Although GDP estimates are not available at the time of writing, the Barbadian economy is estimated to have achieved real growth of 3.2 percent in 1999, after growth of 4.2 percent in the previous year. The year 1999 marked the seventh consecutive year of growth, and was accompanied by higher employment and low inflation. For the third successive year growth in the non-traded sectors surpassed that of the traded sectors. As a consequence, foreign exchange earnings weakened and to the extent that stronger activity in the non-traded sectors required foreign inputs, further weakening of the current account took place. The deficit on the Current account of the Balance of Payments rose by a little more than one percentage point on the 1998 outcome. An amount of $150 million borrowed on the regional capital market in the second quarter of 1999 increased the external reserves.

The fiscal deficit increased significantly from the level of the previous year. This was mainly due to a revenue performance that fell short of expectations. In response to policy measures intended to protect the foreign reserves and to slow down credit, liquidity in the banking sector tightened considerably by the end of 1999.

Preliminary indications are that the Bahamian economy grew in 1999 at a rate that reflected the restored and expanded tourism capacity and growth in the construction and financial services sectors. Growth was accompanied by extremely mild inflation, as the index of retail prices, the indicator of inflation, increased by 1.3 percent over the year. Stable money and credit trends kept bank liquidity buoyant and permitted some relaxation of monetary policy. Banks’ year-end excess reserves and surplus on liquid assets both notably improved during the year. Surplus liquid assets exceeded the statutory minimum and led to a succession of cuts in the interest rate. The Central Bank reduced its Discount Rate by 75 basis points to 5.75 percent. The commercial banks followed the lead of the Central Bank.

The Money Supply (M3) grew in 1999 by 11.8 percent, from 15 percent in 1998, and was matched by a similar rate of increase for domestic credit.

Estimates from the Department of Fisheries for the first nine months of 1999 indicate a slight increase in output. Increased catches and landings of lobsters, coupled with improved prices have been the main determinant of the recovery.

Provisional estimates of the balance of payments for 1999 indicate a significant reduction in the current account deficit from a deficit of $994.4 million in 1998 to a reduced deficit of $667.2 million a year later. The trade deficit increased in 1999 by 3.9 percent to $1427.6 million. The main determinant of the increase in the deficit was an expansion in non-oil imports in 1999.
In Guyana, real GDP increased by 3 percent in 1999, surpassing the target growth rate of 1.8 percent and contrasting with the 1.3-percent decline observed in 1998. The Agricultural sector, especially sugar and rice, performed well in response to favourable weather conditions and the introduction of new varieties of planting stock and the application of science and technology.

Government sought to improve the country’s social and economic infrastructure, human resource development, poverty reduction, job creation and economic diversification.

Bauxite production increased by 4.1 percent to 2,359,272 tonnes. However, both calcined and chemical grade bauxite fell by 27 percent and 33 percent respectively. The manufacturing sector made a strong recovery in 1999 to grow by 6.8 percent as it combined aggressive marketing with modernization, especially in the application of science and technology to production.

Wages and salaries increased considerably after severe pressure from the trade union movement. Increases of 31.06 percent increased the challenge to the manufacturing sector to become more globally competitive.

In spite of a 55-day strike in the Public Service in the second quarter of 1999, current revenue of the Central Government grew in 1999 to surpass the target for that year. Collections improved to G$36.6 billion in 1999 – some 4.7 percent above the budget of G$34.9 billion and 10.5 percent more than the 1998 figure.

In Jamaica, preliminary national accounts estimates indicate that real GDP, measured at 1986 prices, declined to J$17,756.6 million in 1999, a decline of 0.4 percent from the 1998 estimate. In current prices, GDP amounted to J$256,790.2 million, up from J$238,048.0 in 1998. Total real GDP, not accounting for imputed bank service charges, increased by 2.8 percent in 1999, compared with a decline of 0.5 percent in 1998. Real output in the goods-producing sectors fell by 0.8 percent in response to international and local stimuli. Recovery in the Financial Sector, coupled with continued strong growth in basic services, defined to be:

- Transport, Storage and Communication and
- The Electricity and Water industries sectors,

was the major determinant of the strong growth in the service sector. Despite the unavailability of expenditure data at the time of writing, indications are that the generally lower level of output recorded in 1999 was to a great extent the result of sluggish growth in private and government consumption and private investment. Export growth was sluggish, but net exports of goods and services increased, partly as a consequence of slower consumption growth, which negatively affected imports.

The Agriculture, Forestry and Fishing sector was the only area in which growth was registered. After two years of decline, this sector experienced positive growth of 1.7
percent in 1999. Improved performance in domestic crop production contributed to the overall performance in the sector.

Overall goods production declined by 0.8 percent while output from the Services sectors increased by 4.8 percent. The Services sectors showed generally positive performances and contributed to a 4.8 percent increase, after the 0.6 percent increase in 1998. Strong increases in basic services (growth rate of 7.6 percent) and Financial Institutions (19.5 percent) partially offset the poor performance in the goods-producing sectors.

Whereas declines were observed in the agricultural, mining and quarrying, manufacturing, construction and installation, distribution, real estate and government services, positive growth was achieved in the Services sector.

The estimate of inflation derived from a comparison of the annual average in the Consumer Price Index was 6.0 percent as opposed to 8.6 percent in 1998.

During the year, the liquid assets and cash reserve ratios of commercial banks continued to fall as programmed, to 34.0 percent and 16.0 percent by October from 43.0 percent and 21.0 percent at the end of 1998 respectively. The lowering in reserve ratios, the reduction in open market operations and lower inflation, all enabled a reduction in nominal interest rates.

For the nine months to December 1999, the fiscal deficit, excluding amortization payments, fell to $16.1 billion – a decrease of some 15.7 percent. The lower deficit derived from a 16.8 percent increase in revenue and grants, taking the figure to $63.8 billion as at December 1999.

The Balance of Payments position worsened in 1999, with Net International Reserves falling by US$131.8 million. At the end of December 1999, the stock of net international reserves was equivalent to 10.5 weeks of imports.

The Trinidad and Tobago economy achieved robust growth in 1999 with an acceleration in the rate of growth of real GDP of 5.1 percent from 4 percent and 2.9 percent in 1998 and 1997, respectively. Instrumental to this expansion were solid performances in both the energy and non-energy based sectors. Performance in the energy sector was influenced by increased output from the new domestic gas-based facilities and the continued recovery of the refining sector. The unemployment rate fell to an average of 13.1 percent during the first nine months of 1999 from 13.7 percent in the corresponding period of 1998.

Both Government Revenue and the Balance of Payments were adversely affected by low oil prices in the earlier part of 1999, but improved as oil prices strengthened subsequently. Gross Domestic Expenditure measured in current market prices declined by 4 percent in 1999, after six years of growth. In 1999, the level of domestic spending was less than that of domestic production. Government consumption expenditure continued to grow, increasing by a further 5.7 percent and accounting for 16.2 percent of
GDP in 1999. Most of this added expenditure went to wages and salaries and goods and services. In contrast, private consumption expenditure declined by 1.2 percent, and accounted for 55.9 percent of GDP.

**GROSS DOMESTIC EXPENDITURE & GROSS NATIONAL PRODUCT 1995-1999**

/Current Market Prices, Dollars Million/

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption Expenditure</td>
<td>20,508.0</td>
<td>22,465.7</td>
<td>24,489.3</td>
<td>29,477.4</td>
<td>29,566.6</td>
</tr>
<tr>
<td>Private</td>
<td>15,478.7</td>
<td>16,992.4</td>
<td>18,910.5</td>
<td>23,196.5</td>
<td>22,929.2</td>
</tr>
<tr>
<td>Government</td>
<td>5,029.3</td>
<td>5,473.3</td>
<td>5,578.8</td>
<td>6,280.9</td>
<td>6,637.4</td>
</tr>
<tr>
<td>Gross Capital Formation</td>
<td>6,587.1</td>
<td>8,395.6</td>
<td>13,215.0</td>
<td>10,745.6</td>
<td>9,030.5</td>
</tr>
<tr>
<td><strong>Gross Domestic Expenditure</strong></td>
<td>27,095.1</td>
<td>30,861.3</td>
<td>37,704.3</td>
<td>40,223.0</td>
<td>38,597.1</td>
</tr>
<tr>
<td>LESS: Imports of goods and non-factor services</td>
<td>12,440.3</td>
<td>14,190.9</td>
<td>20,457.5</td>
<td>20,478.5</td>
<td>18,894.6</td>
</tr>
<tr>
<td>PLUS: Exports of goods and non-factor services</td>
<td>17,042.1</td>
<td>17,777.7</td>
<td>19,305.6</td>
<td>18,452.5</td>
<td>21,342.5</td>
</tr>
<tr>
<td><strong>Gross Domestic Product at Market Prices</strong></td>
<td>31,697.0</td>
<td>34,448.1</td>
<td>36,552.4</td>
<td>38,197.1</td>
<td>41,044.9</td>
</tr>
<tr>
<td>LESS: Net Factor Incomes</td>
<td>(2,915.6)</td>
<td>(3,135.8)</td>
<td>(2,490.0)</td>
<td>(2,167.2)</td>
<td>(2,560.0)</td>
</tr>
<tr>
<td><strong>GNP at Market Prices</strong></td>
<td>28,781.5</td>
<td>31,312.3</td>
<td>34,062.4</td>
<td>36,029.9</td>
<td>38,484.9</td>
</tr>
</tbody>
</table>

**SOURCE:** Central Statistical Office and Central Bank Staff Estimates

**Social and economic policy**

The **Barbados** government policy addressed the objective of growth with low inflation, higher employment and the protection of the country’s foreign reserves. Tightened liquidity in the banking system at year-end was the instrument used to ensure success of the objective of protecting the foreign reserves of the country. To ensure this, credit was somewhat suppressed.

In the **Bahamas**, government pursued policies that sought to create an improved social, health and public safety environment. On 1 July 1999 Government devolved its three hospitals to the Public Hospitals Authority in a health sector reform initiative designed to bring greater efficiency to the facilities.

Government reaffirmed its commitment to provide affordable low and middle-income housing through its government-guaranteed mortgage loan programme and the sale of lots. It continued its commitment to secure environmental excellence and placed a focus on low-income areas. It moved to conserve and protect the landscape by upholding the Physical Landscape Act which created a list of protected trees and provided for improved regulation of the cutting or excavation of virgin vegetation for development.

In the area of financial services, Government continued through the Central Bank, its ongoing review of financial services legislation and vehicles, so as to prevent slippage in this area.
The **Guyana** government pursued a number of social and economic policies through the instrumentation of the Public Sector Investment Programme (PSIP). Government sought to improve the country’s social and economic infrastructure, human resource development, poverty reduction, job creation and economic diversification. Under this modality, the following five priority areas were addressed:

1. The improvement of health care delivery and access;
2. Improvement of the delivery of and access to all forms of education;
3. Provision of a reliable supply of potable water and efficient sanitation facilities;
4. The provision of opportunities for citizens to own decent and affordable homes;
5. Improvement and expansion of the economic infrastructure for accelerated growth.

In **Jamaica**, economic policy continued to concentrate on stabilization of past gains while creating conditions more conducive to real economic growth. One major objective was the achievement of annual inflation rates that approached those of the country’s main trading partners. Policy continued to aim towards the reduction of the fiscal deficit, which would allow for increased growth in private sector credit within a context of an overall restriction on the growth in money supply, in line with inflation targets. Government continued its programme of cushioning the impact of various adverse supply shocks that contributed to the decline in output, such as the effect of NAFTA on Jamaica’s international competitiveness. The shocks included:

1. The “gas price” demonstration in April 1999, which detracted from the performance of the tourism industry;
2. The 1999 accident at the Gramercy Alumina Refinery in Louisiana, U.S.A. which resulted in a fall off in exports of bauxite;
3. The uncertainties surrounding the data change at the end of 1999 (the Y2K problem), which further influenced negatively the outturn in tourism.

Government sought to counteract the contractionary impact of anti-inflation policies on key productive sectors, especially those that earned foreign exchange or were major employers of persons.

In **Trinidad and Tobago**, strong anti-inflationary monetary policy and a stable exchange rate guided economic growth. In the face of large outflows of foreign exchange and weak inflows due to soft prices of the country’s main export commodities, the Central Bank supported the market to the extent of US$150.5 million, contributing to the stabilization of the exchange rate in 1999. Monetary policy addressed high liquidity conditions in the financial system brought on by Government’s deficit financing. Central Bank’s open market operations expanded the stock of bills by $295 million in 1999 compared with a decline of $260 million in 1998. Bank credit to the private sector rose by 17.5 percent in 1999 after remaining flat in 1998.
Output in the major sectors

BAHAMAS

Restored and expanded tourism capacity in New Providence, together with its associated activity in the construction and financial services sectors secured for the Bahamian economy a healthy rate of growth in 1999. The absence of official GDP figures prevents a more accurate quantification of the rate of growth.

Tourism

Tourism output recovered strongly in 1999 as major hotel renovations were completed and visitors who responded to aggressive marketing utilized increased capacity. Visitor arrivals increased by 9 percent to 3,648,291 in 1999, after a 3.1 percent contraction in 1998. Table **** below refers.

