CARIBBEAN ECONOMIC PERFORMANCE - SYNOPSIS FOR 1995

(Based on data from January to June, with comments on the prospects for July to December)
In 1995, CARICOM countries were unlikely to attain even the moderate achievements of 1994. For the More Developed Countries (MDCs) of CARICOM, strong performance was expected to continue in Guyana, though the rate of growth was expected to be slightly below the 1994 level, for while debt continued to be an intractable problem, the sheer momentum of agricultural and mineral expansion served to reduce the constraints placed on the policy maker. In Trinidad and Tobago, the resuscitation which started in 1994 was expected to continue for 1995, although a general election and a change in administration somewhat distracted attention in the final quarter of 1995. Moreover, these factors were likely to cause continuing uncertainty in early 1996, until consistent policies were discernible and confidence returned. Strong performance in Barbados in 1994 was unlikely to be repeated in 1995, the stagnant performance of exportables being the main cause. Finally, in Jamaica, the weak performance recorded in 1994 was unlikely to be bettered in 1995, policy management being complicated by modest increases in production, the debilitating effect of huge debt service charges, fiscal slippage and complications deriving from large but volatile private short-term capital inflows.

In the Organization of Eastern Caribbean States (OECS), natural disasters severely blunted the good prospects apparent in the first half of 1995. Tradables were likely to be adversely affected; 95 per cent of the banana crop, for example, being decimated in Dominica while fiscal accounts were likely to be eroded by reduced revenues and increased expenditures for rehabilitation and welfare. Output was likely to fall in Antigua and Barbuda and Dominica and was expected to be modest in all the remaining countries, with the possible exception of Saint Lucia and Saint Vincent and the Grenadines where growth of 3 and 4 per cent, respectively, was projected.

The pace of economic activity in Barbados slowed in 1995, growth being estimated at 0.4 per cent for the first six months. This compared with 5.4 per cent expansion for the corresponding period in 1994. Growth was concentrated in non-tradable sectors, mainly construction, as sugar and tourism, the main export earners, contracted. Reduced export earnings, increased imports, large debt repayments and reduced capital inflows all impacted the balance of payments unfavorably, to reduce the surplus and slow the growth of reserves. The level of liquidity in commercial banks increased over the survey period, but remained below that prevailing in June 1994. Inflation remained low, the average inflation rate in June being 0.5 per cent, while unemployment was slightly below that of the previous year.

Growth continued at a brisk pace in Guyana, estimated at about 7 per cent, though this was slightly less than first semester performance in 1994 and 1993, at 10 and 8 per cent, respectively. Agricultural performance was strong and earnings from gold increased, although output from the mines slackened in the second quarter and will impact adversely on earnings for the third quarter. Bauxite production continued to increase, especially of calcined bauxite. Export earnings overall were buoyant, running 7 per cent ahead of 1994, while expanding output and profits bolstered current public revenues by 37 per cent. Revenue increases, in turn, helped augment capital spending by 60 per cent. Advances by banks to the private sector also increased, by 51 per cent over the previous year, notably in rice paddy cultivation and milling and livestock. Advances to private households also
increased, by 60 per cent. Interest rates increased slightly, the bank rate from 19.5 per cent to 19.75, the commercial bank lending rate from 18.7 to 20.9 per cent. The exchange rate remained relatively stable, depreciating against the United States dollar from 141.5 at the end of June 1994 to 143.75 one year later. Inflationary pressures seemed, however, to be building and could affect the exchange rate later in the year, if not contained.

Output in Jamaica continued to stagnate, following 0.3 per cent growth for fiscal 1994/1995. Early indications were for modest increases in agriculture but hesitant performance in minerals and services. In the current context, modest expansion of production was insufficient to have even a commensurate expansion of GDP. The prospects for 1995 continue to be complicated by several factors which militated against rapid economic expansion, notably the high cost of debt service, which accounted for 27 per cent of product in fiscal 1994/1995. This allocation severely affected fiscal policy, the external account and the rate of inflation. Monetary policy was also caught in a dilemma, high interest rates inducing inflows to destabilize the external sector but as rates fell excess credit expansion became evident. Average savings deposits fell from 19.4 per cent in June 1994 to 17.5 per cent in June 1995. Efforts were underway to sterilize these inflows, but had the result of increasing debt service charges. Domestic credit, however, expanded by 53 per cent over the previous July, M1 by 44 per cent, quasi-money by 36 per cent. Commercial bank credit to government services increased by 157 per cent, to consumers by 42 per cent and to manufacturing by 55 per cent, over the previous July. Stagnation and onerous debt obligations have extracted a high social cost, which the 1994/1995 budget sought to address. This policy should, however, be cognizant of the severe constraints outlined above if it is not to be counterproductive.

