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**ECONOMIC SURVEY
OF LATIN AMERICA**

1982

SAINT LUCIA

This preliminary version of the *Economic Survey of Latin America*, 1982 is being distributed in the form of a general introduction, under the symbol E/CEPAL/L.286, and a number of addenda, each containing a study of the economic evolution of a country of the region. The complete Survey will be published later.

Notes and explanation of symbols

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

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

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

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

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

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

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

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

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

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

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

SAINT LUCIA

1. Recent economic trends: Introduction and summary

The St. Lucian economy experienced a slight decline in real terms in 1982. Estimates of gross domestic product (GDP) at factor cost (East Caribbean dollars¹ at 1977 prices) indicated a fall of 0.6%. GDP at current factor cost, however, rose by 5% (see table 1).

In terms of real growth, the highest rate was observed in the manufacturing sector (about 13%). Agriculture, with a growth rate of 9% in 1982, improved its percentage contribution to total GDP at constant 1977 prices, moving from 13.0% in 1980 to 14% in 1982. The greatest sectoral declines were observed in mining and quarrying and in construction, where output declined as a consequence of slackening of activity as some major projects came to an end.

Exports of bananas continued to be the major earner of foreign exchange. Though prices began to fall towards the end of the year, an overall increase in prices was observed during 1982. The depreciation of the pound sterling relative to the United States dollar (to which the EC dollar is tied) denied the receipt of a greater amount of foreign exchange.

A slight improvement in the terms of trade was noted for the second successive year, as the average unit value of exports grew at a faster rate than that of imports.

Tourism continued to contribute heavily to the economic life of the country. An 18% increase in visitor arrivals contributed to a 3% increase in gross earnings from tourism, and helped to create a positive net services balance in the balance of payments. Private direct investment fell significantly in 1982, as a major private sector project came to an end.

The Government successfully moved to minimize the extent of its current deficit foreseen by the IMF. Employment cutbacks, a more efficient tax-collection exercise, and an improvement in the level of financial reporting and administration helped keep the deficit down to EC\$ 1.86 million.

2. Trends in economic activity

a) *Evolution of the main sectors*

i) *Agriculture.* The agricultural contribution to GDP at 1977 prices in 1982 was estimated at EC\$ 26.7 million—a 9% increase over the figure of the previous year. The sector's share of total GDP stood at over 14% (see table 2).

Bananas. Banana production increased by less than 1% over the level of the previous year, registering a total of 58 896 tons in 1982 (see table 3). This performance fell short of the targeted production of 67 200 tons, and is accounted for by prolonged drought and inadequate supplies of inputs. Flooding in major banana-producing areas at harvest time also adversely affected the 1982 crop. The increase in the packing of banana boxes in the field has led to a higher quality of fruit exported. Field-packed fruit of an accepted standard now attracts a premium of 4 cents per pound.

Exports of bananas continued to be the major earner of foreign exchange. The market price for green bananas fluctuated between 212.95 pounds per ton² and 394.23 pounds per ton during the first half of 1982. Prices began to slide downwards in the latter part of 1982 in response to a fall in consumption in the United Kingdom with the onset of winter, reflecting the normal seasonal pattern. By year end, the green banana market price stood at 355.62 pounds per ton. The basic price

¹The East Caribbean dollar is pegged to the dollar at a rate of US\$ 1.00 = EC\$ 2.70.

²The price of bananas is quoted in pounds sterling, and the reference weight is the long ton, which is equal to 2 240 lbs. This is equivalent to about 1 018 metric tons.

Table 1
SAINT LUCIA: MAIN ECONOMIC INDICATORS

	1979	1980	1981	1982 ^a
A. Basic economic indicators				
Gross domestic product at factor cost (millions of EC dollars at 1977 prices)	...	186.4	187.0	185.9
Per capita gross domestic product (EC dollars at 1977 prices)	...	1 553.0	1 533.0	1 499.0
Population (thousands)	118.0	120.0	122.0	124.0
Growth rates				
B. Short-run economic indicators				
Gross domestic product at factor cost	...	...	0.3	-0.6
Per capita gross domestic product	...	...	-1.3	-2.2
Current value of exports of goods	...	...	-11.6	-0.3
Current value of imports of goods	...	...	...	-8.4
Consumer price index (annual average variation)	9.4	19.5	15.1	4.6
Millions of dollars				
C. External sector				
Trade balance (goods and services)	...	...	-61.8	-52.6
Balance on current account	...	...	-46.9	-44.6
Variation in net international reserves	...	...	-	-0.8
External debt	...	15.1	17.8	24.5

Source: Data supplied to ECLA.