<table>
<thead>
<tr>
<th>Year</th>
<th>Air arrivals</th>
<th>% change</th>
<th>Sea arrivals</th>
<th>% change</th>
<th>Total</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>1,368,038</td>
<td>3.9</td>
<td>2,047,820</td>
<td>6.5</td>
<td>3,415,858</td>
<td>5.5</td>
</tr>
<tr>
<td>1997</td>
<td>1,368,107</td>
<td>0.0</td>
<td>2,085,660</td>
<td>1.8</td>
<td>3,453,767</td>
<td>1.1</td>
</tr>
<tr>
<td>1998</td>
<td>1,304,851</td>
<td>-4.8</td>
<td>2,042,814</td>
<td>-2.1</td>
<td>3,347,665</td>
<td>-3.1</td>
</tr>
<tr>
<td>1999</td>
<td>1,438,887</td>
<td>10.1</td>
<td>2,209,241</td>
<td>8.2</td>
<td>3,648,291</td>
<td>9.0</td>
</tr>
</tbody>
</table>

Source: Ministry of Tourism

Preliminary data indicate that visitor expenditure increased by some 11 percent to $1.5 billion in 1999, after a slight contraction in 1998. Room rates increased by some 20.8 percent on average as refurbished and improved accommodation was offered to visitors. Increases in capacity and improvements in accommodation are expected to continue into the year 2001.

Construction

Construction peaked in 1998 with the construction and conclusion of a major hotel. Activity in the sector declined somewhat in 1999, while construction continued to provide a stimulus to output and employment growth during 1999. Estimates for the first nine months of 1998 and 1999 indicate a 15.7 percent reduction in building starts in 1999, with a smaller decline in value to $123.0 million. Building completions contracted by 7.2 percent to 886 units but increased in value by some 29.3 percent from $127.9 million in 1998 to $169.4 million in 1999. Table ** refers.
Construction, All Bahamas (B$'000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building Permits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>2,489</td>
<td>1,695</td>
<td>2,923</td>
<td>2,325</td>
<td>2,449</td>
</tr>
<tr>
<td>Value</td>
<td>654,771</td>
<td>316,387</td>
<td>472,177</td>
<td>383,917</td>
<td>464,460</td>
</tr>
<tr>
<td><strong>Building Starts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>1,099</td>
<td>1,153</td>
<td>1,234</td>
<td>971</td>
<td>817</td>
</tr>
<tr>
<td>Value</td>
<td>180,242</td>
<td>458,553</td>
<td>163,520</td>
<td>127,266</td>
<td>123,032</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Residential</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>993</td>
<td>1,042</td>
<td>1,138</td>
<td>893</td>
<td>749</td>
</tr>
<tr>
<td>Value</td>
<td>117,717</td>
<td>111,757</td>
<td>133,276</td>
<td>104,529</td>
<td>101,204</td>
</tr>
<tr>
<td>ii) Commercial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>105</td>
<td>109</td>
<td>96</td>
<td>78</td>
<td>68</td>
</tr>
<tr>
<td>Value</td>
<td>62,275</td>
<td>346,328</td>
<td>30,244</td>
<td>22,737</td>
<td>21,828</td>
</tr>
<tr>
<td>iii) Public</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Value</td>
<td>250</td>
<td>468</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Building Completions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>1,032</td>
<td>1,130</td>
<td>1,371</td>
<td>955</td>
<td>886</td>
</tr>
<tr>
<td>Value</td>
<td>156,623</td>
<td>171,030</td>
<td>492,318</td>
<td>127,924</td>
<td>169,363</td>
</tr>
</tbody>
</table>

<1> Year to date September.

**SOURCE:** The Central Bank of the Bahamas Annual Report and Statement of Accounts,
Dept. of Statistics, Quarterly Bulletin of Construction Statistics

**Agriculture**
Value added in the agricultural sector is estimated to have declined by some $8.8 million to $45.0 million as output performance in the major crop-producing areas was set back by tropical hurricanes. Crop production declined by 21.6 percent to $15.7 million. Export opportunities for domestic citrus have been enhanced in light of the threat of disease to South Florida’s lime crop and the potential spread to Florida’s entire citrus crop.

**Fisheries**
Estimates from the Department of Fisheries for the first nine months of 1999 indicate a slight increase in output. Increased catches and landings of lobsters, coupled with improved prices have been the main determinant of the recovery. The value of fisheries landings increased by some 7.8 percent to $46.8 million, despite a decrease of 2.5 percent in volume to 7.9 million pounds. Crawfish tails were the dominant component of the landings, accounting for 47.6 percent of volume landed and 81.4 percent of value of all landings. Fisheries exports increased in value by 20.9 percent in 1999 to $71.4 million.
Of this, crawfish exports rose to $70.6 million, representing over 95 percent of total export earnings.

BARBADOS

Construction activity continued to be the main determinant of growth in the non-traded sectors, which experienced a growth rate of 4.7 percent in 1999. Continued investment in commercial, residential and hotel properties fuelled growth in the sector to 9.3 percent compared with the 13 percent of the previous year as resource constraints put the brake on further investment. In order to avoid overheating of the economy, Government scaled back its capital works programme, the effect of which was to moderate the growth of the Distribution sector. This sector grew by 4.5 percent in 1999 as compared with 6.2 percent recorded in 1998.

Tourism
The tourism sector registered growth of 0.2 percent in 1999. This was the lowest rate of growth recorded since 1993. Cruise passenger arrivals fell by 14.6 percent while stopover arrivals grew by 1.1 percent in 1999. Significant declines in traffic from Germany (14 percent), Other Europe (40 percent) and other countries (13.7 percent) contributed to the 1999 performance of the sector. On the other hand, increases in arrivals from Trinidad and Tobago (25.8 percent), other CARICOM countries (20.2 percent) and to a lesser extent the United Kingdom (8.7 percent) contributed to the performance in the sector. Tourist arrivals from the U.S.A. increased for the first time since 1995, by 1.4 percent.

Manufacturing
Output in the manufacturing sector declined by 0.8 percent after five years of growth as the industry adjusted to the challenges of trade liberalization. Contributing to the decline was the closure of the oil refinery in 1998, which led to the discontinuation of production of petroleum products. Beverages and food processing declined by 4.2 percent and 2.6 percent, respectively as production from alternative sources was able to compete favourably with domestically produced goods. Relatively strong growth in the construction sector led to a 11.5 percent growth in the output of other non-metallic mineral products.

Sugar production
After a 25.7 percent drop in the production of sugar in 1998, a larger crop and favourable weather conditions assisted in the recovery in sugar production in 1999 to 53,196 tonnes, when an increase of 10.8 percent in production was measured. A late start to reaping due to protracted wage negotiations was offset by an increased acreage of harvested canes and more favourable weather. Despite the larger crop, exports of sugar to the European Union were slightly below the quota.

Non-sugar agriculture fell by 6.5 percent, even though growth in the first quarter had held out the expectation of growth in 1999. Changing marine conditions occasioned by the “La Nina” phenomenon, together with a number of fish kills resulted in a 15.1 percent
decrease in fish landings. This contrasted sharply with the performance in 1998 when an increase of 29.3 percent in fish landings was achieved. Milk production responded to a prolonged rainy season and management/ownership changes in the sub-sector to register a 12.2 percent contraction. Chicken production rose by 4 percent and enjoyed a higher level of demand as some consumers substituted chicken for fish which was in short supply for reasons given earlier in this note.

**Services**

Activity in the international business and financial sector increased in 1999, despite a decline in the rate of growth of new registrants into the sector.

**GUYANA**

Real GDP increased by 3 percent in 1999, surpassing the target growth rate of 1.8 percent and contrasting with the 1.3 percent decline observed in 1998. Mainly responsible for this growth was the performance in the agriculture sector.

**Agriculture**

Sugar production increased by 25.8 percent over the level attained in 1998 in response to favourable weather conditions, new varieties of cane, better yields and the application of science and technology. The production of 321,438 tonnes of sugar in 1999 represents the highest output since 1978.

**Rice production** grew by 7.6 percent to 365,469 tonnes in 1999. Improved weather conditions coinciding with the time of the second crop allowed for the harvesting of a higher quality of paddy produced.

**Forestry** output stood at 498,400 cubic metres in 1999, some 12.9 percent above the level of the previous year.

**Livestock** production increased significantly in response to Government’s support for the sub-sector. Poultry meat increased by 10.2 percent to 12.4 million kg. Egg production increased by 7 percent to 25.7 million.

**Mining and Quarrying**

Output of the mining and quarrying sector fell by 8.4 percent in 1999. Gold declaration fell by 8.9 percent to 414,390 ounces in 1999, reflecting to a great extent a decline of 11.8 percent in production by the largest mining company in the country. Bauxite production increased by 4.1 percent to 2,359,272 tonnes. However, both calcined and chemical grade bauxite fell by 27 percent and 33 percent respectively. This was partly offset by an increase of 8.4 percent in the production of metal grade bauxite.

**Manufacturing**

The manufacturing sector made a strong recovery in 1999 to grow by 6.8 percent. This performance was assisted by a combination of aggressive marketing techniques, greater
processing capacity and increased use of modern technology by firms in the sector. A mixed performance in the sector was observed. Garment production declined by 1.5 percent because of a contraction of external markets.

**Engineering and construction**

This sector declined by 10 percent in 1999, mostly the result of a 10.1 percent reduction in expenditure on the public sector investment programme.

**JAMAICA**

Overall goods production declined by 0.8 percent while output from the Services sectors increased by 4.8 percent. The Services sectors showed generally positive performances and contributed to a 4.8 percent increase, after the 0.6 percent increase in 1998. Strong increases in basic services (growth rate of 7.6 percent) and Financial Institutions (19.5 percent) partially offset the poor performance in the goods-producing sectors.

Agriculture, Forestry and Fishing was the only area in which growth was registered. After two years of decline, this sector experienced positive growth of 1.7 percent in 1999. Improved performance in domestic crop production contributed to the overall performance in the sector. Other increases in output were noted in the following:

- Domestic agriculture (1.5 percent)
- Livestock and Hunting (5.1 percent)
- Forestry and Logging (0.7 percent)

The performance of the **Agriculture** sector, in an overall situation of sluggish consumption growth, suggests that the foreign content of local consumption decreased in 1999. This is consistent with:

- Exchange rate depreciation,
- Low domestic inflation and
- Improved production conditions, due especially to improved weather conditions.

Output from the export crop sub-sector declined by 7.9 percent, as most of the traditional crops continued to perform poorly. Adverse price movements for coffee and cocoa, contributed to the decline. Sugar cane production, however, benefited from improved weather conditions to register a 2.6 percent increase in real output in 1999.

Real GDP in the Mining and Quarrying sector declined by 1.2 percent in 1999 after three years of growth. The 1999 performance was mainly due to cutbacks in Crude Bauxite production consequent on an explosion in a refinery in the United States\(^1\) to which the commodity is exported. However, alumina benefited from increased production and increased prices on the international market.

The Manufacturing sector turned in a mixed performance as increased output was secured in sugar, molasses and rum, alcoholic and non-alcoholic beverages, textiles, apparel and footwear, furniture and fixtures and chemicals and other non-metal products, while

---

\(^1\) Gramercy refinery in Louisiana, U.S.A.
declines were observed in the other sub-sectors. The net effect was a decline in real GDP of 1.4 percent in the sector in 1999. This was the fifth consecutive year of decline. The Micro and Small Enterprise (MSE) Sector has since the end of the decade of the eighties played an important role in the reduction of poverty, in increasing employment, absorbing employment from sectors that experienced contraction and achieving growth. In 1999, a total of $630 million was made available for disbursement to the sector for investment in tourism, information technology, apparel, minerals and chemicals, light manufacturing, film music and entertainment.

**Construction and Installation**
Real output in the Construction and Installation sector declined by 1.6 percent in 1999. This compared with a decline of 5.9 percent in 1998 and represented the fourth consecutive annual decline. Contributing to the decline in 1999 was a decline in the building Construction sub-sector, and in particular, non-residential construction. Other Construction registered a 9.0 percent growth rate in 1999, reflected increased activity in major government projects.

**Service Sectors**
Real output growth in Basic Services increased during 1999, with GDP at constant 1986 prices increasing by 7.6 percent compared with 5.8 percent in 1998. The growth in output accelerated in the Transport, Storage and Communication sector (8.5 percent increase over 1998). On the other hand, decelerations in growth were noted in Electric Light and Power (down to 5.0 percent in 1999 from 6.5 percent in 1998) and Water and Sanitation services (3.8 percent increase in 1999 as compared with the 1998 growth rate of 5.5 percent).

**Tourism**
Total visitor arrivals grew by 6.0 percent to an estimated 2,012,738 in 1999. This compares favourably with the growth of 2.5 percent of 1998. Some sixty percent of this total were stopover visitors, with the remainder being cruise-ship arrivals. The latter category of arrivals increased by 13.5 percent to 764,341 while stop-over arrivals increased by 2.0 percent to 1,248,397. Hotel occupancy rates fell in 1998 to 55.9 percent in 1999 as the industry offered some 501 new hotel or guest house rooms in 1999. Most of the tourist traffic to Jamaica came from the United States of America, the United Kingdom and the Caribbean.

