THE CARIBBEAN

Barbados

In the first nine months of 2000, the Barbadian economy recorded growth of approximately 3%, maintaining a performance similar to that of the previous five years. Inflation, measured by the consumer price index, remained low despite the rise in international oil prices at a time when unemployment was falling. The government fiscal deficit was slightly lower than that recorded at the end of the same period of 1999.

Domestic liquidity expanded, since deposits exceeded loan disbursements and assets abroad increased. Net international reserves grew significantly thanks to an excellent performance by the tourism sector, strong capital inflows, both in the public and the private sector, and the lower demand for imports. At the end of September, accumulated reserves stood at US$ 1,018 billion, equivalent to 24 weeks' worth of imports, which was significantly higher than the 15-week average recorded for the last three years.

Tourist activity was the main growth factor and the largest foreign-exchange earner. This meant a qualitative change with respect to 1999, when non-tradables, especially construction, had been the most robust sector of the economy. In the first nine months of 2000, real production in the tourism sector grew by approximately 7%. This meant a reversal of the decline recorded for the same period of 1999. Long-stay tourist arrivals increased by 5% as a result of activities on the United Kingdom and

BARBADOS: MAIN ECONOMIC INDICATORS

	1998	1999	2000[a]
	Annual growth rates		
Gross domestic product	4.8	2.5	3.0
Consumer prices	2.1	2.6	1.8
Real effective exchange rate [b]	-0.1	-0.9	0.9
	Percentages		
Unemployment rate	12.3	9.8	9.3

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

United States markets. Cruise ship passenger arrivals shot up by 23%, as new cruise lines arrived. In the same period of 1999, this category of passengers had declined by 20%.

The manufacturing sector, which had to face greater regional and international competition, saw its production dip by 0.5% in the first nine months of the year. Growth in the garments, electronic components, beverages and non-metal products subsectors was countered by a decline in chemicals, wood furniture and food processing.

The vibrancy of tourist activity had a positive influence on growth in wholesale and retail trade (3.6%), transport, storage and communications (3.6%), and corporate and other services (2.8%). Construction, which had already suffered a slowdown in the first half of the year, picked up in the third quarter and attained a cumulative growth of approximately 1%, compared with 5.4% in the same period of 1999.

According to data available at the end of March, the unemployment rate was estimated at 9.3%, which represented an improvement over the previous year's figure of 11.1%. Hiring of women in manufacturing, wholesale and retail establishments reduced the female unemployment rate, while jobs for men were to be found mainly in the services sector.

The build-up of reserves and a slight expansion in lending to the private sector (1.2%) resulted in an increase in domestic liquidity. At the end of September 2000, the liquidity overhang was 9.6% compared with 3.6% at the end of December 1999. The increase in domestic liquidity was reflected in a 5.4% expansion in domestic deposits. The excess liquidity contributed to a decline in the interest rate on treasury bonds from 6.05% at the end of December 1999 to 4.46% at the end of September 2000. In view of this situation, on 1 September 2000, the central bank lowered the interest rate on securities by one percentage point and the minimum rate on deposits from 5% to 4.5%. The lower cost of credit was also designed to help the manufacturing and agricultural sectors.

The fiscal deficit stood at US$ 57.9 million by the end of the third quarter, some US$ 3.5 million below the corresponding figure for the same period in 1999. The improved system of tax collection helped to raise total revenues by 9.5%, thanks to substantial inflows from direct and indirect taxes. Higher direct tax revenue reflected the increase in personal income tax (12%), corporate tax (14%) and property tax (14%). In the case of indirect taxation, the increase was due to a 13% expansion in the value-added tax (VAT) thanks to more efficient recovery of delinquent taxes. Moreover, non-tax revenues expanded by 14%.

Total expenditure grew by 8.8%, mainly as a result of a 9% increase in current expenditure, which included the payment of wage and salary increments. For the full year 2000, the government fiscal deficit was projected to reach 2% of GDP.

The greater vibrancy in the tourism sector, especially in the first half of the year, was one of the main factors in the build-up of reserves in the first nine months of 2000. International reserves were projected to expand by around US$ 400 million. Income from tourism was up approximately 10% compared with a 3.3% decline in the corresponding period of 1999. Imports for the national economy contracted by 4%, compared with an increase of more than 8% in 1999; a decline in imports of consumer goods reflected lower automobile imports. The reduction in foreign purchases of capital and intermediate goods was due to a slowdown in construction and the use of stocks imported in 1999.

