7    | 8    | 0.0               | 14.3  |
| Gambling licences              | 2    | 2    | 2    | 3    | 0.0               | 50.0  |
| Other                          | 6    | 6    | 7    | 6    | 16.6              | -14.3 |
| Non-tax revenue                | 179  | 222  | 245  | 236  | 10.4              | -3.7  |
| Total revenue                  | 359  | 400  | 431  | 422  | 7.7               | -2.1  |
| Current expenditure            | 426  | 476  | 465  | 458  | -2.3              | -1.5  |
| Wages and salaries             | 234  | 248  | 248  | 242  | 0.0               | -2.4  |
| Purchase of goods and services | 53   | 74   | 79   | 66   | 6.7               | -16.4 |
| Interest payments              | 19   | 28   | 23   | 25   | -17.8             | 8.7   |
| Subsidies                      | 25   | 28   | 12   | 25   | -57.1             | 108.0 |
| Transfer to households         | 10   | 9    | 9    | 10   | 0.0               | 11.0  |
| Bonaire and Windward Islands   | 26   | 23   | 24   | 20   | 4.3               | -16.7 |
| Curaçao                        | 38   | 44   | 46   | 45   | 4.5               | 2.2   |
| Aruba                          | 20   | 23   | 24   | 24   | 4.3               | 0.0   |
| Capital expenditures           | 5    | 5    | 6    | 5    | 20.0              | 16.7  |
| Surplus or deficit             | -72  | -82  | -40  | -41  | -48.8             | 2.5   |
| Financing                      | 72   | 82   | 40   | 41   | -51.0             | 2.5   |
| Domestic                       | 79   | 74   | 44   | 50   | -40.5             | 12.0  |
| Foreign                        | -7   | 8    | -3   | -8   | -                 | -     |

Source: Central Bank.

(c) Prices

As a result of impending constitutional changes, the revision of the Consumer Price Index, beginning December 1984 did not include Aruba with Curaçao and Bonaire so that comparison with 1984 is not possible.

In general, price changes were moderate, reflecting low rates of international inflation and stagnant domestic demand. The greatest increases were registered for transportation, medical care and clothing.

Partial data for Aruba show a slightly higher rate of price increase, due mainly to greatly increased costs for housing. Price changes for St. Maarten seem to be comparable with those in Curaçao.

Table 14  
 NETHERLANDS ANTILLES: EVOLUTION OF CONSUMER PRICE INDEX  
 (Curaçao and Bonaire) <1>  
 (December 1984 = 100)

| ITEMS                       | Weight | 1984  | 1985  | % change<br>Dec/Dec | Annual<br>average<br>variation |
|-----------------------------|--------|-------|-------|---------------------|--------------------------------|
| Total                       | 10 000 | 100.0 | 100.3 | 0.3                 | -                              |
| Food                        | 2 207  | 100.0 | 98.3  | -1.7                | -                              |
| Beverages and tobacco       | 232    | 100.0 | 101.8 | 1.8                 | -                              |
| Clothing and footwear       | 868    | 100.0 | 97.3  | 2.7                 | -                              |
| Housing                     | 1 876  | 100.0 | 100.3 | 0.3                 | -                              |
| Household supplies          | 996    | 100.0 | 97.8  | 2.2                 | -                              |
| Medical care                | 216    | 100.0 | 102.9 | 2.9                 | -                              |
| Transport and communication | 1 945  | 100.0 | 105.5 | 5.5                 | -                              |
| Recreation and education    | 595    | 100.0 | 98.9  | -1.1                | -                              |
| Other                       | 1 065  | 100.0 | 100.1 | 0.1                 | -                              |

Source: Central Bank.

<1> Measurements for Aruba not compiled for 1985 due to impending separation from Antilles, and base year changed.

PART X

SAINT LUCIA  
COUNTRY NOTES





## SAINT LUCIA &lt;1&gt;

## 1. Recent economic trends: Introduction and summary

Real growth of nearly 6% as measured by estimates of Gross Domestic Product (GDP) at factor cost described the effect of developments in the major sectors of the Saint Lucian economy in 1985.

Table I  
SAINT LUCIA: MAIN ECONOMIC INDICATORS

|                                                           | 1983   | 1984   | 1985<p> |
|-----------------------------------------------------------|--------|--------|---------|
| <b>A. Basic economic indicators</b>                       |        |        |         |
| GDP at factor cost (millions of current EC dollars)<r>    | 323    | 353    | 389     |
| Per capita GDP (current prices)<r>                        | 2 567  | 2 758  | 2 992   |
| GDP at factor cost (EC\$ million at 1977 constant prices) | 198    | 208    | 220     |
| Per capita GDP at constant 1977 prices                    | 1 568  | 1 609  | 1 692   |
| Population (thousands)                                    | 126    | 128    | 130     |
| Growth rates                                              |        |        |         |
| <b>B. Short-run economic indicators</b>                   |        |        |         |
| GDP at factor cost (current prices)                       | 3.5    | 9.2    | 10.1    |
| Per capita GDP (current prices)                           | 1.9    | 7.4    | 8.5     |
| GDP at factor cost (constant prices)                      | 4.1    | 5.0    | 5.8     |
| Per capita GDP (constant prices)                          | 2.4    | 2.6    | 5.2     |
| Current value of exports of goods                         | 14.2   | 0.6    | 8.8     |
| Current value of imports of goods                         | -9.5   | 11.0   | 2.7     |
| Consumer price index (Dec.-Dec.)                          | 1.3<1> | 1.2<1> | 0.9     |
| Annual average var. in consumer prices                    | 1.5<1> | 1.2<1> | 1.0     |
| Dollars million                                           |        |        |         |
| <b>C. External sector</b>                                 |        |        |         |
| Trade balance (goods and services)<r>                     | -160.1 | -190.9 | -188.4  |
| Balance on current account                                | -40.2  | -84.8  | -47.4   |
| External public debt                                      | 101.7  | 76.1   | 69.8    |
| Exchange rate EC\$ to US\$                                | 2.7    | 2.7    | 2.7     |

Source: Various tables and data supplied ECLAC.  
<1> Using old index.

<1> Unless otherwise stated, figures appear in EC dollars. The rate of exchange is US\$1.00 = EC\$2.70.

## SAINT LUCIA

The three areas mainly responsible for growth during the year were agriculture, government and the tourism-oriented elements of the services sector. The performance of the manufacturing sector continued to be restrained by the continuing trading difficulties in the CARICOM region.

A successful banana crop helped the agricultural sector to increase its real output by 12% in 1985 and accounted for almost 16% of total GDP. The technique of field packing was used throughout the harvest operation and helped to reduce post-harvest losses by about 20%. Foreign exchange earnings from the export sales of bananas partially explained the increase in the cash flow of the economy to \$2.7 million per week on average as compared with the previous figure of \$25 million.

An increase in the number of visitor arrivals strengthened confidence in the future of the tourism industry and prompted the refurbishing of the major hotels and the addition of new capacity. Vigorous promotion efforts promise to produce a package that would be attractive to an important sector of the market and which would produce higher earnings.

Central Government finances remained weak. Expenditures in excess of revenues, occasioned to some extent by salary increases in the public sector, kept the Central Government account in deficit. Government moved to strengthen the Income Tax Department and collected additional indirect taxes, while beginning a process of rationalization of public sector employment. At the same time, Government has been considering policies that would confront the 18-20% unemployment rate.

Table 2  
 SAINT LUCIA: GROSS DOMESTIC PRODUCT, BY ECONOMIC  
 ACTIVITY, AT FACTOR COST - (Current prices) <r>  
 (Dollars million)

|                                                          | 1983   | 1984   | 1985<p> | Percentage<br>breakdown |       | Percentage<br>change |      |
|----------------------------------------------------------|--------|--------|---------|-------------------------|-------|----------------------|------|
|                                                          |        |        |         | 1980                    | 1985  | 1984                 | 1985 |
| Gross domestic product                                   | 323.4  | 353.0  | 388.8   | 100.0                   | 100.0 | 9.2                  | 10.1 |
| Goods                                                    | 94.3   | 102.8  | 120.6   | 34.4                    | 31.0  | 9.0                  | 17.3 |
| Agriculture                                              | 42.3   | 46.2   | 58.3    | 11.7                    | 15.0  | 9.2                  | 26.2 |
| Mining and quarrying                                     | 2.2    | 2.3    | 2.3     | 1.5                     | 0.6   | 4.5                  | -    |
| Manufacturing                                            | 30.2   | 31.1   | 33.0    | 9.3                     | 8.5   | 3.0                  | 6.1  |
| Construction                                             | 19.6   | 23.2   | 27.0    | 11.9                    | 6.9   | 18.4                 | 16.4 |
| Basic services                                           | 48.8   | 52.3   | 55.4    | 13.8                    | 14.2  | 7.2                  | 5.9  |
| Electricity, gas and water                               | 11.2   | 13.6   | 15.0    | 2.1                     | 3.9   | 21.4                 | 10.3 |
| Transport, storage, etc.                                 | 37.6   | 38.7   | 40.4    | 11.7                    | 10.4  | 2.9                  | 4.4  |
| Other services<l>                                        | 180.3  | 197.9  | 212.8   | 51.8                    | 54.7  | 9.8                  | 7.5  |
| Wholesale and retail trade                               | 53.6   | 58.2   | 61.9    | ...                     | 15.9  | 8.6                  | 6.4  |
| Hotels and restaurants                                   | 22.2   | 24.8   | 26.5    | ...                     | 6.8   | 11.7                 | 6.9  |
| Finance, insurance, real estate<br>and business services | 41.5   | 42.5   | 43.8    | ...                     | 11.3  | 2.4                  | 3.1  |
| General services                                         | 16.2   | 17.9   | 19.0    | ...                     | 4.9   | 10.5                 | 6.1  |
| Government services                                      | 67.8   | 76.3   | 84.0    | ...                     | 21.6  | 12.5                 | 10.1 |
| Imputed banking service charge                           | (21.0) | (21.8) | (22.4)  | -                       | -     | -                    | -    |

Source: Economic Review 1985, Ministry of Finance, Planning and Statistics.  
 <l> Other services adjusted for imputed banking service charge.

The manufacturing sector's contribution to GDP at constant prices rose by 2.7% in 1985 to \$19.3 million, and accounted for 8.8% of total G.D.P. The different subsectors experienced varying fortunes and in some cases, trading difficulties led to the curtailment of production and the eventual closure of some factories, and contributed to the increase in the unemployment rate.

Table 3  
 SAINT LUCIA: GROSS DOMESTIC PRODUCT, BY ECONOMIC  
 ACTIVITY, AT FACTOR COST - (Constant prices) <1>  
 (Dollars million)

|                                                          | 1983  | 1984   | 1985   | Percentage<br>breakdown |       | Percentage<br>change |      |
|----------------------------------------------------------|-------|--------|--------|-------------------------|-------|----------------------|------|
|                                                          |       |        |        | 1980                    | 1985  | 1984                 | 1985 |
| Gross domestic product                                   | 197.6 | 207.5  | 219.5  | 100.0                   | 100.0 | 5.0                  | 5.8  |
| Goods                                                    | 58.1  | 61.6   | 67.5   | 34.0                    | 30.8  | 6.0                  | 9.6  |
| Agriculture                                              | 28.7  | 31.0   | 34.8   | 11.8                    | 15.9  | 8.0                  | 12.3 |
| Mining and quarrying                                     | 0.9   | 0.9    | 0.9    | 1.8                     | 0.4   | -                    | -    |
| Manufacturing                                            | 18.8  | 18.8   | 19.3   | 8.5                     | 8.8   | -                    | 2.7  |
| Construction                                             | 9.7   | 10.9   | 12.5   | 11.9                    | 5.7   | 12.4                 | 14.7 |
| Basic services                                           | 28.6  | 30.1   | 31.5   | 13.5                    | 14.4  | 5.2                  | 4.7  |
| Electricity, gas and water                               | 6.6   | 7.1    | 7.6    | 3.1                     | 3.5   | 7.6                  | 7.0  |
| Transport, storage etc.                                  | 22.0  | 23.0   | 24.9   | 10.4                    | 11.3  | 4.5                  | 8.3  |
| Other services<1>                                        | 110.9 | 115.8  | 120.5  | 52.5                    | 54.9  | ...                  | ...  |
| Wholesale and retail trade                               | 30.5  | 32.0   | 33.1   | ...                     | 15.1  | 4.9                  | 3.4  |
| Hotels and restaurants                                   | 14.8  | 16.0   | 16.1   | ...                     | 7.3   | 8.1                  | 0.6  |
| Finance, insurance, real estate<br>and business services | 22.8  | 23.1   | 24.0   | ...                     | 10.9  | 1.3                  | 3.9  |
| General services                                         | 9.3   | 10.0   | 10.4   | ...                     | 4.7   | 7.5                  | 4.0  |
| Government services                                      | 43.4  | 44.8   | 46.4   | ...                     | 21.1  | 3.2                  | 3.6  |
| Imputed banking service charge                           | (9.9) | (10.1) | (10.5) | ...                     | ...   | -                    | -    |

Source: Economic Review 1985, Ministry of Finance, Planning and Statistics.  
 <1> Other services adjusted for Imputed Banking Service Charge.

Increased construction activity was shared by both the public and private sectors, as road rehabilitation programmes continued and as extra capacity (or refurbishing of hotels) was added to provide for increasing numbers of tourist arrivals. Private home construction sought to alleviate the housing problem and was facilitated by credit from the commercial banks as well as from the Saint Lucia Development Bank.

Total exports for 1985 were at \$140.4 million - an increase of 8.8% over the value of exports for the previous year. Exports of bananas, the most important export crop, had to compete with exports of similar commodities from Spain for a place on the U.K. market. On the import side, reductions in the prices of petroleum products helped to contain the import bill. The average unit value of both imports and exports fell, the net result being a slight improvement in the terms of trade.

The overall balance of payments position worsened from \$2.7 million in 1984 to \$6.9 million in 1985, despite attempts to constrain the import bill. The deficit on current account improved from the deficit figure of \$84.8 million to minus \$47.4 million in 1985, while the capital account balance fell by over 50% from the \$82.1 million of the previous year.

The increased liquidity derived mainly from the successful banana crop led to an increased demand for goods and services. Increases were observed in both the narrowly defined money supply (M-1) and the broader M-2 giving the banking sector greater capacity to lend.

The deficit in the Central Government account was met by domestic as well as external borrowing. Whereas the domestic public debt stood at 9.3% of GDP, the external public debt was estimated to be 15.3% of GDP, bringing the total public debt to 24.6% of Gross Domestic product.

## 2. Trends in economic activity

### Growth of the main sectors

(i) Agriculture: The agriculture sector continued to play a vital role in the Saint Lucian economy, contributing some 15.9% of total real GDP, and increasing output by an estimated 12.3% in 1985. Favourable weather conditions and the related increased production in the banana industry were the major factors responsible for this performance.

Bananas: The banana industry improved its performance in 1985 with the production of some 84,208 tonnes of the fruit and the export of 81,935 tonnes. Favourable weather conditions and the establishment of 100% field packing contributed to the increase in production. Several marketing difficulties were experienced on the UK market in 1985, and these reduced the full impact that the increased production may have had on the Saint Lucian economy. The entry of Spain into the European Economic Community and the availability of Central American bananas of high quality have helped to contain the price of bananas, thus limiting the earnings of foreign exchange. The average green wholesale price recorded in 1985 was 496.09 pounds sterling per ton while that of the previous year was 437.48 pounds sterling. Local currency receipts from the export sales of bananas were also augmented by the appreciation of sterling vis à vis the EC dollar.

A concerted attempt to improve quality is essential for the continued growth of the industry. More accurate production forecasting techniques will result in greater efficiency in marketing, and greater effort would be necessary to maintain market shares in the UK market.

Coconuts: The decline in coconut production which had been observed in 1984 was reversed in 1985 in which year an increase in production of 8.5% was secured, despite the lack of success in controlling the coconut mite disease. The unit price of coconut remained constant at EC\$1,102.30 per long ton and revenue accruing to the Coconut Growers' Association from coconut production grew by 8.5% in 1985, mirroring the increased production of coconuts.

Cocoa: Interest in the production of this crop grew significantly since the securing of a market in the United States of America for all of the country's cocoa production. Momentum in production increased in 1985 when 6% more cocoa was produced than in the previous year. An increase in the price of cocoa from EC\$3.01 per lb. to EC\$3.23 per lb. helped to increase revenue from cocoa production by some 34% to EC\$394,800 in 1985. Interest in the resuscitation of the industry is high and high-yield plants have been imported from Costa Rica to boost production. Disease control activities have been instituted in an attempt to protect the crops.

Vegetable and root crops: A mixed though higher performance was noted in the production of root crops and vegetables. Favourable weather conditions contributed to the increased production.

The receipt of technical co-operation in agriculture from the Republic of China resulted in the production of new varieties of fruit and vegetables. The technical assistance project aims at establishing a model farm where new varieties of vegetable and fruit are introduced, as well as the conduct of a study of diversification of cropping systems. Assistance in the development of the livestock sector, in particular pig and poultry, is also planned. Research is being done to develop a system of record keeping and farm production analysis for the project farms and for general application on small farms. The effect of the project and its assimilation into the entire sector would be to generate further employment, increase domestic production of food and earn foreign exchange through the sale of its exportable surplus.

Table 4  
SAINT LUCIA: INDICATORS OF AGRICULTURAL PRODUCTION  
(Tonnes)

|                           | 1983   | 1984   | 1985   | Percentage change |       |
|---------------------------|--------|--------|--------|-------------------|-------|
|                           |        |        |        | 1984              | 1985  |
| Production of main crops: |        |        |        |                   |       |
| Banana - total            | 69 125 | 67 096 | 84 208 | -2.9              | 25.5  |
| Of which:                 |        |        |        |                   |       |
| Banana - exports          | 55 300 | 65 027 | 81 935 | 17.6              | 26.0  |
| Coconuts (copra)          | 4 781  | 4 043  | 4 388  | -15.4             | 8.5   |
| Cocoa                     | 45     | 46     | 49     | 2.2               | 6.5   |
| Root crops:               |        |        |        |                   |       |
| Sweet potato              | 13     | 16     | 15     | 23.1              | -6.3  |
| Yam                       | 34     | 26     | 26     | -23.5             | -     |
| Tannia                    | 255    | ...    | ...    | ...               | ...   |
| Ginger                    | 330    | 158    | 113    | -52.1             | -28.5 |
| Dasheen                   | 31     | 26     | 30     | -16.1             | 15.4  |
| Vegetables                |        |        |        |                   |       |
| Avocado                   | 7      | 9      | 31     | 28.6              | 244.4 |
| Cabbage                   | 33     | 36     | 23     | 9.1               | -36.1 |
| Carrot                    | 2      | 10     | 11     | 400.0             | 10.0  |
| Cucumber                  | 11     | 14     | 12     | 27.3              | -14.3 |
| Lettuce                   | 6      | 8      | 8      | 33.3              | -     |
| Melon                     | 2      | 2      | 1      | -                 | -50.0 |
| Ochro                     | 1      | 3      | 7      | 200               | 133.3 |
| Plantain                  | 204    | 536    | 549<e> | 162.7             | 2.4   |
| Pumpkin                   | 24     | 16     | 34     | -33.3             | 112.5 |
| Sweet pepper              | 2      | 4      | 4      | 100.0             | -     |
| Tomato                    | 7      | 19     | 17     | 171.4             | -10.5 |
| Citrus:                   |        |        |        |                   |       |
| Grapefruit                | 44     | 58     | 63     | 31.8              | 8.6   |
| Lime                      | 12     | 13     | 12     | 8.3               | -7.7  |
| Orange                    | 80     | 32     | 49     | -60.0             | 53.1  |

Source: Ministry of Agriculture and data supplied ECLAC.

**Fisheries:** The fish storage facility was commissioned in 1985, and has purchased significant quantities of excess catch from the local fishermen, however, because of the relatively low throughput and high operational costs, the plant reported a loss of \$105,000 in its first year of operation. The second phase of the fisheries development programme financed by Canadian aid commenced in the first half of 1986. In this phase, facilities will be established at all major fishing areas in the country.

(ii) **Manufacturing:** Indicators of manufacturing production show a mixed performance in the subsectors.

Table 5 - Part A  
SAINT LUCIA: INDICATORS OF MANUFACTURING  
PRODUCTION, 1983-1985  
(Quantity relatives - chain base method - previous year=100)

| Items                                  | 1983  | 1984  | 1985  |
|----------------------------------------|-------|-------|-------|
| Food processing, beverages and tobacco | 103.2 | 89.3  | 111.4 |
| Rum                                    | 117.4 | 106.5 | 79.4  |
| Wearing apparel                        | 71.6  | 153.9 | 72.6  |
| Paper products and cardboard boxes     | 107.9 | 169.3 | 115.1 |
| Electrical and assembly type products  | 137.8 | 74.7  | 112.7 |
| Textile goods                          | ...   | 120.8 | 32.8  |
| Industrial chemicals                   | ...   | ...   | ...   |
| Tyre retreading                        | 103.0 | 105.9 | 94.4  |
| Plastic products                       | ...   | 63.1  | 64.5  |
| Timber and lumber                      | 59.2  | 141.4 | 107.3 |
| Copra                                  | 128.8 | 85.1  | 98.0  |
| Coconut oil (raw)                      | 119.0 | 82.5  | 96.0  |
| Coconut oil (refined)                  | 144.6 | 85.4  | 59.3  |
| Coconut meal                           | 118.2 | 85.0  | 98.3  |
| Laundry soap                           | 115.5 | 21.4  | 93.2  |
| Miscellaneous manufactures             | ...   | ...   | ...   |

Source: Economic Review 1985, table re-worked by ECLAC.