**Finance and Insurance Services**
A turnaround in the performance of the financial sector was noted in 1999. This might have followed restructuring and consolidation initiatives that led to improved profitability in the monetary system. This is discussed in greater detail further on in this section. In addition, continued cost containment in other financial institutions and more conservative investment strategies in other non-bank financial institutions such as credit unions and building societies contributed to improve profitability. Real GDP generated by Finance and Insurance Services grew by 19.5 percent during 1999, after four years of decline. Three factors explain the changed performance of the financial sector. These are:
1. Financial innovation, in the form of the introduction of new services, such as the establishment of a wide range of value-added services in the form of credit cards, the introduction of debit cards and automated banking services;
2. Rehabilitation of the banking sector in the form of resolving problem loans, resulting in an increase in the net property income of the banks, reflected in imputed bank service charges.
3. Balance sheet restructuring which would have served to increase imputed service charges.

**Distribution**
The Distribution sector, which contributed about 22.5 percent to total GDP in 1999, slightly down from the 22.6 percent measured in 1998, declined by 1.0 percent. This represented a decline for the second consecutive year, reflecting reduced domestic demand that followed sluggish growth in private and government consumption and private investment.

**TRINIDAD AND TOBAGO**
The Trinidad and Tobago economy grew for the sixth consecutive year, registering real growth of 5.1 percent in 1999 compared with 4.0 percent in the previous year. This performance was achieved despite a year of economic uncertainty and declining commodity prices in international markets. Growth was balanced and reflected increases in output in both the goods-producing (5.5 percent) and non-goods-producing (4.6 percent) sectors.

**Energy sector**
Activity in the energy-based sector was dictated by the continued expansion in the Petrochemicals sub-sector and the enhanced performance of the Other Petroleum sub-group. In the Petrochemicals sub-sector, most facilities operated at near full capacity and contributed to significant increases in output. In the Other Petroleum sub-group, real output received a boost with the commissioning of the first liquefied natural gas facility in the country.

The non-energy based sectors with the exception of Agriculture (-1.6 percent) and Electricity and Water (-0.6 percent) continued to perform well in 1999, registering a growth rate of 4.2 percent. Main contributors to this performance were Transport, Storage and Communications (9.3 percent), Construction (7.8 percent), Distribution (7.0 percent), and to a lesser extent, the manufacturing sector with a growth rate of 3.8 percent. Economic activity moderated somewhat as several large energy projects concluded their construction phase in 1999.

**Petrochemicals**
Methanol production and exports achieved record levels in 1999 as output rose to 2149.8 thousand tonnes, exceeding the previous year’s production by 10.4 percent. Shipments
were 14 percent higher than in 1998. A new plant with a rated capacity of 825,000 tonnes started up in late 1999 is expected to add significantly to total production.

_Nitrogenous fertilizers_
An increase of 21.6 percent over the output of 1998 was achieved in 1999. Exports continued to increase, with an increase of 23.2 percent above the exported volume of 1998. Total exports in 1999 totalled 3.6 million tonnes, reflecting the importance of Trinidad and Tobago as a major global supplier.

_Iron and steel_
Production of billets amounted to 724 thousand tonnes, declining by 6.8 percent from the 1998 total. Output of wire rods continued a downward trend, falling by 1.8 percent. On the other hand, the output of DRI for 1999 was 1.3 million tonnes, which represented an increase of 26.4 percent as a third DRI facility came on stream in the latter half of the year.

_Agriculture_
The agricultural sector continued to decline, following its performance in 1998. Poor drainage, praedial larceny adverse weather conditions and marketing problems continued to pose challenges to the sector. The rate of decline was, however arrested as a number of problems in the sugar industry were successfully confronted.

The production of raw sugar increased by 5.9 percent over the level of 1998 and reached 68.5 thousand tonnes. Output of refined sugar increased by 19.5 percent to 43.6 thousand tonnes. Exports of sugar increased to 64.3 thousand tonnes with a value of $214.9 million compared with 58 thousand tonnes in the previous year. Sales on the domestic market also increased to 51.6 thousand tonnes from 42.3 thousand tonnes in 1998.

_Other Agriculture_
In 1999 adverse weather conditions and a new pest, the citrus black fly, affected output in the citrus industry. Output, however, increased as deliveries to principal processors amounted to 16,859 thousand kilograms compared with 7,725.4 thousand kilograms in 1998. The cocoa crop also suffered from adverse weather conditions and output fell to 1,160 thousand kilograms from 1,270.3 in the preceding year. Both local sales and exports of cocoa fell. Coffee production fell by 6.5 percent to 343.1 thousand kilograms, with local sales falling from 709.5 thousand kilograms in 1998 to 378 thousand kilograms in 1999. Data available for the first nine months of 1999 indicate that total meat production stood at 2026 thousand kilograms, 1.5 percent higher than the volume of the previous year. Pork and beef production increased by 1.8 percent and 3.5 percent, respectively, while production of mutton fell.
GROWTH IN GDP AT CONSTANT (1985) PRICES, FACTOR COST  
BY SECTOR, 1995-1999  
(per cent per annum)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum</td>
<td>0.1</td>
<td>1.8</td>
<td>-2.0</td>
<td>5.4</td>
<td>8.0</td>
</tr>
<tr>
<td>Petrochemicals</td>
<td>3.1</td>
<td>12.3</td>
<td>4.6</td>
<td>23.3</td>
<td>17.8</td>
</tr>
<tr>
<td>Other Petroleum (Oil etc.)</td>
<td>-0.3</td>
<td>0.3</td>
<td>-3.1</td>
<td>2.3</td>
<td>6.0</td>
</tr>
<tr>
<td>Non-Petroleum</td>
<td>4.2</td>
<td>3.2</td>
<td>4.2</td>
<td>3.5</td>
<td>4.2</td>
</tr>
<tr>
<td>Agriculture</td>
<td>-5.2</td>
<td>3.8</td>
<td>2.7</td>
<td>-15.2</td>
<td>-1.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2.7</td>
<td>-0.5</td>
<td>3.1</td>
<td>4.1</td>
<td>3.8</td>
</tr>
<tr>
<td>Electricity and Water</td>
<td>3.0</td>
<td>3.9</td>
<td>3.2</td>
<td>5.3</td>
<td>-0.6</td>
</tr>
<tr>
<td>Construction</td>
<td>10.9</td>
<td>7.6</td>
<td>15.0</td>
<td>13.5</td>
<td>7.8</td>
</tr>
<tr>
<td>Transport, Storage &amp; Comm.</td>
<td>8.8</td>
<td>6.5</td>
<td>4.7</td>
<td>4.3</td>
<td>9.3</td>
</tr>
<tr>
<td>Distribution</td>
<td>17.6</td>
<td>9.8</td>
<td>17.7</td>
<td>13.6</td>
<td>7.0</td>
</tr>
<tr>
<td>Finance, Insurance &amp; Real Estate</td>
<td>1.0</td>
<td>1.2</td>
<td>0.8</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Government</td>
<td>3.1</td>
<td>0.1</td>
<td>-0.3</td>
<td>3.2</td>
<td>1.8</td>
</tr>
<tr>
<td>Other Services/2</td>
<td>2.4</td>
<td>0.8</td>
<td>1.2</td>
<td>3.3</td>
<td>1.9</td>
</tr>
<tr>
<td>GDP at (1985) Factor Cost</td>
<td>3.2</td>
<td>2.8</td>
<td>2.9</td>
<td>4.0</td>
<td>5.1</td>
</tr>
</tbody>
</table>

SOURCE: Central Bank of Trinidad and Tobago

1 Includes the Correction for Imputed Service Charge
2 Includes Hotels and Guest Houses, Education and Community Services and Personal Services
3 The goods-producing sectors as classified here are Petroleum, Agriculture, Manufacturing, Electricity and Water and Construction
r - revised  p - provisional

Prices, Wages and Employment

BAHAMA S

The rate of inflation as measured by the change in the annual average retail price index stood at 1.3 percent in 1999, reflecting mainly a stable inflationary environment in the United States of America, the country’s main trading partner. The largest rates of price increase were observed in:

- Education costs (12.2 percent increase)
- Recreation and entertainment (4.3 percent)
- Furniture and household items (1.3 percent) and
- Other goods and services (1.3 percent)

Average annual percentage change in Retail Price Index, New Providence  
(Oct. - Nov. 1995 = 100)

<table>
<thead>
<tr>
<th>Group</th>
<th>Weight</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; beverage</td>
<td>138.3</td>
<td>1.6</td>
<td>2.2</td>
<td>0.7</td>
</tr>
<tr>
<td>Clothing &amp; footwear</td>
<td>58.9</td>
<td>0.3</td>
<td>1.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Housing</td>
<td>328.2</td>
<td>0.2</td>
<td>-0.1</td>
<td>0.8</td>
</tr>
<tr>
<td>Furniture &amp; Household Operation</td>
<td>88.7</td>
<td>1.2</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Medical Care &amp; Health</td>
<td>44.1</td>
<td>1.2</td>
<td>2.5</td>
<td>2.2</td>
</tr>
<tr>
<td>Transportation and Communication</td>
<td>148.1</td>
<td>0.7</td>
<td>0.7</td>
<td>-1.6</td>
</tr>
<tr>
<td>Recreation, Entertainment &amp; Services</td>
<td>48.7</td>
<td>2.1</td>
<td>2.1</td>
<td>5.1</td>
</tr>
<tr>
<td>Education</td>
<td>53.1</td>
<td>-3.5</td>
<td>9.7</td>
<td>12.4</td>
</tr>
<tr>
<td>Other goods &amp; services</td>
<td>91.6</td>
<td>0.8</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>ALL ITEMS</td>
<td>1,000</td>
<td>0.5</td>
<td>1.3</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Source: Department of Statistics
BARBADOS

In keeping with government policy, the rate of inflation as measured by the annual average of the All Items index of retail prices, increased by 1.5 percent over the 1998 level, compared with the -1.2 percent recorded in 1998. Food, Housing and Education were among the sections of the index responsible for the increase noted. The increased level of economic activity contributed to a decline in the unemployment rate to 11.8 percent as at December 1999. This compares with 12.3 percent for the corresponding period of 1998. Whereas the average rate of unemployment for 1998 was 10.4 percent, the rate fell to 9.8 percent for the corresponding time period in 1999.

Annual averages in the Index of retail prices
(May 1994 = 100)

<table>
<thead>
<tr>
<th>Year</th>
<th>Food</th>
<th>Alcoholic Beverages &amp; Tobacco</th>
<th>Housing</th>
<th>Fuel and Light</th>
<th>Household Operations</th>
<th>Clothing and Footwear</th>
<th>Transportation</th>
<th>Medical and Personal Care</th>
<th>Education and Recreation</th>
<th>All Items</th>
<th>Annual Rate of Inflation on All Items</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weights</td>
<td>394</td>
<td>52</td>
<td>81</td>
<td>105</td>
<td>38</td>
<td>48</td>
<td>1000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>110.2</td>
<td>104.2</td>
<td>105.7</td>
<td>103.7</td>
<td>98.7</td>
<td>96.8</td>
<td>100.5</td>
<td>103.6</td>
<td>102.7</td>
<td>105.5</td>
<td>2.4</td>
</tr>
<tr>
<td>1997</td>
<td>125.1</td>
<td>112.4</td>
<td>107.0</td>
<td>112.9</td>
<td>103.6</td>
<td>91.4</td>
<td>101.7</td>
<td>108.6</td>
<td>114.4</td>
<td>113.6</td>
<td>7.7</td>
</tr>
<tr>
<td>1998</td>
<td>119.7</td>
<td>113.8</td>
<td>110.6</td>
<td>109.8</td>
<td>102.0</td>
<td>90.4</td>
<td>102.6</td>
<td>108.9</td>
<td>119.6</td>
<td>112.2</td>
<td>-1.2</td>
</tr>
<tr>
<td>1999</td>
<td>122.7</td>
<td>114.8</td>
<td>113.4</td>
<td>110.8</td>
<td>101.0</td>
<td>93.6</td>
<td>101.9</td>
<td>109.9</td>
<td>122.3</td>
<td>113.9</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Source: Barbados Statistical Service

GUYANA

Government’s prudent monetary and fiscal policies helped to contain the rate of inflation to single digits. The inflation rate for 1999 was 8.6 percent, up from the 4.6 percent increase observed in 1998. Among the factors contributing to the observed level of price increase were the weakening of the Guyanese dollar, the quarterly increases in electricity tariffs and the significant increases in fuel prices in the second half of 1999.

Significant increases in the wages of public sector employees were granted in 1999 as a result of strong trade union representation. The salaries of traditional public servants increased by 31.06 percent. In this process, the minimum monthly wage increased from G$11,445 to G$15,000 – a pari passu increase with the 31.06 percent increase in salaries. The salaries of other categories of worker in the public service increased by between 8.5 percent and 12 percent. These wage and salary increases put pressure on the private sector to remain competitive in the labour and goods markets.

JAMAICA

Single-digit inflation was attained for the third consecutive year. For calendar year 1999, the point-to-point rate of inflation was 6.8 percent, compared with 7.9 percent in the previous year. Significant increases in housing, miscellaneous expenses, food and drink and health care and personal services were major factors influencing the rate of inflation.
The estimate of inflation derived from a comparison of the annual average in the Consumer Price Index was 6.0 percent as opposed to 8.6 percent in 1998. The main factors influencing the level of the index are the same as in the case of the point-to-point computation.

The average weekly wage of all workers in large establishments increased by 16.1 percent. This represents a significantly lower rate of increase than was the case in the past. The range of percentage wage increases across sectors was wide, ranging from 4 percent to 44.2 percent.