^aPreliminary figures.

Table 2
SAINT LUCIA: GROSS DOMESTIC PRODUCT, BY ECONOMIC
ACTIVITY, AT FACTOR COST

	Millions of EC dollars at constant 1977 prices			Percentage breakdown		Growth rates	
	1980	1981	1982 ^a	1980	1982 ^a	1981	1982 ^a
Gross domestic product	186.4	187.0	185.9	100.0	100.0	0.3	-0.6
Goods							
Agriculture	24.1	24.4	26.7	12.9	14.4	1.2	9.4
Mining and quarrying	3.8	4.0	2.7	2.0	1.5	5.3	-32.5
Manufacturing	19.2	19.1	21.6	10.3	11.6	-0.5	13.1
Construction	21.0	22.1	15.5	11.3	8.3	5.2	-29.9
Basic services							
Electricity, gas and water	5.7	5.8	6.1	3.1	3.3	1.8	5.2
Transport, storage and communications	22.9	21.9	21.9	12.3	11.8	-4.4	-
Other services							
Wholesale and retail trade	26.3	26.3	26.3	14.1	14.1	-	-
Hotels and restaurants	13.5	11.7	12.0	7.2	6.5	-13.3	2.6
Finance, insurance, real estate and business services	14.7	15.3	15.9	7.9	8.6	4.1	3.9
General services	6.6	6.9	7.1	3.5	3.8	4.5	2.9
Government services	28.6	29.5	30.1	15.3	16.2	3.1	2.0

Source: Statistical Department, Saint Lucia.

^aPreliminary figures.

Table 3

SAINT LUCIA: INDICATORS OF AGRICULTURAL PRODUCTION

(Tons)

	1980	1981	1982 ^a	Growth rates	
				1981	1982 ^a
Production of main crops					
Bananas - Total	46 308.2	58 351.3	58 895.7	26.0	0.9
Banana exports	34 731.2	43 763.5	44 171.8	26.0	0.9
Coconuts (copra)	6 545.5	2 527.6	3 759.7	-61.4	48.7
Cocoa	72.0	48.4	50.2	-32.8	3.7
Root crops					
Sweet potatoes	269.7	293.2	295.2	8.7	0.7
Yams	573.1	863.6	647.7	50.7	-25.0
Tannia	200.2	225.0	232.1	12.4	3.2
Ginger	113.7	176.1	114.7	54.9	-34.9
Dasheen	261.6	272.7	296.2	4.2	8.6
Vegetables					
Avocado	9.3	9.3	9.5	-	2.2
Cabbage	142.1	166.4	174.6	17.1	4.9
Carrot	50.3	72.8	76.7	44.7	5.4
Cucumber	68.0	79.9	88.9	17.5	11.3
Lettuce	23.3	26.8	28.0	15.0	4.5
Melon	8.9	8.6	9.0	-3.4	4.7
Okra	6.6	9.1	9.3	37.9	2.2
Plantain	1 259.1	1 496.2	1 542.1	18.8	3.1
Pumpkin	17.1	19.7	20.5	15.2	4.1
Sweet pepper	8.6	9.1	9.8	5.8	7.7
Tomato	173.0	292.4	301.1	69.0	3.0
Citrus					
Grapefruit	248.0	255.0	268.6	2.8	5.3
Limes	141.3	208.3	213.5	47.4	2.5
Oranges	217.8	256.0	301.5	17.5	17.8

Source: Ministry of Finance, Planning and Statistics, *Economic Review*, 1982.^aPreliminary figures.

paid to growers fluctuated with the green banana market price, and was between 13.5 cents per pound and 21 cents per pound in the first half of the year. Despite the overall increase in prices in 1982, export earnings did not rise proportionately because of a 20% reduction from the 1981 exchange parity of the pound sterling *vis-à-vis* the EC dollar.