The capital and financial accounts recorded income of some US$ 450 million, consisting mainly of long-term capital inflows in the public and private sectors. In the case of the former, total net inflows amounted to almost US$ 235 million, while in the latter case, they amounted to US$ 216 million, and were intended mainly for tourism and public service projects.

Cuba

Buoyed by the tourism sector and a considerably larger sugar-cane harvest, the Cuban economy expanded again (5.5%) in 2000, and per capita GDP consequently rose (by slightly over 5%) for the seventh year in a row. Despite all the ground gained since the crash of 1990-1993, however, per capita GDP was still 17% lower than it had been in 1989. The current account deficit deepened further, primarily because of the deterioration in the country's terms of trade brought about by soaring international oil prices. Domestic prices declined by 3% while the parallel exchange rate held at 21 pesos to the dollar and the official rate remained at the same level as it has for decades (one peso to the dollar).

The fiscal gap widened from 2.2% to 2.6% of GDP as expenditure rose more sharply than revenues. Direct tax receipts climbed but revenue from indirect taxes fell, and the income from these two types of levies consequently came to represent 15% and 21% of GDP, respectively. Profit and labour taxes rose, but personal income tax receipts were flat due to a decline in the number of own-account workers (private transport operators, artists, landlords, small-scale sugar-cane producers and middlemen in the free market for surplus farm produce). The decrease in receipts from the circulation and sales taxes was chiefly due to lower sales of cigarettes and rum.

Current expenditure rose but capital expenditure fell. Increases were seen in current outlays on social welfare, education, health, housing, community services and defence and public order. At the equivalent of over 23% of GDP, social expenditure continued to represent a very large share of total spending.

Efficiency gains and the reactivation of production accounted for both the reduction in subsidies for loss-making State enterprises and the lower level of economic assistance provided to basic cooperative production units. Nonetheless, budgeted price-differential and product subsidies were raised for the third year running (6.4% of GDP). Monetary liquidity outside banks (cash in circulation and regular savings accounts) expanded, but because of the economy's growth, the cumulative liquidity coefficient slipped from 35.9% of GDP in 1999 to 34.3% in 2000.

CUBA: MAIN ECONOMIC INDICATORS

	1998	1999	2000[a]
	Annual growth rates		
Gross domestic product	1.2	6.2	5.5
Consumer prices	2.9	-2.9	-3.0
Nominal parallel exchange rate	-8.7	-4.8	5.0
	Percentages		
Unemployment rate	6.6	6.0	5.8
Fiscal balance/GDP	-2.2	-2.2	-2.6
	Millions of dollars		
Exports of goods and services	4 132	4 309	4 842
Imports of goods and services	4 889	5 024	5 766
Current account	-393	-456	-674
Capital account	409	486	700

Source: Statistical Appendix.
[a] Preliminary estimates.

Fixed-term deposits climbed to 700 million pesos (2.4% of GDP).

Thanks to the depreciation of the euro and other currencies, the external public debt shrank by 0.7% to

US$ 11 billion, which is the equivalent of 38% of GDP or 2.3 times the value of the country's exports of goods and services. Cuba's main creditors are Japan, Argentina, Spain and France. Cuba paid off the short-term debt it owed to France during the year.

The economic reform process proceeded gradually and selectively within a tight external financing environment. Accordingly, the authorities placed priority on managing the immediate economic situation and dealing with the difficulties created by the more severe shortage of foreign exchange.

The most progress of all was made by the management training and upgrading programme, whose coverage was extended to 35 public-sector agencies. This resulted in more decentralized management structures and a decrease in budgeted subsidies. In addition, 370 joint ventures have been launched that involve investments totalling US$ 4.3 billion.

Total supply grew in step with output and imports of goods and services, but the growth of external demand (11%) continued to outpace domestic demand (3.2%). The increase in exports of goods and services was associated with larger sales volumes for both traditional (sugar and nickel) and non-traditional products, as well as with the country's buoyant tourism industry.

Unlike the year before, investment rose more sharply than consumption (9% versus 2.5%). Priority was assigned to capital formation in the tourism, energy and agricultural sectors and to the production of goods and services destined for the domestic dollar market. Private consumption continued to grow thanks to higher sales on the State-controlled market, in State-run public food centres and on the open market for farm produce.

Growth was seen across the board, but was particularly strong in tourism and financial services, mining (10%) and construction (7.6%). Slower growth was registered for electricity, gas and water (6.9%), commerce (6.8%), transport, storage and communications (6.4%), manufacturing (4.9%), agriculture (3.1%) and government services (2.9%).