Economic performance in the OECS countries was quite good in the first semester of 1995. Early projections were, however, made redundant by the passage of tropical storm Iris and hurricanes Luis and Marilyn and volcanic activity in Montserrat. Agriculture was most seriously affected in some countries and tourism was expected to suffer while damage to hotels and related facilities was repaired. Cruise ship ports were in some cases closed and a level of uncertainty pervades the industry as travel agents and guests played safe and chose unaffected destinations. Countries suffering damage were also likely to have unbalanced fiscal accounts. Revenues were expected to fall, reflecting disrupted economic activity. Current and capital expenditure would have to be redirected to deal with emergency activities and were likely to expand to replace damaged infrastructure, clear debris and resuscitate crops. At the same time, construction activities were likely to be boosted as destruction was repaired and imports were expected to get a boost by external insurance payments. Affected banana earnings will also benefit from STABEX assistance. Overall, output was likely to fall, however, in most of the countries affected, especially in Antigua and Barbuda and Dominica. In the latter case, projections were revised downward, from 4.5 per cent to -1.8 per cent for 1995. Uncertainty also surrounded performance in Montserrat, with some dislocation caused by the incipient volcanic eruption, while hurricane damage also adversely affected Saint Kitts/Nevis. Product was, however, expected to expand in Saint Lucia and in Saint Vincent and the Grenadines, by 3 and 5 per cent, respectively.
The economy of Trinidad and Tobago expanded by an estimated 2.3 per cent, in the first six months of 1995. This represented a reduced rate of expansion compared with the first half of 1994, when the economy expanded by 4.7 per cent. Petroleum sector expansion for 1995 was about 1.1 per cent while non-petroleum activities expanded by about 2.7 per cent. The relatively poor outturn in the petroleum sector was to be explained by especially strong performance in the previous year. Increases occurred in all sectors, with the exception of manufacturing, notable increases being in distribution, up 10 per cent, construction, up 6.8 per cent and transport storage and communications, up 6.1 per cent. The fiscal and external accounts were also strong, inflation was moderating and unemployment falling. This picture was somewhat disturbed by a general election in the third quarter, which saw a change in administration. Uncertainty surrounded the new team, which was untried, although some players had previously taken the field with different political parties under previous administrations. Investors were likely to take a cautious approach until consistent lines of policy were discernible. Policy continuity was desirable, since the equilibrium painstakingly achieved after several years rested upon a fragile balance of conservative fiscal and monetary policies and slowly returning investor confidence. The latter was particularly important since it secured the reserves under a liberalized foreign exchange regime.

### Agriculture

Agricultural performance was quite good in Barbados and Guyana, and in the OECS for the first half of 1995. It was somewhat weaker in Jamaica and in Trinidad and Tobago, in part because of dry weather. Agriculture performance for the second half of the year would be adversely affected in Dominica, Saint Kitts/Nevis and to a lesser extent in Jamaica and Saint Vincent and the Grenadines, because of adverse weather conditions.

In Barbados sugar output at 38,000 tonnes continued its secular decline, now being insufficient to meet preferential quotas of 50,000 tonnes granted by the European Union (EU). The main reason given for the almost 27 per cent decline in production was drought. Non-sugar agriculture posted an increase of 4.2 per cent, however, growth being especially strong in the second quarter. Food crop production rebounded with an 11 per cent increase in the second quarter compared with a decline in the same period last year. The fish catch increased by 1.4 per cent over the first half of 1994 and poultry and milk production were also up.