The British Government continued its programme of assistance to the banana industry, and EC\$ 750 000 was administered under the Banana Development Programme. The Banana Growers' Association cash flow problems prevented procurement of its full requirements of fertilizer and pesticides. The British development ministry provided inputs to the value of EC\$ 1.75 million for sale to growers in order to help out in this respect.

An increase in the volume of exports of bananas to close on 61 000 tons is hoped for in 1983. It is believed, however, that an increase in production would be possible only if growers are able to realise a decent profit margin. As banana prices are quoted in pounds sterling, and as the pound has been declining in value *vis-à-vis* the United States dollar to which the Eastern Caribbean dollar is pegged, the Windward Islands Banana Association (WINBAN) and the Government of St. Lucia have taken steps to protect the industry. To this end, discussions with the British Government are taking place and a committee has been formed to review contractual arrangements governing the sale of Windward Islands bananas on the British market with a view to obtaining some immediate relief for growers.

There is a scheme to replant some 2 000 acres of bananas, which should lead to an increase in yield.

Coconuts. As a result of the 1980 hurricane, production of copra fell in 1981 from 6 500 tons to 2 300 tons. To date there has been no large scale rehabilitation of the coconut industry, but the Government of St. Lucia is seeking funding for this purpose. This project will include sheep rearing to utilize the pasture under the coconut trees. In the meantime, rehabilitation actions by individual farmers have permitted an increase of nearly 49% in 1982 copra production, which amounted to 3 800 tons.

Cocoa. Production suffered a setback from the hurricanes of 1979 and 1980. From a production level of 100 tons in 1979, production of cocoa beans fell to 72 tons in 1980, and 50 tons in 1982. Cocoa exports in 1982 were the lowest recorded since 1979 and stood at 2 863 kg. The price of cocoa on the foreign market fell from 1 730 pounds sterling per ton in 1980 to 900 pounds sterling per ton in 1982. This posed a problem of cash flow to the growers. The country has been offered a guaranteed minimum price for cocoa beans, in excess of the world market price. Under this agreement, growers will receive approximately EC\$ 3.00 per pound as compared with the 1982 price of EC\$ 1.92 per pound.

Table 4

SAINT LUCIA: INDEX OF MANUFACTURING PRODUCTION

(1975 = 100)

Industry	1979	1980	1981	1982 ^a	Growth rates		
					1980	1981	1982 ^a
All industry	136.1	160.1	158.9	179.4	17.6	-0.7	12.9
Food manufacturing	93.7	96.2	45.4	68.4	2.7	-52.8	50.7
Beverage manufacturing	327.4	334.9	308.6	231.0	2.3	-7.9	-25.1
Tobacco products	122.4	111.2	106.5	103.6	-9.2	-4.2	-2.7
Wearing apparel	276.1	611.8	837.4	1 228.0	121.6	36.9	46.6
Furniture	228.2	108.8	104.0	...	-52.3	-4.4	...
Paper and paperboard	89.9	99.9	146.4	160.4	11.1	46.5	9.6
Electrical appliances	132.4	224.1	244.5	316.7	69.3	9.1	29.5
Other	181.5	204.5	204.0	198.8	12.7	-0.2	-2.5

Source: Statistical Department, Saint Lucia.

^aPreliminary figures.

Table 5

SAINT LUCIA: INDICATORS OF INDUSTRIAL PRODUCTION

	Thousands of EC dollars			Growth rates	
	1980	1981	1982 ^a	1981	1982 ^a
Production of some manufactures					
Copra ^b	6 511.3	2 477.2	3 760.1	-62.0	51.8
Coconut oil-raw ^c	3 211.0	1 516.2	2 337.0	-52.8	54.1
Coconut oil-refined ^c	1 550.4	919.6	1 406.0	-40.7	52.9
Coconut meal ^b	1 895.9	868.6	1 285.5	-54.2	84.0
Rum ^d	187.0	155.0	132.0	-17.1	-14.8
Non-alcoholic beverages ^c	3 948.2	1 485.8	938.6	-62.4	-36.8
Clothing ^e	261.0	389.0	556.0	49.0	42.9
Laundry soap ^b	446.3	411.4	488.6	-7.8	18.8

Source: Statistical Department, Saint Lucia.

