c2

UN ECLAC/CDCC

- Antigua and Barbuda
- Aruba
- Bahamas
- Barbados
- Belize
- Br.Virgin Islands
- Cuba
- Dominica
- Dominican Republic
- Grenada
- Guyana
- Haiti
- Jamaica
- Montserrat
- Netherlands Antilles
- Puerto Rico
- Saint Kitts and Nevis
- Saint Lucia
- Saint Vincent and the Grenadines
- Suriname
- Trinidad and Tobago
- U.S. Virgin Islands

GENERAL
LC/CAR/G.502
18 June 1997
ORIGINAL: ENGLISH

SUMMARY OF CARIBBEAN ECONOMIC PERFORMANCE

- 1996-

UNITED NATIONS
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN
Subregional Headquarters for the Caribbean
CARIBBEAN DEVELOPMENT AND COOPERATION COMMITTEE

CONTENTS

List of Tables

List of Figures

OVERVIEW

The policy objectives facing Caribbean countries in 1996 were remarkably similar across the broad spectrum of countries surveyed. They were essentially twofold and interrelated. The first objective was to apply those policy reforms which would enable their countries to interface more effectively in the rapidly integrating global economy. This implied continuing reform of trade regimes and concomitant changes needed in fiscal and incentive policies. It also implied reforms in payments regimes and the concomitant changes necessary in domestic financial institutions. Finally, it implied the search for broad-based policies which would improve productivity and bring forth tradable goods and services. The second, interrelated, policy objective related to the development of human resources, mindful of the benefits to be provided in human welfare and productivity, on the one hand, and the need to maintain a fiscal burden that would be sustainable and not erode systemic efficiency, on the other.

For most of the countries surveyed reforms had commenced, yet the consequences varied or appeared in differing sequence. In Cuba, where the scope for reform was the greatest, the process had commenced relatively recently and was further complicated by the need to fashion policies and build public awareness from scratch, notably in the areas such as personal taxation and the development of private financial institutions. Furthermore, the pace, extent and nature by which that country would seek to integrate its economy seemed to have remained unresolved. Wide-ranging reforms also commenced in Haiti, following years of political instability. Reform commenced with the trade and tariff regime and continued, after a hiatus of public debate, with the productive apparatus, through land reform and the removal of monopoly power from several well entrenched entities. Reform also quickened in the Dominican Republic with the introduction of new trade policies and exchange policies and the reactivation of plans to divest several State entities.

While similiar policies had been in train for some time in the CARICOM countries, neither the sequencing nor the outcomes were identical. In Trinidad and Tobago, for example, strains in the financial institutions appeared quickly after the onset of financial liberalization policies and seemed to be rapidly resolved. In Jamaica, strains appeared relatively recently and in conjunction with strong external capital inflows and intractable fiscal problems, greatly complicated the policy calculus. The opening of markets also impacted those CARICOM industries benefiting from domestic protection from the outset, especially in Trinidad and Tobago, Jamaica and to a more limited extent, in Barbados. Yet those benefiting from externally granted preferences are still to face the consequences of their removal. Accordingly, banana producers, especially those in the Windward Islands, where dependence on banana exports provide a much greater proportion of export proceeds, must still face the shocks and make the policy adjustments which liberalization of the banana trade will require. Several countries had commenced tax reform, initially Trinidad and Tobago and Jamaica, with Belize and Suriname implementing a Value Added Tax (VAT) in 1996 and Barbados poised to implement its VAT regime in 1997. Nevertheless, the Organization of Eastern Caribbean States (OECS) countries heavily dependent on imports must still decide on the means to restore revenues as tariffs decline. Aruba and the Netherlands Antilles also face the same conundrum.

All of these issues resurfaced in the survey of Caribbean countries for 1996 as they have in previous years. Moreover, they will continue to provide challenges for the policy maker into the foreseeable future.