Table 5 - Part B  
INDICATORS OF MANUFACTURING PRODUCTION

|                                 | 1983  | 1984  | 1985  | Percentage change |       |
|---------------------------------|-------|-------|-------|-------------------|-------|
|                                 |       |       |       | 1984              | 1985  |
| Production of some manufactures |       |       |       |                   |       |
| Copra<1>                        | 4 778 | 4 044 | 4 002 | -15.4             | -1.0  |
| Coconut oil-raw<2>              | 3 327 | 2 791 | 2 732 | -16.1             | -2.1  |
| Coconut oil-refined<2>          | 2 432 | 2 078 | 1 291 | -14.6             | -37.9 |
| Coconut meal<1>                 | 1 516 | 1 269 | 1 266 | -16.3             | -0.2  |
| Rum<3>                          | 155   | 146   | 154   | -5.8              | 5.5   |
| Non-alcoholic beverages<2>      | 4 569 | 4 796 | 5 237 | 5.0               | 9.2   |
| Clothing<4>                     | 539   | 437   | 443   | -18.9             | 1.4   |
| Laundry soap<1>                 | 552   | 186   | 121   | -66.3             | -34.9 |

Source: Statistical Department.

<1> Tonnes. <2> '000 litres.

<3> Thousand proof gallons. <4> Thousand dozen.

The relatives indicate that the industries mainly serving the domestic market were more buoyant than others. It would appear that depression in several subsectors of manufacturing is associated with the trading difficulties in the CARICOM region. In 1985, several meetings were held to overcome the CARICOM trading difficulties by identifying opportunities for bilateral trade and counter trade, and to seek the elimination of administrative impediments to trade. The December 17, 1985 devaluation of the Republic of the Trinidad and Tobago dollar did not improve the prospects for increased exports from Saint Lucia to the Republic of Trinidad and Tobago.

(iii) Construction: Activity in this sector continued to increase in 1985 with a near 15% increase in output in real terms, following an increase of 12.4% in the previous year. The sector contributed some 6% to total real GDP at factor cost in 1985. Public sector projects continued to provide the main impetus to the sector with the continuation of road rehabilitation programmes and the construction of public, industrial and commercial buildings. Private sector construction activity has resulted in additions to the stock of houses and to tourist accommodation units as the major hotels either refurbished or expanded capacity to meet the increasing demand for accommodation.

Approvals of building plans for residential buildings increased by 23% to a total of 423, and reflected to some extent the demand for housing in the lower-middle income group.



Table 6  
SAINT LUCIA: BUILDING PLANS APPROVED 1984-1985

| Type                   | 1984   |                          | 1985   |                          |
|------------------------|--------|--------------------------|--------|--------------------------|
|                        | Number | Gross floor space (sq.m) | Number | Gross floor space (sq.m) |
| Residential            | 344    | 41 022                   | 423    | 40 339                   |
| Residential/commercial | 5      | 1 381                    | 5      | 1 046                    |
| Commercial             | 56     | 8 639                    | 67     | 12 686                   |
| Industrial             | 12     | 11 607                   | 3      | 878                      |
| Institutions           | 21     | 3 026                    | 23     | 6 113                    |
| Total                  | 438    | 65 674                   | 521    | 61 062                   |

Source: Economic Review 1985, Ministry of Finance, Planning and Statistics.

(iv) Energy and natural resources: The country, an oil-importing country, benefited from the falling prices of petroleum in 1985. The value of selected imported petroleum products as a percentage of total imports fell slightly, from 9.5% in 1984 to 9.4% in 1985. Government has for the past three years kept the retail prices of gasoline and kerosene steady at \$1.10 and \$0.93 per litre respectively. The prices of diesel and liquid propane have remained unchanged for the last two years.

Table 7  
SAINT LUCIA: CONSUMPTION AND RETAIL PRICES OF  
SELECTED PETROLEUM PRODUCTS

| Product                 | 1982   | 1983   | 1984   | 1985   |
|-------------------------|--------|--------|--------|--------|
| Consumption             |        |        |        |        |
| Gasoline<1>             | 15 984 | 16 411 | 18 848 | 20 039 |
| Diesel<1>               | 23 725 | 23 498 | 22 712 | 24 635 |
| Kerosene<1>             | 1 100  | 1 132  | 1 241  | 1 036  |
| Propane gas (LPG)       | 3 619  | 3 823  | 3 864  | 4 155  |
| Retail prices per litre |        |        |        |        |
| Gasoline                | 1.12   | 1.10   | 1.10   | 1.10   |
| Diesel                  | 1.10   | 1.04   | 1.10   | 1.10   |
| Kerosene                | 0.97   | 0.93   | 0.93   | 0.93   |
| Propane gas (LPG)<2>    | 1.06   | 1.12   | 1.27   | 1.27   |

Source: Derived from Economic Review 1985, Ministry of Finance, Planning and Statistics.

<1> Thousand litres.      <2> Price per lb.

Shifts in the pattern of consumption of petroleum products seem to have favoured gasoline and propane gas, while declines in consumption of kerosene have been observed. Government pursued its plan to develop greater awareness through the media of the need for conserving energy. An evaluation of the project indicates success in the attainment of its objectives.

The total amount of electricity generated in 1985 rose by some 4% over the figure of the previous year, although the industrial sector consumed 1.4% less electricity than it did previously. This drop was closely associated with lower production levels and the closure of at least one major garment manufacturing company.

Table 8  
SAINT LUCIA: ELECTRICITY PRODUCTION AND CONSUMPTION

| Type of use                       | 1983          | 1984          | 1985          | Percentage change |            |
|-----------------------------------|---------------|---------------|---------------|-------------------|------------|
|                                   |               |               |               | 1985              | 1985       |
| <b>Domestic use</b>               |               |               |               |                   |            |
| Number of consumers               | 14 828        | 14 627        | 15 633        | -1.4              | 6.9        |
| ('000 kWh)                        | 15 958        | 17 663        | 19 291        | 10.7              | 9.2        |
| <b>Commercial use</b>             |               |               |               |                   |            |
| Number of consumers               | 1 812         | 2 828         | 2 889         | 56.1              | 2.2        |
| ('000 kWh)                        | 26 574        | 27 335        | 30 025        | 2.9               | 9.8        |
| <b>Industrial use</b>             |               |               |               |                   |            |
| Number of consumers               | 103           | 109           | 103           | 5.8               | -5.8       |
| ('000 kWh)                        | 6 762         | 7 480         | 7 378         | 10.6              | -1.4       |
| <b>Street lighting</b>            |               |               |               |                   |            |
| ('000 kWh)                        | 996           | 1 054         | 1 096         | 5.8               | 4.0        |
| <b>Loss in transmission</b>       |               |               |               |                   |            |
| ('000 kWh)                        | 13 958        | 11 456        | 11 411        | -17.9             | -0.4       |
| <b>Internal use</b>               |               |               |               |                   |            |
| ('000 kWh)                        | 3 906         | 3 871         | 3 367         | -0.9              | -13.0      |
| <b>Total generated ('000 kWh)</b> | <b>68 158</b> | <b>69 659</b> | <b>72 568</b> | <b>2.2</b>        | <b>4.2</b> |
| <b>Total consumed ('000 kWh)</b>  | <b>54 200</b> | <b>58 305</b> | <b>61 157</b> | <b>7.6</b>        | <b>4.9</b> |
| <b>Revenue (net) - EC\$ '000</b>  | <b>24 226</b> | <b>26 232</b> | <b>26 910</b> | <b>8.3</b>        | <b>2.6</b> |

Source: Data supplied ECLAC by Statistical Department.

The government of Saint Lucia has moved to establish alternative energy sources through a geothermal project financed jointly by the USAID and the United Nations Revolving Fund for Natural Resources (UNRFNRE). The project, now in its first stage, is expected to generate electricity and produce other forms of useful energy. Drilling operations are expected to last for 12 to 18 months.

### 3. The external sector

#### (a) Merchandise trade

(i) Exports: Despite the difficulties of trading, total exports for 1985 reached \$140.4 million, the highest on record. This represents an increase of 8.8% over the value of exports of the previous year. Contributing significantly to this performance was the banana industry whose value of exports rose by more than 25% in 1985. The United Kingdom remained the principal importer of goods and services from Saint Lucia. CARICOM and the USA were in that order the next most important destinations.

Table 9  
 SAINT LUCIA: TOTAL EXPORTS BY SITC SECTION - (f.o.b.)  
 (Dollars million)

|                | 1983  | 1984  | 1985<p> | Percentage breakdown |         | Percentage change |         |
|----------------|-------|-------|---------|----------------------|---------|-------------------|---------|
|                |       |       |         | 1983                 | 1985<p> | 1984              | 1985<p> |
| Total          | 128.3 | 129.1 | 140.4   | 100.0                | 100.0   | 0.6               | 8.8     |
| SITC Section 0 | 55.3  | 68.3  | 85.0    | 43.1                 | 60.5    | 23.5              | 24.5    |
| 1              | 8.6   | 5.5   | 6.4     | 6.7                  | 4.6     | -36.0             | 16.4    |
| 2              | 0.9   | 1.2   | 1.1     | 0.7                  | 0.8     | 33.3              | -8.3    |
| 3              | 0.1   | 0.0   | 0.1     | 0.1                  | 0.1     | -                 | -       |
| 4              | 8.6   | 8.8   | 3.3     | 6.7                  | 2.4     | 2.3               | -62.5   |
| 5              | 2.0   | 1.2   | 1.2     | 1.6                  | 0.9     | -40.0             | -       |
| 6              | 17.6  | 15.2  | 21.7    | 13.7                 | 15.5    | -13.6             | 42.8    |
| 7              | 17.6  | 6.9   | 6.7     | 13.7                 | 4.8     | -60.8             | -2.9    |
| 8              | 17.5  | 22.0  | 15.0    | 13.6                 | 10.7    | 25.7              | -31.8   |
| 9              | 0.1   | 0.1   | 0.0     | 0.1                  | 0.0     | -                 | -       |

Source: Data supplied ECLAC.

(ii) Imports: Total imports increased by 2.8% in value terms in 1985 to a total of \$328.8 million. The EEC countries accounted for the largest increase in goods imported into Saint Lucia in 1985 while imports from the CARICOM countries increased by 10%. Although imports from the USA fell by 11.8%, that country continued to be the largest supplier of imports into Saint Lucia. The three major end-use categories of imported goods experienced increases, with the largest increases being noted in the capital goods category. This was followed by intermediate goods and consumer goods in that order.

Table 10  
 SAINT LUCIA: IMPORTS OF GOODS BY END-USE (c.i.f)  
 (Dollars million)

|                                                  | 1983  | 1984  | 1985  | Percentage breakdown |       | Percentage change |       |
|--------------------------------------------------|-------|-------|-------|----------------------|-------|-------------------|-------|
|                                                  |       |       |       | 1983                 | 1985  | 1984              | 1985  |
| Total                                            | 288.4 | 320.0 | 328.8 | 100.0                | 100.0 | 11.0              | 2.8   |
| Consumer goods                                   | 161.0 | 181.4 | 182.2 | 55.8                 | 55.4  | 12.7              | 0.4   |
| Food, beverages and tobacco                      | 74.8  | 76.4  | 74.9  | 25.9                 | 22.8  | 2.1               | -2.0  |
| Manufactured goods, including durables           | 86.2  | 105.0 | 107.3 | 29.9                 | 32.6  | 21.8              | 2.2   |
| Intermediate goods                               | 77.5  | 82.3  | 84.1  | 26.9                 | 25.6  | 6.2               | 2.2   |
| Mineral fuels, lubricants, and related materials | 35.2  | 35.9  | 35.6  | 12.2                 | 10.8  | 2.0               | -0.8  |
| Animal and vegetable oils and fats               | 1.5   | 2.1   | 1.7   | 0.5                  | 0.5   | 40.0              | -19.0 |
| Chemicals                                        | 34.6  | 36.5  | 39.5  | 12.0                 | 12.0  | 5.5               | 8.2   |
| Crude materials                                  | 6.2   | 7.8   | 7.4   | 2.1                  | 2.3   | 25.8              | -5.1  |
| Capital goods                                    | 49.7  | 56.2  | 62.2  | 17.2                 | 18.9  | 13.1              | 10.7  |
| Machinery and transport equipment                | 49.7  | 56.1  | 62.1  | 17.2                 | 18.8  | 12.9              | 10.7  |
| Miscellaneous items                              | -     | 0.2   | 0.3   | -                    | 0.1   | -                 | 50.0  |

Source: Data supplied ECLAC.

(iii) CARICOM Trade: Saint Lucia's balance of trade with other CARICOM countries deteriorated, with a trade deficit of \$31.4 million in 1985. Export earnings declined as a result of the unfavourable economic conditions in Jamaica and its difficulty to maintain its level of imports from Saint Lucia. In addition, the Republic of Trinidad and Tobago's devaluation worsened the difficulties of exports from Saint Lucia. The result was a build-up of inventories and the eventual curtailment of production in some subsectors of manufacturing.

(iv) Terms of trade: There was a slight improvement in the terms of trade - a reflection of slight reductions in the prices of major items imported and improved export prices of bananas. The index, however, still indicated strong adverse terms of trade.

Table 11  
 SAINT LUCIA: MAIN FOREIGN TRADE INDICATORS  
 (1975 = 100)

|                                 | 1981  | 1982  | 1983  | 1984  | 1985  |
|---------------------------------|-------|-------|-------|-------|-------|
| Volume index - exports          | 141.6 | 129.8 | 136.9 | 179.7 | 192.0 |
| Volume index - imports          | 162.0 | 145.0 | 139.8 | 161.9 | 187.0 |
| Avg. unit value index - exports | 171.4 | 186.2 | 196.8 | 181.6 | 176.2 |
| Avg. unit value index - imports | 252.0 | 257.2 | 266.8 | 271.7 | 260.7 |
| Terms of trade                  | 68.0  | 72.4  | 73.8  | 66.8  | 67.6  |

Source: Data supplied ECLAC by Ministry of Finance, Planning and Statistics.

The dependence of the country on international trade can be clearly discerned from a consideration of the resource gap.

Table 12  
 SAINT LUCIA: EXPORTS AND IMPORTS OF GOODS  
 (As a percentage of GDP)

|                  | 1983 | 1984 | 1985 |
|------------------|------|------|------|
| Exports of goods | 39.7 | 36.6 | 36.1 |
| Imports of goods | 89.2 | 90.7 | 84.6 |
| Resource gap     | 49.5 | 54.1 | 48.5 |

Source: Data supplied ECLAC.

(b) Services trade

Increased visitor arrivals facilitated by increased airline traffic served to reinforce the drive towards the expansion of the tourism sector in 1985. Of a total of 151,000 visitors, some 96,000 were stopover visitors - a near 8% increase over the figure of the previous year. Construction activity in the sector was high, and tourist accommodation units were either refurbished or expanded in anticipation of increased arrivals, reflecting the confidence reposed in the future of the industry. Hotel occupancy rates rose to an estimated 80% in 1985, and helped to secure some EC\$125 million in tourism earnings.

More than 85% of all stopover visitors came from the USA, Canada, Europe including the United Kingdom and the other CARICOM countries, reflecting the areas where the promotion effort has been greatest. The number of cruise ship passenger arrivals increased by nearly 48%, and with the completion of the duty free shopping complex tourism earnings are expected to rise.

The Tourist Board has identified a promising element of "up-market" tourism and has been pursuing vigorously its development. "Ethnic tourism" and "bi-cultural" tourism promise also to increase tourist arrivals and enrich the contact between the visitor and the nationals.

Table 13  
SAINT LUCIA: SELECTED TOURISM STATISTICS

|                                                    | 1983     | 1984     | 1985    | Percentage change |       |
|----------------------------------------------------|----------|----------|---------|-------------------|-------|
|                                                    |          |          |         | 1984              | 1985  |
| Total visitors ('000)                              | 112.9<r> | 126.0<r> | 150.7   | 11.6              | 19.6  |
| Stopover visitors ('000)                           | 79.6     | 88.8     | 95.8    | 11.6              | 7.9   |
| From: USA                                          | 20.3     | 21.9     | 23.4    | 7.9               | 6.8   |
| Canada                                             | 10.5     | 12.8     | 10.5    | 21.9              | -18.0 |
| United Kingdom                                     | 17.2     | 18.4     | 21.2    | 7.0               | 15.2  |
| Europe                                             | 11.4     | 11.7     | 13.5    | 2.6               | 15.3  |
| CARICOM                                            | 13.8     | 15.8     | 16.7    | 14.5              | 5.7   |
| Cruise ship visitors ('000)                        | 33.3     | 37.2     | 55.0    | 11.7              | 47.8  |
| Hotel and guest houses beds                        | 3 421    | 3 421    | ...     | 0.0               | ...   |
| Average length of stay of stopover visitors (days) | 9.5      | 10.3     | 10.0    | 8.4               | -2.9  |
| Average hotel occupancy rate                       | 57.3     | 67.7     | 80.0    | 18.2              | 18.2  |
| Estimated visitor expenditure<1>                   | 42.3     | 42.9     | 46.3<e> | 1.4               | 7.9   |

Source: Data supplied ECLAC.

<1> US dollars million.

(c) The balance of payments

Increased earnings from exports as well as from the tourism industry helped to reduce the size of the current account deficit to an estimated EC\$47.4 million. Merchandise exports, in particular the export of bananas, grew by nearly 9% over the previous year while imports of goods and services increased by 2.7%. As a result, the current account deficit as a percentage of GDP declined from about 15% in 1984 to 10% in 1985.

A reduction in both official and private capital inflows, as well as a net outflow of commercial banks' claims contributed to a worsening of the overall deficit from the level of the previous year to a deficit of EC\$6.9 million.

Table 14  
 SAINT LUCIA: BALANCE OF PAYMENTS  
 (EC dollars million)

|                                  | 1983<r> | 1984<r> | 1985<p> |
|----------------------------------|---------|---------|---------|
| Trade balance                    | -160.1  | -190.9  | -188.4  |
| Total exports (f.o.b)            | 128.3   | 129.1   | 140.4   |
| Imports (c.i.f)                  | 288.4   | 320.0   | 328.8   |
| Services balance                 | 71.0    | 88.5    | 82.9    |
| Balance on goods and services    | -89.1   | -102.4  | -105.5  |
| Net transfer payments            | 48.9    | 17.6    | 58.1    |
| Balance on current account       | -40.2   | -84.8   | -47.4   |
| Capital account                  | 38.4    | 82.1    | 40.5    |
| Official grants                  | 18.6    | 17.0    | 9.0     |
| Public sector borrowing (net)    | 17.8    | 1.3     | -1.7    |
| Commercial banks (net)           | -15.1   | 2.8     | -17.4   |
| Private capital                  | 17.1    | 61.0    | 50.6    |
| Overall balance                  | -1.8    | -2.7    | -6.9    |
| Financing                        | 1.8     | 2.7     | 6.9     |
| IMF borrowing (net)              | -       | -1.3    | 3.5     |
| Changes in foreign assets        | -0.3    | -0.3    | -0.3    |
| Changes in imputed ECCB Reserves | 0.8     | 2.7     | 2.7     |
| Changes in payment arrears       | 1.3     | 1.6     | 1.0     |

Source: Economic Review 1985, Ministry of Finance, Planning and Statistics.

#### 4. Wages, prices and employment

##### (a) Wages and employment

In the private sector, wage increases of between 15% and 30% over two, and in some cases three years, were concluded during 1985. In the public sector including quasi-government organizations, wage settlements of between 7.9% and 10% were observed. Saint Lucia does not possess a national household survey capability, or other means of collecting comprehensive employment data, therefore properly derived statistics on unemployment are not available. Public sector data indicate a fall in the numbers employed in 1985. Estimate put the unemployment rate at between 18% and 20% in 1985.

##### (b) Prices

The retail price index was revised in 1984 and ran parallel with the old index until 1985. The new index is more elaborate than the former and focuses attention on more sections.

The continued influence of the fall in some import prices to some extent helped to contain the increase in the general price level to 1% in 1985.

Table 15  
 SAINT LUCIA: EVOLUTION OF DOMESTIC PRICES  
 (April 1984 = 100)

| Section                                                         | Weight   | Retail Price Index |       |       |       |
|-----------------------------------------------------------------|----------|--------------------|-------|-------|-------|
|                                                                 |          | 1982               | 1983  | 1984  | 1985  |
| <b>Annual average</b>                                           |          |                    |       |       |       |
| Food                                                            | 467.5<1> | 99.7               | 100.4 | 101.4 | 101.7 |
| Beverages and tobacco<1>                                        | 28.17    | 91.1               | 99.9  | 102.2 | 104.6 |
| Clothing and footwear                                           | 64.97    | 92.3               | 97.2  | 100.0 | 106.2 |
| Housing                                                         | 135.34   | 100.7              | 100.5 | 100.1 | 101.0 |
| Fuel and light                                                  | 44.95    | 101.8              | 101.6 | 103.3 | 104.7 |
| Furniture, furnishings, house-<br>hold equipment and operations | 57.71    | 90.3               | 94.2  | 99.1  | 101.1 |
| Medical care and health<br>expenses<2>                          | 22.78    | -                  | -     | 102.5 | 103.9 |
| Transport, communication<2>                                     | 63.48    | -                  | -     | 100.0 | 101.7 |
| Recreation, entertainment education<br>and cultural services<2> | 32.36    | -                  | -     | 100.0 | 100.0 |
| Miscellaneous goods and services                                | 82.73    | 89.2               | 89.7  | 101.4 | 100.0 |
| All items                                                       | 1 000.0  | 97.7               | 99.2  | 101.0 | 102.0 |

Source: Economic Review 1985, Ministry of Finance, Planning and Statistics.

Note:

- <1> Does not include non-alcoholic beverages in 1982 and 1983.  
 <2> Included in miscellaneous goods and services in 1982 and 1983.