^aPreliminary figures.

^bTons.

^cThousands of litres.

^dThousands of proof gallons.

^eThousands dozen.

Table 6

SAINT LUCIA: ELECTRICITY PRODUCTION AND CONSUMPTION

Type of use	Thousands of kWh		Growth rates
	1981	1982 ^a	1982 ^a
Domestic use	13 885	14 316	3.1
Number of consumers	13 511	14 298	5.8
Commercial use	1 596	1 726	8.2
Number of consumers	23 762	24 376	2.6
Industrial use	72	88	22.2
Number of consumers	7 551	6 133	-18.8
Street lighting	1 026	1 033	0.7
Loss in transmission	13 082	14 732	12.6
Internal use	3 027	3 282	8.4
Total generated	61 958	63 852	3.1
Total consumed	48 877	49 122	0.5

Source: Ministry of Finance, Planning and Statistics, *Economic Review*, 1982.

^aPreliminary figures.

Other agriculture. There was a general increase in the production of root crops and vegetables in 1982 (see table 3), partly due to better weather conditions. With a view to promoting the diversification of the agricultural base, the Government has acquired some derelict estates and engaged in production. Additional impetus has been provided by an agricultural diversification programme under which the planting of exotic crops is receiving special attention, as lucrative markets have been identified.

ii) *Manufacturing.* This activity consists mainly of food processing, the manufacture of beverages, a garment industry and the production of cardboard boxes. Manufacturing output contributed some 11.6% of GDP at constant 1977 prices in 1982 and the index of manufacturing production showed a near 13% increase over the 1981 level (see tables 4 and 5). Significant increases were observed in food manufacturing, wearing apparel, and electrical appliances.

The production of cardboard boxes continued to be a major activity, and nearly eleven million boxes with an output value of more than EC\$ 22 million were manufactured in 1982.

The production of food and beverages in 1982 was valued at EC\$ 20 million, and contributed 22.5% to the total value of manufacturing production in 1982.

iii) *Construction.* After experiencing growth of 5.2% in real terms in 1981, the sector declined by almost 30% in 1982. This fall-off in activity followed the completion of the oil transshipment and storage terminal. Reduced activity in the reconstruction of roads and buildings damaged by Hurricane Allen in 1979 also contributed to this decline, which was only partially offset by activity in the area of school building and other public sector works. Although the number of building plans approved increased in 1982, the number of building starts declined, as credit from the banking sector became tighter.

iv) *Energy and natural resources.* St. Lucia is dependent on imported fossil fuels for its energy requirements. Energy consumption in the form of gasoline, kerosene and diesel was of the order of 9.8 million gallons in 1982, an increase of 5% over the previous year. A drop in the price of kerosene from EC\$ 4.39 per gallon in 1981 to EC\$ 4.36 per gallon in 1982 was followed by greater consumption. No comprehensive government policy on energy aimed at minimizing the country's dependence on imported fuels has been developed. A small increase in electricity consumed in 1982 over the level of 1981 was recorded. Losses due to transmission and distribution continued to be high, maintaining a level of 13% (see table 6). The Government is looking forward to the rehabilitation of the Soufrière hydropower station and the Geothermal Project to lower the cost of electricity.

b) *Population and employment*

The population of St. Lucia was estimated at around 124 000 in 1982, with a labour force 4.6% larger than in 1979. Estimates indicate that the breakdown of employment by sectors remained largely unchanged. The first places were still occupied by the agricultural and the service sectors, with 34% and 43% of total employment, respectively. Mining and manufacturing accounted for 12% of the labour force, and construction for 10%. The June 1982 assessment of the unemployment rate was 27%.