Agriculture sector expansion continued to lead economic growth in Guyana. Production of most major agricultural products increased, the exception being a slight decrease in sugar output in the second quarter, compared with 1994. Despite this, sugar earnings increased since shipments and unit prices were up. Prospects for the immediate future look good, since Guyana was the major CARICOM beneficiary from the increased EU sugar quota. Of the 80,000 tonne increase, Guyana was allocated a further 30,000 tonnes. Rice production increased by 50 per cent continuing a steady resurgence in the industry since 1990, while forestry timber production also increased, by 20 per cent. Environmental concerns are bound to increase if forestry and other activities are not carefully monitored. They have already been alerted by cyanide poisoning of fish, a by-product of gold mining.
The OECS recorded fair performance in agriculture in the first six months. Banana production recorded a 6 per cent increase over the corresponding semester of 1994, although when compared with 1993 it fell short by 12 per cent. Exports for the four exporting countries were up over 1994, however, by 4.5 per cent. The most notable increases were made by Saint Vincent and the Grenadines and Grenada which had 44 per cent and 11 per cent increases, respectively, over the first semester of 1994. Export volumes fell from Dominica, down 12 per cent and St Lucia, down 2 per cent. Sugar production in Saint Kitts/Nevis declined marginally although exports were up marginally by 0.4 per cent. Cocoa production, on the other hand, was strong, being up by over 46 per cent with exports increasing, by 10 per cent. Nutmeg and mace production were also up by 19 and 4 per cent respectively, but exports fell sharply because of marketing difficulties. A recent pricing agreement with Indonesia, the other major producer, was expected to trigger a resumption in exports.

The prospects for OECS agriculture were not expected to be as good for the second semester. In Dominica, a marked decline in agricultural output was expected. Ninety-five per cent of the banana crop was destroyed and other food crops were severely damaged. In Saint Kitts/Nevis vegetables and other food crops were also damaged by hurricane Luis, while in Montserrat great uncertainty and dislocation were caused by threatened volcanic activity. Damage to the banana crop in Saint Vincent and the Grenadines was more moderate than elsewhere, estimated at 10 per cent, although the robust growth displayed in the first semester would be somewhat weakened. Nevertheless, full year performance was expected to surpass output for 1994. Grenada and Saint Lucia were, however, spared from the bad weather so output was expected to increase modestly. For the longer term, the prospects for the regional banana industry remained uncertain. The prevailing banana regime with the EU was under constant threat in 1995, primarily from the United States, but bilateral approaches to the EU had been resisted. In September, the United States indicated its intention to file a complaint against the EU to the World Trade Organization (WTO). The complaint was to be backed by Honduras and Mexico.

Dry weather conditions in Trinidad and Tobago caused sugar production to fall 8.5 per cent below corresponding 1994 levels. Output for the full crop year 1994/1995 also fell 10.5 per cent below the record production of 1993/1994, but remained appreciably above the trend for previous years. Despite the production shortfall, export levels for the first six months exceeded the corresponding 1994 level, by 5.4 per cent.
Tourism

For the region as a whole, tourism growth was sluggish for the first half of 1995. Prospects for the second half were fair, except for those countries suffering from unfavourable weather which damaged hotel facilities and infrastructure and which coloured the preferences of visitors for a destination. Overall performance for 1995 was not, therefore, expected to be strong.

The rapid growth in tourism experienced by Barbados in the first half of 1994 was not sustained in 1995. Tourism output declined by 2 per cent, compared with an increase of almost 18 per cent in the corresponding period of 1994. While the high growth in 1994 was considered to be as a result of unusual circumstances, long stay arrivals also fell, particularly from the United States. Arrivals from that market have declined steadily, half yearly arrivals in 1995 being down by 36 per cent compared with 1989, but arrivals also declined from other favoured markets, notably Great Britain, down 6.2 per cent and Germany, down 6.5 per cent, following six successive years of growth. Cruise ship arrivals increased, by 1.7 per cent, though this was a slower rate of growth than in 1994. The cruise ship segment of the industry has grown rapidly, averaging 9 per cent per annum since 1992 and second half figures for 1995 were likely to be better as Barbados, along with those destinations spared hurricane damage, was expected to benefit as cruise lines re-route ships to them.