## 5. Monetary and fiscal developments

### (a) Monetary developments

Increased earnings from the export of bananas led to an increase in the demand for goods and services and an increase in domestic credit. The narrowly defined money supply (M-1) increased by \$4.3 million to a figure of \$78.1 million at the end of December 1985. Currency in active circulation fell by 5.3% while demand deposits increased by 15.4%. The more broadly defined money supply (M-2) increased by almost 21%, influenced by increases in both savings and time deposits. Savings deposits increased by \$17.1 million in 1985 and fixed deposits by \$30.7 million.



Table 16  
 SAINT LUCIA: MONETARY BALANCE  
 (As at 31 December)  
 (Dollars million)

|                        | 1983  | 1984  | 1985<p> | Percentage change |         |
|------------------------|-------|-------|---------|-------------------|---------|
|                        |       |       |         | 1984              | 1985<p> |
| Money supply           | 67.1  | 73.8  | 78.1    | 10.0              | 5.8     |
| Currency outside banks | 30.2  | 34.1  | 32.3    | 12.9              | -5.3    |
| Demand deposits        | 36.9  | 39.7  | 45.9    | 7.6               | 15.6    |
| Factors of expansion   | 263.2 | 327.4 | 352.9   | 24.4              | 7.8     |
| Foreign assets (net)   | 33.0  | 63.3  | 64.7    | 91.8              | 2.2     |
| Domestic credit        | 230.2 | 264.1 | 288.2   | 14.7              | 9.1     |
| Government (net)       | 19.2  | 22.7  | 34.9    | 18.2              | 53.7    |
| Private sector         | 211.0 | 241.4 | 253.3   | 14.4              | 4.9     |
| Factors of absorption  | 196.1 | 253.6 | 274.8   | 29.3              | 8.4     |
| Quasi-money            | 207.9 | 230.5 | 278.3   | 10.9              | 20.7    |
| Other items (net)      | -11.8 | -23.1 | 3.5     | 95.8              | ...     |

Source: Derived from Economic Review, 1985, Ministry of Finance, Planning and Statistics.

Commercial banks' net foreign assets rose to \$29 million at year end 1985, while net domestic credit increased by almost 4% to \$195.2 million. Net claims of these banks on the Central Government rose to some \$29.4 million by the end of 1985 as Government borrowed from the banking system to meet its obligations. Total loans and advances rose by 9.2% to \$288.2 million at the end of 1985 and selectivity in the granting of loans appeared to have been exercised in favour of the tourism-related and manufacturing sectors, as well as personal loans.

Table 17A  
 SAINT LUCIA: ANALYSIS OF DOMESTIC CREDIT - Commercial Banks  
 (EC dollars million)

|                                         | As at 31 December |         |        |
|-----------------------------------------|-------------------|---------|--------|
|                                         | 1983              | 1984<r> | 1985   |
| Net foreign assets                      | 14.4              | 11.7    | 29.0   |
| Domestic credit (net)                   | 168.1             | 188.3   | 195.2  |
| OF which:                               |                   |         |        |
| Loans and advances to government sector | (17.1)            | (19.5)  | (29.4) |
| Credit to private sector                | 210.6             | 240.2   | 255.1  |
| Net unclassified assets                 | -16.6             | -21.0   | -22.4  |

Source: Quarterly Commercial Banking Statistics, Eastern Caribbean Central Bank.

Table 17B  
 SAINT LUCIA: COMMERCIAL BANK CREDIT BY SECTOR  
 (As at 31 December)  
 (EC dollars million)

|                                   | 1983 | 1984 | 1985  |
|-----------------------------------|------|------|-------|
| Agriculture                       | 8.0  | 9.4  | 8.7   |
| Manufacturing                     | 17.2 | 15.5 | 13.4  |
| Distributive trades               | 41.4 | 43.1 | 46.7  |
| Tourism                           | 24.3 | 28.8 | 21.6  |
| Entertainment and catering        | 1.9  | 2.4  | 2.9   |
| Transport                         | 7.7  | 10.9 | 11.9  |
| Public utilities                  | 2.7  | 2.2  | 1.0   |
| Construction and land development | 6.1  | 6.8  | 7.8   |
| Government and statutory bodies   | 19.2 | 22.7 | 34.9  |
| Professional and other services   | 4.7  | 7.5  | 5.5   |
| Personal                          | 81.7 | 95.9 | 114.4 |
| Of which:                         |      |      |       |
| House and land purchase           | 41.5 | 47.7 | 59.2  |
| Durable consumer goods            | 20.1 | 26.3 | 27.8  |
| Other personal                    | 20.1 | 21.9 | 27.4  |
| Other advances                    | 15.3 | 18.7 | 15.3  |
| Error term                        | -    | -    | 4.0   |

Source: Economic Review 1985, Ministry of Finance, Planning and Statistics.

Deposits increased at a faster rate than loans in 1985, partly the result of credit control measures adopted by the banks in an attempt to improve their deposits/loans ratio. By year-end 1985, this ratio stood at 112.5% - an improvement over the figures of 102.3% and 106.3% of 1984 and 1983 respectively.

The Saint Lucia Development Bank continued to make credit available to small businessmen and to individuals for housing construction. The loan ceiling for housing of \$40,000, in 1984 was increased to \$80,000 and now includes the financing of middle-income housing. Total disbursement in 1985 (April 1985 to March 1986) amounted to \$5.4 million of which loans to agriculture, industry, housing and education in the form of student revolving loans were granted. The development bank has placed much emphasis on the monitoring of projects for which financing has been made available, and on assisting the borrower to employ proper management techniques.

#### (b) Fiscal developments

Central Government current revenue was of the order of \$136.9 million in 1985, with almost 92% of this having been collected through taxes. The largest increase in revenue came from taxes on incomes and profits, the result of generally higher incomes in 1985.

Central Government current expenditure grew by 15.7% to a figure of \$141.8 million in 1985, with wages and salaries accounting for some 56%. An increase in the amount spent on goods and services and on utilities was noted.

SAINT LUCIA

Capital expenditure, estimated at \$23.1 million in 1985, was directed towards infrastructural projects, among them being a programme for the rehabilitation of feeder roads and the establishment of a tourist duty-free zone.

Table 18  
SAINT LUCIA: CENTRAL GOVERNMENT OPERATIONS

|                                       | M i l l i o n      d o l l a r s |                  |                  |
|---------------------------------------|----------------------------------|------------------|------------------|
|                                       | 1983-<r><br>1984                 | 1984-<r><br>1985 | 1985-<r><br>1986 |
| 1. Current revenue                    | 111.3                            | 119.3            | 136.9            |
| Tax revenue                           | 98.8                             | 108.3            | 125.7            |
| Direct                                | 33.1                             | 35.6             | 44.7             |
| Indirect, of which:                   | 65.7                             | 72.7             | 81.1             |
| Foreign trade                         | 41.2                             | 44.5             | 49.3             |
| Non-tax revenue                       | 12.4                             | 11.0             | 11.2             |
| 2. Current expenditure                | 119.8                            | 122.6            | 141.8            |
| 3. Savings on current account (1 - 2) | -8.5                             | -3.3             | -4.9             |
| 4. Capital expenditure                | 18.2                             | 24.7             | 23.1             |
| 5. Total expenditure (2 + 4)          | 138.0                            | 147.3            | 164.9            |
| 6. Fiscal deficit (1 - 5)             | -26.7                            | -28.0            | -28.0            |

Source: Economic Review, 1985, Ministry of Finance, Planning and statistics.

Central Government's operations were in deficit in 1985 by almost \$28 million, the majority of this shortfall being financed by domestic borrowing. By the end of 1985, the domestic public debt stood at \$42.4 million, or 9.3% of GDP, after percentages of 6.5 and 7.2 in 1983 and 1984 respectively. The external public debt at the end of 1985 stood at \$69.8 million or 15.3% of GDP. The total outstanding public debt was therefore \$112.2 million, and represented some 24.6% of GDP in 1985.

Table 19  
 SAINT LUCIA: SUMMARY OF PUBLIC DEBT OPERATIONS  
 (As at 31 December)  
 (EC Dollars million)

|                               | 1983   | %<br>of GDP | 1984   | %<br>of GDP | 1985   | %<br>of GDP |
|-------------------------------|--------|-------------|--------|-------------|--------|-------------|
| Internal public debt          | 24.67  | 6.5         | 29.71  | 7.2         | 42.42  | 9.3         |
| Direct internal debt          | 21.64  | 5.7         | 25.59  | 6.2         | 38.90  | 8.5         |
| Treasury bills                | 12.37  | ...         | 12.87  | ...         | 15.33  | ...         |
| Commercial bank loans         | 3.00   | ...         | 2.42   | ...         | 18.16  | ...         |
| Debentures                    | 2.67   | ...         | 0.31   | ...         | 0.31   | ...         |
| Savings bonds                 | 0.51   | ...         | 5.54   | ...         | ...    | ...         |
| Saint Lucia development bank  | ...    | ...         | 0.36   | ...         | 1.05   | ...         |
| Other                         | 3.09   | ...         | 4.09   | ...         | 4.05   | ...         |
| Publicly guaranteed           |        |             |        |             |        |             |
| Public debt                   | 3.03   | ...         | 4.12   | ...         | 3.52   | ...         |
| Commercial bank loans         |        |             |        |             |        |             |
| Statutory bodies              | 2.35   | ...         | 3.92   | ...         | 3.31   | ...         |
| Other loans                   | 0.68   | ...         | 0.20   | ...         | 0.21   | ...         |
| External public debt          | 101.70 | 26.9        | 76.11  | 18.4        | 69.80  | 15.3        |
| Direct external debt          | 65.72  | 17.4        | 59.78  | 14.4        | 58.20  | 12.1        |
| Treasury bills (ECCB etc.)    | 23.78  | ...         | 23.65  | ...         | 23.14  | ...         |
| CDB loans                     | 23.53  | ...         | 22.92  | ...         | 24.10  | ...         |
| IMF                           | 7.76   | ...         | 4.26   | ...         | 0.48   | ...         |
| Debentures                    | 6.45   | ...         | 7.38   | ...         | 7.38   | ...         |
| Saint Lucia development bank  | ...    | ...         | 1.24   | ...         | 1.14   | ...         |
| Other loans                   | 4.20   | ...         | 0.33   | ...         | 1.96   | ...         |
| Publicly guaranteed           |        |             |        |             |        |             |
| External debt                 | 35.98  | ...         | 16.33  | ...         | 11.60  | ...         |
| CDB loans - SLDB, NDC         |        |             |        |             |        |             |
| Port authority                | 16.37  | ...         | 11.05  | ...         | 9.73   | ...         |
| CIDA loans - CWA (WASA)       | 13.53  | ...         | 1.90   | ...         | 1.87   | ...         |
| Venezuelan central bank       |        |             |        |             |        |             |
| loans to port authority       | 6.08   | ...         | 3.38   | ...         | ...    | ...         |
| Gross outstanding public debt | 126.37 | 33.4        | 105.82 | 25.5        | 112.22 | 24.6        |

Source: Ministry of Finance.

PART XI

REPUBLIC OF SURINAME

COUNTRY NOTES



## REPUBLIC OF SURINAME

## 1. Recent economic trends: Introduction and summary &lt;1&gt;

Preliminary estimates for 1985 indicate a moderate recovery in economic activity in Suriname, with a reversal of the decline in Gross Domestic Product (GDP) at current prices which had been evident over the previous four years.

Table 1  
SURINAME: MAIN ECONOMIC INDICATORS

|                                                | 1982    | 1983    | 1984    | 1985<è> |
|------------------------------------------------|---------|---------|---------|---------|
| <b>A. Basic economic indicators</b>            |         |         |         |         |
| GDP at factor cost (mill Sf. at 1980 prices)   | 1 412.8 | 1 385.6 | 1 356.7 | ...     |
| Population (mid-yr.est.('000))                 | 364     | 374     | 384     | 389     |
| Per capita GDP (Sf. at 1980 prices)            | 3 881   | 3 705   | 3 533   | ...     |
| Annual growth rates                            |         |         |         |         |
| <b>B. Short-run economic indicators</b>        |         |         |         |         |
| Gross domestic product                         | -2.6    | -2.5    | -2.1    | ...     |
| Per capita GDP                                 | -5.0    | -4.5    | -4.6    | ...     |
| Current value of exports of and services       | -9.9    | -14.7   | -3.4    | -14.7   |
| Current value of imports of goods and services | -5.3    | -13.3   | -20.7   | -17.6   |
| Consumer price index (Dec.to Dec.)             | 6.3     | 4.4     | 4.4     | 15.6    |
| Consumer price index (ann.avg.var.)            | 7.3     | 4.4     | 3.7     | 10.9    |
| Money supply (M-1)                             | 17.6    | 8.1     | 26.9    | 52.5    |
| Wages and salaries (real)                      | 8.3     | 7.6     | ...     | ...     |
| Rate of unemployment                           | ...     | ...     | ...     | ...     |
| Current revenue of government                  | 5.7     | -9.1    | -2.6    | -4.9    |
| Current expenditure of government              | 15.5    | 10.7    | 0.2     | 10.2    |
| Fiscal deficit as % of total expend.           | 32.4    | 38.1    | 24.4    | 43.6    |
| Suriname guilders million                      |         |         |         |         |
| <b>C: External sector</b>                      |         |         |         |         |
| Merchandise trade balance                      | -156.1  | -149.0  | 33.5    | 28.0    |
| Balance on the current account                 | -273.7  | -291.7  | -80.4   | -44.3   |
| Var. in net international reserves             | -68.8   | -172.0  | -101.0  | -9.3    |
| Balance on capital account                     | 207.0   | 65.9    | -16.7   | 20.9    |

Source: Bureau of Statistics (ABS), National Planning Office, Central Bank and Ministry of Economic Affairs.

<1> Unless otherwise stated, figures are quoted in Suriname guilders (Sf.). The official rate of exchange is Sf. 1.7850 = US\$1.00.

Constant price GDP estimates nevertheless indicate a continued decline. Indicators of economic activity, point to increased activity in the major goods-producing sectors, a surplus on merchandise trade and a reduction in the external current account deficit.

Growth in the major goods-producing sectors resulted from a concerted effort by the Government to maintain their viability in overall economic growth. Domestic food production and minor manufacturers were given a boost as substitutes for imports in an attempt to save foreign exchange, while the volume of major agricultural exports is estimated to have increased in 1985. Activity in the mining sector quickened with significant increases in the production of bauxite and related products. However, whereas export volumes rose sharply during the year, earnings from these exports were somewhat lower than 1984, as a result of depressed international commodity prices. Nevertheless, efforts were made to maintain purchasing power by using rice and bauxite in counter-trade arrangements with major trading countries.

Bauxite nevertheless remains un-competitive on international markets, because of low levels of capital investment and high production and transportation costs. A phased retrenchment programme has however been implemented in the bauxite industry in an attempt to increasing viability and productivity levels in general were expected to be higher in 1985, in spite of rising employment levels in Suriname.

During 1985, Government continued to monitor the external sector in an effort to save foreign exchange. Stringent exchange control regulations were accordingly retained, and restrictive trade measures instituted.

Domestic liquidity increased by 43% in 1985 to Sf.955 million, because of increased pre-financing of state expenditure by the Central Bank. However, the increase in primary liquidity was spurred on by growth in demand deposits. This indicates a situation where there is no increase in investment opportunities and fewer consumer items to encourage spending. Secondary liquidity fell 10%, mainly because the commercial banks were reluctant to receive deposits for less than one year. However, domestic credit was expected to increase in 1985 reflecting loans mainly to the agriculture and manufacturing sectors.

The State continued to rely on funds from the Central Bank to finance major development projects. Although taxes were increased and subsidies removed, total revenue declined resulting in an increase in the deficit on current account; the total fiscal deficit now resting at 44% of total expenditure. This factor, together with severe shortages of many consumer and intermediate goods, accounted for an 11% increase in inflation.

The effects of low international commodity prices on export earnings and the continued suspension of Dutch Development Aid, resulted in the further depletion of the foreign exchange reserves of about Sf. 22 million in 1985. The surplus on merchandise trade continued into 1985, but was not large enough to offset the deficit on services and primary incomes, resulting in an overall deficit on the external current account. The deficit was nevertheless substantially lower than 1984, as a consequence of the restrictions placed on the outflow of private transfers, the regulation of trade and a policy of import substitution. These policies have, however, also affected the inflow of private capital and encouraged the development of an active "parallel market".



Table 2  
 SURINAME: GROSS DOMESTIC PRODUCT, BY KIND OF  
 ECONOMIC ACTIVITY, AT FACTOR COST (Current prices)  
 (Millions of current Suriname guilders)

|                                                         | 1982<r> | 1983<r> | 1984<p> | Percentage change |       |
|---------------------------------------------------------|---------|---------|---------|-------------------|-------|
|                                                         |         |         |         | 1983              | 1984  |
| Gross domestic product                                  | 1 628.5 | 1 621.7 | 1 564.8 | -0.4              | -3.5  |
| Goods                                                   | 637.9   | 578.7   | 569.6   | -9.3              | -1.6  |
| Agriculture, animal husbandry,<br>forestry and fishing  | 145.5   | 134.1   | 126.4   | -7.8              | -5.7  |
| Mining and quarrying                                    | 148.7   | 126.6   | 120.6   | -14.9             | -4.7  |
| Manufacturing                                           | 233.5   | 218.3   | 221.7   | -6.5              | 1.6   |
| Construction                                            | 110.2   | 99.7    | 100.9   | -9.5              | 1.2   |
| Basic services                                          | 169.9   | 199.1   | 190.8   | 17.2              | -4.2  |
| Pub.util.(gas,water & electricity)                      | 69.7    | 92.9    | 88.0    | 33.3              | -5.3  |
| Trans.,storage & communications                         | 100.2   | 106.2   | 102.8   | 6.0               | -3.2  |
| Other services                                          | 913.2   | 919.1   | 879.1   | 0.7               | -4.3  |
| Trade, commerce and tourism                             | 314.5   | 310.6   | 271.2   | -1.2              | -12.7 |
| Financial services (including<br>banking and insurance) | 229.9   | 202.5   | 203.4   | -9.1              | 0.5   |
| Government                                              | 375.8   | 406.0   | 404.5   | 8.0               | -0.4  |
| Less imputed bank service charge                        | 92.5    | 75.3    | 74.7    | -18.1             | -     |

Source: Bureau of Statistics, (Suriname has recently revised its GDP data for the period 1975 to 1984).

Table 2a  
 SURINAME: GROSS DOMESTIC PRODUCT, BY KIND OF  
 ECONOMIC ACTIVITY, AT FACTOR COST (Constant prices)  
 (Millions of 1980 Suriname guilders)

|                                                        | 1982<r> | 1983<r> | 1984<p> | Percentage change |       |
|--------------------------------------------------------|---------|---------|---------|-------------------|-------|
|                                                        |         |         |         | 1983              | 1984  |
| Gross domestic product                                 | 1 412.8 | 1 385.6 | 1 356.7 | -2.5              | -2.1  |
| Goods                                                  | 550.0   | 508.4   | 529.2   | -7.6              | 4.1   |
| Agriculture, animal husbandry,<br>forestry and fishing | 132.4   | 121.7   | 124.6   | -8.1              | 2.4   |
| Mining and quarrying                                   | 90.7    | 79.3    | 99.5    | -12.6             | 25.5  |
| Manufacturing                                          | 222.5   | 213.0   | 210.7   | -4.3              | -1.1  |
| Construction                                           | 104.4   | 94.4    | 94.4    | -9.6              | 0.0   |
| Basic services                                         | 147.4   | 154.6   | 152.5   | 4.9               | -1.4  |
| Pub.util.(gas,water & electricity)                     | 63.3    | 64.0    | 63.7    | 1.1               | -0.5  |
| Trans.storage and communications                       | 84.1    | 90.6    | 88.8    | 7.7               | -2.0  |
| Other services                                         | 790.8   | 778.9   | 727.6   | -1.5              | -6.9  |
| Trade, commerce and tourism                            | 269.7   | 255.2   | 214.9   | -5.4              | -15.8 |
| Financial services, including<br>banking and insurance | 197.2   | 175.1   | 165.8   | -11.2             | -5.3  |
| Government                                             | 323.9   | 348.6   | 346.9   | 7.6               | -0.5  |
| Less imputed bank service charge                       | 75.6    | 56.2    | 52.6    | -                 | -     |

Source: Bureau of Statistics.

Table 3  
 SURINAME: SECTORAL CONTRIBUTION TO GDP  
 AT FACTOR COST (%)

|                                  | Constant |       | Current |       |
|----------------------------------|----------|-------|---------|-------|
|                                  | 1983     | 1984  | 1983    | 1984  |
| Goods                            | 36.7     | 39.0  | 35.7    | 36.4  |
| Agriculture, etc.                | 8.8      | 9.2   | 8.3     | 8.1   |
| Mining and quarrying             | 5.7      | 7.3   | 7.8     | 7.7   |
| Manufacturing                    | 15.4     | 15.5  | 13.5    | 14.2  |
| Construction                     | 6.8      | 7.0   | 6.1     | 6.4   |
| Basic services                   | 11.2     | 11.2  | 12.3    | 12.2  |
| Public utilities                 | 4.6      | 4.7   | 5.7     | 5.6   |
| Transport, etc.                  | 6.5      | 6.5   | 6.5     | 6.6   |
| Other services                   | 56.2     | 53.6  | 56.7    | 56.2  |
| Trade, etc.                      | 18.4     | 15.8  | 19.1    | 17.3  |
| Financial services               | 12.6     | 12.2  | 12.5    | 13.0  |
| Government                       | 25.1     | 25.6  | 25.0    | 25.8  |
| Less imputed bank service charge | (4.1)    | (3.9) | (4.6)   | (4.8) |
| Total                            | 100.0    | 100.0 | 100.0   | 100.0 |

Source: Derived from Tables 2 and 2a.