3. The external sector

a) *Merchandise trade*

i) *Exports.* A slight drop in the value of exports was noted in 1982 as the downward trend in export earnings continued. The increased production and export of bananas could not outweigh the loss of foreign exchange due to the depreciation of the pound sterling, in which banana prices are quoted.

Table 7

SAINT LUCIA: EXPORTS OF GOODS FOB

	Millions of dollars			Percentage breakdown		Growth rates ^a	
	1980	1981	1982	1980	1982	1981	1982
Total ^a	47.1	41.6	41.5	100.0	100.0	-11.6	-0.3
Food and live animals	14.3	17.9	18.0	30.3	43.3	25.5	0.4
Beverages and tobacco	3.1	3.5	3.6	6.7	8.7	10.6	3.2
Crude materials (except fuels)	0.3	0.4	0.3	0.6	0.7	50.0	-33.3
Mineral fuels and lubricants	-	-	0.1	0.1	0.4	-96.0	900.0
Oils and fats	2.9	2.9	4.0	6.2	9.7	-2.5	41.6
Chemicals	0.5	0.6	0.4	1.0	1.1	23.1	-25.0
Manufactured goods	8.0	6.6	6.0	17.0	14.6	-17.6	-8.4
Machinery and transport equipment	10.9	4.9	4.2	23.1	10.4	-54.9	-11.4
Miscellaneous manufactures	7.0	4.8	4.6	14.9	11.2	-32.1	-3.1

Source: Ministry of Finance, Planning and Statistics, *Economic Review*, 1982.

^aRates and totals may not agree exactly with figures because of rounding.

Table 8

SAINT LUCIA: IMPORTS OF GOODS CIF

	Millions of dollars		Percentage breakdown	Growth rates
	1981	1982 ^a		
Total	128.8	118.0	100.0	-8.4
Consumer goods	74.0	68.8	58.2	-7.0
Food, beverages and tobacco	30.0	29.4	24.0	-5.4
Manufactured goods, including durables	44.0	40.5	34.3	-8.1
Intermediate goods	29.2	29.0	24.6	-0.8
Mineral fuels, lubricants and related materials	12.6	13.8	11.7	9.7
Animal and vegetable oils and fats	1.4	1.1	0.9	-23.1
Chemicals	12.6	11.6	9.8	-8.0
Crude materials	2.6	2.5	2.1	-4.2
Capital goods	25.7	20.2	17.1	-21.2
Machinery and transport equipment	25.6	20.2	17.1	-21.1

Source: Ministry of Finance, Planning and Statistics, *Economic Review*, 1982.

^aPreliminary figures.

Table 9

SAINT LUCIA: MAIN FOREIGN TRADE INDICATORS

(1975 = 100)

	1978	1979	1980	1981	1982
Volume index - exports	152.1	139.7	113.5	141.6	129.8
Volume index - imports	138.0	142.0	158.5	162.0	145.0
Average unit value index - exports	119.3	138.8	159.6	171.4	186.2
Average unit value index - imports	154.6	177.7	247.5	252.0	257.2
Terms of trade	77.2	78.1	64.5	68.0	72.4

Source: Ministry of Finance, Planning and Statistics, *Economic Review*, 1982.

Table 10

SAINT LUCIA: SELECTED TOURISM STATISTICS

	1980	1981	1982 ^a	Growth rates	
				1981	1982
Total visitors^b	140.0	90.0	106.0	-36.1	18.4
Total expenditure^c	40.5	38.0	39.1	-6.2	2.8
Cruise ship visitors	1.2	0.4	0.8	-66.7	100.0
Other visitors	39.3	37.6	38.3	-4.3	1.8
Average daily expenditure per stay-over visitor^d	90.9	70.0	67.0	14.0	-4.3
Average length of stay of stay-over visitors^e	8.6	8.6	8.6	-	-
Hotel occupancy rate^f	63.8	52.3	52.5	-18.0	-0.4
Number of beds available	3 103.0	3 191.0	3 421.0	2.8	7.2

Source: Ministry of Finance, Planning and Statistics, *Economic Review*, 1982.^aPreliminary figures.^bThousands.^cMillions of US dollars.^dUS dollars.^eDays.^fPercentage.