COUNTRY PERFORMANCE

Table 1
PERCENTAGE CHANGE IN G.D.P.
(At constant prices)

	1992	1993	1994	1995	1996
Anguilla	7.1	7.5	7.0	-4.2	3.4
Antigua/Barbuda	1.1	3.7	5.0	-4.5	5.8
Aruba	4.0	5.0	5.9	5.7	3.9
Barbados	-4.0	1.0	4.0	2.5	4.7
Belize	9.5	4.3	1.5	3.8	1.5
Cuba	-11.6	-14.9	0.7	2.5	7.8
Dominica	2.7	1.9	2.1	1.8	3.2
Dominican Republic	8.0	3.0	4.3	4.8	7.3
Grenada	1.1	-1.2	3.3	3.1	3.1
Guyana	7.7	8.2	8.5	5.1	7.9
Haiti	-13.2	-2.4	-8.3	4.3	2.8
Jamaica	1.5	1.4	1.1	0.5	-1.7
Montserrat	1.7	1.5	-0.8	-7.6	-17.7
Netherlands Antilles	5.2	-1.8	1.7	1.3	0.0
Puerto Rico	0.8	3.3	2.5	3.4	3.1
St.Kitts/Nevis	3.5	5.0	5.5	3.7	5.8
St. Lucia	7.1	2.3	2.1	4.1	1.9
St. Vincent	6.5	1.1	-1.2	8.3	1.0
Suriname	5.8	-4.4	-4.2	5.2	3.0
Trinidad/Tobago	-1.1	-2.6	5.2	3.1	2.8

SOURCE: ECLAC, derived from national data

The rate of economic expansion in Caribbean countries quickened in 1996. The most striking variations were evident in the OECS[1] countries, three of which recovered from hurricane damage inflicted in previous years and showed strong growth as compared to contraction in the previous year, yet two of those spared such damage, experienced significantly lower growth rates in 1996. Two countries exceeded 5 per cent growth, two exceeded 3 per cent and two ranged between 1 and 2 per cent. Overall, the OECS countries experienced faster growth in 1996 than was achieved in 1995. For the remaining CARICOM countries, performance was on aggregate about the same as that achieved

[1]The OECS countries are: Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts/Nevis, St. Lucia, St. Vincent and the Grenadines. For the purposes of this paper Anguilla, not a member of the group but covered by the ECCB and falling within its financial arrangements is included. Data relating to these countries are provided by the ECCB.

in the previous year[2]. Yet within the group country performance varied widely, two countries showing increased rates of growth, two recording contracting rates of growth and one moving from stagnation in 1995 to contraction in 1996. The strongest growth was recorded by the non-CARICOM countries[3], two of which exceeded 7 per cent growth with three clustering around 3-4 per cent, while one experienced no growth.

The performance of the **OECS** countries was dominated by bananas and tourism. In the background was the reconstruction effort being completed in some countries to replace capital stock destroyed by hurricanes in 1994-1995, bringing inflows of insurance funding to shore up construction and enliven services activities. Yet for banana producers, export volumes were barely equal to 1995, while earnings lagged by over 6 per cent. The agricultural sector for the group was estimated to have declined marginally over the previous year. In tourism, total arrivals were estimated to have increased by 4 per cent, stopover arrivals by slightly over 1 per cent with an 8 per cent increase in cruiseship visitors. Gross earnings were estimated to have increased by about 4 per cent. Performance did not meet the standards set in 1995, but should be seen in the context of hurricane damage in Anguilla and Antigua and Barbuda. Manufacturing performance varied. Soap production expanded in Dominica. The electronics industry expanded in Saint Kitts/Nevis while in Saint Lucia it declined. Fiscal performance on aggregate strengthened, current surpluses being augmented by one third. Current revenues increased by about 8.5 per cent, with all countries contributing to the increase, mainly because of increased proceeds from import taxes. Recurrent expenditures were contained to a 7 per cent increase which was marginally less than in the previous year. Expenditure for personal emoluments, which comprised over 50 per cent of recurrent expenditure, was restrained to a 4 per cent increase as compared to 7 per cent in 1995. Prices increased in five member countries, but declined in Antigua and Barbuda and Saint Lucia, being negative in the latter after witnessing relatively high inflation in 1995.