## 2. Trends in economic activity

### (a) Growth of the main sectors

(i) **Agriculture:** The production of rice, bananas, palm oil and citrus continued to dominate agricultural activity in Suriname. However, the performance of non-traditional agriculture showed significant growth in 1985, with notable increases in the production of coconuts, green vegetables, plantains and root crops, as well as in the production of livestock products - milk, eggs and meat. In 1984 agriculture generated some 9% of total GDP, at constant 1980 prices, and a marginal increase was anticipated in 1985.

This improved performance, evidenced in 1985, is in accordance with the Government's policy of maintaining a viable agriculture sector in the overall economic activity of Suriname; with a development strategy focused on the need to boost food production, and expand the agriculture export trade.

Rice production in 1985 was estimated at about 307 thousand tonnes, an increase of about 2%, despite a reduction in the area harvested due to acute irrigation problems experienced in the second 1985 crop. However, higher yields from other areas, the availability of much needed inputs, a year relatively free from crop disease and the more efficient use of existing mechanization were reasons attributed to the rise in production. Also, during the year, new rice polders developed in 1982 and 1983 were brought into production in the Corantijn area. Since rice has a comparative advantage in output over other crops, it is now being demanded in counter-trade arrangements with other countries, thus necessitating increases in production. Rice receives a premium price in the European market and remains the most valuable agricultural export of Suriname. Moreover, rice husks are being used with local fuel oils as an alternative source of energy.

Oil palm production was estimated at 37,000 fresh fruit bunches, yielding some 7,770 tonnes of crude palm oil. Both outputs rose some 9% in 1985 as a result of increasing yields per hectare and the bringing on stream of an additional 300 hectares ready for harvesting. However, a higher output would have been possible had the two new mills, which cater for processing and refining, come into operation as scheduled. The production of edible oil was estimated to have increased in 1985 as a consequence of rising crude palm oil production. The crude oil is refined for domestic consumption, while most of the by-products of the oil palm - kernels, fatty acids and stearine are exported.

Banana production declined by some 4% to approximately 39,827 tonnes in 1985. The shortfall in anticipated production was a direct consequence of the smaller productive area, caused by a shortage of planting material and other inputs and acute irrigation problems, caused by malfunctioning sluiceways. In spite of the decline in production, exports were projected to rise to over 37,000 tonnes in 1985, as a result of favourable marketing conditions in the UK and Italy.

Table 4  
SURINAME: INDICATORS OF AGRICULTURAL PRODUCTION

|                                            | 1983       | 1984<p>    | 1985<p e> |
|--------------------------------------------|------------|------------|-----------|
| Agricultural production index (1975 = 100) |            |            |           |
| Agriculture                                | 123        | ...        | ...       |
| Livestock                                  | 120        | ...        | ...       |
| Fishing                                    | 83         | ...        | ...       |
| Agricultural crops (export)                |            |            |           |
| Paddy rice                                 | 267 958    | 301 975<r> | 306 710   |
| Sugar cane                                 | 128 823<r> | 130 625    | 118 225   |
| Palm bunches                               | 31 235     | 33 894     | 37 000    |
| Palm oil (raw)                             | 6 558<r>   | 7 140      | 7 770     |
| Peanuts                                    | 257        | 485        | 479       |
| Bananas                                    | 36 598     | 41 063<r>  | 39 827    |
| Citrus                                     | 11 116     | 11 268<r>  | 11 500    |
| Vegetables (Internal consumption)          |            |            |           |
| Maize                                      | 165        | 375        | 296       |
| Coconuts                                   | 5 500      | ...        | 6 760     |
| Plantains                                  | 3 500      | ...        | 4 847     |
| Green vegetables                           | 4 580      | 5 094      | 5 361     |
| Root crops                                 | 3 450      | ...        | 3 855     |
| Coffee                                     | 121        | ...        | ...       |
| Cocoa                                      | 35         | ...        | ...       |
| Livestock production                       |            |            |           |
| Beef cattle                                |            |            |           |
| Number of livestock                        | 52 593<r>  | 58 092     | 60 583    |
| Number of animals slaughtered              | 8 500      | 8 738<r>   | 9 684     |
| Meat production (tonnes)                   | 1 365      | 1 436<r>   | 1 468     |
| Pork                                       |            |            |           |
| Number of livestock                        | 21 395     | 21 840     | 20 166    |
| Number of pigs slaughtered                 | 15 300     | 18 025     | 20 607    |
| Meat production (tonnes)                   | 1 153      | 1 380      | 1 563     |
| Poultry                                    |            |            |           |
| Number of chickens ('000)                  | 4 300      | 4 400      | 5 600     |
| Production of poultry meat (tonnes)        | 8 600      | 8 800      | 11 200<e> |
| Milk                                       |            |            |           |
| Production (fresh) ('000 litres)           | 8 700      | 9 524      | 11 000    |
| Eggs                                       |            |            |           |
| Production (million)                       | 53         | 50         | ...       |
| Fishing production                         |            |            |           |
| Shrimp catch (tonnes)                      | 3 413      | 3 509      | ...       |
| Forestry production (cu.m)                 |            |            |           |
| Raw lumber: round wood<1>                  | 203.0      | ...        | ...       |
| square logs<2>                             | 29.0       | ...        | ...       |
| Semi-processed wood: sawn<2>               | 47.5       | ...        | ...       |
| chipboard                                  | 3.1        | ...        | ...       |
| plywood                                    | 18.1       | ...        | ...       |

Source: Bureau of Statistics, Ministry of Agriculture.

<1> Total unprocessed round wood production for sawnwood, plywood, etc.

<2> Sawn, planed, grooved wood - including railroad lines.

The citrus industry in Suriname produced about 11,500 tonnes of oranges and grapefruit in 1985, an increase of 2% over 1984. The partial recovery of the industry is attributed to increasing yields generated from more efficient disease control, improved soil management and increasing local demand for the fruit. Exports which were hampered by poor transportation facilities and other marketing problems, continued to decline in 1985, by 16% to 615 tonnes.

Output of other agricultural crops, notably the production of plantains, green vegetables and root crops was estimated to have increased significantly over the 1984 levels. The sugar industry continued to be hampered by low output and profitability, due to high labour costs, low product price, uncertain markets and the inefficient refinery. Cocoa, coffee, maize and peanuts recorded low levels of output necessitating the importation of these commodities and their by-products.

The livestock subsector showed rapid improvement in 1985 with significant increases in the production of milk, eggs and meat. The growth in the cattle population caused beef output to rise to 1,468 tonnes, just over 2% more than 1984. The production of milk which was estimated at some 11 million litres and up from 9.5 million litres in 1984 is also due to the successful livestock breeding programme. During 1985 higher prices were paid to farmers for milk, although the state continued to subsidize the cost to consumers. Increases were also evident in the output of pork and poultry with production rising to 1,563 tonnes and 20,166 tonnes respectively.

Improved husbandry and other rearing practices ensured an increase in production during 1985, in pursuance of the goal of self-sufficiency in domestic meat supply. However, labour and land clearing costs continued to be exorbitant making meat exports uneconomic.

In the fishing subsector, shrimping continued to be the major activity, with 1985 catches expected to have increased. Shrimping is now better organized for marketing purposes and receives favourable export prices. During the year, there was an increase in the number of trawlers from 100 to 125, with some 25 locally owned. Two new shrimp processing plants, operating under greater Government control, were inaugurated in 1985.

Output from the forestry sector has declined over the past three years and this trend does not appear to have changed in 1985 since the industry continued to experience a number of problems, mainly the lack of processing machinery. However, because of the shortage of foreign building materials, there is a higher demand for local lumber which together with plant shortages and increasing demand from external buyers are all factors exerting pressure on the industry to increase its productivity. Exports of raw lumber and its by-products were expected to remain at about the 1984 levels.

(ii) Mining: The mining subsector together with the production of aluminium continued to be the major determinant of the general level of economic activity in 1985, and the principal source of foreign exchange, despite the continued depressed alumina and aluminium prices. The industry gained from the planned joint venture between Suralco, the major producer of bauxite and its by-products and Biliton, a new company making available bauxite reserves for mining. The latter company which operates under a Government incentive programme to explore the bauxite reserves has shifted operations away from depth

drilling to new open mining operations, which Suralco remains responsible for refining. During the year, the industry has reduced its operating costs by reducing the labour force.

Current estimates of production, indicate a 13% increase in the output of bauxite, and a 2% increase in the output of alumina, while the production of aluminium rose by 26%. The increases reflect a rise in demand for these products as well as the increased production incentives demand from the declining levels of the bauxite levy.

The sector accounted for about 8% of 1984 GDP at current prices, a decline of some 5% from Sf. 127 million in 1983. However, the value-added in 1985 was expected to be significantly increased from the 1984 level.

Table 5  
SURINAME: INDICATORS OF MINING PRODUCTION

|                                         | 1982  | 1983  | 1984  | 1985  |
|-----------------------------------------|-------|-------|-------|-------|
| Index of mining production (1980 = 100) |       |       |       |       |
| Bauxite                                 | 63    | 57    | 69    | 73<1> |
| Alumina                                 | 73    | 80    | 86    | 77<1> |
| Aluminium                               | 77    | 61    | 42    | 50<1> |
| Total                                   | 70    | 70    | 74    | 72<1> |
| Production volume ('000 tonnes)         |       |       |       |       |
| Bauxite                                 | 3 060 | 2 793 | 3 267 | 3 697 |
| Alumina                                 | 1 052 | 1 154 | 1 212 | 1 242 |
| Aluminium                               | 42.5  | 33.6  | 23.0  | 28.8  |
| Production - value (mill. of florins)   |       |       |       |       |
| Bauxite                                 | 334   | 303   | 275   | ...   |
| Alumina                                 | 386   | 371   | 380   | ...   |
| Aluminium                               | 86    | 73    | 56    | ...   |

Source Bauxite Institute, Bureau of Statistics.  
<1> January to June data.

(iii) **MANUFACTURING** Activity in this sector in Suriname is dominated by the export-oriented manufacture of primary commodities. Products such as alumina, aluminium, rice, sugar, palm oil and forestry products predominate. Production of other manufactures is limited by the small size of the domestic market. Export of these light manufactures is hampered by a number of factors including scale economies, the distance to foreign markets and consequently high transportation costs.

Manufacturing activity in 1984 generated over 14% of total GDP, while showing a 2% rise in value-added at current prices. In real terms,, however, output declined marginally, and preliminary indications are that the sector grew slightly in 1985.

The 1980 based index of manufacturing production indicates increases in food, drink and tobacco and a slight decline in output of other light industries. Production of manufactured sugar rose 1%, while that of edible oil increased by 8%. The continued increase in edible oil production indicates the importance of this industry to the national objective of import substitution. However, other manufacturers produce mainly consumer and intermediate products

geared for domestic consumption. Most of these industries, which are dependent on imported raw materials suffered in 1985 from an acute shortage of foreign exchange.

Table 6  
SURINAME: INDICATORS OF MANUFACTURING PRODUCTION

|                                                  | 1982     | 1983     | 1984     | 1985     |
|--------------------------------------------------|----------|----------|----------|----------|
| Index of manufacturing production (1980 = 100)   |          |          |          |          |
| Food                                             | 127      | 150      | 155      | ...      |
| Drink and tobacco                                | 114      | 123      | 137      | ...      |
| Other industries                                 | 123      | 125      | 122      | ...      |
| Total                                            | 120      | 128      | 133      | ...      |
| Production of major manufacturing ('000 tonnes)  |          |          |          |          |
| Alumina                                          | 1 052    | 1 154    | 1 212    | 1 242    |
| Aluminium                                        | 42.5     | 33.6     | 23.0     | 28.8     |
| Sugar (tonnes)                                   | 6 270<e> | 6 441<e> | 6 531<e> | 6 638    |
| Edible oil (tonnes)                              | 3 152    | 4 003    | 4 191    | 4 538<e> |
| Alcohol ('000 litres)                            | ...      | ...      | ...      | 1 608    |
| Industrial consumption of electricity ('000 kWh) | 1 332    | 1 107    | 927      | ...      |

Source: Bureau of Statistics.

During 1985, the Government maintained its policy of curbing the level of retrenchment by private employers, while stressing the need for increased productivity. At the same time it restricted additional capital investments in some industries.

The areas targeted for import substitution include chemical-based industries producing foam mattresses, plastics, soap and textiles. This sector currently employs over 10% of the work force, typically in establishments employing one to five persons. However, some plants, such as the paint factory, had to suspend operations temporarily due to the lack of foreign inputs. The difficulty in importing capital and intermediate goods has also hindered drilling operations in the oil industry.

(iv) Energy: Energy consumption remained at a high level in Suriname, due to the heavy consumption of power in the bauxite sector. Suralco is both the largest producer, and consumer of energy, and supplies excess energy to the national grid. During 1985, the Government continued its conservation programme with the substitution of cheaper forms of energy, encouraging the use of hydropower in the operations of Suralco, and increasing the use of biomass, notably woodwaste, rice husks and bagasse in the associated agro-industries of saw milling, rice milling and sugar production. Cheaper diesel oil is now being used by other industries in place of the traditional fuel oils.

There appears to have been an increase in the production of crude oil judging by the increase in the number of wells which yield over 1,500 barrels per day. The value of crude produced in 1985 was about Sf. 20 million, which is sold almost entirely to the bauxite companies.

(b) Employment

Despite government's policy to curb retrenchment, preliminary estimates for 1985 indicate a reduction in the number of employed persons. Since 1981, the bauxite industry has pursued a systematic policy to reduce the labour force to increase productivity and the level of profitability. This caused a drop in the numbers employed from 5,581 in 1981 to 4,263 at the end of 1985.

The index of employment moved marginally in 1985, with an increase in employment in Public Administration and Defence. At the end of 1984, over 48% of the total labour force was employed in this sector. Actual numbers employed by the business sector were expected to fall as a consequence of the reduction in economic activity over the past three years.

### 3. The external sector

External trade contracted in 1985 because of the world depression and the weakened demand for bauxite products. However, there was a reduction of the current account deficit, which was estimated at Sf. 44 million at the end of 1985, mainly as a result of Government's measures to restrict imports and encourage the production of import substitution goods. There was a surplus on capital account due to private and, to a lesser extent, public capital inflows; so that by the end of the year the overall external deficit was significantly reduced below the level of the previous years.

(a) Exports of Goods

In 1985 export sales of traditional goods amounted to Sf. 561 million, 86% of the value recorded in 1984. Lower prices for bauxite, alumina and aluminium influenced the drop in value of exports, since volumes exported, showed a general tendency to increase. Exports of bananas rose by 13% in volume, despite a fall in production and the volume and value of rice exported is estimated to have increased despite a portion of it having been used in counter-trade arrangements.



Table 7  
SURINAME: EXPORTS OF SELECTED COMMODITIES  
(Millions of Suriname guilders)

|                             | 1982  | 1983  | 1984  | 1985<p> | At end 3rd Quarter |       |
|-----------------------------|-------|-------|-------|---------|--------------------|-------|
|                             |       |       |       |         | 1984               | 1985  |
| Bauxite                     | 51.6  | 44.5  | 71.2  | ...     | 50.9               | 47.7  |
| Alumina                     | 414.4 | 387.3 | 354.7 | ...     | 269.4              | 220.1 |
| Aluminium                   | 124.3 | 61.8  | 75.5  | ...     | 55.6               | 40.0  |
| Raw lumber                  | 2.4   | 2.2   | 1.4   | ...     | 1.0                | 0.9   |
| Semi-processed wood         |       |       |       |         |                    |       |
| Sawn, planed & grooved wood | 8.4   | 3.1   | 2.6   | ...     | 2.2                | 1.8   |
| Chipboard                   | 1.1   | 0.7   | 0.4   | ...     | 0.3                | 0.3   |
| Plywood                     | 8.6   | 5.5   | 4.3   | ...     | 3.1                | 1.8   |
| Rice                        | 70.3  | 66.1  | 60.1  | ...     |                    |       |
| Bananas                     | 14.5  | 13.8  | 16.1  | 18.3    | ...                | ...   |
| Shrimps                     | 36.0  | 36.7  | 62.8  | ...     | ...                | ...   |
| Palm oil (raw) - ('000 Sf.) | -     | 236   | 361   | ...     | ...                | ...   |

Source: Central Bank.

Table 8  
SURINAME: EXPORTS OF SELECTED COMMODITIES  
(Thousands of metric tonnes)

|                             | 1982  | 1983  | 1984  | 1985  | At end 3rd quarter |         |
|-----------------------------|-------|-------|-------|-------|--------------------|---------|
|                             |       |       |       |       | 1984               | 1985    |
| Bauxite                     | 500   | 448   | 957   | 992   | ...                | ...     |
| Alumina                     | 1 055 | 1 143 | 1 097 | 1 265 | ...                | ...     |
| Aluminium                   | 60    | 29    | 29    | 28    | ...                | ...     |
| Raw lumber<1>               | 15.4  | 13.1  | 8.9   | ...   | 6.3                | 4.9     |
| Semi-processed wood<2>      |       |       |       |       |                    |         |
| Sawn, planed & grooved wood | 16.2  | 7.3   | 5.8   | ...   | 5.0                | 4.5     |
| Chipboard                   | 3.1   | 2.0   | 1.0   | ...   | 0.7                | 0.5     |
| Plywood                     | 12.5  | 9.9   | 7.5   | ...   | 5.5                | 3.7     |
| Rice                        | 130.8 | 127.4 | 94.7  | ...   | 49.3<3>            | 61.8<3> |
| Bananas                     | 37.5  | 32.2  | 35.1  | 37.3  | 14.9               | 15.5    |
| Shrimps                     | 3.3   | 3.4   | 3.2   | ...   | 2.0                | 1.3     |
| Palm oil (raw) - (tonnes)   | -     | 535   | 536   | ...   | ...                | ...     |

Source: Central Bank.

<1> Roundwood, squared logs and firewood ('000 cu.m.).

<2> Thousands (cu.m.).

<3> At end of second quarter.

## (b) Imports of goods

As in the case of exports, the value of imports declined in 1985, causing a rapid decline in the supply of imported investment goods for the productive sectors. This resulted from an acute shortage of hard currency and consequent measures adopted to restrict imports. Although the volume of hydrocarbons imported rose steadily during 1985, the total value of these imports was lower than 1984, due to the sharp decline in international prices. Foreign expenditures were also contained by the substitution of domestically produced crude for some imports.

Table 9  
SURINAME: IMPORTS OF HYDRO-CARBONS  
(Thousands of barrels) <1>

|                   | 1981  | 1982  | 1983  | 1984  | 1985 | Jan. - Sept. |       |
|-------------------|-------|-------|-------|-------|------|--------------|-------|
|                   |       |       |       |       |      | 1984         | 1985  |
| Aviation gasoline | 119   | 127   | 112   | 92    | ...  | 66           | 93    |
| Gasoline: Super   | 283   | 313   | 325   | 337   | ...  | 250          | 262   |
| Regular           | 95    | 96    | 93    | 93    | ...  | 69           | 73    |
| Kerosene          | 18    | 16    | 16    | 18    | ...  | 13           | 11    |
| Diesel oil        | 1 126 | 1 079 | 1 063 | 1 185 | ...  | 847          | 860   |
| Fuel oil          | 2 687 | 2 232 | 1 938 | 2 092 | ...  | 1 487        | 1 202 |
| Lubricants        | 44    | 44    | 40    | 37    | ...  | 27           | 28    |
| Asphalt           | 20    | 10    | 10    | 15    | ...  | 8            | 14    |
| Fuel gas          | 109   | 113   | 132   | 132   | ...  | 85           | 104   |

Source: Central Bank.  
<1> 1 barrel = 159 litres.

Table 10  
SURINAME: IMPORTS OF HYDROCARBONS  
(Millions of Suriname guilders)

|                   | 1981  | 1982  | 1983  | 1984  | 1985 | Jan. - Sept. |       |
|-------------------|-------|-------|-------|-------|------|--------------|-------|
|                   |       |       |       |       |      | 1984         | 1985  |
| Aviation gasoline | 8.4   | 10.1  | 8.7   | 7.8   | ...  | 6.0          | 6.9   |
| Gasoline: Super   | 20.9  | 23.5  | 21.7  | 21.8  | ...  | 16.3         | 17.2  |
| Regular           | 6.7   | 7.0   | 5.8   | 5.7   | ...  | 4.3          | 4.4   |
| Kerosene          | 1.3   | 1.2   | 1.3   | 1.4   | ...  | 1.1          | 0.8   |
| Diesel oil        | 83.1  | 78.9  | 68.5  | 78.3  | ...  | 56.3         | 55.5  |
| Fuel oil          | 130.6 | 102.0 | 80.2  | 97.5  | ...  | 68.5         | 58.7  |
| Lubricants        | 12.2  | 11.6  | 12.1  | 11.5  | ...  | 8.5          | 8.7   |
| Asphalt           | 1.2   | 0.6   | 0.6   | 1.0   | ...  | 0.5          | 1.1   |
| Fuel gas          | 7.6   | 8.0   | 10.8  | 16.1  | ...  | 10.4         | 12.8  |
| Total             | 272.0 | 242.9 | 209.7 | 241.1 | ...  | 171.9        | 166.1 |

Source: Central Bank.

Table 11  
 SURINAME: IMPORTS BY ECONOMIC GROUPS  
 (Millions of Suriname guilders)

|                                              | 1981  | 1982 | 1983 | 1984 | 1985 |
|----------------------------------------------|-------|------|------|------|------|
| Consumer goods                               | 228   | 221  | 195  | 139  | ...  |
| Food                                         | 58    | 59   | 51   | 39   | ...  |
| Beverages and tobacco                        | 16    | 13   | 10   | 6    | ...  |
| Furnishings, appliances and electric lights  | 37    | 37   | 34   | 26   | ...  |
| Clothing and shoes                           | 15    | 15   | 12   | 9    | ...  |
| Medicine and articles for personal care      | 34    | 35   | 34   | 24   | ...  |
| Other                                        | 68    | 62   | 54   | 35   | ...  |
| Intermediate goods                           | 593   | 544  | 485  | 468  | ...  |
| Fuel, lubricants, etc.                       | 260   | 226  | 202  | 191  | ...  |
| Raw and basic materials                      | 309   | 298  | 257  | 253  | ...  |
| Yarn and threads                             | 24    | 20   | 26   | 21   | ...  |
| Other                                        | -     | -    | 0.1  | 3    | ...  |
| Capital goods                                | 181   | 165  | 100  | 86   | ...  |
| Transportation equipment                     | 56    | 56   | 31   | 18   | ...  |
| Machinery and parts for the bauxite industry | 15    | 4    | 2    | 6    | ...  |
| Cars and motorcycles                         | 23    | 26   | 14   | 16   | ...  |
| Other                                        | 87    | 79   | 53   | 46   | ...  |
| Imports of goods                             | 1 002 | 929  | 780  | 693  | ...  |

Source: Bureau of Statistics.