A decline in the labour force of 0.8 percent followed the poor performance of the economy in 1999, continuing on a downward trend for a fourth successive year. Employment averaged 943.8 thousand in 1999, indicating a displacement of some 9.8 thousand persons in 1999. The unemployed labour force grew to 175.2 thousand in 1999, to lead to an unemployment rate of 15.7 percent for both sexes. Whereas the unemployment rate among males was 10.0 percent, the comparative rate among females was 22.4 percent. Women continued to account for a smaller proportion of the labour force, contributing roughly 45 percent of the total labour force and 41.7 percent of all employed persons in 1999. The table below presents data on labour force indicators.

<table>
<thead>
<tr>
<th>Labour Force indicators, 1998 and 1999</th>
<th>Both sexes, thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MAIN INDICATORS</strong></td>
<td><strong>1998 annual average</strong></td>
</tr>
<tr>
<td>Labour Force</td>
<td>1128.6</td>
</tr>
<tr>
<td>Employed Labour Force</td>
<td>953.6</td>
</tr>
<tr>
<td>Unemployed Labour Force</td>
<td>174.9</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td>15.5</td>
</tr>
<tr>
<td>Job-seeking rate (%)</td>
<td>7.3</td>
</tr>
<tr>
<td>Labour Force Participation Rate</td>
<td>65.6</td>
</tr>
</tbody>
</table>

Source: Statistical Institute of Jamaica

TRINIDAD AND TOBAGO

The annual rate of inflation as measured by the change in the annual average of the Retail Price Index (September 1993 =100), decelerated to 3.4 percent compared with 5.6 percent in 1998. Mainly responsible for this rate of increase were price increases in Food (8.6 percent), Drink and Tobacco (3 percent) and Education/Recreation (2.6 percent). In contrast, Clothing and Footwear recorded a 2.5 percent decline in prices.

The unemployment rate averaged 13.1 percent for the first nine months of 1999 compared with a rate of 13.7 percent for the corresponding period one year earlier. Improved labour market conditions have resulted in the number of jobless declining since 1994. A total of 491.2 thousand persons were employed during the first three quarters of 1999, an increase of 10.8 thousand persons, or 2.3 percent from the level of 1998. As a result, the number of unemployed persons declined by 3.4 thousand. The unemployment
rate among the youth, however, remained above the national average at 27.8 percent at the end of September 1999, slightly better than it was one year earlier.

Public Finance

BAHAMAS

The Budget for Fiscal Year (FY) 1999/2000 targeted an overall deficit of $66.8 million, some 5.5 percent below the preliminary estimate for FY 1998/1999. With budgetary allocations following government’s policy priority areas. Health, education, the criminal justice system, social services, youth and the environment figured prominently.

For calendar year 1999, the direct charge on Government increased by $80.8 million to $1512.3 million as compared with a $56.4 million increase to $1431.5 million in 1999. Government’s contingent liabilities increased by $21.4 million to reach $354.3 million, largely reflecting a bond issue in March 1999 for funding the construction of a bridge and external borrowings. The National Debt rose by $102.2 million, or 5.8 percent, to $1866.6 million at year-end 1999.

The stock of public sector foreign currency debt fell in calendar year 1999 by $4.3 million, or 1.1 percent, to $374.9 million. Foreign currency debt service payments declined by 2.5 percent to $69.5 million. This comprised $45.5 million in principal payments and $24.0 million in interest charges.

BARBADOS

An estimated deficit of $101.635 million on Central Government’s operations was incurred during calendar year 1999. This was equivalent to 2.0 percent of GDP at market prices and represented a significant worsening of the total deficit on Government operations. The deficit for calendar year 1998 was $39.740 million by comparison. Total expenditure and net lending increased by 5.2 percent over the same period. Total current revenue for calendar year 1999 stood at $1.546 billion, showing hardly movement from the 1998 take of $1.527 billion.

GUYANA

In spite of a 55-day strike in the Public Service in the second quarter of 1999, current revenue of the Central Government grew in 1999 to surpass the target for that year. Collections improved to G$36.6 billion in 1999 – some 4.7 percent above the budget of G$34.9 billion and 10.5 percent more than the 1998 figure. The main determinants of this performance were:

1. The more than expected increase in national output;
2 The change in the method of assessment of companies by the Inland Revenue Department.

Customs revenue collection increased by some 6.1 percent in 1999 to a figure of G$15.9 million, but fell almost G$200 million short of the target. Difficulties in clearing imports through customs as a result of the public service strike may have caused imports through customs as a result of the public service strike might have caused goods intended for Guyana to have been diverted to other destinations, orders to have been cancelled or postponed.

Estimates of Central Government expenditure on current account put the 1999 figure at G$24.1 billion, an increase of 22.5 percent over that of the previous year. Contributing to this increase were large increases in wages, salaries and allowances. Personal emoluments were estimated at G$11.8 billion – some G$2.7 billion more than in 1998 and G$2.2 billion over the 1999 budget. Of this (deficit) figure of G$2.2 billion, about G$1.6 billion was spent on the payment of increased wages and salaries to employees in the public service, G$500 million was used to meet increased allowances.

Both external and internal interest payments were less than budgeted. Scheduled external interest payment amounted to G$6.5 billion. Largely as a result of the relief extended under the HIPC Initiative, actual external interest paid was G$3.9 billion. Capital expenditure and net lending declined by G$600 million to G$12.3 billion. The overall deficit before grants improved to G$9.9 billion, or 82 percent of GDP. Grants totaled G$6.6 billion, consisting of HIPC relief and non-project grants. The overall deficit after grants was G$3.3 billion and was financed mainly through external flows, which allowed for repayment to the banking system. The receipts of the public enterprises and the National Insurance Service totaled G$50.0 billion in 1999 with G$50.2 billion one year earlier. Although increased production and exports of sugar and a weakened Guyana dollar boosted the revenues of the state-owned sugar company, the bauxite and rice industries were afflicted by lower export prices and revenue.

JAMAICA

For the nine months to December 1999, the fiscal deficit, excluding amortization payments, fell to $16.1 billion – a decrease of some 15.7 percent. The lower deficit derived from a 16.8 percent increase in revenue and grants, taking the figure to $63.8 billion as at December 1999. This compares with a 12.5 percent increase registered in 1998. At the same time, total expenditure increased by 8.5 percent to $79.9 billion as at December 1999. This performance was below what was budgeted as revenues fell below the budgeted figure by 1.0 percent and expenditures exceeded the budgeted figure by 3.3 percent. The result was that the budgeted deficit of $12.9 billion was exceeded. To finance the fiscal deficit and amortization, $51.2 billion in loans was raised on both the domestic and external markets. This represented a $5.1 billion, or a 10.5 percent increase over the total amount sourced in the corresponding nine-month period of FY 1998/99. Amortization payments increased by $11.2 billion to $37.8 billion during the period. The
overall deficit was 2.0 billion compared with a $0.4 billion surplus in the April-December period of 1998 and a programmed deficit of $1.1 billion.

TRINIDAD AND TOBAGO

The overall balance on government’s fiscal accounts worsened from a deficit of $450.1 million in 1998 to $1,287.6 million in 1999. This represented an increase from 1.2 percent to 3.1 percent of GDP in calendar year 1999. For this period, government expenditure increased by 9.6 percent over the level of 1998. This increase in expenditure outstripped the increase in revenue in 1999. Total receipts grew by 1.4 percent in 1999 after falling by 3 percent in 1998. This growth was attributable in part to developments in the petroleum sector, which contributed $1,998 million in oil receipts, or 20.4 percent of the total revenue take in 1999. A recovery in oil prices in 1999 from an average of US$14.40 in 1998 to US$19.24 per barrel and an increase in production resulted in the higher tax take.

Non-oil revenue declined by 3.2 percent in 1999 whereas in the preceding year it grew by 12.3 percent. The main contributor to the fall off in 1999 was the value-added tax, which stood at 22.6 percent below the 1998 level to account for 17 percent of total taxes. Non-tax revenue increased by 15.1 percent as profits from state enterprises more than doubled and as administrative fees and charges increased by 65.4 percent. Interest income fell by 26.1 percent as the central government’s balances held with the Central Bank dropped sharply in 1999.

Capital revenue increased by more than four times the level of 1998 to reach $121.5 million in 1999. This figure includes inflows from the sale of assets and also includes grants.

Government expenditure was tightly managed. This impacted on the development programme as capital expenditure stood at $483 million in 1999, some 34.6 percent below the level of expenditure one year earlier. The restriction on current expenditure could not easily be managed to the same extent as capital expenditure, and rose by 13.1 percent to $10,593.5 million in 1999.

The 1999 fiscal deficit of $1,287.6 million was financed in part by a draw down of balances at the Central Bank and divestment proceeds. The public sector external debt rose to US$1511 million in 1999 from US$1429.6 million at year-end 1998. The debt service ratio, however, continued to fall, declining to 8 percent in 1999 from 9.9 percent at the end of 1998.

There was little change in the profile of Trinidad and Tobago’s external debt between 1998 and 1999. The US dollar-denominated debt continued to be the dominant component, increasing to 89.1 percent from 81 percent at the end of 1998. The maturity structure of the debt remained skewed toward medium and long-term payments while the variable interest rate component fell to 39 percent.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Revenue</strong></td>
<td>7,504.8</td>
<td>8,455.8</td>
<td>9,536.8</td>
<td>9,125.9</td>
<td>9,678.0</td>
<td>6,668.0</td>
<td>7,487.0</td>
</tr>
<tr>
<td><strong>Current Expenditure</strong></td>
<td>7,103.4</td>
<td>7,836.0</td>
<td>9,120.6</td>
<td>8,770.0</td>
<td>9,369.8</td>
<td>6,173.1</td>
<td>7,067.9</td>
</tr>
<tr>
<td><strong>Current Account Surplus(+) / Deficit(-)</strong></td>
<td>401.4</td>
<td>619.8</td>
<td>416.2</td>
<td>355.9</td>
<td>308.2</td>
<td>494.9</td>
<td>419.1</td>
</tr>
<tr>
<td><strong>Capital Revenue</strong></td>
<td>59.9</td>
<td>56.0</td>
<td>5.7</td>
<td>827.8</td>
<td>29.0</td>
<td>762.3</td>
<td>28.0</td>
</tr>
<tr>
<td><strong>Capital Expenditure and Net Lending</strong></td>
<td>467.6</td>
<td>622.5</td>
<td>580.4</td>
<td>1,142.3</td>
<td>738.7</td>
<td>475.5</td>
<td>578.1</td>
</tr>
<tr>
<td><strong>Overall Surplus(+) / Deficit(-)</strong></td>
<td>-6.3</td>
<td>-53.3</td>
<td>-158.5</td>
<td>41.4</td>
<td>-401.5</td>
<td>781.7</td>
<td>-131.0</td>
</tr>
<tr>
<td><strong>Total Financing (net)</strong></td>
<td>6.3</td>
<td>53.3</td>
<td>158.5</td>
<td>-41.4</td>
<td>401.5</td>
<td>-781.7</td>
<td>131.0</td>
</tr>
<tr>
<td><strong>EXTERNAL FINANCING (Net)</strong></td>
<td>302.3</td>
<td>-902.6</td>
<td>133.4</td>
<td>-1,500.5</td>
<td>-435.8</td>
<td>-697.6</td>
<td>-549.5</td>
</tr>
<tr>
<td><strong>Net External Borrowing</strong></td>
<td>287.0</td>
<td>-902.6</td>
<td>133.4</td>
<td>-1,500.5</td>
<td>-473.4</td>
<td>-697.6</td>
<td>-587.1</td>
</tr>
<tr>
<td><strong>Disbursements</strong></td>
<td>1,331.9</td>
<td>140.4</td>
<td>1,293.6</td>
<td>368.4</td>
<td>359.9</td>
<td>285.2</td>
<td>191.0</td>
</tr>
<tr>
<td><strong>Repayments</strong></td>
<td>1,684.9</td>
<td>1,043.0</td>
<td>1,180.2</td>
<td>1,868.9</td>
<td>833.3</td>
<td>1,182.8</td>
<td>778.1</td>
</tr>
<tr>
<td><strong>Divestment Proceeds</strong></td>
<td>589.3</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>37.6</td>
<td>0.0</td>
<td>37.6</td>
</tr>
<tr>
<td><strong>DOMESTIC FINANCING (Net)</strong></td>
<td>-296.0</td>
<td>849.3</td>
<td>25.1</td>
<td>1,459.1</td>
<td>837.3</td>
<td>115.9</td>
<td>690.5</td>
</tr>
<tr>
<td><strong>Treasury Bills (Net)</strong></td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Bonds (net)</strong></td>
<td>203.9</td>
<td>752.2</td>
<td>-8.7</td>
<td>1,839.9</td>
<td>-34.3</td>
<td>672.1</td>
<td>-19.4</td>
</tr>
<tr>
<td><strong>Disbursements</strong></td>
<td>442.1</td>
<td>903.5</td>
<td>27.1</td>
<td>1,894.2</td>
<td>941.8</td>
<td>703.2</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Repayments</strong></td>
<td>238.2</td>
<td>151.3</td>
<td>35.8</td>
<td>54.3</td>
<td>976.1</td>
<td>31.1</td>
<td>23.4</td>
</tr>
<tr>
<td><strong>Divestment Proceeds</strong></td>
<td>20.8</td>
<td>51.1</td>
<td>28.2</td>
<td>0.0</td>
<td>78.4</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Uncashed Balances (Net)</strong></td>
<td>-528.7</td>
<td>46.0</td>
<td>5.6</td>
<td>-380.8</td>
<td>793.2</td>
<td>-556.2</td>
<td>699.9</td>
</tr>
</tbody>
</table>

---

Memo Item

**Surplus(+) / Deficit(-) as a Percent of GDP (current market prices)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Account Surplus(+) / Deficit(-)</td>
<td>1.4</td>
<td>2.0</td>
<td>1.2</td>
<td>1.0</td>
<td>0.8</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Overall Surplus(+) / Deficit(-)</td>
<td>0.0</td>
<td>0.2</td>
<td>-0.5</td>
<td>0.1</td>
<td>-1.1</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

---

**SOURCE:**
- Auditor General: Report on the Accounts of Trinidad and Tobago, various years.
- Central Bank of Trinidad and Tobago: Monthly Statistical Digest, various issues.