For the remaining CARICOM countries economic performance varied widely, from continued robust expansion achieved by Guyana, aggregate output increasing by 37 per cent in five years, to declining Product in Jamaica in 1996, where aggregate Product increased by 2.8 per cent in the last five years. Among the other countries, strong performance was recorded by Barbados while moderate though slowing rates of growth were recorded by Belize and Trinidad and Tobago.

The **Barbados** economy expanded for the fourth consecutive year. Exportables, notably tourism and sugar, recovering from poor growing conditions in 1995, recorded strong expansion together with non-tradable activities, such as construction and other services. Despite increased export earnings, the merchandise deficit increased, primarily because of increased capital goods imports. Increased earnings from services were insufficient to prevent an erosion in the current account surplus but capital inflows to finance private investment in tourism and the public utilities

---

[2] These include Barbados, the Bahamas, Belize, Guayana, Jamaica, Suriname and Trinidad and Tobago.

[3] These include Aruba, Cuba, the Dominican Republic, Haiti, the Netherlands Antilles and Puerto Rico. Data for Cuba, the Dominican Republic and Haiti are provided by the ECLAC Subregional Headquarters in Mexico

permitted an accumulation of foreign reserves. The fiscal account deteriorated, for despite increased revenues both current and capital expenditure increased. Inflation, though increasing slightly, remained moderate and buoyant economic activity led to a reduction in unemployment.

The rate of economic expansion in **Belize** slowed to 1.5 per cent, following a 3.8 per cent growth rate in 1995. The expansion achieved was made possible because of the robust performance in agriculture but fiscal tightening impacted several other sectors. Accordingly, fiscal performance was strong, following reform of the tax system and the implementation of a Value Added Tax (VAT). With respect to the external account, the merchandise deficit was smaller than in 1995, but tourism and other services earnings were not as strong so that the current account deficit widened slightly over 1995. The external reserves were augmented, however, mainly because of public sector capital inflows consequent on a bond issue by the Central Bank and a loan for tourism development. Nevertheless the former augmented the external debt, which grew by nearly 18 per cent . The rate of inflation quickened, the impact seeming to come mainly from the initial effects of the new VAT, while unemployment increased as a result of widespread recession in other sectors and the effect of large-scale redundancies in the public service.

The **Guyanese** economy resumed rapid growth rates after a relatively modest increase of 5 per cent in 1995. The strong expansion also took place in the context of rapidly falling inflation. Agriculture remained the mainstay of the economy, recuperating from adverse weather conditions in 1995, but mining and construction were also significant contributors to growth. The merchandise balance strengthened, reflecting the expansion of exportables in agriculture and mining. The deficit on services also contracted and unrequited transfers were up slightly so that the current deficit fell by almost 50 per cent. Net capital inflows were, however, modest so that there was a slight fall in the reserves. Fiscal performance strengthened, increased revenues being explained by a buoyant real sector and increased efforts at tax collection. Expenditures were modest, also benefiting from debt relief which reduced the fiscal cost of servicing and also reduced the external debt.

In **Jamaica**, Product contracted following sluggish performance in 1995. Sectoral performance was mixed, goods contracting overall while the services sector expanded modestly. In the former category, mining and agriculture recorded growth, but manufacturing and construction activities contracted. In the services category basic services expanded while other services, including tourism, contracted. Underlying the performance in the real sector was tight monetary policy, symptoms of which were declining money supply growth, high real lending rates and tight liquidity in the banking sector, intended to contain inflation and re-stabilize the economy which had suffered from excess expansion in the latter part of 1995. Tight monetary policy was to have been complemented by tight fiscal policy but the cost of monetary sterilization, greatly increased by strong capital inflows, together with advances necessary to strengthen fragile banking entities, ravaged fiscal targets. Nevertheless, some progress was made in containing inflation. On the external account the rate of deterioration in the merchandise and current accounts was arrested. Both imports and exports contracted though the merchandise deficit increased. The modest increase in earnings from services was insufficient to compensate, so that the current deficit widened. Capital inflows, however, continued to be strong, augmenting the reserves and activating a slight appreciation in the exchange

rate. These developments, nevertheless, in addition to aforementioned fiscal shocks exposed the economy to greater future downside risks. Despite a contracting economy the rate of unemployment fell slightly, ostensibly because of a contracting labour force.