The expansion of international tourism slowed from 13% the year before to 10% as the euro depreciated sharply and international air travel thus became more expensive. Gross earnings were up by 10% and the imported component of tourism activity dropped to 46% (from 50% in 1999). Net foreign-exchange earnings thus climbed by 19%.

The 1999/2000 sugar-cane harvest produced 10% more raw sugar than the year before, but estimates for the coming year point to no more than a small increase owing to the damage caused by the drought that recently hit the country's cane plantations.

In the energy sector, a significant increase was recorded in the production of oil and natural gas (32% and 30%, respectively), and oil refining capacity was expanded by a factor of 2.5. By year's end, the country was producing enough crude oil to cover 70% of its electricity generation needs, as compared to 41% the year before.

The price control policy was maintained, and product and price-differential subsidies were raised. The consumer price index (CPI) declined once again (–3%) as government-regulated prices remained stable and prices on the open market moved downward in response to greater supply. The higher value of sales on agricultural markets was the net effect of a larger volume and lower prices.

The average nominal monthly wage climbed by 6%, with 70% of the employees on the budgeted payroll receiving wage hikes of between 15% and 50%. The system of foreign-exchange and local-currency incentives was also expanded (11%; 1.2 million workers). Given these circumstances, labour productivity rose by 6% and unemployment dropped to 5.8%.

The current account deficit swelled from 1.6% to 2.3% of GDP as a result of the wider gap in merchandise trade. The increase in the latter deficit was chiefly attributable to higher oil prices, since the volume of merchandise exports grew more rapidly than the volume of imports. A larger surplus was recorded on the services balance as a result of increases in international tourism and in income from telecommunications services. Transfers in the form of remittances were up, while net factor payments remained at virtually the same level as the year before. A larger surplus on the capital account provided enough funds to cover the current account deficit and add a small amount to the country's meagre international reserves.

Guyana

As a result of the strong performance of the mining and services sectors in 2000, it is estimated that GDP grew by approximately 3%, a similar rate to the 1999 figure. Production fell in the agricultural and manufacturing sectors. Both labour productivity and the number of hours worked increased, owing to capital investments in the diamond and bauxite industries. In spite of wage increases, inflation declined in keeping with the relative stability of the exchange rate and the controlled expansion of the monetary base.

In the first half of 2000, higher net capital inflows kept the exchange rate relatively stable. In fact, the depreciation against the United States dollar was less than 1%. Monetary policy continued to focus on price stability and prudent management of domestic liquidity, and this resulted in a slowdown in expansion of the monetary base. This, combined with the slow increase in credit to the private sector, curbed expansion of broad money. In order to cope with the excess liquidity in the system, authorities resorted to issuing treasury bills, and this increased the government's domestic debt.

The balance of payments moved from a deficit position to a surplus, thanks to the substantial inflows of private investment capital, which was more than enough to offset the increase in the current account deficit. The latter was due in part to the worsening terms of trade caused by the rise in fuel prices and to the continuing weakness of the euro vis-à-vis the United States dollar.

In spite of poor weather conditions, GDP growth was 2.9% in the first half of 2000, compared with 2.1% in the same period of the preceding year. In services and in the bauxite, diamond, gold and a few other manufacturing industries, output surpassed the 1999 level, but bad weather contributed to a fall in the production of sugar, rice and most other agricultural products. Value added in agriculture and forestry declined by 8%, in contrast to an expansion of 24% in 1999. Sugar production dipped 15% in comparison with the preceding year to stand at 106,247 tons, but this was still 4% higher than the target figure. Unfavourable weather conditions reduced the harvest, diminishing the sugar yield per ton of cane from 0.11 in 1999 to 0.09 tons.

GUYANA: MAIN ECONOMIC INDICATORS

	1998	1999	2000[a]
	Annual growth rates		
Gross domestic product	-1.7	3.0	3.0
Consumer prices	4.3	8.6	4.8

Source: ECLAC, on the basis of official figures.
[a] Preliminary estimates and projections.

Sugar exports declined by 5% to 115,330 tons, while domestic sales dropped by 4%, as a result of a fall in demand from beverage manufacturers and food processors.

Rice production totalled 187,000 tons; this was 3% less than in the preceding year and 15% short of the target. This was partly due to a reduction in the area under cultivation (-6%) and in the harvested area (-7%) in 1999. Exports contracted by 3%, to 107,483 tons. In the fisheries industry, catches fell from 22,155 tons in 1999 to 15,870 tons in 2000. Cattle production was up in the first half of 2000, while the forestry sector showed a 5% decrease, to 212,455 cubic metres of logs and other products. Log production itself declined by 9,833 cubic metres.