In Jamaica weak tourism performance in the first quarter was compensated by improved performance in the second, so that by the end of June stopover arrivals showed a 3 per cent increase over the first half of 1994. Arrivals from North America increased, but fewer visitors came from Europe. Cruise ship arrivals, however, were down by about 10 per cent over the first five months. Estimated tourism expenditure was marginally up, by one per cent over the first five months of 1994.

For the OECS, stopover visitor arrivals increased by 1.8 per cent over the first half of 1994. Good performance was recorded for four of the eight countries but visitor arrivals to Antigua and Barbuda, Grenada and Saint Kitts/Nevis declined. The performance of the cruise ship visitor segment of the industry was better in the first six months, arrivals being up by 11.8 per cent. The number of cruise ship calls was also up. Hurricane damage in the second half of the year complicated attempts to estimate full year performance, however, since hotels and infrastructure, including several ports, were damaged. Countries experiencing damage could expect severe falloffs, while re-routings to undamaged destinations could temporarily inflate those figures. Nevertheless, it was estimated by the Caribbean Tourism Organization (CTO) that 90 per cent of the region’s tourist facilities would be open for business by mid-December, the beginning of the 1996 winter season.

The rate of increase of stop over visitors varied, with the largest increases in Dominica, up 13.9 per cent and St Vincent and the Grenadines, up 10.6 per cent, although both remained relatively small destinations. St Lucia also posted gains arrivals being up by 7.4 per cent. Minor gains were recorded for the other countries, except Grenada which saw a decline of 4.2 per cent and Saint Kitts/Nevis which declined by 1.3 per cent. Arrivals from cruise ships remained erratic, as cruise lines played one destination off against the other. Major gains were recorded for St Vincent and the Grenadines and Grenada, up 54 and 41 per cent, respectively. Conversely, Montserrat received almost 40 per cent fewer cruise visitors and St Lucia received 11 per cent fewer.
Information about the sector was limited for most countries. Nevertheless, early indications were for limited growth over 1995, driven mainly by Guyana, Jamaica and Trinidad and Tobago. Manufacturing output expanded more slowly in Barbados in 1995, at 3.1 per cent, than in the corresponding period in 1994 which was 5.4 per cent. Growth was stimulated by increased regional and local demand in the beverage, tobacco and food processing sectors, while wooden furniture and garments lost market share. Output in the chemicals and electronics sectors also contracted although the output of petroleum products increased by almost 8 per cent. Conversely, crude oil production expanded by less than 1 per cent compared with over four per cent last year. Electricity consumption was also lower. While private consumption increased, it was offset by reduced industrial demand.

Manufacturing sector performance for the first six months in Trinidad and Tobago did not meet the pace set in the first half of 1994. Nevertheless, the iron and steel industry performed creditably, with output increasing in all products, direct reduced iron up by 15.3 per cent, billets and iron rods increasing by 11.7 per cent and 23.2 per cent, respectively. Output of cement was expected to be strong, although the assembly industries, primarily household products and automobiles, continued to decline in the face of falling protection.

In Jamaica, manufacturing performance seemed to be positive compared to 1994, when judged by production indices, exports and the increased levels of investment undertaken in the sector. Increased output was evident in food processing and in beverages and tobacco, though output in sectors relating to chemicals and chemical products and non-metallic minerals was down. Exports of manufactures were up by 25 per cent over the corresponding period of 1994, mainly in the food products sector. Overall, exports of traditional manufactures increased more rapidly than the non-traditionals.
Public finance

Fiscal performance for the region was mixed, with conservative policies prevailing in Barbados and Trinidad and Tobago. In Guyana and Jamaica, worrying signals appeared. For those OECS countries affected by natural disasters, budgets, which were generally strong in the first half, would be placed under stress by reduced productive activity and the need for emergency spending.