The economy of **Suriname** made positive strides toward stabilization and growth in 1996, despite a fragile coalition of five political parties which created uncertainty about its durability and complicated decision making. Despite these circumstances, inflation averaging 286 per cent in 1995 was halted in 1996 and the exchange rate regained stability, appreciating by about 10 per cent over the previous year's average. Together with these positive aspects the economy was also estimated to have expanded moderately, led by agriculture and mining. Tight monetary and fiscal policy, the latter including tax reform to apply a Value Added Tax, were the main contributors to economic stability. The improved stability elicited strong long-term private sector deposits at banks and concomitant increased bank lending. Quasi-money grew by 52 per cent, M_1 remaining virtually unchanged.

Trinidad and Tobago recorded its third consecutive year of growth. As was the case in 1995, non-petroleum activities expanded at a faster rate, 3.2 per cent, than the petroleum sector at 1.8 per cent. Most of the former sectors experienced expansion, notably strong performance being recorded in construction and in transport, storage and communications. While there was some activity in crude oil prospecting and refining, natural gas expansion was the more significant since it held potential for expansion in its own right as well as providing feedstock for downstream activities such as methanol and fertilizers. Both the fiscal and external surpluses strengthened in the year under review. The former increased to 1.4 per cent of Product, consequent on increased revenues from an expanding economy, improved tax collection measures and restrained expenditure. Simultaneously, the Government's total debt obligations contracted to 50.4 per cent of GDP. Consistently high liquidity required a tightening of monetary policy to dampen demand. Nevertheless, the demand for foreign exchange remained high, causing the exchange rate to depreciate more rapidly in 1996, by 3.8 per cent as compared to at 1.1 per cent in 1995. The merchandise and current account surpluses contracted significantly but this was retrieved by a turnaround in capital flows leading to an increased balance of payments surplus, from 0.6 per cent of GDP in 1995 to 3.9 per cent in 1996. Despite the depreciation of the exchange rate inflation moderated in 1996 while the rate of unemployment fell.

The strongest economic expansion was recorded for the non-CARICOM countries, two of which exceeded 7 per cent growth, three clustering around 3-4 per cent, while one experienced no growth. The **Cuban** economy experienced its third successive year of growth. The expansion recorded in 1996 exceeded projections and was contributed mainly by the production of goods expanding by almost 12 per cent, while basic and other services expanded by 7 per cent and by 5 per cent, respectively. Increased growth was to be explained primarily by the recovering sugar and tourism industries. Nevertheless, expansion was experienced in several other sectors recovering from previous years of contraction. The ravages of hurricane Lilly affected production in several areas but the consequent reconstruction, together with backlogs from previous years and new investment, contributed to the 31 per cent expansion recorded in the construction sector. These factors put severe pressure on the commercial balance, for while exports expanded, imports grew much faster so that

the merchandise deficit doubled. Nevertheless, the gap was filled by a doubling of commercial transfers and an improved capital account surplus, so that the reserves were augmented slightly. The external debt however increased. Macroeconomic policy continued to target excess liquidity, foremost being the contraction in the fiscal deficit from 39 per cent of GDP in 1993 to 2.4 per cent in 1996. Further contraction will be dependent on further far reaching restructuring of State enterprises to increase their efficiency and attractiveness to private capital inflows.

Strong growth was again evident in the **Dominican Republic** while inflation continued the decline which commenced in 1994. Economic expansion was broad based, but notable in basic services especially electricity, and transportation and communications. Expansion was also evident in the goods producing sectors, particularly in agriculture and construction, although the minerals and manufacturing sectors performed below average. The latter suffered the effects of a strong currency and high interest rates although this was mitigated by expanding exports from free-zone activities. Among the other services tourism once again stood out. Strong expansion in domestic activities, private consumption increased by 8.5 per cent, influenced the external account adversely, for while exports grew by 1.8 per cent imports grew by 5.7 so that the trade deficit widened. Despite increased tourism earnings, this caused the favourable balance on current account achieved in 1995 to move into deficit. Strong net direct investment flows, nevertheless, compensated to create a small overall surplus and permit an increase in the reserves. Fiscal performance weakened somewhat, current spending out-pacing revenue increases while capital spending also increased. The fiscal account moved from a slight surplus, of 0.6 per cent of Product in 1995 to a slight deficit of 0.4 per cent of Product in 1996.