1. Refers to accounts of Consolidated Fund, Unemployment Fund and Funds for Long-term Development.
2. Current Expenditure for the period 1995–1998 carries an adjustment to include the issue of emolument bonds in settlement of the outstanding salary arrears to public servants. (For a further explanation see the June 1995 issue of the QEB, Page 6, Box 2).
3. For 1997, the proceeds of $789.2 million from the divestment of state companies are included in Capital Revenue.
4. Includes an adjustment for Repayment of Past lending.
5. In 1997, the transfer of $500 million for the creation of an infrastructure development fund is excluded from total revenue and expenditure.
6. Figures do not include disbursements of loans from the IDB and the EIB received by the Central Government.
7. Includes advances from the Central Bank.
Monetary developments

BAHAMAS

The broad money supply (M₃) increased by 11.8 percent in 1999. This represented a deceleration from 1998 when it increased by 15.8 percent. Narrow money (M₁) continued to increase, moving from an increase of some 15 percent in 1998 to 27.1 percent in 1999. Of this level of money supply, currency in active circulation increased by 14.5 percent in 1998 and 18.2 percent in 1999. Demand deposits increased by 29.5 percent in 1999 as compared with 15.1 percent in 1998.

Growth in savings deposits more than doubled to 25.1 percent in 1999, while fixed deposits, though increasing in 1999, grew by a modest 4.4 percent. The following table analyses growth in money supply over the period 1996 – 1999.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>M₁</td>
<td>0.6</td>
<td>16.4</td>
<td>15.0</td>
<td>27.1</td>
</tr>
<tr>
<td>M₂</td>
<td>6.0</td>
<td>10.7</td>
<td>15.3</td>
<td>12.3</td>
</tr>
<tr>
<td>M₃</td>
<td>5.6</td>
<td>11.1</td>
<td>15.8</td>
<td>11.8</td>
</tr>
</tbody>
</table>


Significant increases in bank liquidity led to generally lower interest rates in 1999, bringing about a decision by the Central Bank to cut the Discount Rate by 75 basis points to 5.75 percent at the end of June 1999. Banks lowered their Prime Rate from 6.75 percent to 6 percent effective 1 July 1999. These rate changes were the first since April 1994. The average 90-day Treasury bill rate fell to 19.7 percent at the end of 1999. Although both deposit and lending rates fell, the spread between the two widened to 7.34 percent from 6.76 percent.

BARBADOS

Domestic deposits grew by $276 million in 1999. Credit to the private sector increased in the first half of the year to support demand from the personal, distribution and construction sectors and by year-end recorded expansion of $308.4 million. Expansion led to strong demand for imports, causing the Central Bank to take measures to slow down the loss of foreign exchange. The cash reserve ratio was raised from 5 percent to 6% percent. The Central Bank’s discount rate was raised by one percentage point to 10 percent. To further remove liquidity from the system, the Central Bank invested 1.5 percent of deposits from the domestic banking system in foreign securities. In addition, the minimum savings rate was raised from 4 percent to 5 percent in order to encourage savings and restrain spending following a fall off in the growth of domestic deposits. In the second half of the year, credit to the private sector moderated. With tightened liquidity, the excess liquidity ratio by year-end was 4 percent, down from the 8.5 percent recorded one year earlier.
GUYANA

Monetary policy focused on price and exchange rate stabilization through the management of excess liquidity in the financial system. During 1999, the monetary base declined by 4 percent, compared with an 11.8 percent increase in the previous year. This resulted from a 20 percent decline in the Central Bank’s liabilities to the commercial banks, since there was an increase in currency in circulation. Broad money expanded by 12.1 percent in 1999, as contrasted with the 6.8 percent expansion noted in 1998. Narrow money increased by 21.1 percent. Both components of narrow money experienced stronger growth. Demand deposits increased by 25.7 percent, up from 4.7 percent in 1998, while currency with the public increased by 18.4 percent.

Although there was a moderation in the growth of total net domestic credit, loans and advances to the private sector increased by 7.7 percent, reflecting primarily increased public-sector deposits and subdued borrowing by the private sector despite a decline in commercial banks’ weighted average lending rate. Some 18 percent of outstanding private-sector credit were in manufacturing, with 19 percent accounted for by the distribution and personal sector and 15 percent in agriculture. Domestic debt increased to 35.3 percent of GDP, up from 31.9 percent at year-end 1998.

JAMAICA

Money Supply (M2) stood at $123.4 million at the end of 1999 – an increase of 20.4 percent or $20.9 billion. Growth in 1999 far outstripped that of 1998 when the increase was of the order of 7.2 percent. Narrow money supply (M1) and quasi money increased by 39.5 and 12.4 percent respectively in 1999. Currency increased by 45.7 percent, while Demand deposits increased by some 34.6 percent. The accelerated growth rates in money supply in the second half of the year reflected a combination of factors:

1. The merger of four commercial banks and their affiliates,
2. An increase in the demand for liquid balances in light of heightened expectations of exchange rate depreciation,
3. The supply of liquid balances in the banking system increased in December 1999 to meet the expected increase in demand for cash because of problems anticipated because of the roll over into Y2K.

The reverse repurchase was the main instrument of open market operations to control the growth in base money in 1999. Reverse repurchases grew by $711.6 million to $27.4 billion. Repo rates fell from 22.0 percent at the end of 1998 to a low of 18.4 percent in August 1999 and remained flat for the rest of the year.

During the year, the liquid assets and cash reserve ratios of commercial banks continued to fall as programmed, to 34.0 percent and 16.0 percent by October from 43.0 percent and 21.0 percent at the end of 1998 respectively. The lowering in reserve ratios, the reduction
in open market operations and lower inflation, all enabled a reduction in nominal interest rates.

TRINIDAD AND TOBAGO

Expansionary fiscal policy and a worsening imbalance in the foreign exchange market presented a major challenge to monetary policy in 1999. Falling international oil prices led to reduced revenues and put the government budget into deficit early in the year. At the same time, domestic revenue collections were unexpectedly low and aggravated the fiscal imbalance. Government resorted to Central Bank financing to confront its expanding deficit while it sought to increase the borrowing limit. To avoid the inflationary effects of monetary expansion occasioned by the loan, the Central Bank engaged in open market operations and withdrew some $700 million from the banking system in the first six months of the year. In the second half of the year, market borrowings by the central government and two statutory bodies, helped to reduce excess liquidity in the system. The easy liquidity conditions in the earlier part of the year resulted in a reduction of the average prime lending rate of commercial banks from 17.50 percent to 16.50 percent in July 1999. Commercial Bank credit to the private sector, which had not varied significantly in 1998, grew by 17.6 percent in 1999 with demand from consumers and from the services sectors being strong. Commercial bank credit grew by 14 percent while for the banking system as a whole the increase in Central Bank credit to the government contributed to growth of 15.7 percent in 1999. Growth in the previous year was of the order of 5.2 percent.

Trade and Payments

BAHAMAS

Provisional estimates of the balance of payments for 1999 indicate a significant reduction in the current account deficit from a deficit of $994.4 million in 1998 to a reduced deficit of $667.2 million a year later. The current account deficit was supported by the $605.2 million in net foreign investment inflows, which were less in 1998 as major tourist accommodation construction and refurbishment projects came to an end.

The trade deficit increased in 1999 by 3.9 percent to $1427.6 million. The main determinant of the increase in the deficit was an expansion in non-oil imports in 1999. The net services balance was in surplus at $859.7 million. This represented an increase of 58.4 percent over the 1998 surplus of $542.8 million and was due mainly to an increase of 8.8 percent in net tourism receipts as represented by the balance on the services account, which rose to $1194.6 million in 1999.

On the income account, net factor payments fell by 31.3 percent to $135.8 million in 1999. Accounting for this decline were an increase of 17.4 percent in outflow on labour income and a 41.6 percent decline in the net repatriation of investment income. Net
transfer receipts rose by 6.3 percent to $36.4 million in 1999. This was assisted by an increase in Government’s net inflows, which rose from $38.0 million in 1998 to $41.5 million in 1999. Net private sector remittances increased moderately to $5.1 million in 1999.

On the capital and financial account, the estimated surplus stood at $605.2 million in 1999, the second highest surplus recorded. The 1999 estimate represented a decline of 25 percent from the surplus of 1998 and is explained by the completion of major hotel construction and refurbishment projects. Net outflows on migrant transfers were slightly higher at $14.6 million in 1999 than the recorded $11.7 million one year earlier. Net Private direct investment increased slightly to $146.6 million. In the Public Sector, government’s net borrowing of $17.0 million in 1999 represented an opposite net position to that of 1998 when government ended the year with a net repayment of $11.4 million. Net short-term inflows by way of the banking system increased significantly to $95.3 million in 1999 from $29.9 million in the previous year. The foregoing movements produced an overall balance as measured by changes in the external reserves of the Central Bank of $65.3 million. The comparative figure for 1998 was $119.3 million.

BARBADOS

The deficit on the Current account of the Balance of Payments stood at 3.6 percent of GDP and rose by a little more than one percentage point on the 1998 outcome. This represented deterioration in the current account balance for the third successive year and resulted from a slowdown in the growth of foreign receipts and high import demand. Export receipts grew by some 3.5 percent, as higher sales of electronic components were made. However, net foreign receipts from services were sluggish and reflected a 0.1 percent increase in tourism earnings. The loss of high-priced rooms due to the closure of two major hotels contributed to the relatively unspectacular performance of tourism earnings. On the merchandise trade account, retained imports increased by 5 percent in 1999 to some $2.135 billion. Consumer goods grew by 7.4 percent and capital goods, by 16 percent. The importation of motor vehicles increased by 15 percent and food and beverages grew by 8.5 percent to contribute to the increase in consumer goods purchased. A great portion of the capital goods consisted of machinery for use in the construction industry. Intermediate goods, destined mainly for the manufacturing industry, contracted for the second year in succession.

The net international reserves (NIR) of the monetary authority rose by $70.9 million in 1999 and led to an increase in the reserve cover from 12.9 weeks in 1998 to 14.1 week at the end of 1999. This outcome was influenced mainly by a loan of $150 from the regional capital market.
GUYANA

The merchandise trade deficit narrowed to US$ 25.2 million from US$ 54.2 million in 1998, largely a reflection of a slower growth in imports. Although agricultural exports increased in volume, earnings from merchandise exports declined by 4 percent to US$ 525 million. In the case of sugar, the volume of exports increased by 19 percent while receipts increased by 5.6 percent. This performance is explained by a significant reduction in the average price, from US$ 544.8 per tonne in 1998 to US$483.5 per tonne in 1999. Rice performed similarly to sugar. Average export price fell from US$ 293.5 per tonne in 1998 to US$ 282.7 per tonne in 1999. Earnings fell by 3 percent to US$ 71.1 million, despite a slight increase in the volume exported. Lower export prices were recorded for gold and bauxite and explained their lower export earnings in 1999. On the other hand, a combination of higher prices and higher export volume earned for timber exports US$ 37.3 million in 1999, some 20.3 percent more than in 1998.

Merchandise imports declined by 8.5 percent to US$ 550.2 million, mainly on account of a 9.7 percent and a 16.7 percent reduction in consumer and capital goods, respectively. The contraction in imports in 1999 derived in part from widespread industrial unrest in the first half of the year. Net imports of services stood at US$ 89 million in 1999, representing virtually no change from the previous year. Net transfer payments were down by US$ 5 million to US$ 39 million in 1999. The goods, services and transfer accounts resulted in an improvement of 24.7 percent in the current account deficit. This represented a move from negative US$ 98.5 million in 1998 to negative US$ 75.2 million in 1999. The capital account surplus moderated to US$ 71.4 million in 1999 from US$ 79.8 million in 1998 to improve the balance of payments deficit from (deficit) US$ 22.7 million in 1998 to (deficit) US$ 4.4 million in 1999.

JAMAICA

The Balance of Payments position worsened in 1999, as Net International Reserves fell by US$131.8 million. This contrasts to the situation at the end of 1998 when an improvement of US$ 41.5 million was noted. At the end of December 1999, the stock of net international reserves stood at US$450.2 million, with gross reserves at US$ 551.8 million. This was equivalent to 10.5 weeks of imports.