A fiscal surplus was recorded for the period under review in Barbados. Current revenues rose by over 13 per cent, a carry over from buoyant economic activity in 1994. Corporate taxes grew by 62 per cent, and better collection measures had personal income tax collections increasing by 16 per cent. The latter was in part also explained by increases in public sector wages and increased taxable incomes. Expenditures also increased, recurrent expenses grew by 5 per cent, though capital expenditures fell. The wages and salaries bill increased by 3 per cent but public sector debt service charges increased by 23 per cent. Government transfers, a part of which was spent on tourism promotion, also increased. Despite the fiscal surplus, government found it necessary to access the domestic financial market, mainly the commercial banks, to meet foreign amortization payments which increased by 55 per cent over 1994. Central bank lending fell over the corresponding period.

In Guyana, the fiscal balance deteriorated substantially, moving from surplus in 1994 to a deficit in the current year. This was explained by a 60 per cent increase in capital expenditure, however, since current surplus increased. Current revenues were up by 37 per cent, reflecting broad based economic expansion. Notable increases were recorded in company and income taxes, consumption taxes and import duties. Current spending increased slightly, by 2 per cent. Major increases in expenditure were personnel payments, which were up by 36 per cent because of public sector wage increases and debt charges, which increased by 24 per cent. Despite the modest increase of current spending, revenues were so buoyant that the current surplus increased substantially. This provided the opening for substantial capital expenditure. External financing for project loans increased by 22 per cent with debt repayments increasing slightly. The domestic banking system provided the remainder of financing needs. The external debt increased by about 1 per cent. Bilateral debt, which accounted for just over one half of the total increased by 1.5 per cent, while multilateral debt grew by 1 per cent.

The fiscal account deteriorated in Jamaica in the first quarter of 1995, compared with the corresponding quarter in 1994. Total receipts increased from 10 to 13 per cent of Product, with recurrent expenditure being little changed. The recurrent surplus accordingly increased from 2.6 to 5.2 per cent of Product. Capital expenditure increased appreciably faster, however, from 2.7 per cent of product to 8.2 per cent of Product. Both amortization and gross investment increased, debt servicing charges accounting for 6.5 per cent of Product in the quarter, compared with the corresponding quarter in 1994 where it was 3.7 per cent. If debt service charges were excluded. the fiscal surplus remained unchanged at 2 per cent of Product. When debt charges were included, the modest surplus of 0.5 per cent in 1994 was transformed into a deficit of 2.3 per cent of Product for the quarter. The 1995/1996 budget placed emphasis on poverty alleviation. This goal needed to be
placed in the context of high fiscal deficits, in part because of the high debt servicing costs, fragile external accounts dependent on private capital inflows, and still high inflation.

Fiscal accounts for the OECS were somewhat stronger in the first six months of 1995 than for the corresponding period in the previous year. Accordingly, the current account surplus expanded by 18 per cent. Revenues increased by over 5 per cent, notably income and profits taxes at 5.2 per cent, property taxes which were up 16 per cent and taxes on domestic goods and services, up 16 per cent. The latter two taxes, however, accounted for a relatively small proportion of current revenue. Taxes on international trade and transactions, which still represented 46 per cent of current revenues, also increased by just over 4 per cent. Current expenditure, which was up by 4 per cent expanded more slowly than revenue. Personnel emoluments, which accounted for over 52 per cent of current expenditures, increased by just over 3 per cent, compared with 1994. A larger proportional increase of 10 per cent went for the purchase of goods and services, while outflows for interest payments increased modestly, at about 2 per cent. Payments for transfers and subsidies declined slightly, although pension payments grew by 10 per cent.

Adverse weather conditions in the OECS were expected to impact fiscal operations negatively. Current and capital expenditures were likely to increase rapidly to provide emergency assistance and to rehabilitate damaged crops and infrastructure. Simultaneously, revenues were likely to decline with the disruption of economic activity so erosion of the strong fiscal performance recorded in the first six months was likely in the latter half of 1995.