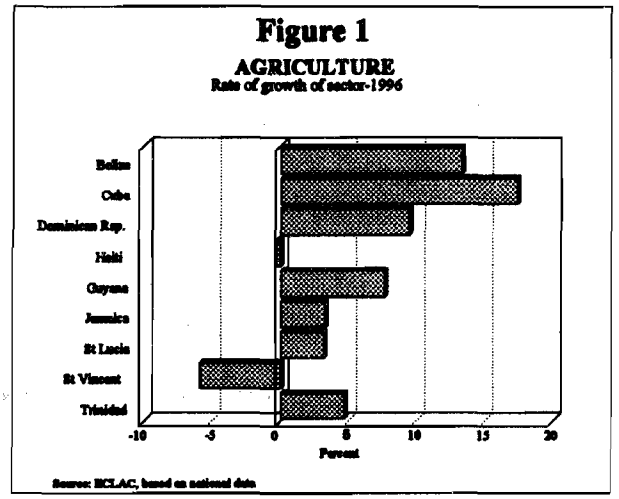
Haiti achieved modest economic expansion in 1996. The outcome was in part constrained by uncertainty as financial flows ceased pending agreement on economic reforms which were not forthcoming until after the Presidential elections. Expansion came from construction and the increase of basic services such as the distribution of electricity and water. Mining and quarrying also expanded benefiting from the construction boom. Agricultural output declined, while manufacturing grew modestly. The external account deteriorated, for while the merchandise deficit contracted, remittances and financial flows fell significantly over the previous year, requiring a draw-down in the reserves. Fiscal performance, however, improved, revenues being bolstered by tax reforms while relatively modest increases in spending served to reduce the fiscal deficit to 2.6 per cent from 4.2 per cent of Product in 1995. The rate of inflation remained unchanged and relatively high.

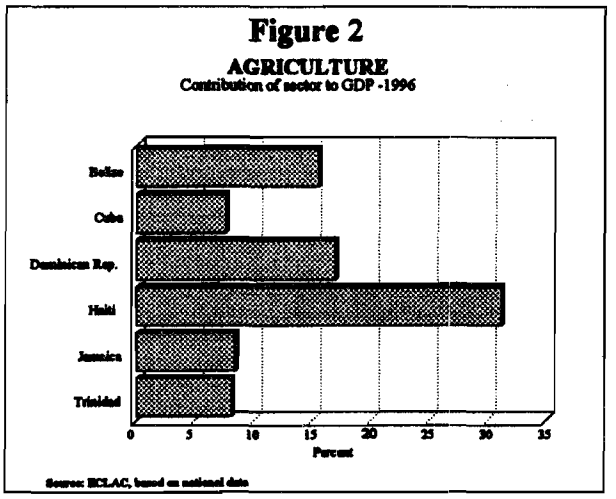
In **Puerto Rico** the rate of expansion slowed over 1995, while inflation increased. Growth was achieved by increases in construction and quarrying and manufacturing, although in the latter sector a three per cent reduction in manufacturing jobs was recorded, for in some product areas enterprises moved to more productive locations. Other services activities, including tourism, also recorded increases, although the agriculture sector contracted. The balance of payments improved, for although the deficit on goods and services increased unilateral transfers and long-term capital inflows compensated to reduce the overall deficit by 10 per cent.

Economic activity in the **Netherlands Antilles** weakened in the face of fragile external performance while domestic activities were constrained by the adjustment programme designed to recreate fiscal balance. Major export earning services such as tourism and offshore finance were sluggish, although revenues derived from ship-repair services increased. Merchandise trade was characterized by declining exports and continued high imports. The deficit in the goods and services account was, however, offset by the surplus on capital account, consequent on development assistance from the Netherlands Government and the forgiveness of outstanding external debt repayments, causing an increase in the reserves. Efforts to contain the fiscal deficit were modestly rewarded and to be explained in part by the imposition of new taxes and greater efforts to reduce tax arrears. Expenditures increased, however, notably the component relating to public wages and salaries. Nevertheless, the deficit reduction programme also benefited from the aforementioned debt relief which was linked to favourable reform targets. Despite efforts to re-balance the economy, inflation increased modestly, mainly because of the influence of tax increases and higher utility rates.