Value added in the mining sector increased by almost 7%, as a result of the increase in the production of bauxite and gold. In the case of bauxite, production expanded by 25%, to 1,382,600 tons, owing to improvements in mining operations. Declared gold production increased by 5%, to 227,000 ounces, which contrasts with the 6% decline recorded in the first half of 1999. Diamond production rose by 84.8%, to 35,506 metric carats; this may be compared with 14% growth in the first half of 1999. As in the case of gold, this increase is attributable to the stronger prices on international markets.

Unlike its performance in the first half of 1999, the services sector recorded significant real growth. The strongest growth occurred in the transport and communications subsector (24%), which was followed by engineering and construction (16%) and government services (12%). Distribution and other services showed an increase of 9.9% and 6%, respectively, while financial services suffered a 0.7% contraction.

In the first half of 2000, the consumer price index was up 1.8%, compared with 5.8% in the same period of the previous year. This index showed an annual variation of 4.6%, compared with 8.6% in 1999. The increase in prices in 2000 was due basically to imported inflation, the most important factor in which was the rise in international fuel prices.

Nominal income rose in 2000 as a result of the wage increases approved in the second half of 1999 and the first half of 2000. Wages in the public sector were raised in accordance with a ruling from the arbitration tribunal for across-the-board increases. In addition, pensions of civil servants were adjusted. Labour relations were more harmonious, compared with the conflictual situation observed in 1999. Employment was down slightly in the first half of 2000, as a result of the freeze on hiring in the public sector, which had its staff cut by 3.2%.

Central government revenues increased considerably, bringing the current account position from a deficit of 630 million Guyana dollars (G$) at the end of June 1999 to a surplus of G$ 1.3 billion at the end of June 2000, thus reducing the overall deficit from G$ 4.6 billion in 1999 to G$ 2.7 billion in 2000.

The overall balance of payments position moved from a deficit of US$ 12 million at the end of June 1999 to a surplus of US$ 11 million at the end of June 2000, thanks to a substantial increase in capital inflows, especially from foreign investment. The current account showed a decline, which was due largely to the sharp drop in the merchandise trade balance, while the surplus on the balance of payments contributed to an increase in net external assets of the Bank of Guyana.

Haiti

According to the preliminary indicators for the Haitian economy for the year 2000, the gross domestic product (GDP) expanded by a little over 1%, and macroeconomic stability was weakened. Inflation increased to 18%, the fiscal deficit rose to 2.6% of GDP, the current-account deficit of the balance of payments reached 2.5% of GDP, and the exchange rate depreciated sharply (44%). The significant fall in the terms of trade and the rise in the oil bill were particularly damaging for the national economy. The real sector of the economy has been chronically sluggish, except in the case of construction, where public-sector infrastructure activities have been fundamental.

External restrictions continued as the major political events that occurred (legislative and municipal elections in May 2000 and presidential and senatorial elections on 26 November) did not bring the country out of its standstill.

In addition to the deficit, public accounts deteriorated. Income declined by 15% in real terms, while outlays contracted by 11% despite the significant growth in earnings (9%), special expenditure (37%) —especially in connection with the elections— and capital expenditure (8%). In response to the accelerated rise in the fiscal deficit, in the second quarter, the authorities tried to bring government spending in line with receipts, based on a joint cash-management plan devised by the Ministry of Economic and Financial Affairs and the Bank of the Republic of Haiti (BRH). Nevertheless, the gap between the aims set with the International Monetary Fund and the progress made became more obvious every day, and owing to the lack of external resources, the Bank of the Republic took over practically all central government financing.

The monetary authorities increased the restrictive measures aimed at controlling liquidity in the economy, in particular by increasing the returns on BRH bonds from 10.3% to 26.7%, raising the reserve requirement (from 12.5% to 21% on dollar deposits, and from 26.5% to 31% on gourde deposits) and shortening the time limits for achieving those levels to 15 days.

In July 2000, the average monetary base had grown by 21%, while broad money (M3) had increased by 25%, which represented an expansion of 10% in real terms. The dollarization process continued to deepen, given that in the context of a highly volatile exchange market, 44% of deposits were made in dollars, as were 41% of loans. In 1999, both indicators stood at around 32%. Bank lending to the government was up by 27%, while credit to the private sector grew by 20%.