Table 12  
 SURINAME: IMPORTS BY ORIGIN  
 (Millions of Suriname guilders)

| COUNTRY                  | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|--------------------------|------|------|------|------|------|------|
| United States of America | 273  | 303  | 271  | 228  | 210  | ...  |
| Netherlands              | 131  | 158  | 157  | 111  | 96   | ...  |
| Trinidad and Tobago      | 215  | 220  | 182  | 148  | 96   | ...  |
| Brazil                   | 26   | 30   | 32   | 33   | 29   | ...  |
| West Germany             | 21   | 31   | 29   | 24   | 24   | ...  |
| Netherlands Antilles     | 26   | 30   | 22   | 41   | 81   | ...  |
| Japan                    | 47   | 59   | 72   | 50   | 24   | ...  |
| Belgium                  | 9    | 15   | 11   | 10   | 15   | ...  |
| United Kingdom           | 25   | 23   | 21   | 19   | 14   | ...  |

Source: Bureau of Statistics.

## (c) Balance of payments

The deterioration of the balance of payments, evident over the past four years, was less pronounced in 1985 as a result of the measures to curb imports instituted by the Government in view of the falling levels of foreign exchange reserves. This relative improvement resulted from the significant Sf. 36 million decline on the current account deficit to a value of Sf. 44 million in 1985; and the Sf. 21 million surplus recorded in capital account. The result was a balance of payments deficit of Sf. 21.4 million.

Table 13  
SURINAME: BALANCE OF PAYMENTS (Cash basis)  
(Millions of Suriname guilders)

|                                        | 1982     | 1983    | 1984     | 1985<p> |
|----------------------------------------|----------|---------|----------|---------|
| Current account                        |          |         |          |         |
| Exports of goods & non-factor services | 909.5    | 775.5   | 749.4    | 639.6   |
| Merchandise exports                    | 765.1    | 654.7   | 650.8<r> | 560.8   |
| Non-factor services                    | 144.4    | 120.8   | 98.6<r>  | 78.8    |
| Imports of goods and nfs.              | 1 190.8  | 1 032.8 | 819.1    | 674.9   |
| Merchandise imports                    | 921.2    | 803.7   | 617.3    | 532.8   |
| Non-factor services                    | 269.6    | 229.1   | 201.8    | 142.1   |
| Balance on merchandise trade           | -156.1   | -149.0  | 33.5     | 28.0    |
| Resource balance                       | -281.3   | -257.3  | -69.7    | -35.3   |
| Factor services and transfers (Net)    | 7.6      | -34.4   | -10.7    | -9.0    |
| Net factor services payments           | 12.3     | -20.1   | 2.5      | 0.1     |
| Net unrequited transfers               | -4.7     | -14.3   | -13.2    | -9.1    |
| Balance on current account             | -273.7   | -291.7  | -80.4    | -44.3   |
| Capital account                        |          |         |          |         |
| Private capital (Net)                  | 33.7     | 62.8    | -20.6    | 17.5    |
| Medium and long-term capital           | 21.8     | 92.6    | -18.5    | 25.5    |
| Short-term                             | 11.9     | -29.8   | -2.3     | -8.0    |
| Public capital (Net)                   | 173.3    | 3.1     | 3.9      | 3.4     |
| Grants                                 | 172.9<r> | 4.5     | 5.5<r>   | 4.1     |
| Long-term Capital                      | -2.2     | -2.7    | 0.7      | -0.7    |
| Short-term capital                     | 2.6      | 1.3     | -2.3     | -       |
| Balance on capital account             | 207.0    | 65.9    | -16.7    | 20.9    |
| Errors, omissions                      | -0.1     | -0.1    | -1.1     | 0.3     |
| Revaluation of monetary gold           | -        | 31.0    | -8.4     | 1.7     |
| Balance of total account               | -66.8    | -194.9  | -106.6   | -21.4   |
| Changes in reserves (- increase)       | 66.8     | 194.9   | 106.6    | 21.4    |

Source: Central Bank.

(i) Services: The significant reduction in the deficit on services account was attributable to the decline in expenditure on "freight and insurance of goods" and "other services". There was also a small decrease in spending on travel. The expenditure on freight and insurance of goods was reduced by over Sf. 20 million, while some Sf. 24 million less was spent on "other services". These decreases reflect the prohibition and other barriers placed on the levels of imports, removal of subsidies and the restrictions on the quantum of remittances allowed on the transfer of premium receipts of insurance companies. Allowances for foreign travel were further reduced in 1985. There was also a reduction in earnings from services, however.

(ii) Primary income: Although Government policy was geared to ensure significant reduction in the transfer of profits and dividends, not much success was recorded. There was a recorded surplus in 1985 of Sf. 0.1 million. On the income side, receipts from interest earned were lower in 1985 as a consequence of reduced foreign exchange balances held by the Central Bank with similar banks overseas.

(iii) Income transfers: The net deficit on income transfers was reduced by 31% to about Sf. 9 million, partly as the result of the stringent foreign exchange policy prohibiting the transfer of funds. However, the same regulations affected the traditional remittances by individuals into Suriname, giving rise to the fear that foreign exchange is being sold to residents having debts to pay abroad - thus creating a "parallel market".

(iv) Capital account and monetary reserves: The balance on capital account recovered from a Sf. 17 million deficit in 1984 to a Sf. 21 million surplus at the end of 1985. The movement in private capital was mainly responsible for this reversal, a net gain of Sf. 18 million from direct foreign investment. The coming on stream of the Suralco/Biliton joint bauxite venture could have affected payments on capital stock. At the same time, however, external capital to Government continued to be very low and was in the form of a Sf. 4 million grant. There appears to be little likelihood of an early resumption of Dutch Development Aid, which was suspended at the end of 1982.

The international reserves converted at the current buying rate were expected to be further decreased by Sf. 9.3 million in 1985. If account is taken of the revaluation of the monetary gold stock by Sf. 17 million, the net outflow of exchange amounts to Sf. 11 million. This excludes the debts in national currency of non-residents valued at about Sf. 26 million.

#### 4. WAGES AND PRICES

##### (a) Wages and salaries

Increases in the level of wages and salaries, especially paid to public servants tended to exert upward pressure on the general level of prices. Substantial increases in both nominal and real wages seem to have been granted.

##### (b) Prices

The rate of inflation as measured by the changes in the Consumer Price Index for the general Paramaribo area rose by about 11% reflecting price increases in all items of the index. The overall level of prices includes the substantial increase in taxes, both direct and indirect and the sudden removal of a large number of subsidies with the exception of some basic food items. Government's financing could also have contributed to price increases.

The major upward pressure on the Index was exerted by the significant increase in the housing and furnishing index, a direct result of acute shortages of both local and imported building materials. In addition, increasing liquidity is having an unprecedented effect upon demand.

These price increases were most evident around May 1985 when new taxation and price measures were introduced. It has been reported that the 'basket' of goods used for compiling the index has been reduced, and no attempt has been made to take into account the prices on the 'parallel' market.

Table 14  
SURINAME: EVOLUTION OF DOMESTIC PRICES  
(Revised index: Base-year: April 1968 - March 1969 = 100)

|                                | Weights | 1982   | 1983   | 1984  | 1985  |
|--------------------------------|---------|--------|--------|-------|-------|
| Annual averages                |         |        |        |       |       |
| All items consumer price index | 100.0   | 282.6  | 295.0  | 305.9 | 339.2 |
| Food and beverages             | 40.0    | 266.5  | 278.5  | 282.5 | 310.3 |
| Housing and furnishings        | 23.6    | 261.9  | 276.2  | 283.2 | 334.8 |
| Clothing and footwear          | 11.0    | 372.2  | 396.2  | 432.0 | 460.2 |
| Other items                    | 25.4    | 288.8  | 295.0  | 309.5 | 336.3 |
| December to December variation |         |        |        |       |       |
| All items consumer price index |         | 6.3<1> | 4.4<1> | 4.4   | 15.6  |
| Annual average variation       |         |        |        |       |       |
| All items consumer price index |         | 7.3    | 4.4    | 3.7   | 10.9  |
| Food and beverages             |         | 3.3    | 4.5    | 1.4   | 9.8   |
| Housing and furnishings        |         | 10.8   | 5.5    | 2.5   | 18.2  |
| Clothing and footwear          |         | 7.8    | 6.5    | 9.0   | 6.5   |
| Other                          |         | 9.6    | 2.2    | 4.9   | 8.7   |

Source: Bureau of Statistics.

Note: (Based on the index for Paramaribo and surrounding areas).

<1> Estimated on the basis of variation in the fourth quarter of each year.

## 5. Monetary and fiscal policy

### (a) Monetary policy

During 1985, the Central Bank continued its policy of controlling the liquidity ratio between deposits and credit. As such, it instituted selective credit controls and monitored the outflow of scarce foreign exchange. However, the Bank remained the major financier of state expenditure. Data for the first three quarters of 1985 as shown in table 15, estimate borrowings from the Central Bank at Sf. 240.2 million while about Sf. 9.2 million was obtained from commercial banks. These amounts were higher than the amounts pertaining to the same period in 1984, and the funds were used as pre-financing for expenditure on development projects. The increase in borrowings and the increased Government deficit further reduced the monetary reserves of the bank.

Table 15  
 SURINAME: GOVERNMENT GROSS DEBT WITH BANKS  
 (Balance at end of period)  
 (Millions of Suriname guilders)

| Period  | Loans to State with treasury bills as collateral | Financing of current expenditure | Financing of development expenditure | Advances on future profits | Total Central Bank | Commercial banks | Total   |
|---------|--------------------------------------------------|----------------------------------|--------------------------------------|----------------------------|--------------------|------------------|---------|
| 1980    | 20.0                                             | -                                | -                                    | 3.4                        | 23.4               | 0.6              | 24.0    |
| 1981    | 47.0                                             | -                                | -                                    | 20.0                       | 67.0               | 5.4              | 72.4    |
| 1982    | 47.0                                             | -                                | -                                    | 120.4                      | 167.4              | 4.9              | 172.3   |
| 1983    | 52.5                                             | 284.5                            | 109.0                                | -                          | 446.0              | 35.3             | 481.3   |
| 1984    | 52.5                                             | 471.1                            | 178.2                                | -                          | 701.8              | 50.1             | 751.9   |
| 1985<1> | 52.5                                             | 678.1                            | 211.4                                | -                          | 942.0              | 69.3             | 1 011.3 |

Source: Central Bank.

<1> As at end of Third quarter.

Indications suggest an increase in domestic liquidity during 1985. The narrowly defined money supply (M-1) rose by 52%, twice that reported in 1984; amounting to Sf. 880 million. Data for 1985 reveal that domestic liquidity <2> rose by 43% to a figure of Sf. 955 million. Preliminary estimates suggest that there was a decrease in savings and time deposits highlighting the reluctance of private banks to take short-term money and savings deposits.

<2> Money (M-1) plus quasi money (M-2).

Table 16  
 SURINAME: MONETARY BALANCE  
 (Balance at end of period)  
 (Millions of Suriname guilders)

|                                                | 1983<1> | 1984<1> | 1985<p 2> | Percentage change |       |       |
|------------------------------------------------|---------|---------|-----------|-------------------|-------|-------|
|                                                |         |         |           | 1983              | 1984  | 1985  |
| Money (M-1)                                    | 455     | 577     | 880<3>    | 8.1               | 26.9  | 52.5  |
| Currency outside banks                         | 265     | 305     | 405<3>    | -1.2              | 15.2  | 32.8  |
| Demand deposits                                | 190     | 272     | 475<3>    | 24.2              | 43.1  | 74.6  |
| Factors of expansion                           | 1 300   | 1 500   | ...       | 11.1              | 15.7  | ...   |
| Net internat'l reserves<4>                     | 163     | 61      | 52<3>     | 54.8              | -62.6 | -14.7 |
| Domestic credit                                | 1 137   | 1 446   | 1 815     | 40.5              | 27.2  | ...   |
| Government                                     | 480     | 765     | 1 080     | 183.9             | 59.1  | ...   |
| Private                                        | 657     | 682     | 735       | 2.6               | 3.8   | ...   |
| Factors of absorption                          | 845     | 926     | 845       | 12.8              | 9.6   | ...   |
| Quasi money (M-2)<5>                           | 101     | 91      | 75        | 70.3              | -9.2  | ...   |
| Long-term deposits and<br>foreign borrowing<6> | 604     | 701     | 785       | 5.3               | 16.0  | ...   |
| Other items (net)                              | 140     | 134     | 139       | 20.4              | -4.5  | ...   |

Source: Central Bank.

<1> Includes Suriname Postal Bank.   <2> Data up to November 1985.

<3> Full year data.   <4> Includes Government foreign assets.

<5> Includes savings and time deposits.

<6> Includes capital and reserves, time deposits for over one year plus genuine savings plus long-term borrowings.

Domestic credit was expected to increase by over 30% in 1985 with a rapid increase in credit demand by Government and private sectors for investment. Estimates for the first half of 1985 indicate a rise in favour of the goods-producing sectors, with manufacturing's share of total credit increasing to a greater extent than that of the other sectors.



Table 17  
 SURINAME: STRUCTURE OF COMMERCIAL BANK CREDIT  
 (Percentages)

|                                  | 1981  | 1982  | 1983  | 1984  | 1985<1> |
|----------------------------------|-------|-------|-------|-------|---------|
| All sectors                      | 100.0 | 100.0 | 100.0 | 100.0 | 100.0   |
| Agriculture                      | 15.6  | 15.5  | 17.3  | 19.4  | 19.9    |
| Fisheries                        | 0.1   | 0.1   | 0.1   | 0.4   | 0.6     |
| Forestry                         | 0.1   | 0.1   | 0.1   | 0.1   | 0.1     |
| Mining                           | 6.5   | 6.4   | 5.2   | 6.3   | 5.6     |
| Manufacturing                    | 9.0   | 7.9   | 7.6   | 7.9   | 8.6     |
| Construction                     | 3.1   | 3.2   | 2.9   | 3.1   | 2.1     |
| Electricity, gas, water          | 4.6   | 3.8   | 3.4   | 3.4   | 3.1     |
| Commerce                         | 31.3  | 30.6  | 27.4  | 21.2  | 19.5    |
| Transportation and communication | 1.5   | 1.6   | 1.7   | 2.0   | 1.7     |
| Services                         | 3.7   | 3.8   | 4.1   | 4.4   | 4.8     |
| Other (including housing)        | 24.4  | 26.9  | 30.1  | 31.8  | 34.0    |

Source: Central Bank.

<1> As at end of June.

#### (b) Fiscal policy

In spite of Government's objective to contain the persistent fiscal deficit, there was a 25% decline in the fiscal balance for 1985. During the year, the State introduced new taxes and measures to ensure an efficient collection of these taxes; the net result was a 5% increase in direct taxes. However, total current revenue was lower, as a consequence of the continued decline in the bauxite levy and the non-payment of company taxes by the bauxite companies. Other non-tax revenues increased as a result of new pricing policies for utilities.

However, in an effort to reduce the unemployment levels, the Government has increased the employment and remuneration of public sector employees thus increasing the overall wage bill by 8%. The overall effect has been a 10% rise in current expenditure, despite reduced expenditures on subsidies and transfers. The overall effect of these developments was a net increase of Sf. 97 million on the current account deficit, which now stands at Sf. 314 million.

Government's capital expenditure was severely reduced in 1985 as a consequence of inadequate alternative funding to complete all existing projects and to initiate new ones. In order to complete existing projects with its limited budget, a system of allocation dependent on the nature of the project had to be implemented. However, although these developments ensured a 40% reduction in overall capital expenditure in 1985, total expenditure was nevertheless projected to increase by 6% as a result of the 10% growth in current expenditure. This in turn led to a 25% increase in the fiscal deficit amounting to Sf. 367 million at the end of 1985.

As in previous years, the major source of the financing of this deficit was the Central Bank of Suriname, while some Sf. 21 million was raised from other domestic sources. The country continued to be affected by the suspension of Dutch Development Aid, which in the past provided almost all the funds needed to finance the budget deficit.

Table 18  
 SURINAME: CENTRAL GOVERNMENT REVENUES AND EXPENDITURES  
 (Millions of Suriname guilders)

|                              | 1982<r> | 1983<r> | 1984<r> | 1985<p> |
|------------------------------|---------|---------|---------|---------|
| Current revenue              | 564.2   | 512.9   | 499.6   | 475.3   |
| Direct taxes<1>              | 151.5   | 148.5   | 188.5   | 197.4   |
| Indirect taxes<2>            | 198.8   | 183.5   | 170.5   | 149.9   |
| Bauxite levy (net)           | 68.7    | 67.5    | 47.8    | 30.5    |
| Other non-tax revenue        | 145.2   | 113.4   | 92.8    | 97.5    |
| Current expenditure          | 645.6   | 715.2   | 716.5   | 789.4   |
| Wages and salaries           | 319.4   | 355.2   | 379.3   | 409.7   |
| Interest                     | 6.6     | 15.2    | 24.3    | 41.4    |
| Subsidies and transfers      | 84.9    | 101.9   | 115.8   | 108.2   |
| Lending                      | 11.6    | 12.2    | 19.6    | 31.0    |
| Other                        | 223.1   | 230.5   | 177.5   | 199.2   |
| Savings on current account   | -81.4   | -202.1  | -216.9  | -314.2  |
| Capital expenditure          | 189.4   | 113.5   | 75.6    | 52.6    |
| Total expenditure            | 835.0   | 828.7   | 792.1   | 842.0   |
| Fiscal deficit/surplus       | -270.8  | -315.6  | -292.5  | -366.7  |
| Financing of deficit         |         |         |         |         |
| Central bank                 | 95.3    | 278.6   | 270.5   | 343.3   |
| Domestic loans               | 6.5     | 40.4    | 19.5    | 21.3    |
| Foreign loans                | -       | -       | -       | -       |
| Net issue of coins and notes | 0.7     | 0.7     | 0.4     | 0.2     |
| Foreign grants               | 172.9   | 4.5     | 3.6     | 4.0     |
| (-) debt repayments          | -4.6    | -8.6    | -1.5    | -2.1    |

Source: Ministry of Finance.

<1> Taxes on profits, personal, corporate and dividend income.

<2> Includes: Taxes on property, on goods and services (liquor, beer, tobacco, motor vehicles, stamp duty and others); taxes on international trade (import duties, statistical tax and wood export tax).

PART XII

REPUBLIC OF TRINIDAD AND TOBAGO

COUNTRY NOTES



REPUBLIC OF TRINIDAD AND TOBAGO  
(Trinidad and Tobago dollars used throughout)<sup>1</sup>

1. Recent economic trends: Introduction and summary

The economy of the Republic of Trinidad and Tobago declined during 1985 for the third consecutive year in spite of relatively strong performance of the petroleum and agriculture sectors. In terms of current prices Gross Domestic Product (GDP) at factor cost declined by nearly 4% during 1985, but in terms of constant prices the decline was 6% which however, was smaller than the 1984 decline.

Weak demand for petroleum and petroleum products, manufactured goods and raw materials in subregional and international markets contributed to the poor performance of the goods-producing sectors and strongly influenced the decline in the services sectors.

The petroleum sector contributed about 13% to total real output with nearly 8% increase over 1984 and while agriculture grew by nearly 10%, manufacturing declined by 14% and construction by 17%. Commerce, transportation and related sectors also declined significantly.

The poor performance of the non-oil sectors with the exception of agriculture, is reflected in the reduction in numbers employed and the easing of inflationary pressure. Except for agriculture and electricity, the number of persons employed in each sector fell during 1985. Significant declines in employment were observed in the manufacturing and construction sectors. Overall, there was a 15.7% rate of unemployment in 1985 as against 13.4% during 1984.

During 1985, inflationary pressures slackened somewhat and prices increased by 8% as against 13% in 1984. This slackening was influenced by two principal factors: the abatement of inflation in the principal import market countries; and the lower demand that resulted from reduced income and reduced domestic liquidity. Contractual wage settlements during the year involved lower rates of increases than in recent years.

The economic decline of the last few years and particularly the decline in petroleum prices have severely affected the level of government revenue. Although rates of taxation have been increased and expenditure curtailed the current surplus continued to decrease.

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<1> Until 17 December 1985, TT\$2.40 = US\$1.00. With the devaluation of the Republic of Trinidad and Tobago dollar on 17 December 1985 (TT\$3.60 = US\$1.00).