Moderate growth with declining inflation was the experience in **Aruba**. Tourism, the principal economic activity, displayed moderate expansion. Policy had targeted inflation as the major area of concern as the economy was reaching limits of growth, notably in the labour market where unemployment remained under 1 per cent for the fourth consecutive year. Tighter fiscal discipline was considered the principal outstanding means of achieving it. The outcome provided slightly reduced inflation but a greater fiscal deficit which was met by domestic financing. Increased expenditure was primarily caused by increased personnel costs, which grew by 13 per cent and which absorbed 54.5 per cent of current expenditures. Capital expenditure increased by 3.2 per cent, following cutbacks of larger projects with low rates of return and switching to infrastructure projects. Revenues increased by 7 per cent and continued to decline as a percentage of Product.

SECTORAL PERFORMANCE





Agriculture

Agricultural performance improved in 1996. In most instances the agriculture sector performed strongly in 1996, the sole exceptions being in Haiti and Saint Vincent and the Grenadines. Among the non-CARICOM countries strong growth was recorded for Cuba and the Dominican Republic although it contracted in Haiti. Strong growth was also recorded for most CARICOM countries although performance within the OECS countries varied.

In the OECS countries sectoral performance varied from the 11 and 6 per cent increases recorded in Saint Kitts and Nevis and Dominica to a 6 per cent rate of contraction in Saint Vincent and the Grenadines. In Saint Kitts and Nevis the increase was to be explained primarily by a 13 per cent increase in the sugar cane harvest but domestic food crops also recorded a 18 per cent increase in value-added. Bananas accounted for the bulk of the increase in Dominica, the crop recovering from virtual decimation by hurricane damage in the latter part of 1995. Diversification efforts were also evident output of non-traditional crops increasing by 2 per cent. Nevertheless, the share of GDP provided by agriculture fell. The sector experienced more modest growth in Saint Lucia, led by modest growth in banana output leveling off after rapid recuperation from hurricane damage in previous years. Growth in non-traditional crops remained flat, although livestock production increased by 6.2 per cent. The sector contracted in Saint Vincent and the Grenadines, value-added in bananas by 19 per cent and by 3.5 per cent in other crops. Banana planting and rehabilitation was halted prematurely while infestation of the pink mealy bug affected several other crops. Arrowroot production increased by 80 per cent, however, and fishing and livestock output also increased. The sector which is small in Antigua and Barbuda, contributing just over 3 per cent of Product in 1996, contracted, the fall consequent primarily on the decline in domestic food crops.

Among the remaining CARICOM countries Belize recorded significant expansion in the sector. Banana production led the increase, with the highest production in the history of the crop, while sugar cane production was also robust despite falling acreage under cultivation. Sugar output increased as did the export of molasses. Citrus output consolidated on a 50 per cent growth in 1995, although shrimp farming and forestry output declined. In Barbados agricultural output also expanded. Sugar production recovered from the drought induced decline in 1995 to record a 52 per cent increase over 1995 and returning output to a level that was 5 per cent higher than in 1994. Non sugar agriculture also expanded in several subsectors, notably in milk, up by 5 per cent, poultry production, up by 10 per cent and fish landings, up by 13 per cent. Guyana continued to experience expansion in the sector, led primarily by rice and sugar production increases. These crops benefitted from increased acreage under cultivation, increased expenditure in drainage and irrigation and increased credit to farmers. Livestock production, mainly in poultry, also expanded by 50 per cent, while forestry production experienced modest growth. In Jamaica both export and domestic crops recorded production increases while meat and poultry production expanded modestly although fisheries remained flat. Export earnings from sugar, bananas, citrus, pimentos, and coffee increased, though cocoa earnings fell in line with reduced export volumes. Earnings from non-traditional exports fell, although the volume exported increased slightly because of declining prices. The slowing rate of increase in domestic crop production was reversed in 1996, with a 6 per cent increase, although the high cost of imported inputs and competition from imports, as markets were opened, remained as long-term threats to the expansion of domestic foodstuffs. In Trinidad and Tobago the sector recovered some of the ground lost in 1995. Performance within the sector was, however, mixed with reduced production of sugar cane and coffee. Cocoa, citrus, meat and several domestic food crops recorded increases. Declining sugar output was to be explained by adverse weather conditions and crop infestation, while coffee production continued on a secular decline.