Merchandise Trade
The merchandise trade deficit amounted to US$ 1140.6 million, an increase of US$ 43.9 million over the figure of one year earlier, or a 4.0 percent increase over the deficit of 1998. Accounting for the widened deficit was a drop of US$ 122.8 million in Total Goods Exports to US$ 1490.6 million (f.o.b.). Total imports of goods declined by US$ 78.9 million to US$ 2631.2 million (f.o.b.). The decline in export revenues reflected to a great extent a 16.6 percent fall in non-traditional exports. Manufacturing exports continued to fall in 1999, falling by 9.2 percent to US$ 414.6 million. Influencing the fall was a decline in the exports of wearing apparel, which fell by US$ 41.1 million to US$ 159.8 million in 1999. A sharp decline in exports of Drink and Tobacco was explained
by reduced demand in the rest of the world for tobacco and its products. Exports from
the food-processing industry increased by US$ 7.8 million to US$ 38.1 million. On the
imports side of the account, the value of general merchandise imports amounted to US$ 2896.6 million (c.i.f.) in 1999. This represented a decline of 3.2 percent from the level of
the previous year. The increasing share of earnings from the export of services is
indicative of the transformation to a service economy with tourism accounting for the
major part of service receipts.

The movements in the Goods and services accounts has contributed to a Current Account
deficit of US$ 273.1 million in 1999, an improvement of US$ 17.3 million. The services,
income and current transfers accounts all improved and outweighed the deterioration in
the Merchandise Trade Account. The net balance on the private current transfers account
grew by US$ 14.1 million to US$ 603.4 million, reflecting the receipt of remittances
from abroad. This performance was influenced by the continued expansion of the
networks of remittance companies.

Capital and Financial Account
Developments in this account were highlighted by a decrease in inflows on the Other
Official Investment account. This resulted from a situation of more expensive borrowing
that ensued from the financial crisis in Brazil and other countries. The net position on
this account was insufficient to compensate for the deficit on the Current Account and led
to a fall in reserves to the extent of US$ 131.8 million. In 1998 a buildup in reserves to
the extent of US$ 41.4 million was observed.

TRINIDAD AND TOBAGO

The balance of payments was in surplus in 1999, aided by a doubling of oil prices and a
US$230 million Euro-bond issue in September 1999. The extent of the surplus was US$ 162.1 million, which was 2.5 percent of GDP, twice the size of the surplus achieved in
1998. The gross official international reserves increased to just below US$950 million by
the end of 1999. This was equivalent to 3.5 months of prospective imports of goods and
non-factor services.

Small surpluses were registered in the merchandise trade and the current accounts in
1999, after two years of deficits. Increased oil prices and expanded exports of
petrochemicals were the contributing factors to this turnaround.

The current account recorded a surplus of 0.2 percent of GDP in 1999, whereas the
contribution was 10.6 percent of GDP in 1998. The surplus was due to the improvement
in visible trade, as the export of services decreased in 1999.

In 1999, a merchandise surplus of US$63.6 million was recorded – the first surplus in
three years. Exports rose by 24.3 percent to reach a total of US$2,815.8 million. Of this
total, the value of exports of mineral fuels and lubricants increased by 51.3 percent to a
total of US$1,523.2 million. Improved oil prices contributed to the 1999 performance.
Imports fell by 8.5 percent in 1999, as imports of machinery and transport equipment were reduced, possibly correlating to the completion of a number of large projects in the energy sector. Imports in this category fell by US$ 282 million to a value of US$ 937.5 million as direct investment in the energy sector continued to level off. Imports of manufactured goods declined by 9.7 percent in 1999.

The combined services and income accounts recorded a deficit of US$81.6 million after registering its first surplus in twenty years in 1998.

The capital account surplus narrowed significantly in 1999 to record a surplus of US$146.2 million. This was as a result of reduced inflows from foreign direct investment and some large outward direct and portfolio investments in the CARICOM region.

Trinidad and Tobago’s net foreign position improved in 1999 by US$88.3 million to reach US$1,073.2 million as a result of an increase in the net foreign reserves of the monetary authorities. This was mainly attributed to government’s increased tax take from oil operations and higher external borrowing.

Trinidad and Tobago’s gross foreign assets totalled US$1,367.7 million at the end of 1999. This represented an improvement of US$183.1 million and 5.1 months of imports of goods and non-factor services.
OECS COUNTRIES

Overview

The performance of the OECS countries varied in 1999, as do their economies. Growth in Gross Domestic Product reflected the configuration of the economies and their performance over the year under review. Generally, growth in GDP was recorded, with the exception of Montserrat, where GDP is estimated to have fallen by 1.5 percent as that country endeavours to cope with the effects of the volcanic eruption of 1997. Growth in GDP ranged from 0.4 percent in the case of Dominica to 8.2 percent in Grenada. In five countries GDP increased at a greater pace than in the preceding year, probably reflecting a cumulative effect of government policy together with the product mix of the countries. Value added in the goods-producing sectors tended to decline, while the services sectors remained buoyant.

The fiscal balance in most of the OECS countries worsened as expenditure outstripped revenue, characteristically. Current account deficits were recorded in Antigua & Barbuda, Anguilla, Dominica, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines. Fiscal surpluses were recorded in Grenada and Montserrat.

Inflation was kept under control either through policy or through the quality and direction of trade embarked upon by the OECS countries. In many cases inflation rates in 1999 were less than in the previous year.

Output and Prices

ANTIGUA AND BARBUDA

Value added in the tourism sector as estimated by performance in the hotel and restaurant sector increased by 2.7 percent in 1999, after a 2.2 percent contraction one year earlier. Contributing to this performance was an increase of 1.9 percent in tourist arrivals by air, taking the figure to 207,862, as against a decline of 3.5 percent in 1998. The industry’s contribution to GDP remained at 13.5 percent. A significant proportion of all arrivals was from the United Kingdom, contributing 71,313, or 34.3 percent, to total arrivals. This represented an increase in the market share of visitors from the UK of 6.1 percent, the result of improved air access and successful marketing. The increase in arrivals from the UK market was moderated by declines in stay-over visitors from the United States of America (1.6 percent), Canada (20.5 percent) and the Caribbean (6.5 percent). Arrivals from mainland Europe continued to follow a downward trend. Sea arrivals increased by 7.6 percent to 23,852 compared with a 7.1 growth rate in 1998. Cruise ship arrivals fell by 2.1 percent to 339,794. Yacht arrivals declined by 14.2

---

2 Antigua and Barbuda, Anguilla, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines.
percent to 17,358 in 1999, whereas arrivals had grown by 9.1 percent in 1998. Yacht calls fell by 15.3 percent in 1999.

Construction continued to be vibrant in 1999, with value added in the sector increasing by 8.0 percent. The sector contributed 13.2 percent to total output. The growth in value added in this sector was directly related to the relatively high level of implementation of government’s public sector investment projects as a number of public facilities were either built or renovated. Construction in the private sector was substantial, with building activity in residential housing, commercial buildings and office complexes.

The small agricultural sector contributed 3.5 percent to GDP. Value added in the sector increased by 3.2 percent, whereas one year earlier its contribution was 4.2 percent. The slower growth in value added was partly due to the impact of hurricanes Jose and Lenny in the fourth quarter of 1999. Onion was the most widely planted crop with 73.3 acres under cultivation.

The transportation sector grew by 3.8 percent, following growth of 0.9 percent in 1998. An increase in value added in air transport contributed significantly to this performance. In the services sector, value added for the wholesale and retail trade sector was remained at 4.5 percent, while banks and insurance grew by 7.4 percent and communications by 7.6 percent. Government services, the largest contributor to GDP with a share of 15.9 percent recorded an increase of 3.5 percent in value added.

ANGUILLA

After a 5.2 percent growth rate in 1998, Gross Domestic Product in real terms grew by 8.2 percent in 1999, led by the Construction sector, which recorded growth of 21.2 percent in value added. The increased growth in the construction sector resulted in an increase in the sector’s contribution to GDP, to 16.2 percent, from 14.5 percent in 1998. In the private sector, construction activity during the year focused on hotel and commercial construction. In the public sector, activity focused on road construction and other elements of infrastructure.

The rate of growth in tourism increased in 1999, despite the impact of hurricane Lenny, which struck the island in November 1999. Real value added in the tourism sector increased by 6.6 percent compared with 1.6 percent in the previous year. The contribution of the tourism sector to GDP fell slightly to 32.0 percent, down from 32.5 percent in 1998. The performance of this sector was influenced by a 6.6 percent increase in tourist stay-over arrivals, bringing that figure to 46,782. The number of excursionists declined by 14.3 percent and resulted in an overall decline of 6.2 percent for total number of visitors. The major market for tourists continued to be the U.S.A., though arrivals from this market declined by 1.3 percent in 1999. Stay-over visitors from the Caribbean increased by 25.2 percent in 1999. The relative importance of the Italian market continued to be noted, with a 33.9 percent increase in visitors from this source.
The agricultural sector continued to be a small contributor to GDP. Following an increase of 7.2 percent in real value added in 1998, output in the sector declined by 11.0 percent in 1999, largely as a result of the impact of hurricane Lenny. Reduced output was recorded for crops, livestock and fish.

Activity in the other services sectors remained buoyant, with value added increasing in all sectors with the exception of transportation, which declined by 3.7 percent. Output in the manufacturing sector increased by 59.9 percent and reflected the commencement of the manufacture of concrete blocks for construction.

DOMINICA

After three years of decline, value added in the construction sector increased by 2.8 percent in 1999 while the sector’s share of GDP rose slightly to 7.9 percent. Recovery in the sector was in great part due to a higher level of government capital expenditure in the areas of schools, housing, sea defenses, road works and the development of health facilities. Private sector construction activity included residential construction.

Activity in the tourism industry as indicated by value added in the hotels and restaurants sector grew at a slower rate of 1.2 percent in 1999 compared with a rate of growth of 2.5 percent in 1998. The industry’s contribution to GDP stood at 2.6 percent in 1999. Stay-over visitors increased by 12.2 percent to 73,506 as the promotion of local cultural events attracted visitors. Caribbean visitors to the island dominated the tourist market with a share of 58 percent of all stay-over arrivals. The number of excursionists more than doubled to 3,904 while cruise ship passenger arrivals fell by 17.4 percent as a result of a temporary suspension of calls by the main cruise line. Total visitor arrivals fell by 10.3 percent to 279,350.

The manufacturing sector contributed less in 1999 to GDP than it did in 1998, with its contribution falling from 8.2 percent in 1998 to 6.9 percent in 1999 when value added in the sector contracted by 15 percent.

The main influence on the performance of the agricultural sector was the production of bananas. Banana production totalled 27,784 tonnes, to register contraction by 3.0 percent in 1999. This performance reflected bad weather and the continued exit from the industry of marginal farmers. An increase in the production of non-traditional crops was noted.

GRENADE

Output in the agricultural sector grew by 10 percent in 1999 following declines in growth rates from 1996 to 1998. The sector’s contribution to GDP increased to 8.9 percent in 1999 from 8.7 percent one year earlier. The performance in 1999 was largely due to increased production of traditional export crops, namely nutmeg, mace and bananas. Output of nutmeg and mace increased by 44 percent to 3,018 tonnes and by
82.2 percent to 277 tonnes, respectively because of higher prices and domestic and international demand for these crops. Banana production grew from 94 tonnes in 1998 to 584 tonnes in 1999 following the resumption of exports to the United Kingdom in the fourth quarter of 1998 as a result of the Banana Rehabilitation Plan.

Cocoa production continued to decline in 1999. Output fell by 31.4 percent owing to a reduction in the acreage of land and the number of farmers involved in the cultivation of this crop.

Growth in the manufacturing sector, though buoyant, decelerated in 1999 to 12.1 percent compared with a rate of increase of 14.1 percent in the previous year. The sector's contribution to GDP rose from 7.9 percent in 1998 to 8.1 percent in 1999 in response to increased production, mainly in the food and drink sub-sectors.

Construction sector activity remained buoyant in 1999, but tapered somewhat after the completion or near completion of major capital projects of both the public and private sector. A growth rate of 8.0 percent was recorded in 1999 after the 16.9 percent growth of 1998. Commercial banks' credit for home construction and renovation increased by 15.9 percent in 1999.

The tourism sector was stable in 1999. Real growth in the Hotel and Restaurant sector was 8.2 percent compared with 2.1 percent one year earlier. The sector contributed 7.5 percent to GDP, the same as in the previous year. Total visitor arrivals declined by 3.3 percent in 1999 to 378,874. Explaining this drop was a decline in the number of cruise ship passenger arrivals of 7.7 percent as a major cruise line discontinued its visits to the island. Stay-over arrivals increased by 8.1 percent to 125,211 as increases in arrivals from the major markets of the U.S.A. and Canada materialized. Arrivals from the United Kingdom increased by 12.5 percent to 26,234, while arrivals from other European countries declined by 42.8 percent.

In the services sector, government services increased by 5.2 percent while banking and insurance declined.

MONTSEÑRAT

Construction activity after the volcanic eruption of 1997 continued to drive the economy during 1999, accounting for 26.6 percent of total gross domestic product. Activity slowed down in 1999 as several major projects in the public sector were completed. Private sector construction addressed mainly housing and commercial buildings.