Exports of foodstuffs along with beverages and tobacco, accounted for 52% of total exports (see table 7). Non-traditional exports have increased, as new markets have been developed in North America and Europe for exotic fruit.

As for manufactured exports, their relative share declined slightly, as a consequence of a drop in the sales of all the components of this section. Most manufactured goods are sold on the CARICOM market, which has become a major export outlet.

ii) *Imports*. The value of total imports decreased by 8.4% in 1982, as economic activity fell slightly in real terms (see table 8). Consumer goods accounted for 58% of total imports, with capital and intermediate goods accounting for the rest. The United States was in 1982 the main source of imports for St. Lucia.

iii) *Terms of trade*. A modest improvement in the terms of trade was noted for the second year in succession in 1982, as the average unit value index for exports grew at a faster rate than that of imports. However, the terms of trade index still remains inferior to the 1978 figure, and more than 25% lower than the level recorded in 1975 (see table 9).

b) *Services trade*

Tourism continues to play an important part in the economic life of St. Lucia. As an earner of foreign exchange, it ranks second to merchandise trade. Visitor statistics indicate an 18% increase in 1982, marking the start of a recovery after the 1981 low figure of 89 608 arrivals. Gross earnings from tourism in 1982 were estimated to have grown by 3% to a total of US\$ 39.1 million, after a 6% decline in 1981 (see table 10).

Nearly 40% of total visitors came from the United States and Canada, while arrivals from the United Kingdom stood at 20% of the total. Promotion efforts have been recently directed at South America, with encouraging results. The Tourism Board is seeking increased flights into St. Lucia in order to facilitate tourism expansion.

About 25 hotels, apartment hotels and guest houses comprise the tourist facilities offering up to 1 910 rooms. Hotel occupancy rates have been low enough to cause concern about the viability of some of the establishments.

c) *The balance of payments*

The overall balance of payments position of St. Lucia has been deteriorating over the last six years. From a state of virtual equilibrium in 1977, the balance of payments moved to a deficit of \$ 5.3 million in 1981. In 1982, however, the deficit was reduced to \$ 1.7 million.

This resulted mainly from the improvement in the merchandise trade balance, as the value of exports remained virtually unchanged at \$ 41.6 million, while the value of imports dropped from \$ 128.8 million in 1981 to \$ 118 million in 1982. The positive net services balance, although slightly declining, thus covered nearly one-third of the trade deficit. Consequently, the current account deficit fell from its unprecedented high level of \$ 47 million in 1981, to 44.6 million in 1982 (see table 11).

The capital account balance fell from \$ 45 million in 1981 to \$ 34 million in 1982 as private direct investment fell significantly, due to a slowdown in construction activity.

Table 11

SAINT LUCIA: BALANCE OF PAYMENTS

(Millions of dollars)

	1981	1982
I. Current account balance	-46.9	-44.6
Merchandise trade balance (net)	-87.2	-76.5
Exports	41.6	41.5
Imports	-128.8	-118.0
Services balance (net)	25.4	23.9
Travel (net)	30.2	29.7
Receipts	38.0	39.1
Payments	-7.8	-9.4
Interest (net)	-0.7	-0.8
Receipts	0.2	0.2
Payments ^a	-0.9	-1.0
Other factor services	-4.1	-5.0
Net private transfers	14.9	8.0
II. Capital account balance	45.0	33.9
Official transfers	7.0	8.0
Official capital	2.8	7.1
Private direct investment	38.2	20.0
Commercial banks	-3.0	-1.2
III. Errors and omissions	-3.4	12.4
IV. Balance for official financing (I + II + III)	-5.3	-1.7
Reserve movement (- increase; + decrease)	-	0.3
Allocations of SDRs	0.5	-
IMF lending	3.5	-1.5

Source: Ministry of Finance, Planning and Statistics, *Economic Review*, 1982.

^aFor Government and Government-guaranteed loans.