For the non-CARICOM countries notable agricultural expansion was recorded in Cuba. Sugar production staged a 36 per cent recovery after a cumulative decline of 77 per cent since 1990 consequent on better weather conditions in 1996 and improved availablility of inputs such as fertilizers and persticdes. Domestic agriculture also continued to expand, increases being recorded in the production of vegetables, rice, eggs and various root crops. Expanding cattle herds also provided increased supplies of meat and milk. Nevertheless, the cooperatives, which monopolized the bulk of cultivable land, continued to suffer from those constraints faced by the public sector as a whole, notably lack of finance, a scarcity of intermediate inputs and low efficiency, thus limiting the extent to which the sector could contribute to future economic expansion.

Expansion in the Dominican Republic was as a result of increased output in crops, both for export and for domestic consumption. The contribution of livestock, fishing and forestry to sectoral output was relatively modest when compared to crops. In the crop category were sugar, up 17 per cent, tobacco, up 50 per cent, with coffee and cocoa recording more modest increases. Production increases were also noteworthy in such domestic foodstuffs as tomatoes and plantains. The broad expansion was to be explained by favourable climatic conditions and public sector technical supports to farmers.

In Haiti, by contrast, the sector contracted slightly, mainly because of the decline in export agriculture, for policy emphasis was placed on the production of domestic foodstuffs such as, rice, maize and beans. These benefited from investment in farm infrastructure, in an attempt to begin restoring the deterioration experienced in recent years, favourable climatic conditions over most of the year and the ready availability of manpower as other public investment programmes were curtailed.

Bananas

The uncertainty hovering over the banana industry remained despite the World Trade Organization (WTO) ruling against preferential treatment of Caribbean bananas in the European Union (EU). Uncertainty remained as to whether any grace-period would be granted for the phase-out of preferences and if so, its duration. Uncertainty also surrounded the size of the industry once preferences ended and the impact which it would have on some of the smaller more dependent countries, such as Dominica.

Table 2
BANANA EXPORTS

	1992	1993	1994	1995	1996	1992	1993	1994	1995	1996
	Value (US$m.)					Volume ('000 tonnes)				
Belize	10	17	23	22	29	31	43	53	44	63
Dominica	30	24	21	17	16	58	55	43	32	40
Grenada	3	2	2	2	1	5	5	5	5	2
Jamaica	40	36	46	46	45	77	77	79	85	89
St Lucia	57	51	43	47	47	133	120	90	104	105
St Vincent	38	23	15	23	19	77	58	31	50	44

Source: ECLAC, based on national data

For the regional banana producers the policy responses were mixed as was the performance outcome. Overall, the region increased exports by 7 per cent, but declining prices meant that the increase in volume was unable to secure any growth in earnings. Some countries, such as Belize, forged ahead with production increases in anticipation of increased quotas. Here production was highest since the industry was established, being up by 43 per cent, the peak explained by increased acreage, favourable weather conditions, improved irrigation and success against diseases. Belize not only fulfilled its quota for the first time but pre-sold a portion of its 1997 allocation; while crop quality improved along with yields. Nevertheless earnings lagged at 30 per cent. It would seem that the gamble to acquire increased quotas was lost with the WTO ruling but Belize might now have achieved the most viable Caribbean industry vis-a-vis the open EU market. Jamaica also achieved a 4.3 per cent volume increase in exports, derived from productivity gains, since acreage under

cultivation remained constant. Quality remained constant though unit prices fell, causing a slight decline in earnings.