Table 1  
TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS

|                                                | 1983     | 1984    | 1985<p>  |
|------------------------------------------------|----------|---------|----------|
| <b>A: Basic economic indicators</b>            |          |         |          |
| GDP at factor cost (\$m at 1970 prices)        | 2 889    | 2 578   | 2 418    |
| Population ('000 inhabitants)                  | 1 149.3  | 1 168.0 | 1 176.1  |
| Per capita GDP (\$ at 1970 prices)             | 2 514    | 2 207   | 2 056    |
| GDP growth rate (at 1970 prices)               | -3.9     | -10.8   | -6.2     |
| Annual growth rates                            |          |         |          |
| <b>B. Short-run economic indicators</b>        |          |         |          |
| GDP at factor cost (current prices)            | -1.6     | -0.5    | -3.8     |
| Per capita GDP (in current prices)             | -3.3     | -2.1    | -4.5     |
| Terms of trade                                 |          |         |          |
| Net                                            | -0.7     | -0.9    | -7.2     |
| Income                                         | -4.1     | 15.6    | -11.5    |
| Current value of exports of goods and services | -16.6<r> | 0.2     | 2.0      |
| Current value of imports of goods and services | -6.9<r>  | -13.6   | -12.7    |
| Consumer price index (ann. avg. var.)          | 16.7<r>  | 13.3    | 7.7      |
| Money supply M-1                               | -8.1     | -8.3    | 1.1      |
| Money supply M-2                               | 2.0      | 7.1     | 4.0      |
| Rate of unemployment<l>                        | 11.0     | 13.5    | 15.5     |
| Current revenue of Government                  | -7.8     | -0.1    | -3.1     |
| Total expenditure of Government                | -7.2     | -5.7    | -6.6     |
| Fiscal deficit as a % of total expenditure<l>  | 25.3     | 20.8    | 17.9     |
| Dollars million                                |          |         |          |
| <b>C. External sector</b>                      |          |         |          |
| Trade balance                                  | -1 171   | 457     | 1 458    |
| Balance on current account                     | -2 436   | -1 290  | -191     |
| Balance on capital account                     | 324      | 0       | 130      |
| Var. in net international reserves             | 2 163    | 2 148   | -725     |
| External debt                                  | 1 551    | 2 013   | 3 644<2> |

Source: Data supplied by Central Statistical Office; and Annual Report for the year ended 31 December 1985, Central Bank.

<1> Data reflect percentage of the absolute.

<2> Data take into consideration the new exchange rate of the TT dollar (TT\$1.00 = US\$0.28).

There was greater reliance on external borrowing notwithstanding the graduation of the Republic of Trinidad and Tobago from eligibility for borrowing on concessionary terms. Central Government external debt rose by 81%, in Trinidad and Tobago dollar terms. Part of the increase is attributed to the devaluation of the TT dollar vis-à-vis the US dollar. The ratio of external debt to GDP rose from 10.2% in 1984 to 19.2% in 1985. The level of debt servicing also rose and as a ratio of GDP was 2.1% in 1985.

REPUBLIC OF TRINIDAD AND TOBAGO

Activity in the banking and financial sector also reflected the general economic conditions as real GDP of the sector was virtually stagnant. Loans and advances of commercial banks declined slightly and activity of non-banking financial institutions fared even worse. Liquidity conditions remained tight during 1985, excess liquidity averaging just 1% of deposit liabilities despite increases in both M-1 and M-2. The increased cash reserve rates of commercial banks no doubt having a major impact. Restrictive lending policies remained in force during the year.

For the second consecutive year the country recorded a favourable balance on merchandise trade as imports fell by 19% while exports rose by nearly 3%. Overall, petroleum exports increased, reduction in exports of petroleum products being offset by increased exports of crude. Reduction in imports was mainly concentrated in consumer goods. Net outflows on services were contained to some extent during the year and the deficit on the services account declined sharply. Net capital inflow was positive due to official inflows but could not fully offset the current account deficit resulting in a small balance of payments deficit for the year of \$61 million.

In an effort to stabilize employment opportunities and rationalize the domestic oil industry, government finalized arrangements to increase its control of this important industry through the acquisition of the 49.9% shareholding of Tesoro Petroleum Company in Trinidad and Trinidad so that the company is now fully owned by the Government. Additional austerity measures were implemented in 1985 to curtail private consumption especially of imports and foreign travel and to expand domestic production and employment particularly in agriculture.

Table 2  
TRINIDAD AND TOBAGO: GROSS DOMESTIC PRODUCT, BY ECONOMIC  
ACTIVITY, AT FACTOR COST (Current Prices)

|                          | Dollars million |         | Percentage breakdown |         | Percentage change |       |         |
|--------------------------|-----------------|---------|----------------------|---------|-------------------|-------|---------|
|                          | 1984            | 1985<p> | 1983                 | 1985<p> | 1983              | 1984  | 1985<p> |
| Total GDP                | 19 731          | 18 973  | 100.0                | 100.0   | -1.6              | -0.5  | -3.8    |
| Goods                    | 9 233           | 8 495   | 46.6                 | 44.8    | -6.8              | -0.2  | -8.0    |
| Agriculture              | 578<r>          | 653     | 2.6                  | 3.4     | 10.2              | 11.2  | 13.0    |
| Petroleum                | 4 913           | 4 461   | 23.4                 | 23.5    | -14.1             | 5.7   | -9.2    |
| Manuf. (excl. petroleum) | 1 330           | 1 282   | 7.0                  | 6.8     | 21.3              | -4.3  | -3.6    |
| Construction & quarrying | 2 412           | 2 099   | 13.6                 | 11.1    | -7.0              | -10.6 | -13.0   |
| Basic services           | 2 468           | 2 336   | 13.4                 | 12.3    | 6.2               | -7.2  | -5.3    |
| Electricity, gas & water | 429             | 419     | 1.9                  | 2.2     | -2.1              | 15.3  | -2.3    |
| Trans., storage & comm.  | 2 039           | 1 917   | 11.5                 | 10.1    | 7.7               | -10.9 | -6.0    |
| Other services           | 8 030           | 8 142   | 40.0                 | 42.9    | 2.7               | 1.3   | 1.4     |
| Comm. rest. and hotels   | 2 010           | 1 834   | 11.1                 | 9.7     | 6.6               | -8.6  | -8.8    |
| Finance, banking & ins.  | 1 787           | 1 912   | 9.0                  | 10.1    | 16.0              | 0.3   | 7.0     |
| Government               | 2 799           | 2 911   | 13.2                 | 15.3    | -8.8              | 7.0   | 4.0     |
| Comm. serv. incl. educ.  | 880             | 892     | 4.1                  | 4.7     | -0.4              | 8.6   | 1.4     |
| Personal services        | 554             | 593     | 2.6                  | 3.1     | 17.8              | 7.4   | 7.0     |

Source: Review of the Economy 1985, Central Statistical Office and data supplied ECLAC.

Table 2a  
 TRINIDAD AND TOBAGO: GROSS DOMESTIC PRODUCT BY  
 ECONOMIC ACTIVITY (1970 Constant Prices)

|                          | Dollars<br>million |         | Percentage<br>breakdown |         | Percentage<br>change |       |         |
|--------------------------|--------------------|---------|-------------------------|---------|----------------------|-------|---------|
|                          | 1984<r>            | 1985<p> | 1983                    | 1985<p> | 1983                 | 1984  | 1985<p> |
| Gross domestic product   | 2 578              | 2 418   | 100.0                   | 100.8   | -3.9                 | -10.8 | -6.2    |
| Goods                    | 982                | 915     | 36.9                    | 37.8    | -7.2                 | -7.9  | -6.8    |
| Agriculture              | 81                 | 89      | 2.8                     | 3.7     | -2.4                 | 1.3   | 9.9     |
| Petroleum                | 286                | 308     | 9.1                     | 12.7    | -12.7                | 9.2   | 7.7     |
| Manuf. excl. petroleum   | 287                | 246     | 11.2                    | 10.2    | 4.2                  | -11.7 | -14.3   |
| Construction & quarrying | 328                | 272     | 13.8                    | 11.2    | -12.3                | -17.8 | -17.1   |
| Basic services           | 517                | 481     | 21.6                    | 19.9    | -0.3                 | -17.3 | -7.0    |
| Electricity, gas & water | 120                | 120     | 4.0                     | 5.0     | 8.5                  | 4.3   | 0.0     |
| Trans. storage & comm.   | 397                | 361     | 17.6                    | 14.9    | -2.1                 | -22.2 | -9.1    |
| Other services           | 1 079              | 1 022   | 41.5                    | 42.3    | -2.6                 | -10.0 | -5.3    |
| Comm. rest. and hotels   | 349                | 296     | 15.0                    | 12.2    | -8.0                 | -19.2 | -15.2   |
| Finance, banking & ins.  | 338                | 339     | 12.6                    | 14.0    | 2.2                  | -7.1  | 0.3     |
| Government               | 227                | 224     | 8.2                     | 9.3     | 0.0                  | -4.6  | -1.3    |
| Comm. serv. incl. educ.  | 70                 | 69      | 2.4                     | 2.9     | -2.8                 | 1.4   | -1.4    |
| Personal services        | 95                 | 94      | 3.3                     | 3.9     | 3.3                  | 0.0   | -1.1    |

Source: Review of the Economy 1985, Central Statistical Office and data supplied ECLAC.

## 2. Trends in economic activity

### Growth of the main sectors

(a) Agriculture: The agricultural sector recorded a very favourable performance during 1985. Agriculture GDP grew by nearly 10%, measured in 1970 constant prices, compared with a 1% growth in 1984. There was an upsurge in output in most of the traditional export crops, including sugar cane, coffee and citrus, putting an end to the declining trend of the previous three years. The domestic agriculture subsector also continued to be buoyant.

Agricultural policy focused on reduction of the food import bill and encouraged increased agricultural production. During 1985, efforts to rehabilitate several coffee, citrus and cocoa estates continued with some measure of success and relatively good weather conditions prevailed for most crops. An equally important factor influencing the higher output was the improvement in marketing facilities including cold storage for vegetables and livestock products.



Table 3  
 TRINIDAD AND TOBAGO: INDICATORS OF AGRICULTURAL PRODUCTION  
 (Tonnes Thousands)

|                                 | 1983  | 1984  | 1985     | Percentage change |       |          |
|---------------------------------|-------|-------|----------|-------------------|-------|----------|
|                                 |       |       |          | 1983              | 1984  | 1985     |
| <b>Production of main crop</b>  |       |       |          |                   |       |          |
| Sugar cane                      | 971.8 | 879.2 | 1 029.8  | -15.7             | -9.5  | 17.1     |
| <b>Vegetables</b>               |       |       |          |                   |       |          |
| Cocoa beans                     | 1.7   | 1.6   | 1.3      | -22.7             | -5.9  | -18.7    |
| Coffee beans                    | 1.4   | 0.9   | 2.1      | -22.2             | -35.7 | 133.3    |
| Oranges )                       |       |       |          |                   |       |          |
| ) citrus                        | 2.9   | 2.7   | 6.0<1>   | 61.1              | -6.9  | 140.0<1> |
| Grapefruits )                   |       |       |          |                   |       |          |
| Copra                           | 6.5   | 5.6   | 3.1<2>   | 14.0              | -13.8 | ...      |
| <b>Stock-raising production</b> |       |       |          |                   |       |          |
| Beef and veal                   | 1.4   | 1.4   | 1.2      | -12.5             | 0.0   | -14.3    |
| Pork                            | 3.5   | 3.6   | 3.4      | 20.7              | 2.9   | -5.6     |
| Poultry broil. (live wgt.)      | 34.3  | 33.9  | 33.2     | -8.5              | -1.2  | -2.1     |
| Eggs (mill.doz.table eggs)      | 3.1   | 2.3   | 3.0      | ...               | -25.8 | 30.4     |
| Eggs (hatching eggs)('000)      | 3 415 | 3 720 | 1 415<1> | 158.1             | 8.9   | -32.6<1> |
| Milk (million litres)           | 9.0   | 10.1  | 10.6     | 15.4              | 12.2  | 5.0      |

Source: Review of the Economy 1984, 1985 and data supplied ECLAC.

<1> January to June.

<2> January to September.

(i) Sugar cane: Among the traditional export crops, sugar cane was the most buoyant. Output rose over 17% - a reversal of the downward trend of the three previous years. Production of sugar cane from private farmers and the state enterprise rose by 21% and 15% respectively. The improved performance was influenced by a combination of factors including better weather conditions, improved cultivation practices, a reduction in unplanned cane fires and to some extent a lower rate of worker absenteeism. These factors contributed to an increase in yield per hectare and a 25% rise in the production of sugar which enabled the country to meet its (reduced) export quota to the European Economic Common Market.

(ii) Coffee: Production of coffee beans in 1985 rose by more than 133% above the 1984 level, reversing the downward trend of the previous three years. The rehabilitation of coffee fields and availability of increased supply of labour accounted for the growth. Coffee exports resumed in 1985, albeit at the international price of TT\$6.60 per kg. which was still 21% below the local guaranteed price to farmers.

(iii) Citrus: Production of citrus, with the exception of limes, was by June 1985, 122% higher than the total production for 1984. The improved performance during 1985 was influenced by several factors namely rehabilitation of the orchards, an exercise that had begun in 1982, increased labour supply and fine weather conditions that resulted in higher quality and quantity of fruits.

(iv) Other agriculture: The production of cocoa beans continued to decline in 1984 and the export volume of cocoa beans fell by 19% reflecting the depressed demand on the international market, over supply and the competition that cocoa beans faced from substitutes. Partial data on copra production also showed a downward trend as in the previous year. Acreage allocated to vegetables, fruits, grains and root crops has been increasing annually and so has production.

The performance of the livestock subsector reflected the general downturn in the economy as demand fell during 1985. Heavy rains towards the end of 1985 adversely affected production of some commodities. However, milk production expanded by 5% and eggs by 30%. Good weather conditions was a contributing factor as the quality of pastures improved. Of significance, too, was increased guaranteed prices paid to farmers.

During 1985, additional hectares of sugar cane lands were transferred to production of food crops, tree crops and milk and beef cattle as part of the ongoing diversification operations aimed at optimizing 12,500 acres of land and labour resources normally associated with the sugar cane industry.

(b) Mining and oil refining: International oil prices further declined during 1985 in response to a reduction in demand amidst excess supply of oil. This situation adversely affected the revenue derived from the sale of petroleum and related products, so that in spite of higher production and exports of crude petroleum value-added of the petroleum sector in current prices declined by 9%. The share of GDP remained at about 24% in current prices. However, measured in 1970 constant prices, petroleum sector GDP increased by nearly 8% and its share of total GDP to nearly 12%. Production of natural gas also increased during the year.

The improvement during 1985 must be attributed principally to the continuation of the upward trend in crude petroleum production that began in 1984 and the sustained improvement in refinery throughout in 1985. It should be noted, however, that 1985 level of output and exports of both crude petroleum and refinery products was still below the levels attained in 1979 (as shown in Tables 5 and 6) when the decline began. As in previous years, since the mid-1970's, marine operations contributed the dominant proportion (roughly 76%) of total output and exports. A recently revised package of tax incentives granted by the government to both onshore and offshore operators encouraged drilling operations and led to the successful work over of certain oil fields under the continued programme of secondary recovery and production optimization.

Refinery throughput reached 29.7 million barrels, a 5.4% rise over the 1984 level. However, a sizeable portion of refinery capacity remained idle owing to weak international demand for refined petroleum products and reduction in operations at the country's largest refinery.

Table 4  
 TRINIDAD AND TOBAGO: LOCAL CRUDE PETROLEUM  
 EXPORTS AND LOCALLY REFINED CRUDE, 1975-1985  
 (Cubic metres million)

| Year | Total production |      |        | Domestic<br>crude<br>exports | Percentage<br>of<br>total | Domestic<br>crude<br>refined<br>locally | %<br>of<br>total | % change<br>in total<br>production |
|------|------------------|------|--------|------------------------------|---------------------------|-----------------------------------------|------------------|------------------------------------|
|      | Total            | Land | Marine |                              |                           |                                         |                  |                                    |
| 1975 | 12.5             | ...  | ...    | 7.7                          | 61.6                      | 4.8                                     | 38.4             | ...                                |
| 1976 | 12.3             | 2.6  | 9.7    | 7.0                          | 56.9                      | 5.3                                     | 43.1             | -1.6                               |
| 1977 | 13.3             | 2.6  | 10.7   | 7.9                          | 59.4                      | 5.4                                     | 40.6             | 8.1                                |
| 1978 | 13.3             | 2.6  | 10.7   | 8.1                          | 60.9                      | 5.2                                     | 39.1             | 0.0                                |
| 1979 | 12.4             | 2.7  | 9.7    | 7.0                          | 56.5                      | 5.4                                     | 43.5             | -6.8                               |
| 1980 | 12.3             | 2.7  | 9.6    | 7.3                          | 59.3                      | 5.0                                     | 40.7             | -0.8                               |
| 1981 | 11.0             | 2.5  | 8.5    | 6.0                          | 54.5                      | 5.0                                     | 45.5             | -10.6                              |
| 1982 | 10.3             | 2.4  | 7.9    | 6.0                          | 58.3                      | 4.3                                     | 41.7             | -6.4                               |
| 1983 | 9.3              | 2.2  | 7.1    | 4.8                          | 51.6                      | 4.5                                     | 48.4             | -9.7                               |
| 1984 | 9.9<r>           | ...  | ...    | 5.2                          | 52.5                      | 4.2                                     | 42.4             | 6.5                                |
| 1985 | 10.2             | ...  | ...    | 5.4                          | 52.9                      | 4.8                                     | 47.1             | 3.0                                |

Source: Ministry of Energy and Natural Resources.

Table 5  
 TRINIDAD AND TOBAGO: REFINERY THROUGHPUT,  
 OUTPUT AND EXPORTS OF REFINED PRODUCTS  
 (Cubic metres million)

| Year | Throughput | Output | Exports | Imports | Imports as a percentage<br>of throughput |
|------|------------|--------|---------|---------|------------------------------------------|
| 1975 | 13.6       | 13.2   | 14.5    | 9.2     | 67.6                                     |
| 1976 | 18.7       | 18.2   | 16.5    | 13.5    | 72.2                                     |
| 1977 | 15.9       | 15.3   | 13.1    | 10.6    | 66.7                                     |
| 1978 | 13.7       | 13.2   | 11.5    | 9.0     | 65.7                                     |
| 1979 | 13.2       | 12.6   | 7.0     | 8.3     | 62.9                                     |
| 1980 | 12.4<r>    | 12.3   | 10.7    | 8.3     | 66.9<r>                                  |
| 1981 | 10.1       | 9.7<r> | 8.5     | 6.1     | 60.4                                     |
| 1982 | 8.8        | 8.6    | 7.3     | 3.7     | 42.0                                     |
| 1983 | 4.3        | 4.5    | 4.6     | -       | -                                        |
| 1984 | 4.5        | 4.2    | 4.6     | 1.0     | 22.2                                     |
| 1985 | 4.7        | 4.8    | 4.0     | 0.6     | 12.8                                     |

Source: Ministry of Energy and Natural Resources.

Growing demand for natural gas as a source of fuel and feedstock for chemicals increased by nearly 5% above the 1984 level. One off-shore company continues to produce over 80% of total natural gas output. Investigations into the possibility of using compressed natural gas as a source of fuel in motor vehicles is underway and results of preliminary experiments are said to be encouraging.

Table 6  
TRINIDAD AND TOBAGO: INDICATORS OF MINING ACTIVITY

|                                           | 1983   | 1984   | 1985   | Percentage change |       |       |
|-------------------------------------------|--------|--------|--------|-------------------|-------|-------|
|                                           |        |        |        | 1983              | 1984  | 1985  |
| Crude oil produced ('000 barrels)         | 58 344 | 62 041 | 64 290 | -9.7              | 6.3   | 3.6   |
| Crude oil produced (cubic metres million) | 9.3    | 9.9    | 10.2   | -9.7              | 6.5   | 3.0   |
| Refinery throughput ('000 barrels)        | 27 178 | 28 148 | 29 678 | -50.7             | 3.6   | 5.4   |
| Drilling activity<1>                      | 196.0  | 206.8  | 197.8  | -22.8             | 5.5   | -4.4  |
| Asphalt production<2>                     | 38.2   | 31.1   | 21.3   | 28.6              | -18.6 | -31.5 |
| Natural gas production<3>                 | 6 318  | 7 229  | 7 573  | -8.6              | 14.4  | 4.8   |
| Disposal of natural gas:                  |        |        |        |                   |       |       |
| Fuel                                      | 3 102  | 2 552  | 2 966  | -20.9             | -17.7 | 16.2  |
| Processed                                 | 920    | 1 105  | 1 163  | 33.9              | 20.1  | 5.2   |
| Vented/losses                             | 1 175  | 1 856  | 1 678  | -13.0             | 58.0  | -9.6  |

Source: Ministry of Energy and Natural Resources, Annual Report for year ended 31 December 1985, Central Bank.

<1> Thousand metres drilled.

<2> Tonnes thousand.

<3> Cubic metres million.

The government of the Republic of Trinidad and Tobago acquired the refinery, real estate and related assets of the major refining company Texaco (Trinidad) Ltd.. It also acquired the 49.9% equity held by Tesoro Petroleum Corporation in Trinidad and Tesoro Petroleum Company Limited to complete full ownership of that company. Full control of these companies is expected to give the government greater manoeuvrability in rationalizing the industry in the national interest. During the year, two relatively small fields were discovered.

(c) Manufacturing: The manufacturing sector performed poorly during 1985. Since 1984, the sector has been beset with various problems which reversed the growth momentum of 1982-1983. Measured in constant prices (1970), manufacturing GDP declined by over 14% in 1985 contrasted with 11.7% decline in the previous year. The total manufacturing index declined by 4 percent.