The national currency depreciated by over 40% against the dollar. To compensate for this phenomenon, the Bank of the Republic sold foreign currencies up till March, to a cumulative value of approximately US$ 17 million, but failed to achieve its objective. In view of the reserve losses suffered and the limited impact of the measures taken, the Bank ceased to intervene during the second half of the year.

The restructuring of public enterprises does not seem to have made great progress. In fact, the privatization of TELECO (telephone services), as well as APN (ports), AAN (airports) and EDH (electricity) has been suspended owing to the deadlock in the legislature in recet years. Of the two companies that have been restructured —Les Moulins d'Haïti S.A. and Ciment d'Haïti— only the former (with 30% of shares owned by the State) is in the operating stage.

The limited growth in production was due to both the low level of consumption (0.8%) and the modest performance of exports (1.5%). The rise in domestic investment (1.3%) was largely due to government infrastructure projects. Imports scarcely changed.

The most dynamic sectors were construction (4.6%) and manufacturing (2%), but this growth did not compensate for the decline in agricultural activity (-1.3%), which accounts for almost one-third of production. This drop was caused by the fall in international coffee and cacao prices (-8% and -20% respectively), the lag in production for domestic consumption and the shortage of credit.

The construction sector developed exceptionally well, to a large extent because of public works. The maquila industry continued to show the highest level of growth. Nevertheless, textiles, which account for most maquila activity, declined in terms of both value exported (-2.3%) and volume (-5.1%). In the electricity sector, gross generation was reduced by 1.8%.

The rate of inflation was 18%, and there were sharp increases in March and September which were associated with the general rise in fuel prices. After four years of stability, the government decided to increase fuel prices by 45% in reponse to the increase in the oil bill, the growing loss in related tax income (about 1 billion gourdes) and the adjustments made to put prices

HAITI: MAIN ECONOMIC INDICATORS

	1998	1999	2000[a]
	Annual growth rates		
Gross domestic product	3.1	2.3	1.0
Consumer prices	7.4	9.7	18.0
Real effective exchange rate [b]	-5.3	-5.2	10.9
Terms of trade	2.0	-1.4	-7.5
	Percentages		
Fiscal balance/GDP	-2.4	-2.5	-2.6
	Millions of dollars		
Exports of goods and services	479	524	520
Imports of goods and services	1 022	1 170	1 270
Current account	52	143	-100
Capital and financial account	-18	-122	50
Overall balance	34	21	-50

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

on the same level as those in the Dominican Republic, in order to avoid differences which could lead to an increase in smuggling of those products.

The balance of payments posted a negative current-account balance of the order of US$ 100 million, and was associated with the low level of foreign aid resources, net disbursements of which scarcely reached US$ 9.2 million during the fiscal year, and especially to the US$ 55 million net loss of reserves. The commercial balance showed a growing deficit in the trade of goods (18%), owing to a fall in exports (-2%) and an increase in imports (8%). The oil bill, in particular, doubled during the fiscal year.

In view of the persistent external restrictions, there was only a marginal variation (2.7%) in the net balance of public foreign debt (US$ 1.2 billion). New disbursements rose slightly to US$ 49.8 million, while payments for debt service and amortization (US$ 40 million) were similar to those of previous years.

Jamaica

Current trends point to zero growth in GDP and a consolidation of macroeconomic stability. The rate of inflation increased, but remained in single digits. The price escalation was due largely to the rise in oil prices, devaluation and weather conditions. The increase in the international price for oil products continued to have a negative impact on the current account position, although the higher capital inflows were more than sufficient to offset borrowing requirements. For the first nine months of 2000, the exchange rate increased by 7.6% (3.6% in September).

The fiscal position was favourable, as the central government deficit declined to 3.93 billion Jamaican dollars in the first six months of fiscal 2000-2001, thanks to an increase in current revenues resulting from a more efficient collection system and an increase in non-tax income deriving from higher revenues from loan interest payments. Current expenditure increased by 5.7%, compared with an increase of 3.4% between April and September 1999, while capital expenditure increased by 7%.

Performance improved in construction and installation, manufacturing, transport, storage and communications, and financial services. The utilities sector and tourism continued to show a positive performance. Agriculture and mining contracted, while activities in the distribution sector remained sluggish.