A fiscal surplus was indicated in Trinidad and Tobago for the first semester of 1995, compared with the deficit incurred in 1994. The turnaround was explained by an almost 30 per cent increase in total revenues, domestic revenues climbing almost as much, at 28 per cent. During the same period, total expenditures grew by just 8 per cent. Revenues from individual and corporate taxes increased despite a reduction in rates. Revenues from value added taxes contracted, in comparison with the corresponding period in 1994, because of increased refunds by government intended to reduce arrears. Revenues from international trade also fell, because of the removal of stamp duties. On the expenditure side, transfers to public entities contracted in line with policy which had the objective of making them independent of the budget. External debt in Trinidad and Tobago increased by 0.3 per cent over the corresponding period in 1994. While non-government public sector debt declined, central government debt increased by 8.4 per cent, loans coming mainly from International Financial Institutions and destined for upgrading the refinery and for housing and infrastructure. Domestic debt increased by 14 per cent over June 1994. This was somewhat faster than anticipated since government sought to satisfy all its domestic credit needs early in the year, given the high levels of liquidity prevailing in the commercial banks. A portion of government borrowing was intended to satisfy debt obligations to teachers.
Balance of Payments

Overall, external sector performance was weaker than in the first half of 1994. While performance remained positive, the rates of increase were not as fast in Barbados or in Guyana, while in Jamaica the current account incurred a deficit, compared with a surplus in the first half of 1994. Merchandise earnings improved in the OECS and receipts for services remained strong, though these trends could not be expected to prevail in the second half of 1995. In Trinidad and Tobago, the balance of payments strengthened, mainly because of an increased surplus in goods and reduced outflows for services. Both were sufficient to counteract the larger outflows on capital account so that the reserves increased.

In Barbados the current account surplus contracted by one third. While the surplus for services increased by 3.3 per cent, the merchandise deficit increased by over 21 per cent. Retained imports increased by 24 per cent, explained in part by a surge in demand for automobiles following reduced tariffs for 1995. Domestic exports expanded by almost 5 per cent, though sugar earnings, the largest merchandise earner, continued to decline, by 13 per cent. Tourist earnings increased despite reduced arrivals, per capita spending having increased. Investment income grew slightly and transfers remained unchanged. The capital account deteriorated over 1994, moving from surplus to deficit. This was to be explained by debt repayments which increased, while inflows for development purposes were greatly reduced from the previous year.

In Guyana, domestic exports increased over the first semester of 1994, by 7 per cent. Earnings increased over a broad spectrum of products, notably from sugar up 50 per cent, rice up 19 per cent, timber up 10 per cent and rum up 5 per cent. Earnings from bauxite decreased slightly because of reduced shipments in the second quarter, though the production of bauxite was up by 8 per cent. Earnings from gold also increased by under 1 per cent despite declines in volume shipped, since unit prices improved over 1994.

In Jamaica the rate of accumulation of reserves slowed for the first five months of 1995, being one third that of the corresponding period in 1994. The merchandise trade deficit widened by 20 per cent, the outcome of a 21 per cent increase in exports and proportionately the same amount of imports. Traditional and non-traditional exports increased at a fairly even rate. In the former category, sugar exports stood out with a 46 per cent increase (following large sales in May), followed by alumina earnings which expanded by 12 per cent. Less substantial gains were made in bauxite and banana earnings, both of which were up by 4 per cent. Non-traditional exports (a category comprising wearing apparel, 65 per cent of the category, foodstuffs about 20 per cent and chemicals about 10 per cent) posted an increase in earnings of almost 25 per cent over the previous corresponding five months of 1994. The import bill which was traditionally larger than exports also recorded a 21 per cent increase. Imports of capital goods were up by 45 per cent, consumer goods by 44 per cent and raw materials by 8 per cent. Exports to CARICOM, which represented about 4 per cent of total Jamaican merchandise exports, increased by 6 per cent. Imports from CARICOM, eight per cent of
total imports, grew by 51 per cent, reflecting larger imports of animal and vegetable oils and crude materials.