Table 12

SAINT LUCIA: EVOLUTION OF DOMESTIC PRICES

(Percentages)

	1980	1981	1982
December to December variations			
All items retail price index	21.1	9.5	0.6
Food	21.9	10.6	-1.4
Alcoholic beverages and tobacco	9.6	6.3	5.1
Housing	19.6	11.4	-
Fuel and light	31.4	-0.2	3.4
Household and miscellaneous items	7.8	29.0	10.1
Clothing and footwear	24.5	1.8	4.4
Services	26.5	1.1	1.0
Variation between annual averages			
All items retail price index	19.5	15.1	4.6
Food	17.3	19.0	3.0
Alcoholic beverages and tobacco	29.0	3.7	9.3
Housing	9.3	12.4	8.6
Fuel and light	52.7	8.1	2.6
Household and miscellaneous items	13.9	8.4	21.0
Clothing and footwear	26.9	3.9	2.9
Services	17.6	9.4	0.5

Source: Statistical Department, Saint Lucia.

4. Wages and prices

a) *Wages*

In an attempt to compensate for the erosion of the purchasing power of the dollar due to inflation, trade union pressure resulted in 1982 in several wage settlements which ranged from 25% to 50% over a three-year period. Public servants secured an increase of some 37% in their wages.

b) *Prices*

The rate of inflation, as measured by the Index of Retail Prices, generally followed trends in the international economy. A record annual price increase of almost 20% was registered in 1980, double the 1976-1979 average. Inflation slackened somewhat to 15.1% in 1981, however, and declined even further in 1982 to a rate of 4.6% —the lowest annual growth rate recorded for the period 1976 to 1982 (see table 12).

The food section of the Index is a major determinant of the overall inflation rate, because of its heavy weight (56.6% of the total). The annual rate of price increases in this section fluctuated between 1976 and 1981, with a general upward trend, but slackened in 1982 to an increase of 3% over the 1981 level. This was a major determinant of the overall 4.6% increase in the general level of prices in 1982.

The Household and Miscellaneous Items section of the Index registered the highest rate of all of the sections, with a 21% increase. The small weight of this section (5% of total weight), however, dampened its effect on the All Items Index.

5. Monetary and fiscal policy

a) *Monetary policy*

St. Lucia is one of the seven member countries of the East Caribbean Currency Authority, which performs some of the functions of a Central Bank.

Both the central government and the statutory bodies continued to be faced with cash flow problems. The Government resolved to monitor on a daily basis its cash balances and overdraft with the commercial banks.

Cash amounted to EC\$ 5.9 million at year end 1982. This represented a 44% increase over the amount of the previous year. Loans and advances outstanding stood at EC\$ 216.2, having expanded at a slower pace in 1982 than in the previous year (see table 13).

Total liabilities of the commercial banks rose by 8% in 1982, after a 9% increase in the previous year. Both demand and time deposits increased, while savings deposits dropped slightly. At year end 1982, total deposits in commercial banks stood at EC 219.4 million (see table 14).

The banking system was thus slightly more liquid in 1982 than in 1981. Deposits exceeded loans by some 1.5% while in the previous year they barely covered 97.7% of the latter.

Interest rates seem to have been sensitive to liquidity. Slight increases in the rates offered on interest-bearing deposits were observed. Prime lending rates ranged from 11.5% to 13% — an increase of some 3.5% over the 1981 rates at the lower end of the scale.

The St. Lucia Development Bank began operations in July 1982, its aim being to provide credit primarily in the area of low-income housing. Its disbursements in this field were slightly over EC\$ 1 million, nearly two-thirds of its total disbursements during the financial year April 1982 to March 1983.

Table 13

SAINT LUCIA: COMMERCIAL BANK ASSETS

(Millions of EC dollars)

Assets	At year end			Growth rates	
	1980	1981	1982	1981	1982
Cash	4.1	4.1	5.9	-	4.4
Deposits with ECCA	4.2	0.4	0.8	-90.4	100.0
Claims on other local banks	20.9	23.7	20.3	13.4	-14.4
Claims on other ECCA area banks	10.5	0.4	3.4	-96.2	750.0
Loans and advances	178.6	203.3	216.2	13.8	6.3
Treasury bills	...	0.2	0.9	...	450.0
Securities	3.2	2.8	4.5	-14.3	60.7
Foreign assets	12.7	15.2	16.4	19.7	7.9
Other assets	16.7	24.7	28.5	47.9	15.4
Total assets	251.9	274.8	296.9	9.1	8.0

Source: Ministry of Finance, Planning and Statistics, *Economic Review*, 1982.