In January 2000, the total labour force participation ratio was 2.8% lower than in October 1999. Most of the job losses occurred in the manufacturing and financial

JAMAICA: MAIN ECONOMIC INDICATORS

	1998	1999	2000[a]
	Annual growth rates		
Gross domestic product	-0.7	-0.2	0.5
Consumer prices	7.9	6.8	8.7
Real effective exchange rate [b]	-4.6	-7.5	1.4
	Percentages		
Unemployment rate	15.5	15.7	15.8

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indciates an appreciation of the currency in real terms.

sectors as a result of the slowdown in activities in these areas. Nevertheless, these losses were partially offset by new jobs in the distribution, hotel-and-restaurant and construction sectors.

The drought which affected the agricultural sector and the high cost of planting materials cast doubts as to the sector's chances of recording growth in the year 2000.

Between January and August 2000, performance indicators in the construction sector showed positive changes, prolonging the trend observed in the second half of 1999. Housing starts and completions increased by 69% and 148% respectively. The 7.9% expansion in cement sales, the 6.3% increase in the value of imports of construction materials and the financial resources made available to the sector by some mortgage institutions were other positive indicators.

In the first half of 2000, the manufacturing sector showed a 1.8% expansion. The main factors contributing to growth were the stronger domestic demand for a variety of products, including beverages, and the improved efficiency of several companies. In the energy sector, the oil refining industry resumed production, albeit at relatively low levels. Output by the local refinery for the first half of 2000 totalled 2.8 million barrels or twice the amount produced in the same period of 1999. Hence, the volume of crude oil imports increased by 172.5%. The value of imports of crude and refined products in the first half of the year increased by 131.3% over the previous year. Electricity consumption was up 6.9%. The increase in overall sales reflected higher sales to a wide range of consumers.

The transport and communications sector recorded increased activity. Total visitor arrivals went up by 12% in the first six months of 2000, while cruise ship passenger arrivals were up 18%. Tourist spending is estimated to have improved by 9% compared with the corresponding period for 1999.

In the communications subsector, total net installations between January and June 2000 comprised 29,203 master stations, or 40% more than those recorded in the same period of the preceding year.

Total bauxite output declined by 8.2% between January and August 2000, compared with a 1.3% increase in the corresponding period of 1999. This was due essentially to a 37.7% fall in value added in the crude ore subsector. Alumina production was up 1%, reflecting a slower rate of increase than in 1999.

In the first half of 2000, the profitability of some of the main commercial banks improved, while credit unions and building societies recorded a higher gearing ratio, as they continued to practice prudential management of existing asset portfolios and loan performance supervision. Nevertheless, the commercial lending market remained sluggish. By the end of June 2000, loans and advances had grown by 2.4% in comparison with June 1999.

The twelve-month rate of inflation to June 2000 was 8.7%, compared with 6.8% in 1999. This increase stems mainly from factors such as the prevailing drought and the rise in oil prices. Nevertheless, core inflation remained low, with the monthly average between January and July 2000 at 0.22%.

The balance of payments current account deficit widened by US$ 19 million between January and May 2000, as a result of the deterioration in the merchandise trade account. This deterioration was due largely to the increase in the total cost of oil imports. Moreover, there were higher levels of remitted earnings especially in the case of mining companies, which benefited from stronger prices. Private investment flows and the official debt enabled authorities to build up US$ 326 million in international reserves over the period.

Dominican Republic

Notwithstanding the rise in oil prices, which placed a considerable burden on macroeconomic policy management, economic activity in the Dominican Republic grew by 8.5%, buoyed up by communications (14%), manufacturing (12%) and tourism (11%). The fiscal deficit widened to 1.5% of GDP, while the rate of inflation, at over 8%, was higher than in 1999. Capital inflows were not sufficient to offset the deficit on the current account (6% of GDP and 3 percentage points above the projected level), resulting in a negative overall balance-of-payments position.

The new administration, which took office in August, proposed State reform based on decentralization, institution-building and rationalization of public finances through a heavier tax burden and higher social spending.

The central government fiscal deficit was equivalent to 1.5% of GDP, one percentage point more than in 1999. Revenues expanded by almost 10% in real terms, while expenditure increased by more than 16%. Almost all tax and non-tax revenues increased in accordance with the rate of economic activity. The exception was revenue from the oil price differential (the margin that government takes on the sale of fuels). This revenue declined in 2000 (-47% in January-October), since the full impact of the rise in international oil prices was not reflected in domestic prices. In view of this situation, authorities introduced a fixed tax per gallon of fuel and introduced a bill on taxation of fossil fuels and oil products, with a view to regulating the market in that area.