The current account moved from a surplus last year to a deficit in 1995, mainly because of stagnant tourism earnings and greatly increased imports. Earnings from services lagged those in 1994 by 14 per cent, the foreign travel account by 11 per cent. This was explained by weak earnings from tourism. Private transfers were strong, being up by 45 per cent, but they were not sufficient to prevent the country returning to a current account deficit, from a surplus recorded in the first five months of 1994. Overall, a surplus in the balance of payments was, however, achieved through strong capital inflows. Nevertheless, inflows were not as buoyant as the previous year. Official capital movements remained in deficit and the deficit increased as debt repayments continued. Private capital flows remained positive, seeking to benefit from favourable interest rates, although the surplus fell by one-third over 1994. For the future, the merchandise account was expected to improve. Sugar sales to the EU were likely to receive a boost from increased quotas to the year 2001 and reallocation of shortfalls from Barbados for 1995. Quotas for garments to the United States market had also been increased to 1998. Industrial unrest, which had affected bauxite/alumina output was also likely to be temporary. Since these categories comprise over 50 per cent of merchandise export earnings, the fillip to that account could be substantial.

Merchandise export earnings for the OECS countries exceeded those of the corresponding first semester of 1994. Proceeds from banana exports rose by 24 per cent, while receipts from sugar and cocoa increased by 12.5 and 12 per cent, respectively. Earnings derived from the export of nutmeg, mace and soap all declined by, 43 per cent, 12.5 per cent and 0.6 per cent, respectively. With respect to services, gross tourist expenditure, judged by a sample of five OECS countries, suggested a one per cent growth over the first half of 1994, with substantial increases in Saint Lucia being offset by declines in Dominica, Grenada and Saint Kitts/Nevis.

In Dominica, the visible trade deficit increased by 7 per cent. Imports increased by 6 per cent, while exports increased somewhat more slowly, at 5.1 per cent. Export increases were made up primarily of a 6.3 per cent increase in banana sales since earnings from the sale of soap declined. Tourist expenditure is estimated to have also declined by 24 per cent from 1994. In Grenada the merchandise trade deficit grew by 1.7 per cent. Total imports remained the same as in 1994 but exports declined by 3 per cent. Banana and cocoa exports increased by 16 and 12 per cent, respectively, but sales of nutmeg, mace and clothing offset these gains. In Montserrat the merchandise deficit contracted by 0.2 per cent. This was mainly because of the expansion of domestic exports, which were up by 230 per cent, from a very low base, because of first time exports of electrical parts and rice. Imports increased, by 9.2 per cent. In St Vincent and the Grenadines the merchandise deficit widened by almost 28 per cent. Both imports and exports grew by 28 and 29 per cent respectively. Bananas, the major export increased earnings by over 73 per cent, representing a volume increase of 44 per cent.
Prices and unemployment

Prices seemed to be either moderate, in those countries traditionally experiencing low inflation, such as Barbados and the OECS, or moderating in those having higher rates, especially in Trinidad and Tobago and Jamaica. Yet inflationary pressures were building in Guyana and remained incipient in Jamaica, threatening in the second half of the year to reverse the trend to lower prices.

In Barbados, the 12-month moving average of the retail price index showed a price increase of 0.5 per cent. This was up slightly from 1994, where the comparative measure to June was zero and for the full calendar year a scant 0.1 per cent. The rate of unemployment fell by about one percentage point to 20.5 per cent. The unemployment rate for men was 17.7 per cent a slight increase over the end of the first quarter, but the rate for women declined from 26.7 to 23.4 per cent.

Inflation was gradually falling in Jamaica, from 30 per cent in 1993 to 26.7 per cent in 1994. For the first half of 1995 the annualized rate of growth was 17.6 per cent. Several factors contributed to the outcome, the stable exchange rate, slowing accumulation of reserves and sterilization, and fiscal restraint. However, the recent rate of credit expansion should be moderated, if the current favourable trend was not to be reversed.

Inflation in the OECS countries continued to be low, ranging from an annualized 0.4 per cent in Dominica to 2.9 per cent in Montserrat. In Saint Kitts/Nevis and Saint Vincent and the Grenadines inflation was lower than in 1994, with rates 0.9 per cent and 0.2 per cent, respectively.

The rate of inflation receded in Trinidad and Tobago, for the first half of 1995 it registered the equivalent to 5.2 per cent, annualized, compared with 8.8 per cent in 1994. The greatest price increases were recorded for food and for construction materials. Unemployment rates remained unchanged from the corresponding period in 1994, at 18.1 per cent, although they increased slightly over the final quarter of 1994.