Table 14

SAINT LUCIA: COMMERCIAL BANK LIABILITIES

(Millions of EC dollars)

Liabilities	At year end			Growth rates	
	1980	1981	1982	1981	1982
Demand deposits	33.9	33.7	40.8	-0.6	21.1
Time deposits	64.6	80.9	94.8	25.2	17.2
Savings deposits	73.7	84.1	83.8	14.1	-0.4
Total deposits	172.2	198.7	219.4	15.4	10.4
Balances due to ECCA	0.8	-	0.3	-	-
Balances due to other local banks	25.6	26.2	22.9	2.3	-12.6
Balances due to other ECCA banks	8.9	3.7	5.7	-58.4	54.1
Foreign liabilities	17.6	12.3	10.6	-30.1	-13.8
Other liabilities	26.8	33.9	38.0	26.5	12.1
Total liabilities	251.9	274.8	296.9	9.1	8.0

Source: Ministry of Finance, Planning and Statistics, *Economic Review*, 1982.

Table 15

SAINT LUCIA: CENTRAL GOVERNMENT OPERATIONS

(Million of EC dollars)

	1981/ 1982	1982/ 1983 ^a
Total revenue	99.12	117.06
Current revenue	89.46	103.05
Current grants	2.07	0.16
Capital grants	7.59	13.85
Total expenditure	116.10	138.49
Current expenditure	91.32	113.73
Capital expenditure	24.78	24.76
Of which: foreign financed projects	(14.18)	(17.50)
Current deficit (excluding grants) (-)	-1.86	-10.68
Overall deficit (excluding grants) (-)	-26.64	-35.44
Overall deficit (including grants) (-)	-16.98	-21.43
Financing:		
Foreign assets	-0.11	-0.24
Net borrowing from ECCA (including counterpart of purchases from IMF)	9.91	2.97
CDB	2.09	0.81
Other net foreign borrowing	-0.03	10.89
Net local bank borrowing	-2.10	1.60
Increase in payment arrears	6.36	2.52
Other net domestic borrowing	0.23	4.80
Unidentified	0.63	4.02

Source: Ministry of Finance, Planning and Statistics.

^aPreliminary figures.b) *Fiscal policy*

The IMF forecast provided for a deficit on recurrent expenditure of EC\$ 23 million for the fiscal year 1981/1982. Measures introduced by the Ministry of Finance in November 1981, however, managed to restrict the current deficit to EC\$ 1.86 million, through a cut-back in employment and more vigorous revenue-collecting activity, as well as an improvement in the level of financial reporting and administration (see table 15).

Current revenue increased by 15% in 1982/1983. This was due in part to a near-16% increase in the collection of income taxes. Import duties, together with stamp duties, represent the main source of recurrent revenue (56% in 1981 and 1982). Income tax receipts constitute the second largest source of revenue, and have accounted for some 31% of recurrent revenue over the past three fiscal years.

The Government has resolved to introduce new taxes as well as to increase others in an attempt to increase revenue. Additionally, a National Savings Committee was launched towards the end of the fiscal year 1981/1982 and a bond issue of EC\$ 5.5 million was made available for purchase by the general public.

Estimates for the 1982/1983 fiscal year indicate that recurrent expenditure grew 24% over the previous year. A major determinant of this increase was the 37% increase in salaries to public servants.

The global amount of capital expenditure remained virtually unchanged, but the share of foreign-financed projects increased from 57% to 70% of the total.

The Government's capital programme took the form of projects for road development, airport development, water supply expansion, and school building.

The central government's direct guaranteed external debt increased by 37.6% over the 1981 level. This was largely due to borrowing from foreign governments to the extent of \$ 2.6 million, most of which was used to repay the IMF under the Compensatory Financing Facility. At the end of 1982, the external public debt stood at \$ 24.5 million —approximately 22% of GDP at current factor cost.