Current expenditure received a boost in the early part of the year, only to be reduced later by the incoming authorities, who sought to curb aggregate demand and check potential inflationary pressures. The increase in capital expenditure in the first few months of the year was due to efforts to maintain productive infrastructure and work on projects already underway (communications, buildings and urban construction works). Subsequently, the new authorities decided to reduce the rate of government investment as a part of their austerity programme.

The fiscal reform project contained in the Tariff Reform and Fiscal Compensation Act envisages raising the tax on the transfer of goods and services from 8% to

DOMINICAN REPUBLIC: MAIN ECONOMIC INDICATORS

	1998	1999	2000[a]
	Annual growth rates		
Gross domestic product	8.2	8.3	8.5
Consumer prices	7.8	5.1	8.1
Real effective exchange rate [b]	6.4	5.1	-0.1
Terms of trade	1.1	0.8	-6.5
	Percentages		
Unemployment rate	14.3	13.8	13.9
Fiscal balance/GDP	0.6	-0.4	-1.5
	Millions of dollars		
Exports of goods and services	7 483	7 987	8 975
Imports of goods and services	8 917	9 289	11 125
Current account	-337	-429	-1 270
Capital and financial account	351	592	1 015
Overall balance	14	163	-255

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

12% and expanding its scope, changing the excise tax rate and levying new taxes on luxury dwellings and corporate earnings.

A restrictive monetary policy was applied for most of the year in an attempt to correct fiscal and external disequilibria; thus, interest rates were raised and the commission on foreign-exchange transactions was maintained so as to meet foreign debt obligations. The new authorities adopted a foreign-exchange policy based on progressive depreciation. Towards the end of the year, monetary policy was partially relaxed to avoid an abrupt slowdown in productive activity.

Existing international reserves were sufficient to keep the official exchange rate at a constant level from February to September; thereafter, the currency started to slide, proving more attractive to sectors that were obliged to exchange foreign currency. Meanwhile, there was no substantial variation in the open market rate.

In the area of trade policy, export-reactivation and promotion regulations were adopted, and negotiations were concluded on the protocol relating to the establishment of the free trade agreement between the Dominican Republic and the Caribbean Community.

As part of the reform process, the authorities decided to review contracts for capitalization of the Dominican Electricity Corporation (CDE). It was also established that sales or lease operations or the transfer of assets or property of public-sector companies were subject to approval by the Public Enterprise Reform Committee.

The growth in aggregate demand (9%) was led by consumption (11%), which reflected higher levels of economic activity, unrequited transfers and imports. Meanwhile, exports expanded by 8%. Investment declined as a result of the decrease in government investment and the increase in real interest rates.

Agriculture (up 6.9%) benefited from increases in production capacity, rehabilitation of plantations and favourable weather conditions. Mining picked up (18%), following the rise in nickel prices in the early months of the year.

Manufacturing was strong (12%), thanks to the ready availability of raw materials, the efficiency of production processes and the expansion in production capacity. The free zones (up 8%) lived up to expectations generated by the entry into force in October of the expanded benefits granted under the Caribbean Basin Initiative (CBI). Approval was granted for the incorporation of 85 companies, resulting in the creation of 30,000 new jobs.

The slowdown in the construction sector was due to the stringent policy on public spending. Private construction was affected by the tight monetary policy. Performance in the tourism sector (10%) reflected the increase in visitor arrivals and in average tourist spending, while growth in communications (14%) was attributable to the expansion in service to residential consumers.

The rise in the rate of inflation from 5% in 1999 to 8.1% in 2000 was due to the adjustment in oil prices and the entry into force of legislation on hydrocarbons. The restrictive monetary policy and stable exchange rate curbed the spread of inflationary impulses. The unemployment rate remained constant (13.9%).

The overall balance showed a negative result owing to the current account deficit, which was 6% of GDP (almost double that recorded in 1999). Merchandise exports (12%) were boosted by the strong performance of the free zones (10%). The expansion of traditional exports (25%) was based on higher sales of ferronickel and coffee, since production of cocoa, tobacco, sugar and sugar products contracted following the decline in international prices for those products. Imports expanded by 21% owing to the higher bill for fuel purchases (23% of total).

The balance of non-factor services posted a surplus of US$ 1.850 billion, thanks to the buoyancy of the tourism sector. The increase in remittances (4%) was a direct result of the growth of the United States economy.

The financial and capital account figure (US$ 1.015 billion) reflected lower foreign direct investment inflows than in the previous year (US$ 1.005 billion in 2000, compared with US$ 1.338 billion in 1999), which were insufficient to offset the current account deficit. The strong boost from foreign capitalization funds invested in 1999 in the Dominican Electricity Corporation brought foreign investment flows back up to levels more consistent with overall economic performance.