Table 7  
 TRINIDAD AND TOBAGO: INDICATORS OF MANUFACTURING ACTIVITY  
 (1977 = 100)

|                                         | 1982<r> | 1983<r> | 1984<r> | 1985<l> |
|-----------------------------------------|---------|---------|---------|---------|
| Index of manuf. Production - Total<2>   | 153.9   | 176.7   | 164.9   | 161.4   |
| Food processing                         | 127.6   | 132.8   | 130.7   | 116.8   |
| Dairy products                          | 148.2   | 137.8   | 137.4   | 84.7    |
| Edible oils and fats                    | 115.2   | 109.0   | 93.2    | 108.6   |
| Bakeries                                | 107.6   | 93.5    | 85.6    | 76.7    |
| Drinks and tobacco                      | 119.4   | 117.7   | 116.1   | 100.8   |
| Textiles & knitted goods & footwear     | 70.6    | 63.8    | 60.3    | 47.6    |
| Printing, publishing & paper converters | 123.7   | 103.6   | 96.9    | 103.3   |
| Wood and related products               | 95.5    | 71.1    | 75.6    | 45.1    |
| Chemicals and non-metallic products     | 151.8   | 180.1   | 193.4   | 240.4   |
| Assembly type and related industries    | 228.6   | 304.9   | 253.6   | 214.1   |
| Motor vehicles                          | 101.6   | 146.6   | 157.8   | 100.0   |
| Miscellaneous manufactures              | 102.9   | 97.1    | 84.1    | 82.4    |
| Oil refining                            | 62.0    | 34.0    | 36.2    | 34.1    |
| Sugar                                   | 47.6    | 43.7    | 45.4    | ...     |
| All industry index<3>                   | 111.9   | 116.6   | 110.8   | 106.4   |

Source: Review of the Economy 1985, Central Statistical Office and data supplied ECLAC.

<1> January to September.           <2> Excludes oil and sugar

<3> Includes oil and sugar.

The industrial relations climate in the sector was relatively poor. Negotiations for increased wages led to protracted disputes, strikes, lock-outs and in some cases, complete closure of a number of enterprises. These factors coupled with the fall in domestic demand and problems in the CARICOM markets influenced the downturn in output. Demand from CARICOM countries for the Republic of Trinidad and Tobago's manufactured products was sluggish as most of these countries continued to encounter balance of payments difficulties. Exportable surpluses, because of high costs of production, was in many cases priced out of the international market.

Apart from sugar and edible oils and fats which reversed the 1984 decline, production of traditional manufactures showed a downward trend. The index for assembly type and related industries including motor vehicles fell in 1985. However, at the individual commodity level, the trend was mixed. Production level of radios and televisions had by November 1985 exceeded total output for 1984. On the other hand, the production of gas cookers and refrigerators declined.

Partial data on textiles, garments and footwear reflected continued decline, a trend that started as early as 1981 (ref: Table 7). By the third quarter, the index for this subsector was 48% as against 58% at the corresponding period in 1984. Demand for footwear was again relatively high but the local and CARICOM markets for garments and textiles contracted. At the same time, manufacturers complained of illegal imports of garments and textiles. During 1985, more stringent controls on imports were implemented to give additional protection to local manufacturers of these products.

Table 8  
TRINIDAD AND TOBAGO: PRODUCTION OF SELECTED INDUSTRIAL PRODUCTS

|                                | 1983     | 1984     | 1985<p> | Percentage change |       |         |
|--------------------------------|----------|----------|---------|-------------------|-------|---------|
|                                |          |          |         | 1983              | 1984  | 1985<p> |
| Sugar<1>                       | 74.9<r>  | 64.8     | 81.3    | -0.9              | -13.5 | 25.5    |
| Rum<2>                         | 2 833<r> | 2 868<r> | 2 420   | -32.0             | 1.2   | -15.6   |
| Beer and stout<3>              | 34 898   | 33 767   | 26 356  | -5.0              | -3.2  | -22.0   |
| Malt<3>                        | 3.3      | 2.9      | 2.4     | -15.4             | -12.1 | -17.2   |
| Margarine, lard<br>and soap<4> | 10.1<r>  | 5.7      | 9.9     | -6.5              | -43.6 | 73.7    |
| Fertilizers<1>                 | 1 274.3  | 1 458.1  | 1 663.5 | 35.6              | 14.4  | 14.1    |
| Molasses<7>                    | 32.9     | 25.8     | ...     | -7.6              | -21.6 | ...     |
| Cement<1>                      | 389.9    | 405.4    | 328.5   | 106.1             | 4.0   | -19.0   |
| Assembly industries<5>         |          |          |         |                   |       |         |
| Motor vehicles                 | 20.7     | 22.8     | 15.7    | 37.8              | 10.1  | -31.1   |
| Radios                         | 6.9      | 2.2      | 3.3<6>  | -16.9             | -68.1 | ...     |
| Televisions                    | 21.2     | 19.2     | 20.2<6> | 16.5              | -9.4  | ...     |
| Gas cookers                    | 18.3     | 20.3     | 19.3    | -19.7             | 10.9  | -4.9    |
| Refrigerators                  | 20.0<r>  | 21.8     | 9.7     | -29.6             | 9.0   | -55.5   |

Source: Data supplied by Central Bank.

<1> '000 tonnes. <2> '000 proof gallons. <3> '000 litres.

<4> '000 kg. <5> '000 units. <6> Data for January - November.

<7> Million litres.

Performance of the more recently established manufacturing enterprises such as petrochemicals and iron and steel was mixed. The growth momentum of previous years in the petrochemicals subsector was sustained, influenced by increased output in energy-based urea, ammonia and methanol. Output of chemical grade methanol was 358 thousand tonnes in 1985, the first full year of operation, with exports volume doubling. On the other hand, iron and steel production fell (for the second successive year) by more than 9% largely because of mechanical problems at the company's melt shop and sluggish international demand. Access to foreign markets proved difficult as protectionist policies were implemented in some countries which were potential importers of Trinidad and Tobago iron and steel products. Some countries threatened to impose extra import duties on this country's products so as to render them uncompetitive.

(d) Construction: The general fall in construction activity during 1985 was due mainly to a slow-down in construction expenditure in the public sector, tight liquidity in financial markets and the general reduction in aggregate demand. Measured in 1970 constant prices, GDP fell during the year by 17%. In terms of current prices at factor cost, GDP fell by only 13%. This reflects the fact that prices in the construction sector continued to increase despite the downturn in output. All available indicators confirm this decline as shown in Table 9. For example, utilization of raw materials and employment levels declined fairly sharply. Cement sales for example declined by 17% and employment in construction by 14%. Similarly, loans and advances granted by commercial banks for construction purposes declined by 6 percent.

Table 9  
TRINIDAD AND TOBAGO: INDICATORS OF CONSTRUCTION ACTIVITY

|                                                                     | 1983  | 1984  | 1985<p>  | Percentage change |         |          |
|---------------------------------------------------------------------|-------|-------|----------|-------------------|---------|----------|
|                                                                     |       |       |          | 1983              | 1984    | 1985<p>  |
| Floor space constructed                                             |       |       |          |                   |         |          |
| All buildings ('000 sq. metres)                                     | 611.3 | 643.2 | 426.3    | 10.6              | 5.2     | -33.7    |
| Of which:                                                           |       |       |          |                   |         |          |
| Dwelling houses                                                     | 530.1 | 514.0 | 382.7    | 10.6              | -3.0    | -25.5    |
| Comm'l & industrial                                                 | 75.3  | 65.6  | 29.6     | 126.1             | -12.9   | -54.9    |
| Other buildings<2>                                                  | 5.7   | 62.7  | 8.1      | -85.7             | 1 000.0 | -87.1    |
| Cement ('000 tonnes)                                                |       |       |          |                   |         |          |
| Production                                                          | 389.9 | 405.4 | 328.5    | 106.1             | 4.0     | -19.0    |
| Imports                                                             | 94.6  | 0.7   | 16.6     | -66.6             | -99.3   | 2 271.4  |
| Total avail. supplies                                               | 484.5 | 406.1 | 345.1    | 2.6               | -16.2   | -15.0    |
| Local sales                                                         | 470.0 | 409.8 | 341.5    | 2.6               | -12.8   | -16.7    |
| Index of clay bricks & blocks (1977 = 100)                          | 125.6 | 120.4 | 117.7<1> | 16.1              | -4.1    | -7.2<1>  |
| Labour force employed in construction <5>                           | 69    | 69    | 59       | ...               | 0.0     | -14.5    |
| Unemployment rate in constr. activity (%)                           | ...   | 25    | 33       | ...               | ...     | 32.0     |
| Index of minimum wage rates for prod'n and ancillary workers (Nov.) |       |       |          |                   |         |          |
| Building & constr.<4>                                               | 352.3 | 390.2 | 415.5    | 11.8              | 10.8    | 6.5      |
| Index of bldg. mats. prices (1980 = 100)                            | 120.5 | 128.1 | 132.9<3> | 5.9               | 6.3     | 4.6      |
| Comm'l banks loans and advances outstanding (TT\$ million)          | 518.6 | 537.9 | 505.0    | 13.7              | 3.7     | -6.1     |
| Loans disbursed of govt. & quasi govts. mortgage institutions       |       |       |          |                   |         |          |
| Value of loans approved (TT\$ million)                              | 356.6 | 231.8 | 138.0<3> | -28.2             | -35.0   | -6.6<3>  |
| Disbursement (TT\$m)                                                | 426.5 | 288.9 | 141.6<3> | 10.7              | -32.3   | -35.7<3> |

Source: Economic indicators July-September 1985, Central Statistical Office, Review of the Economy 1985, data supplied by Central Bank.

<1> January to June.

<2> Other buildings include church, schools, hotels, institutions and cinema.

<3> January to September. <4> At May. <5> Thousands.

By 1985, most of the major new projects such as road building, housing projects for low and middle income families and school and institutional buildings undertaken directly by the public sector or through its various executing agencies had been completed or scaled down. Private sector construction activity also fell.

Housing construction activity, which had been a major source of growth during the boom period declined again in 1985. In the period of high oil prices, a substantial portion of oil revenues was allocated by government to the provision of housing units to alleviate what was an acute housing shortage. As public sector revenue dropped, less money was allocated to government agencies for housing construction activity.

The shortage of revenue had influenced the public sector to adjust its housing programme from one that provided completed family units to allocating developed lots with utility services. In addition, financial assistance up to a certain value was provided to facilitate persons to build on their own land. In the private sector, a glut of completed houses remained unsold during 1985. In other instances, various private housing projects had to be scaled down or abandoned as demand fell. The number of commercial ventures seemed to have dropped also and there was considerable excess capacity as construction equipment remained idle as did many construction workers.

### 3. The external sector

Unadjusted external trade data in Tables 10 and 11 show that for the last three years, 1983 to 1985, imports into Trinidad and Tobago have been declining although at a reducing rate. The value of exports, on the other hand, increased slightly in 1985 after declining in 1983 and 1984 and a surplus was realized on merchandise trading during 1985. Available data to mid-year 1985 indicate that the terms of trade declined.

Interestingly, the value of domestic non-oil exports, though relatively small, has continued to increase, contrary to the general trends and reached more than 17% of total exports. Some credit would seem due to the increased export promotion drive and the diversification of production efforts being pursued.



Table 10  
 TRINIDAD AND TOBAGO: SELECTED EXPORTS (f.o.b.) <1>  
 (Dollars million)

|                                 | 1984  | 1985<p> | 1983   | Percentage<br>breakdown<2> |        | Percentage<br>change |         |
|---------------------------------|-------|---------|--------|----------------------------|--------|----------------------|---------|
|                                 |       |         |        | 1985<p>                    | 1983   | 1984                 | 1985<p> |
| Total exports                   | 5 216 | 5 301   | 100.0  | 100.0                      | -23.4  | -7.6                 | 1.6     |
| Exports excl. fuels             | (980) | (1 106) | (16.5) | (20.9)                     | (7.7)  | (5.2)                | (12.9)  |
| Domestic exports                | 5 044 | 5 122   | 96.2   | 96.6                       | -24.1  | -7.1                 | 1.5     |
| Dom. non-oil exports            | (875) | (930)   | (13.1) | (17.5)                     | (17.9) | (18.4)               | (6.3)   |
| Main tradit'l exports           |       |         |        |                            |        |                      |         |
| Petroleum products              | 1 853 | 1 721   | 37.4   | 33.6                       | -45.7  | -8.9                 | -7.1    |
| Crude petroleum                 | 2 293 | 2 450   | 48.6   | 47.8                       | -1.5   | -13.1                | 6.8     |
| Natural asphalt                 | 11    | 16      | 0.1    | 0.3                        | 0.0    | 57.1                 | 45.5    |
| Sugar                           | 61    | 51      | 1.1    | 1.0                        | 17.3   | 0.0                  | -16.4   |
| Rum                             | 12    | 14      | 0.2    | 0.3                        | -28.6  | 20.0                 | 16.7    |
| Cocoa beans                     | 8     | 7       | 0.1    | 0.14                       | -36.4  | 14.3                 | -12.5   |
| Coffee beans                    | -     | 4       | 0.05   | 0.08                       | -40.0  | ...                  | ...     |
| Main non-traditional<br>exports |       |         |        |                            |        |                      |         |
| Petrochemicals                  | 22    | 0.2     | 0.3    | 0.0                        | -68.1  | 46.7                 | -99.1   |
| Fertilizers & ammonia           | 454   | 565     | 7.0    | 11.0                       | 71.3   | 18.8                 | 24.4    |

Source: Review of the Economy 1985 and data supplied ECLAC.

<1> Data are not adjusted to balance of payments basis.

<2> Percentage breakdown for main traditional and non-traditional exports reflects relationship with domestic exports.

Table 11  
 TRINIDAD AND TOBAGO: FUNCTIONAL CLASSIFICATION OF IMPORTS (c.i.f.)  
 (Dollars million)

|                       | 1983  | 1984  | 1985<p> | Percentage change |       |         |
|-----------------------|-------|-------|---------|-------------------|-------|---------|
|                       |       |       |         | 1983              | 1984  | 1985<p> |
| Consumer goods        | 1 608 | 1 453 | 1 097   | 5.0               | -9.6  | -24.5   |
| Non-durable           | 1 009 | 940   | 808     | 9.2               | -6.8  | -14.0   |
| Semi-durable          | 289   | 252   | 149     | 4.0               | -12.8 | -40.9   |
| Raw materials         | 488   | 369   | 344     | -81.5             | -24.4 | -6.8    |
| Mineral fuels         | 199   | 35    | 124     | -91.1             | -82.4 | 254.3   |
| Capital goods         | 1 924 | 1 065 | 989     | -27.4             | -44.6 | -7.1    |
| Total                 | 6 034 | 4 581 | 3 719   | -31.5             | -24.1 | -18.8   |
| Total excluding fuels | 5 835 | 4 546 | 3 595   | -11.2             | -22.1 | -20.9   |

Source: Review of the Economic 1985, Central Statistical Office, Quarterly Economic Report, January - March, April - June 1985 and data supplied ECLAC.

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The reduction in the value of imports is due to a number of factors, among them being: a more extensive import licensing regime, the imposition of a 12% stamp duty and 10% levy on the purchase of foreign exchange, for selected purposes, a more stringent control over the sale of foreign exchange in keeping with the reduced supply, increase in the domestic food supply and contraction in general economic activity. These adjustment measures not only influenced the downturn in total imports, but in particular, reversed the escalation in imports of consumer goods.

On the export side, crude petroleum and petroleum products continued to account for the major share of the value of exports. Total export value of fertilizers including ammonia continued to be strong, registering a 24.4% increase during 1985. The increase was due principally to higher volume exported. Price per ton for ammonia and urea in the USA market fell respectively from US\$168 to US\$123 and from US\$164 to US\$100 reportedly between January to December 1985.

Partial data on the pattern of trade revealed no major changes in 1985. The United States of America, followed by the United Kingdom and Commonwealth Caribbean countries in that order are the principal suppliers of imports. In spite of efforts to boost trade with Latin America, imports from this region have remained relatively small. The value of exports to Latin America was even lower than imports from that region resulting in a continuing large trade deficit.

Trade with CARICOM partner countries continued to be favourable for Trinidad and Tobago. The level of surplus had decreased to \$132 million in 1984 but the decline was reversed during 1985 and a \$348 million surplus recorded. In earlier years, Jamaica followed by Barbados and the Republic of Guyana were the principal suppliers of imports to Trinidad and Tobago, but during 1985, Saint Vincent and the Grenadines became the principal CARICOM supplier followed by Jamaica, Barbados and the Republic of Guyana in that order. The Republic of Guyana was the principal importer from Trinidad and Tobago, followed by Barbados and Jamaica during the year.

Table 12  
 TRINIDAD AND TOBAGO: FOREIGN TRADE INDICATORS  
 (Base year 1974 = 100)

|                               | Percentage change |       |       |      |         |
|-------------------------------|-------------------|-------|-------|------|---------|
|                               | 1981              | 1982  | 1983  | 1984 | 1985<1> |
| Exports of domestic goods     |                   |       |       |      |         |
| Volume (base weighted)        | -10.7             | 2.3   | -3.3  | 16.2 | -22.2   |
| Unit value (base weighted)    | 10.3              | -4.2  | -4.4  | 3.1  | -7.4    |
| Unit value (current weighted) | 16.5              | -6.6  | -6.2  | -0.6 | -11.4   |
| Imports of goods              |                   |       |       |      |         |
| Volume (base weighted)        | -6.6              | -1.8  | 16.1  | 9.9  | -43.7   |
| Unit value (base weighted)    | 13.0              | 13.2  | 0.0   | 0.8  | -27.6   |
| Unit value (current weighted) | 5.8               | 18.5  | -30.0 | -7.0 | 8.6     |
| Terms of trade                |                   |       |       |      |         |
| Net                           | 0.7               | -15.4 | -0.7  | -0.9 | -7.2    |
| Income                        | -12.1             | -13.5 | -4.1  | 15.6 | -11.5   |

Source: Quarterly Economic Report, January - March, April - June 1985, Central Statistical Office and data supplied ECLAC.

<1> Data relate to January - June.

**Balance of Payments:** The overall balance of payments situation, though still in deficit, showed substantial improvement. The basic deficit for 1985 was \$61 million in contrast with \$1 290 million for 1984.

The improvement in transactions with the rest of the world during 1985 was influenced principally by a surplus of about \$1 458 million on the merchandise trade account. This resulted from a reduction in imports, and a rise in the value of exports. A second factor influencing the overall improvement was the decline in the deficit on the services account resulting mainly from reduction in the net outflow on travel and payment for other services. However, the services deficit of \$1 394 million almost offset the gains on merchandise trade. The net outflow on investment income, still relatively large, declined slightly to \$632 million in 1985. Private and official unrequited transfers also continued to be in deficit. The result was a deficit of \$191 million on current account.

Capital account transactions resulted in a favourable balance of \$130 million. There was sharp increase in net outflow of private sector capital. Government had again to resort to foreign borrowing, however, the amount of \$233 million was below the level of borrowing from overseas in 1984. At the end of 1985, the country's total foreign reserves stood at \$3,586.7 million, 25% above the level in 1984.

Table 13  
TRINIDAD AND TOBAGO: BALANCE OF PAYMENTS  
(Dollars million)

|                                    | 1981   | 1982   | 1983   | 1984   | 1985<p> |
|------------------------------------|--------|--------|--------|--------|---------|
| Merchandise balance                | 1 526  | -1 333 | -1 171 | 457    | 1 458   |
| Exports of goods<l>                | 6 259  | 5 340  | 4 855  | 5 055  | 5 185   |
| Imports of goods<l>                | 4 733  | 6 673  | 6 026  | 4 598  | 3 727   |
| Services (net)                     | -417   | -197   | -979   | -1 448 | -1 394  |
| Transportation                     | 319    | 252    | 214    | 171    | 68      |
| Travel                             | -37    | -72    | -419   | -426   | -362    |
| Investment income                  | -456   | -104   | -252   | -646   | -632    |
| Other services                     | -243   | -273   | -522   | -547   | -468    |
| Unrequited transfers (net)         | -218   | -336   | -286   | -299   | -255    |
| Private                            | -162   | -196   | -172   | -169   | -134    |
| Government                         | -56    | -140   | -114   | -130   | -121    |
| Current account                    | 891    | -1 866 | -2 436 | -1 290 | -191    |
| Balance on capital account         | 690    | 1 311  | 324    | 0      | 130     |
| Private                            | 991    | 978    | 185    | -255   | -103    |
| Official                           | -229   | 254    | 139    | 255    | 233     |
| Official assets                    | -72    | 79     | -      | -      | -       |
| Basic balance                      | 1 581  | -555   | -2 112 | -1 290 | -61     |
| Allocation of SDR's                | 26     | -      | -      | -      | -       |
| Valuation change                   | -      | -      | -      | -399   | 983     |
| Errors and omissions               | -241   | 29     | -51    | -459   | -197    |
| Overall surplus (+) or deficit (-) | 1 366  | -526   | -2 163 | -2 148 | 725     |
| Changes in reserves (-) increase   | -1 366 | 526    | 2 163  | 2 148  | -725    |

Source: Balance of Payments 1982, Central Statistical Office and data supplied ECLAC.

<l> Adjusted to balance of payments basis.

#### 4. Prices, wages and employment

##### (a) Prices

During 1985, consumer prices as measured by Index of Retail Prices recorded the lowest rate of increase (7.7%) since 1971 when prices rose by 3.5%. The 1985 rate of increase was lower in 1984 in all but one major group of the index.

Among the domestic factors influencing the level of prices were:

- (a) A fall in aggregate demand due largely to decline in economic activity and government spending and the tight liquidity situation;
- (b) Increased productivity, growing at a faster rate than average weekly earnings in all industries as indicated in Tables 15 and 16;
- (c) Lower rates of increases in remuneration packages in new industrial agreements; and

(d) Reduced inflation in major trading partner countries during 1985.