Government services, the second largest contributor to GDP, declined to 25 percent of GDP in 1999 from 31.9 percent one year earlier as capital expenditure declined in the light of completion of major projects. Value added in the distribution sector increased by 41.7 percent after a contraction by 34.5 percent in 1998.
The tourism industry experienced a 66.7 percent increase in activity in 1999 compared with 45 percent in 1998. Preliminary tourism data indicate that stay-over visitors increased by 27.0 percent to a total of 9,785 in 1999. Visitors from the Caribbean constituted 53.5 percent of the total in 1999 compared with 60.4 percent in 1998. Negative travel advisories associated with the perceived instability of the volcano have continued to constrain growth in this sector.

In the agricultural sector, real value added increased by 16.5 percent following a contraction of 2.0 percent in 1998 and a decline of 81.3 percent in 1997. Increased production of vegetable crops which increased by 29.3 percent in 1999, fuelled the growth.

All sub-sectors of the services sector experienced growth in 1999.

ST. KITTS AND NEVIS

Value added in the agricultural sector declined by 9.9 percent in 1999 as contraction in sugar cane production continued. A decline in production of 21.3 percent was observed in 1998. This was followed by a decline of 18 percent to 196,784 tonnes in 1999. In the non-sugar agricultural sector, production of vegetables and root crops increased by 13 percent compared with a 23.5 percent decline one year earlier. Accordingly, value added in the sub-sector rose by 7.7 percent in contrast to a decline of 21.6 percent in 1998.

The manufacturing sector strengthened in 1999 as real value added increased by 8.0 percent after a decline of 0.9 percent in 1998, reflecting a substantial increase in production of electronic components for export to the U.S.A. Production of sugar declined by 27.8 percent to 17,319 tonnes, reflecting the decrease in the production of sugar cane.

After a 28.7 percent increase in 1998, the tourism industry contracted by 10.4 percent in 1999, as total visitor arrivals declined. Value added in the hotel and restaurant sector decreased by 12.6 percent as stay-over and yacht passenger arrivals decreased following the closure of a large hotel and damage to the cruise ship berthing facility. Of the total number of stay-over visitors, arrivals from the U.S.A., the United Kingdom and the Caribbean declined by 13.0 percent, 2.8 percent and 9.9 percent, respectively. Fewer cruise ship calls resulted in a decline of 11.0 percent in arrivals after growth of 17.7 percent and 48.6 percent in 1997 and 1998, respectively. The number of excursionists increased by 4.3 percent to 3,006.

Value added in the construction sector grew by 6.8 percent in 1999, following growth of 7.0 percent in 1998. This was associated with increased private sector construction activity as work on the construction of two major hotels with an estimated cost of $432.0 million intensified in 1999. In the public sector, activity was associated with the construction of low and middle-income housing, educational and health facilities and road rehabilitation.
Value added in the **distribution** sector increased by 4.5 percent, compared with growth of 5.6 percent and 4.2 percent in 1997 and 1998, respectively.

Value added in **government services**, the largest contributor to GDP with a share of 15.6 percent, increased by 1.1 percent in 1999, following a 4.7 percent increase in 1998.

**ST. LUCIA**

The **construction** sector was the main contributor to economic growth in 1999. Growth in the sector was of the order of 6.0 percent in 1999 to a value of $96.1 million. The contribution of the sector to total GDP increased from 8.1 percent in 1998 to 8.3 percent at the end of 1999. Activity was focused on public sector expenditure on roads, bridges, commercial development and a goods distribution free zone complex. Private sector construction included the construction of hotels and private housing.

Total **tourist** visitor arrivals declined by 0.8 percent. This decline was attributable to a fall in cruise ship arrivals that were consequential to fewer cruise ship calls. The decline was offset to some extent by a 4.6 percent growth in stay-over arrivals who came from France, the United Kingdom and the U.S.A. The number of cruise ship visitors fell by 5.6 percent to 351,233, after increasing by 19.9 percent in 1998.

The **agricultural** sector declined in 1999, mainly as a result of a drop in banana production. An estimate of banana production in 1999 puts the total at 65,196 tonnes in 1999, a drop of 11 percent from the 1998 total.

**ST. VINCENT AND THE GRENADINES**

Real value added in the **agricultural** sector contracted by 5.7 percent following growth of 8.3 percent in 1998. A main explanatory factor was the decrease in banana production and a reduction in the fish catch. Banana production declined by 6.3 percent to 37,386 tonnes and contributed 28.6 percent of total banana production in the OECS countries. In the “other crops” sector, value added grew marginally.

**Construction** contracted in 1999 as value added declined by 4.1 percent following the conclusion of several large public sector projects in 1998 and early 1999. The projects furthered government policy towards improvement of transportation, including air transport, road transport, health and education facilities.

The **manufacturing** sector continued to decline in 1999, with value added falling by 1.6 percent.

Indications are that the **tourism** sector grew by 9.1 percent in 1999 as increased numbers of stay-over, cruise and yacht visitors came to the island. Increased arrivals from the
United Kingdom and Canada were of the order of 3.6 percent and 1.3 percent, respectively while no significant change in the number of visitors from the Caribbean and the U.S.A was noted. The number of excursionists declined by 16.4 percent.

**Inflation, wages and employment**

Inflation was kept under control either through policy or through the quality and direction of trade embarked upon by the OECS countries. In many cases inflation rates in 1999 were less than in the previous year.

Throughout the OECS countries wage increases in 1999 were generally similar, with private sector increases being in the range 3 percent to 10 percent. In Antigua and Barbuda, wages in the public sector rose by 5 percent, while in the private sector a 4.4 increase in wages was granted. The unemployment rate is estimated to have risen. The number of job seekers registered with the labour department fell during 1999. In the public sector, wage increases of between 3 percent to 6 percent were granted in the following countries: Antigua and Barbuda, Anguilla, Dominica, Grenada, Montserrat, St. Kitts and Nevis and St. Vincent and the Grenadines. In St. Lucia, public sector wage increases were of the order of 2 percent. In the private sector, the unemployment rate is estimated to have fallen in Dominica, while it rose in Anguilla and St. Kitts and Nevis. In Grenada and St. Lucia, indicators of the rate of unemployment were not readily available.

In Antigua and Barbuda, there is no consumer price index. An indirect estimate of the rate of inflation may be found in the percentage change in the GDP deflator, which was 1.9 percent in 1999. Inflation rates ranged from negative 1.8 percent in the case of St. Vincent and the Grenadines to 3.5 percent in the case of St. Lucia. The following table presents the rates of inflation as quoted.

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>INFLATION RATE 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antigua and Barbuda</td>
<td>No CPI. Estimated 1.9%</td>
</tr>
<tr>
<td>Anguilla</td>
<td>Estimated 2.5%</td>
</tr>
<tr>
<td>Dominica</td>
<td>0%</td>
</tr>
<tr>
<td>Grenada</td>
<td>Negative 1.0%</td>
</tr>
<tr>
<td>Montserrat</td>
<td>0.8%</td>
</tr>
<tr>
<td>St. Kitts and Nevis</td>
<td>1.8%</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>3.5%</td>
</tr>
<tr>
<td>St. Vincent &amp; Grenadines</td>
<td>Negative 1.8%</td>
</tr>
</tbody>
</table>

Source: Data supplied by ECCB and countries.

---

3 St. Lucia quotes two inflation rates. It uses a point to point increase in the CPI (6.1 percent) and an annual average rate of increase of 3.5 percent. This is the measure used to describe the inflation rate.
Central Government fiscal operations

A mixed performance on the Central Government Current Account was noted in 1999 and reflected economic performance as well as management of the economy. Current account surpluses were obtained in Anguilla, Grenada, St. Lucia and St. Vincent and the Grenadines. On the other hand, deficits were observed in Antigua and Barbuda, Dominica, Montserrat and St. Kitts and Nevis. A number of countries moved to improve their systems of tax collection in the face of dwindling customs revenues as trade liberalization systems were put in place. All of the OECS countries recorded overall fiscal deficits in 1999. Montserrat recorded an overall deficit of $44.9 million before grants and a surplus of $11.5 million after grants.

In Anguilla, the current account surplus narrowed to $5.7 million (or 2 percent of GDP) from a surplus of $13.1 million in 1998 (Or 5 percent of GDP), as revenues fell and expenditure increased. Adverse weather towards the end of the year influenced the lower revenue take, while tax administration indicated room for improvement. Capital expenditure contracted by 26.5 percent from the level of 1998. The decline reflected a fall in current savings available for financing. Approximately 68.4 percent of total capital expenditure was financed from the current account surplus and deposits at commercial banks. The overall deficit declined to $2.4 million.

Antigua and Barbuda experienced a worsening of its current account deficit, moving from a deficit of $21.7 million in 1998, or 1.3 percent of GDP) to a worsened deficit of $41.5 million in 1999, or 2.3 percent of GDP. The current account revenue grew by 1.4 percent as tax revenue increased by 3.3 percent, but was outweighed by expenditure on current account. Capital expenditure contracted by 3.3 percent in 1999, despite several major projects, mainly infrastructural. The overall deficit rose by 15.2 percent to $78.2 million, or 4.4 percent of GDP.

Dominica recorded a deficit of $6.0 million on current account in 1999, after recording a surplus of $8.8 million in 1998. Partly explaining this deterioration was a substantial increase in outlay on capital expenditure. Revenue declined by 2.2 percent, as a lower tax take was received. Capital expenditure increased to $82.7 million, or 11.7 percent of GDP as government made settlements for land acquired for the construction of an international airport. The overall fiscal deficit rose to $74.0 million, or 10.5 percent of GDP.

Grenada recorded a current account surplus of $48.6 million, or 4.7 percent of GDP, a significant improvement over the previous year’s surplus of $9.2 million, or 1 percent of GDP as a substantial increase in the efficiency of the tax was realized. This resulted in an increase of 18.1 percent in current revenue to a total of $271.7 million. This was reinforced by a modest increase in current account expenditure. Capital expenditure increased by 8.8 percent to $106.4 million in 1999. Over 92 percent of this expenditure represented outlays by the public sector on capital projects. External grants, external
loans and local financing financed expenditure. The overall fiscal deficit was $23.0 million, or 2.2 percent of GDP.

In Montserrat, the current account deficit improved to a (deficit) position of $31.1 million, or 1.7 percent of GDP, from a deficit of $34.7 million or 32.9 percent of GDP in 1998 as current revenue increased and expenditure declined slightly. The revenue gain of 19.7 percent derived from increased efficiency in the administration of the tax. Capital expenditure contracted by 22 percent to $13.8 million, or 12.7 percent of GDP. The contraction is in part explained by a lower rate of implementation of the public sector investment programme. The overall fiscal deficit before grants was $11.9 million, whereas after grants, the overall balance was in surplus to the extent of $11.5 million.

A move from a surplus of $2.8 million in 1998 to a deficit of $14.3 million or 1.7 percent of GDP was recorded in St. Kitts and Nevis in 1999. Current expenditure increased by 12.8 percent while revenue increased by 5.4 percent. Some improvement in the collection of taxes was noted as tax revenue increased by 4.7 percent to $183.6 million. Capital expenditure decreased to 34.6 million as a number of projects were completed. The overall fiscal deficit stood at $45.8 million.

St. Lucia recorded a surplus of $85.9 million, some 19.7 percent below the surplus of 1998. Current expenditure increased by 9.7 percent to $354.6 million. Personal emoluments, of which salary increases were a part, increased by 1.7 percent. Capital expenditure rose to $187.5 million in Fiscal Year 1999/2000. The overall fiscal deficit stood at $26.4 million, or 1.7 percent of GDP.

St. Vincent and the Grenadines, like St. Lucia, recorded a surplus on current account in 1999, albeit reduced from that of the preceding year. The 1999 surplus stood at $33.8 million, whereas in 1998 it was $39.4 million, or 4.6 percent of GDP. Total current revenue rose by 4.9 percent as tax administration was enhanced. Capital expenditure decreased from $103.3 million in 1998 to $61.8 million in 1999 as a number of public sector projects came to an end. The overall fiscal deficit narrowed from $25.0 million in 1998 to $13.6 million in 1999.

Money and credit

ANGUILLA

The broad money supply (M2) expanded by 8.4 percent to $369.8 million, reflecting the growth in economic activity. Domestic credit expanded at a rate of 36.2 percent. This growth reflected increased credit to the private sector (29.2 percent expansion), subsidiaries and affiliates of commercial banks and a decline in net deposits of central government. The net foreign assets position of Anguilla weakened I 1999, falling to $109.0 million, or 35 percent below the 1998 level. Liquidity in the commercial banking system tightened in 1999. Interest rates remained stable during 1999. The rates on savings deposits ranged from 4.0 percent to 5.0 percent, while interest rates on 12-month time deposits were in the range of 2.0 percent to 5.8 percent. The prime lending rate
ranged between 11.5 percent and 12 percent, while other rates were between 13.5 percent and 19.5 percent.

**ANTIGUA AND BARBUDA**

Total monetary liabilities (M2) of the banking system increased by 10.5 percent to $1311.7 million, reflecting developments in both the narrow money supply (M1) and quasi money. Domestic credit increased by 12.3 percent to $1408.4 million, mainly influenced by an addition to the private sector’s stock of debt. Net credit to the central government increased by 16.4 percent to $277.4 million and was associated with increased lending by the commercial banks. The net foreign assets of the banking system increased by 12 percent to $54.9 million. Liquidity in the commercial banking system remained tight in 1999. The loans and advances to total deposits ratio moved from 100.1 percent at the end of 1998 to 89.1 percent. The cash reserve ratio declined to 6.8 percent. Interest rates remained stable during the year, with the exception of the maximum rate on six-month time deposits, which fell to 5.5 percent from 5.8 percent.