Total external public-sector debt stood at US$ 3.720 billion (19% of GDP) and debt servicing was 13% higher than in the previous year, following the resumption of external debt repayments that had been deferred by members of the Paris Club in 1998 in the aftermath of Hurricane Georges.

Trinidad and Tobago

In the first half of the year 2000, the economy expanded by 5%, and it is thought to have continued to grow for the rest of the year. Non-energy industries showed positive growth which more than compensated for the contraction in the oil and petrochemical industries. The central bank applied a policy of monetary restriction and support to the exchange rate in the second quarter. Thus, inflation was only 3.2% in the twelve-month period ending in August 2000.

At the beginning of the second quarter, there was abundant liquidity, as commercial bank lending increased; however, the central bank, adhering strictly to its policy of checking inflation, withdrew the excess liquidity from the system by means of two bond issues. Owing to this, and the (seasonal) demand for foreign exchange in the second quarter, the money supply in the strict sense (M1A) contracted.

In the second quarter of 2000, the financial position of central government improved, as the substantial increases in income from the oil sector and the collection of value-added tax and income tax exceeded the significant increase in government expenses. Trinidad and Tobago's surplus of US$ 363.5 million for the period from November 1999 to January 2000 was its first quarterly surplus in over two years, and led to a reduction in the country's accumulated deficit at the end of March to US$ 562.9 million. This deficit was financed in part with account balances in the central bank and with borrowing in the local and international markets during the second quarter.

The government raised the tax on oil companies, as the price of oil rose from the agreed estimated price of US$ 22.45 per barrel in the first quarter of 2000 to US$ 25.67 per barrel in the second quarter. As a result, oil revenues increased to the point that they represented 28% of total income. In the same period in 1999, receipts from the oil sector had amounted to 15% of total income.

Economic growth continued in the second quarter of 2000. The energy sectors contracted for the second quarter in a row, and this affected crude oil production, the total volume of refined oil, and contracts for services. In non-energy sectors, real activity increased as a result of good performance in the finance, insurance and real estate, distribution and transport, storage and communications sectors.

Oil production contracted in the second quarter of 2000, as it had also in the first quarter, owing to the reduced demand for gas in the fertilizer subsector. Shipments of crude oil declined to some 4.3 million barrels in the second quarter, which was a drop of 2.5% from the volume exported one year earlier. Export prices for crude oil remained relatively stable at US$ 28 per barrel in the second quarter.

The total volume of refined oil was 12% higher than the total volume refined in the second quarter of 1999. Production and shipment of liquid natural gas also increased in a similar proportion.

In the petrochemical subsector, the production of nitrogen fertilizer went up, following the settlement of the industrial disputes which had caused two plants to

TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS

	1998	1999	2000[a]
	Annual growth rates		
Gross domestic product	4.4	6.9	5.0
Consumer prices	5.6	3.4	3.2
Real effective exchange rate [b]	-5.9	-5.7	-3.4
	Percentages		
Unemployment rate	14.2	13.1	12.8

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

close down. Exports increased along with production, and it is estimated that both continued their upward trend in the second half of the year. On the other hand, the production of methanol continued to decline. In the second half of 2000, it fell by 17% compared to the same period of the previous year. Shipments during January-June of 2000 were 6% lower than in the same months of 1999.

Sugar production recovered strongly during the sugar cane harvest of 2000, increasing to 105,000 tons. This was the highest level reached since 1995 and represented an increase of 54% over production in 1999. The upturn was due to the high quality of the sugar cane harvested and to improved performance by the refineries.

Between August 1999 and August 2000, retail prices rose by 3.2%, just slightly less than in all of 1999. The increase in prices of foodstuffs, health care, beverages and tobacco contributed to the rise in the index. There were no significant variations in wholesale prices.

The balance of payments went from a deficit of US$ 60 million in the first quarter of 2000 to a surplus of US$ 400 million in the second. The current account posted a deficit of 0.9% of GDP in the first quarter after showing a surplus of 1.5% of GDP in the fourth quarter of 1999. Despite price increases for the main export products in the first quarter of 2000, total merchandise exports fell by about US$ 200 million. This reflected the decline in the value of exports of mineral, fuel and lubricants; the volumes exported were lower in the first quarter owing to problems in the national energy industry. The capital and financial accounts were strengthened in the second quarter, but did not compensate for the deficit in the current account.