Table 14  
 TRINIDAD AND TOBAGO: EVOLUTION OF CONSUMER PRICE INDEX  
 (September 1982 = 100)

|                            | Weight | 1982    | 1983    | 1984  | 1985  |
|----------------------------|--------|---------|---------|-------|-------|
| Annual averages            |        |         |         |       |       |
| Total all items            | 1 000  | 98.7<r> | 115.2   | 130.5 | 140.5 |
| Food                       | 351    | 98.6    | 121.5   | 133.6 | 144.9 |
| Meals out                  | 15     | 99.7    | 105.0   | 113.2 | 119.1 |
| Drink and tobacco          | 47     | 95.7    | 113.9   | 133.8 | 156.0 |
| Housing                    | 138    | 101.6   | 103.5   | 109.6 | 126.2 |
| of which:                  |        |         |         |       |       |
| Rent                       | 126    | 102.3   | 101.3   | 107.2 | 125.2 |
| Household supplies         | 84     | 98.5    | 106.8   | 115.9 | 123.5 |
| Clothing                   | 189    | 98.7    | 105.5   | 115.2 | 119.5 |
| Transportation             | 86     | 98.8    | 140.0   | 160.9 | 166.2 |
| Medical goods and services | 25     | 95.6    | 108.2   | 116.1 | 121.1 |
| Annual average variation   |        |         |         |       |       |
| Total all items            |        | 11.5<r> | 16.7<r> | 13.3  | 7.7   |
| Food                       |        | 13.7    | 23.2    | 10.0  | 8.5   |
| Meals out                  |        | 5.2     | 5.3     | 7.8   | 5.2   |
| Drink and tobacco          |        | 18.1<r> | 19.0<r> | 17.5  | 16.6  |
| Housing                    |        | 0.6     | 1.9     | 5.9   | 15.1  |
| of which:                  |        |         |         |       |       |
| Rent                       |        | -2.0    | -0.9    | 5.8   | 16.8  |
| Household supplies         |        | 17.1    | 8.4     | 8.5   | 6.6   |
| Clothing supplies          |        | 8.6     | 6.9     | 9.2   | 3.7   |
| Transportation             |        | 13.6    | 41.7    | 14.9  | 3.3   |
| Medical supplies           |        | 30.4    | 13.2    | 7.3   | 4.3   |

Source: Review of the Economy 1985, Central Statistical Office and data supplied ECLAC.

At the group level, the faster rate of increase (15.1%) in housing was influenced principally by higher cost of rental accommodation following the substantial increase in land tax and other rates during 1985. On the other hand, the reduction in the rate of increase in the price of food, the largest component of the index, was due largely to the availability of an abundance of a wider variety of domestic agricultural commodities. Food, together with housing, accounted for 50% of the total weight of the index. But the most dramatic change occurred in transportation which grew by only 3% in contrast to 15% in 1984. This improvement is attributable to continued improvement in and increased use of the public transport system, reduced demand for transport services by the construction sector, a slight fall in motor vehicle insurance rate, a drop in the price of some motor vehicles and a reduction in taxi fares.

**(b) Wages and salaries**

Available data indicate a decline in wage rates for production workers in 1985. With contracting economic activity and a falling rate of inflation, wage increases were more moderate. For example, during 1985, there were 45 firms registering agreements with the competent authorities effective 1984 to 1986 with wage increases ranging from 6% to 45% and average rate of increase of about 15%. In 1984 21 firms which registered agreements effective 1983 to 1985 had a median rate of increase of 18% with range of increases from 10% to 55 percent.

In the light of the economic downturn, an apparent shift in the concern of labour unions from higher wages to greater job security, in the face of rising unemployment and declining job opportunities, influenced trade union bargaining. On the employer's side, there was an apparent reluctance on the part of some to pass on all increased cost of wages and salaries to consumers. At the end of 1985, negotiations for salary increases for government workers were not concluded.

The annual increase in the All Industry Index of minimum wage rates for production and ancillary workers as at May 1985 was 6% in 1985 compared with the higher rate of increase of more than 11% attained in 1984. Seven sections of the index indicated lower rates of wage increases.

During 1985, government enacted legislation that set out the procedure to be followed in the event of redundancy and made provisions for severance payment for retrenched workers. This was a significant development and the law is intended to protect workers as well as improve the industrial relations climate in the country.

**(c) Employment and labour force**

In 1985, there was a 3.7% reduction in the number of persons with jobs and an increase in the rate of unemployment to 15.5% exceeding for the first time the 13.6% recorded in 1977.

The number of persons with jobs declined in all sectors except agriculture; the most seriously affected was construction with a 33% unemployment rate. On the other hand, the number of persons employed in the agriculture sector increased from 38.2 thousand in 1984 to 42.7 thousand a 12% increase, and its share of total unemployment to 11%. High unemployment rates are likely to persist in the absence of a turnaround in economic activity.

Table 15  
 TRINIDAD AND TOBAGO: INDICES OF AVERAGE WEEKLY EARNINGS  
 AND PRODUCTIVITY FOR PRODUCTION WORKERS, 1978 - 1985  
 (1978 = 100)

| Year                | All industries including<br>oil and sugar |              | All industries excluding<br>oil and sugar |              |
|---------------------|-------------------------------------------|--------------|-------------------------------------------|--------------|
|                     | Average<br>weekly<br>earnings             | Productivity | Average<br>weekly<br>earnings             | Productivity |
| 1978                | 100.1                                     | 100.0        | 100.0                                     | 100.0        |
| 1979                | 124.0                                     | 102.5        | 120.4                                     | 104.7        |
| 1980                | 152.4                                     | 109.0        | 149.1                                     | 112.2        |
| 1981                | 180.5                                     | 104.3        | 173.8                                     | 112.9        |
| 1982                | 213.0                                     | 124.6<r>     | 207.3                                     | 146.7        |
| 1983                | 258.1                                     | 133.4<r>     | 258.4                                     | 175.4        |
| 1984                | 294.6<r>                                  | 145.0<r>     | 299.3                                     | 182.5        |
| 1984 January - June | 279.0<r>                                  | 131.6<r>     | 283.9                                     | 167.4        |
| 1985 January - June | 249.2<r>                                  | 153.0<r>     | 247.3                                     | 209.6        |

Source: Review of the Economy 1985, Central Statistical Office.

Table 16  
 TRINIDAD AND TOBAGO: INDEX OF MINIMUM WAGE RATES FOR  
 PRODUCTION AND ANCILLARY WORKERS  
 (November 1976 = 100)

|                                                 | Weight | May   |       |       | Percentage<br>change |       |      |
|-------------------------------------------------|--------|-------|-------|-------|----------------------|-------|------|
|                                                 |        | 1983  | 1984  | 1985  | 1983                 | 1984  | 1985 |
| All industries index                            | 1 000  | 377.8 | 421.0 | 446.2 | 19.6                 | 11.4  | 6.0  |
| of which:                                       |        |       |       |       |                      |       |      |
| Manufacture of food, drinks<br>and tobacco      | 415    | 439.5 | 508.4 | 550.5 | 25.1                 | 15.7  | 8.3  |
| Manufacture of textile,<br>garment and footwear | 420    | 463.8 | 546.2 | 576.3 | 22.8                 | 17.8  | 5.5  |
| Other manufacture                               | 548    | 370.9 | 464.4 | 496.2 | 16.6                 | 25.2  | 6.8  |
| Assembly type and related<br>industries         | 557    | 444.8 | 496.3 | 525.8 | 9.9                  | 11.6  | 5.9  |
| Building construction                           | 496    | 352.3 | 390.2 | 415.5 | 11.8                 | 10.8  | 6.5  |
| Distribution                                    | 1 298  | 391.9 | 448.5 | 515.6 | 27.7                 | 14.4  | 15.0 |
| Services                                        | 822    | 405.3 | 472.2 | 504.7 | 30.2                 | 16.5  | 6.9  |
| Transport, communication<br>and storage         | 425    | 372.7 | 410.9 | 459.4 | 26.3                 | 10.2  | 11.8 |
| Petroleum industries                            | 1 133  | 393.3 | 323.4 | 340.1 | 49.4                 | -17.8 | 5.2  |
| Manufacture of sugar                            | 350    | 356.3 | 370.7 | 428.7 | 4.1                  | 4.0   | 15.6 |
| Electricity, water & sewerage                   | 415    | 343.4 | 375.8 | 382.2 | 46.4                 | 9.4   | 1.7  |

Source: Review of the Economy 1985, Central Statistical Office.

Table 17  
 TRINIDAD AND TOBAGO: LABOUR FORCE, EMPLOYMENT AND UNEMPLOYMENT  
 (Thousands)

|                              | 1981 | 1982 | 1983 | 1984 | 1985<p> |
|------------------------------|------|------|------|------|---------|
| Non-institutional population |      |      |      |      |         |
| 15 years and over            | 730  | 741  | 751  | 748  | 771     |
| Labour force                 | 436  | 445  | 449  | 470  | 465     |
| Participation rate           | 60   | 60   | 60   | 62   | 60      |
| Persons with jobs            | 390  | 401  | 399  | 407  | 392     |
| Unemployed                   | 45   | 44   | 50   | 63   | 73      |
| Percentage unemployed        | 10.3 | 9.9  | 11.1 | 13.4 | 15.7    |

Source: Review of the Economy 1985, Central Statistical Office and data supplied ECLAC.

### 5. Monetary and fiscal policies

Government maintained the objective of achieving structural transformation of the economy during 1985. Monetary and fiscal policies focused on protection of the country's balance of payments position, ensuring appropriate credit conditions for the promotion of an adequate flow of financial resources into productive activity and abatement of the inflationary trend.

#### (a) Monetary policy

Measured in terms of GDP, in real terms, the level of sectoral activity in 1985 was only slightly above the level of 1984 and reflects the general downturn in economic activity. Deceleration in the rate of growth of bank credit (in fact a decline so far as commercial banks are concerned) and in deposit liabilities of many non-banking financial institutions and the consequent cash flow problems influenced the slow rate of expansion in the sector.

During 1985, the central bank kept in force the October 1983 exchange control procedure which required prior approval of all imports. A ceiling was also imposed on non-essential imports including some services. These measures compressed demand for imports and helped stabilize foreign exchange reserves at a relatively high level. The substantial reduction in imports, the achievement of a high level of merchandise trade surplus, the decline in outflows on the services account and a moderate loss of foreign reserves, in US dollar terms, reflect the relative success of these measures.

The large inflows from external transactions mainly from trade in petroleum previously had influenced significant rises in the money supply and in bank borrowing. However, in November 1984, the central bank implemented measures to restrict the expansion of bank credit and these measures remained in force during 1985. Basically they related to the increase in the cash reserve of commercial banks to 17% of deposit liabilities. The previous cash reserve ratio in force since 1979 was 9 percent.



The central bank's selective credit controls stipulating the ratio of personal loans to total loans for the commercial banking sector at 25% was carried through to 1985. At the same time, a policy of encouraging extension of credit for productive activity was encouraged.

The narrowly defined money supply (M-1) rose by only 1% during 1985 despite the more than 3% increase in demand deposits. This occurred because currency in active circulation declined for the second successive year. On the other hand, the more broadly defined money supply (M-2) grew by 4% as quasi money (aggregated time and savings deposits constituting roughly about 66% of total deposits) increased by 5 percent.

The tight liquidity conditions continued throughout 1985, and excess liquidity averaged just under 1% of deposit liabilities for the year as a whole. This was lower than the levels prevailing during 1983 and 1984. The level of activity in commercial banks as measured by loans and advances declined slightly, obviously in reaction to the low levels of liquidity but also reflecting the general level of economic activity. It should be noted also that personal loans fell by 7% during the year but loans outstanding to the agricultural and the manufacturing sectors increased slightly, and most notably, loans to the construction sector declined.

Table 18  
TRINIDAD AND TOBAGO: MONETARY BALANCE

|                                              | Dollars million |          |         | Percentage change |        |         |
|----------------------------------------------|-----------------|----------|---------|-------------------|--------|---------|
|                                              | 1983            | 1984     | 1985<p> | 1983              | 1984   | 1985<p> |
| Money supply (M-1)                           | 2 265           | 2 077<r> | 2 100   | -8.1              | -8.3   | 1.1     |
| Curr. in active circul'n.                    | 809             | 710      | 685     | 11.4              | -12.2  | -3.5    |
| Demand deposits                              | 1 456           | 1 367    | 1 415   | -16.3             | -6.1   | 3.5     |
| Broad money supply (M-2)                     | 7 548           | 8 082    | 8 404   | 2.0               | 7.1    | 4.0     |
| Factors affecting changes<br>in money supply | 9 773           | 9 592    | 10 122  | 1.5               | -1.9   | 5.5     |
| Foreign assets (net)                         | 4 651           | 2 845    | 3 133   | -34.4             | -38.8  | 10.1    |
| Domestic credit (net)                        | 5 122           | 6 747    | 6 989   | 102.1             | 31.7   | 3.6     |
| Government (net)                             | -1 241          | -153     | 206     | -56.9             | -87.7  | ...     |
| Private sector<l>                            | 6 363           | 6 900    | 6 783   | 17.6              | 8.4    | -1.7    |
| Factors of absorption                        |                 |          |         |                   |        |         |
| Quasi money                                  | 5 283           | 6 005    | 6 304   | 7.1               | 13.7   | 5.0     |
| Time deposits                                | (2 871)         | (3 552)  | (3 818) | (9.1)             | (23.7) | (7.5)   |
| Money liabilities                            | -1 853          | -1 289   | -1 760  | -16.9             | -30.4  | 36.5    |

Source: Review of the Economy 1985, Central Statistical Office and Annual Report for the year ended 31 December 1985, Central Bank.

<l> Data include statutory corporations and state enterprises.

Non-banking financial institutions including trust companies, mortgage finance and insurance companies performed badly during 1985. Many institutions experienced serious cash flow problems as new deposits could not be attracted and repayment of loans fell. The central bank and commercial banks under the liquidity support facility introduced during 1984 gave support to several institutions. At the end of December 1985, the amount of liquidity support stood at TT\$111.6 million of which over 70% came from the central bank, whereas at the end of December 1984, liquidity support was \$39.8 million, of which 63.3% was from the central bank.

The price of petroleum on the international markets continued to soften during 1985. In addition, the prices of domestic exports had been considered for a long time as uncompetitive in the major markets to which they are directed. To overcome these problems and as part of the restructuring process, the Trinidad and Tobago dollar was devalued in late December 1985. The new parity rate is US\$1.00 = TT\$3.60 compared with the earlier rate of US\$1.00 = TT\$2.40.

Table 19  
TRINIDAD AND TOBAGO: COMMERCIAL BANKS -  
DISTRIBUTION OF LOANS AND ADVANCES BY SECTOR  
(Dollars million - year-end)

|                       | 1980                  | 1981         | 1982         | 1983         | 1984         | 1985<p>      |
|-----------------------|-----------------------|--------------|--------------|--------------|--------------|--------------|
| Business loans        | 1 661                 | 1 896        | 1 943        | 2 365        | 2 510        | 2 430        |
| Agriculture           | 91                    | 80           | 61<r>        | 72           | 78           | 83           |
| Manufacturing         | 499                   | 546          | 574          | 714          | 796          | 810          |
| Construction          | 329                   | 445          | 456          | 518          | 538          | 505          |
| Transportation        | 133                   | 187          | 216          | 253          | 250          | 176          |
| Distribution          | 454                   | 540          | 532          | 698          | 733          | 736          |
| Professional services | 155                   | 98           | 105          | 110          | 115          | 120          |
| Personal loans        | 1 154                 | 1 422        | 1 826        | 1 883        | 1 972        | 1 836        |
| Other<l>              | 466                   | 743          | 1 109        | 1 442<r>     | 1 692        | 1 891        |
| <b>Total</b>          | <b>3 281&lt;r&gt;</b> | <b>4 061</b> | <b>4 878</b> | <b>5 690</b> | <b>6 174</b> | <b>6 157</b> |

Source: Annual Report for year 31 December 1985, Central Bank.

<l> Includes Central Government and State Enterprises, financial institutions, mining and refining and entertainment and catering activities.

(b) Fiscal policy

During the oil boom period, government sector activity provided much of the stimulus for growth in the overall economy. With the significant fall in oil prices, the ability of government to maintain the previous levels of expenditure has been severely curtailed. Preliminary data on GDP at factor cost show that, in real terms, activity in the sector declined by more than 1% in 1985 although its share of the total rose to 9 percent.

Table 20  
TRINIDAD AND TOBAGO: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

|                                              | Dollars million |          |           | Percentage change |       |         |
|----------------------------------------------|-----------------|----------|-----------|-------------------|-------|---------|
|                                              | 1983            | 1984<r>  | 1985<p e> | 1983              | 1984  | 1985<p> |
| Recurrent revenue                            | 6 564           | 6 559    | 6 358     | -7.8              | -0.1  | -3.1    |
| Taxes on income and profit                   | 4 359           | 4 507    | 4 025     | 11.9              | 3.4   | -10.7   |
| Royalties                                    | 446             | 426      | 449       | -16.9             | -4.5  | 5.4     |
| Customs and excise                           | 604             | 568      | 683       | 3.4               | -6.0  | 20.2    |
| Purchase tax                                 | 212             | 329      | 313       | 46.2              | 55.2  | -4.9    |
| Others                                       | 943             | 729      | 888       | 4.3               | -22.7 | 21.8    |
| Recurrent expenditure                        | 6 249           | 6 284    | 6 247     | 3.3               | 0.6   | -0.6    |
| Wages and salaries                           | 2 505           | 2 627    | 2 616     | -19.5             | 4.9   | -0.4    |
| Goods and services                           | 634             | 700      | 629       | 74.7              | 10.4  | -10.1   |
| Interest payment                             | 197             | 266      | 324       | 22.4              | 35.0  | 21.8    |
| Transfers                                    | 1 753           | 2 050    | 1 998     | 32.0              | 16.9  | -2.5    |
| Subsidies                                    | 1 159           | 642      | 680       | 7.0               | -44.6 | 5.9     |
| Current surplus/deficit                      | 315             | 275      | 111       | -70.6             | -12.7 | -59.6   |
| Capital receipts                             | -               | 3        | -         | ...               | ...   | ...     |
| Capital expenditure                          | 2 542           | 2 003    | 1 493     | -25.8             | -21.2 | -25.5   |
| Total receipts                               | 6 564           | 6 562<r> | 6 358     | 7.8               | -0.03 | -3.1    |
| Total expenditure                            | 8 791           | 8 287<r> | 7 740     | -7.2              | -5.7  | -6.6    |
| Fiscal surplus/deficit                       | -2 227          | -1 725   | -1 382    | ...               | ...   | ...     |
| Fiscal surplus/deficit as percentage of GDP  | 11.2            | 8.7      | 7.3       | ...               | ...   | ...     |
| Current surplus/deficit as percentage of GDP | 1.6             | 1.4      | 0.6       | ...               | ...   | ...     |

Source: Review of the Economy 1985 and Review of Fiscal Measures in the 1985 Budget; Central Statistical Office.

Reflecting the level of economic activity the level of recurrent revenue has declined annually since 1982 reaching \$6,358 million in 1985 or 3% below the 1984 figure. The 11% drop in taxes on income and profit and the 5% reduction in purchase taxes collected were the principal influences on the reduction in recurrent revenue. Higher excise duties, together with the 12% rise in stamp duty on international trade (imports mainly) and the 10% levy on selected sales of foreign exchange which were introduced in the 1985 budget and the 5.5% increase in royalties collected helped to cushion the shortfall in revenue from other sources.

Similarly, total expenditure on public sector activities has fallen annually after 1982 reaching TT\$7,640 million in 1985. Capital expenditure fell at a faster rate than recurrent expenditure in this period. On the recurrent expenditure side, wages and salaries decreased slightly, but still accounted for 42% of the total in 1985, as the anticipated increase in wages and salaries for public servants did not materialize. Consumption of goods and services also fell in keeping with overall cut-backs and newly instituted budgetary control measures. Transfers were 2.5% below the 1984 level, however, its share of recurrent expenditure moved from 22% in 1982 to 32% during 1985.

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The budgetary deficit situation improved for the third successive year and the 1985 fiscal deficit was 7.3% of GDP against 8.7% in 1984. However, the deficit for 1985 was financed largely by short-term borrowing as the proportion of fiscal deficit financed from long-term funds dropped to 45% from 71% in 1984.

The level of interest payments on central government debt grew by 9.3% in 1985, but this was considerably lower than the 17.2% rate of increase in 1984. Total official debt, of which external debt constitutes a sizeable portion, also increased in 1985, but the 31% rise in external debts was influenced largely by the new exchange rate of the Trinidad and Tobago dollar vis-à-vis the U.S.A. dollar. The ratio of external debt to GDP (at factor cost in current prices) rose to 19.2% in 1985 as against 10.2% in 1984. The ratio of debt servicing to GDP, also rose to 14.6 percent.

Table 21  
TRINIDAD AND TOBAGO: INDICATORS OF INDEBTEDNESS  
(Dollars million)

|                                                       | 1984<r> | 1985<p>    | Percentage change |         |
|-------------------------------------------------------|---------|------------|-------------------|---------|
|                                                       |         |            | 1984              | 1985<p> |
| Total central govt. external debt                     | 2 013.0 | 3 644.2<1> | 29.8              | 81.0    |
| Long-term (over 10 yrs.) debt                         | 410.1   | 596.5      | 52.0              | 45.4    |
| Medium-term external debt<br>(over 3 years)           | 1 602.9 | 3 047.7    | 25.1              | 90.1    |
| Debt servicing                                        | 349.9   | 401.0      | -18.5             | 14.6    |
| Amortization                                          | 165.4   | 199.3      | -39.1             | 20.5    |
| Interest payments                                     | 184.5   | 201.7      | 16.9              | 9.3     |
| Debt servicing as % of domestic exports               | 6.9     | 7.8        | -12.7             | 13.0    |
| Total external debt as % of GDP                       | 10.2    | 19.2       | 30.8              | 88.2    |
| Net external debt as % of foreign<br>exchange reserve | 70.6    | 101.6      | 127.7             | 43.9    |
| Central government local debt                         | 1 089.8 | 1 315.5    | 5.3               | 20.7    |
| Total central government debt                         | 3 102.8 | 4 959.7    | 20.0              | 59.8    |

Source: Review of fiscal measures in the 1985 budget; Review of the Economy 1985, Central Statistical Office and Annual Report for the year ending 31 December 1985, Central Bank.

<1> The data takes into consideration the new exchange rate of (TT\$1.00 = US\$0.29).

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