**DOMINICA**

Developments in the commercial banking system during 1999 were largely influenced by central government’s bond issues earmarked to finance the international airport and the receipt of EU funds for the diversification and restructuring of the banana industry. Commercial banks therefore accumulated net foreign assets of $40.2 million and remained relatively liquid. During the year, monetary liabilities and domestic credit expanded while interest rates remained stable.

Total monetary liabilities (M2) grew by 10.4 percent to $468.3 million, reflecting increases in both narrow money supply and quasi-money. Domestic credit increased by 4.6 percent to $420.4 million, influenced by growth in credit to both the public and private sectors. Central government continued to be dependent on the banking system, with outstanding credit to it growing by 6.2 percent to $105.2 million. Credit to the private sector increased by 2.4 percent to $419.8 million. The net foreign assets of the banking system rose to $125.4 million at the end of December 1999, with the commercial sector being the major author of the increase.

**GRENADE**

An expansion in credit, monetary liabilities and net foreign assets and a slackening in liquidity were recorded in 1999. Monetary liabilities grew by 13.9 percent to $854.6 million, mainly through a 9.8 percent increase in the narrow money supply (M1) and a 15 percent increase in quasi-money. Private sector foreign currency deposits grew sharply, while private sector savings deposits and time deposits increased by 12.6 percent and 15.4 percent respectively.

Domestic credit of the banking system expanded by 7.7 percent to $762.4 million. Credit to the private sector increased by 12.2 percent to $767.9 million. The net foreign assets
of the banking system increased by 51.7 percent to $133.8 million. Interest rates remained stable in 1999. Prime lending rates ranged from 9.5 percent to 10.5 percent, while other rates were as high as 16.0 percent. Interest rates on savings deposits ranged from 4.0 percent to 6.0 percent while rates on three-month time deposits ranged from a minimum of 1.5 percent to 5.5 percent.

MONTSERRAT

Total monetary liabilities (M2) of the banking sector contracted by 5.2 percent to $111.3 million at year-end 1999. A 16 percent decrease in the narrow money supply (M1) was the main explanatory factor behind the decrease.

The domestic credit position moved to negative $1.6 million in 1999 from negative $1.4 million one year earlier, mainly because of a fall in credit to the private sector and an increase in the deposits of non-bank financial institutions, non-financial public enterprises and central government. A decline in credit was noted, with the exception of the construction sector.

During 1999 liquidity in the commercial banking system increased. The loans and advances to deposits ratio stood at 19.0 percent, down 3.7 percentage points from its position in 1998. The share of total liquid assets to total deposits contracted and the cash reserves to deposits ratio fell to 15.7 percent because of a decline in the net cash reserves ($44.1 million) and a contraction in total deposits ($15.4 million).

ST. KITTS AND NEVIS

Total monetary liabilities of the banking system (M2) increased by 11.3 percent to $607.4 million after growth of 4 percent in 1998, the faster rate of growth reflecting developments in narrow money (M1) and quasi-money.

Domestic credit increased by 22.4 percent to $627.0 million in 1999 compared with growth of 5.8 percent in 1998. Whereas outstanding credit to the private sector increased by 8.3 percent, credit to non-bank financial institutions increased by 73.0 percent, while the deposits of these institutions more than doubled, resulting in an increase in the net deposits position.

The net foreign assets of the banking system fell by 43.3 percent to $99.5 million at the end of 1999. A 25.4 percent increase was recorded in the previous year as the commercial banks moved from a net assets position in 1998 to a net liabilities position at the end of 1999.

During 1999, liquidity in the commercial banking system tightened. The loans and advances to deposits ratio increased to 91.2 percent at the end of 1999 from 87.5 percent one year earlier.
Interest rates at the commercial banks remained unchanged in 1999. The rates on savings deposits ranged from 4.0 percent to 6.0 percent. Interest rates on time deposits of three, six and twelve months ranged from 1.5 percent to 7.0 percent. Lending rates ranged from 9.5 percent to 21.6 percent.

Total monetary liabilities of the banking system (M2) increased by 9.7 percent to $1,093.3 million in 1999 as both M1 and quasi-money increased largely through private sector deposits.

Domestic credit increased by 12.6 percent to $1,114.6 million after an expansion of 3.9 percent in the previous year. This reflected an increase of 10.8 percent in private sector credit. Net deposits by central government increased by 7.4 percent to $139.9 million, while total deposits increased by 20.4 percent to $203.7 million.

Banks’ lending to tourism, transport and professional and other services indicated the buoyant nature of these activities in the period under review.

The foreign assets of the banking system fell by 12.1 percent to $81.4 million at the end of 1999 from $92.6 million one year earlier as the net foreign assets position of the commercial banks fell by 23.6 percent.

Liquidity in the commercial banking system remained tight. The loans to deposit ratio moved to 96.4 in 1999 from 95.2 one year earlier.

Interest rates were stable in 1999. The prime lending rate ranged from 9.5 percent to 10.5 percent. The maximum rate offered on savings deposits stayed at 6.0 percent and the maximum rate on 3 months, 6 months and 12 months time deposits remained at 9.3 percent.

**ST. VINCENT AND THE GRENADINES**

The broad money supply (M2) increased to $580.5 million at the end of 1999 compared with $516.1 million one year earlier.

Domestic credit grew by 12.1 percent compared with 1.5 percent one year earlier. Net credit to the central government rose by 18.6 percent and reflected increases in central bank advances and commercial bank holdings of treasury bills. Credit to the private sector grew by 12.2 percent from 8.8 percent in 1998. Lending for the purchase of homes accounted for the greater part of the credit.

The net foreign assets of the banking system increased by 20 percent to $215.4 million at the end of 1999. Growth was attributed to inflows associated with increased deposit holdings of offshore businesses and foreign direct investment.
Liquidity in the banking system improved in 1999. The loans to deposits ratio declined from 73.0 percent to 70.8 percent in 1999, while the ratio of total liquid assets to total deposits rose to 34.4 percent from 30.4 percent in 1998.

Trade and Payments

The similarity of basic structures of production and consumption in all of the OECS countries finds expression in their current account balances. All current account balances were negative as the balance on goods and services indicated the dependence of the countries on trade with the rest of the world. The countries export a narrow range of goods and services while they import most of what they consume.

ANGUILLA

The balance of payments remained in surplus in 1999 with a surplus of $5.0 million or 1.8 percent of GDP. The current account deficit widened considerably as it rose from $51.4 million in 1998 to $128.8 million in 1999. Deficits were recorded for the goods, transportation and income accounts with deficits of $211.4 million, $49.6 million and $11.2 million respectively.

On the services account, the country recorded a surplus of $86.6 million or 31.0 percent of GDP in 1999, whereas the surplus was $112.0 million, or 43.8 percent of GDP in 1998. The balance on the travel account, associated with visitor arrivals, moved slightly up to $145.1 million in 1999.

The surplus on the capital and financial account was estimated to have increased to $133.8 million (47 percent of GDP) in 1999 compared with $56.5 million (20.2 percent of GDP) in 1998 as foreign direct investment increased substantially.

ANTIGUA AND BARBUDA

The country’s overall external balance improved from a surplus of $23.4 million in 1998 to $28 million (1.6 percent of GDP) in 1999. The current account deficit widened from $192.4 million in 1998 to $264.9 million in 1999. An increase of 8.8 percent in imports in 1999 was largely responsible for the deterioration of the balance. The travel balance was in surplus, slightly more than in the previous year, 1998. This performance is associated with the development of the tourist industry as increases were recorded in arrivals both by air and by sea. Net inflows of current transfers increased by 5.8 percent to $73.3 million and generally went to the private sector.

Net inflows on the capital and financial account rose to $292.8 million in 1999 from $215.9 million one year earlier as public sector long-term loans increased.
DOMINICA

The overall net external balance increased from $10.2 million in 1998 to $29.3 million in 1999 as a result of movements in the current and capital accounts.

The current account deficit widened to $89.8 million in 1999 from $77.8 million one year earlier, largely as a result of the deterioration in the merchandise trade account. The 1999 deficit stood at 12.7 percent of GDP in 1999.

Net inflows related to services increased by 6.7 percent to $70.1 million, or 10.0 percent of GDP. An increase in visitors of 6.3 percent resulted in an estimated $109.7 million inflow.

The capital and financial account rose from $88.0 million to $122.9 million in 1999, almost entirely as a result of central government’s bond issues during the year. Net inflows on the financial account rose from $50.4 million to $86.3 million in 1999, representing an increase of 71.2 percent. This reflected foreign investment in bonds issued by the government of Dominica of approximately $110.9 million.

GRENAIDA

The current account deficit of the balance of payments was estimated to have widened in 1999 to $288.3 million from $244.2 million in 1998 as the visible trade balance deteriorated. The deficit on this item widened by 8.5 percent to a deficit of $401.5 million in 1999. The value of merchandise imports grew by 10.8 percent in 1999 to $547.4 million, while merchandise exports increased in value by 18.7 percent in response to higher prices of nutmeg and mace. Exports of cocoa declined in value by 36.7 percent as a lower volume of the product was exported.

The services sector was in surplus to the extent of $126.9 million, following a contraction in the previous year when the figure stood at $117.3 million. The 1999 performance of this account has not regained its level of the 1995 – 1997 period. In this account the travel item accounted for the inflows recorded in the item. Net inflows from government services improved substantially in 1999 as the balance on the account moved from deficit $18.9 million in 1998 to a surplus of $2.1 million in 1999. The net surplus from other business services fell from $13.1 million in 1998 to $12.8 million in 1999.

In the capital and financial account, the surplus increased by 17 percent to $299.2 million in 1999. A significant increase in inflows on the other investment account contributed to this performance. The surplus on this account moved from $41.2 million in 1998 to $100.1 million in 1999 and reflected private sector loans. Public sector long term loans increased substantially from $10.5 million to $25.5 million in 1999.
The movements in the current and capital accounts resulted in an overall surplus of $10.9 million.

MONTserrat

The current account deficit contracted by 13.8 percent to $43.7 million, or 40.3 percent of GDP, largely as a result of an improvement in the goods and services account. Improvements were recorded on the merchandise trade account, the transportation account and the travel account.

Net inflows in the capital and financial account declined by 83.1 percent to $14.6 million, or 13.6 percent of GDP, following growth in 1998. In the capital account, net inflows with respect to capital transfers increased to $13.3 million, all of which represented capital grants from the British government. The net surplus on the financial account declined substantially to $1.3 million from $77.4 million one year earlier.

The net external position of Montserrat worsened, in 1999, moving from a surplus of $36.4 million in 1998 to a deficit of $29.0 million in 1999.

ST. KITTS AND NEVIS

The current account deficit widened in 1999 to $211.4 million from $113.2 million in 1998. Widening deficits on the goods and services account and the income account assisted this performance. The services account, though continuing to record a positive balance, weakened as the balance on the travel item fell 12.8 percent below the 1998 balance of $189.4 million.

Net inflows on the income account increased by 20.4 percent to $84.2 million (10.2 percent of GDP), reflecting higher investment flows by commercial banks and insurance companies. Net inflows in the current transfers account were concentrated in sectors other than the government sector and fell to $50.0 million in 1999 from the 1998 figure of $82.3 million.

Net inflows in the capital and finance account increased by 61.6 percent to $218.7 million in 1999. Most of this was attributed to inflows of foreign direct investment.

The net effect of these movements was an overall surplus of $7.3 million.

ST. LUCIA

The country recorded an overall surplus of $10.6 million, significantly reduced from the $25.7 million of 1998 as developments in the current and capital accounts unfolded.
In the current account, the deficit widened to $211.7 from a deficit of $181.1 million in 1998. Largely responsible for this deterioration was the goods and services account, which moved from a deficit of $111.5 in 1998 to a deficit of $134.3 in 1999. Within this account, the merchandise account deficit increased by 8.7 percent to $683.1 million. The exports of goods declined by 5.2 percent to $159.1 million, partly as a result of a 4.9 percent decline in banana export revenue.

Net inflows in the current transfers account fell to $44.6 million, signifying significantly reduced transfers to the private sector as net inflows into the government sector increased.

The balance on the capital and financial account increased from $206.7 million in 1998 to $222.3 million in 1999. This was mainly attributable to movements in the financial account, which increased to $181.9 million from $147.0 million.

**ST. VINCENT AND THE GRENADINES**

The overall balance of payments was in surplus in 1999 to the extent of $10.4 million. The deficit on the merchandise trade account increased to $343.9 million, or 38.6 percent of GDP. Receipts from exports declined by 7.1 percent to $133.4 million as banana earnings fell in response to adverse prices.

The net surplus on the services account grew by 3.1 percent to $149.6 million in 1999. This was associated with a 3.5 percent growth in net travel receipts to $185.7 million. Net outflows on the income account declined to 4.0 percent of GDP in 1999 as the repatriation of investment income declined.

The surplus on the capital and financial account declined from $213.0 million in 1998 to $202.3 million in 1999. The decrease was related to a decline in direct investment and in inflows for public sector projects.