In the Windward Islands export volumes were barely equal to 1995 while earnings lagged by over 6 per cent. Individual country performance varied, export volumes falling by 12 per cent, earnings by 14 per cent, in part because it ceased rehabilitation designed to increase production. In Grenada output continued its secular decline in the face of uncertainty and the shift out of the crop while in Saint Lucia production stagnated. Several problems afflicted the crop, financial difficulties at the prevailing price caused a decline in inputs, quality remained problematic and not helped by industrial unrest while subsidies had to be paid to farmers to close the gap between production costs and falling prices.

Sugar

Table 3
SUGAR EXPORTS

	1992	1993	1994	1995	1996	1992	1993	1994	1995	1996
	(Value US$m.)					*(Volume '000 tonnes)*				
Barbados	33	28	30	26	37	52	49	50	39	54
Belize	38	41	40	48	47	90	90	93	92	95
Cuba <1>	1220	753	748	704	...	7010	4300	3861	3300	4446
Dominican Republic	115	112	117	102	142	321	320	318	242	314
Guyana	134	116	116	135	164	230	237	238	225	276
Jamaica	83	99	76	98	110	139	150	126	145	181
St. Kitts/Nevis	13	14	12	13	11	20	21	19	20	20
Trinidad/Tobago	32	27	28	44	43	59	51	57	68	72

Source: ECLAC, based on national data
<1> Volume refers to output

For the region as a whole, sugar production and exports increased, the latter by over 30 per cent, measured by volume. Despite generally depressed sugar prices, the different regimes under which producers disposed of their raw sugar varied the relationship between volume and value of exports quite considerably[4]. If Cuba was excepted, since precise data are not available for sugar earnings, the volume of regional exports increased by 22 per cent while earnings increased by about 18 per cent. The CARICOM countries, whose sugar was traded almost exclusively within EU or US quotas, increased exports by 18 per cent while earnings increased by almost 13 per cent.

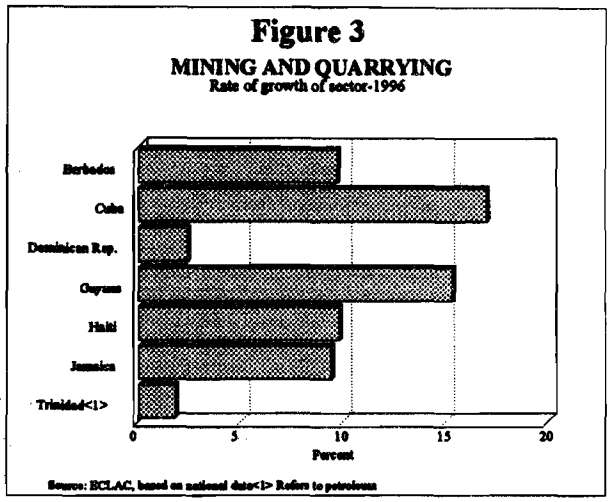
[4]For example, the world market price averaged US$ 270 per ton in 1996 while in the EU and the United States prices of US$630 per ton and US$446 per ton, respectively, prevailed.

All CARICOM countries were able to increase export volumes, though the impact of price changes varied. In Barbados for example the sugar cane crop was 52 per cent up after the major slump in 1995 and this allowed full compliance with the EU sugar quota. Exports increased by 40 per cent in both volume and value but this was the sole example of earnings keeping pace with volume increases. The heartening performance in 1996 did not, however, change the long-term prognosis for the industry in Barbados, which remains in secular decline. Belize was able to obtain only a modest increase in the volume of sugar shipped despite a 21 per cent increase in sugar cane production. The sugar cane crop was of inferior sucrose content, however, reducing the conversion rate. Nevertheless, molasses output benefited and increased two-fold. Sales were directed primarily to the EU market. In Jamaica, sugar cane and raw sugar output increased considerably as the industry continued its rehabilitation. Sugar export volumes increased by 25 per cent, the highest level since 1979. Earnings by contrast, which increased by just over 11 per cent, did not keep pace since the increased output was sold in less remunerative markets. similar trends prevailed in Saint Kitts and Nevis where output increased slightly but earnings fell by 13 per cent. In Trinidad and Tobago, sugar production was well below target and 21 per cent below production in 1995. This was to be explained by low sugar cane production, which suffered from poor climatic conditions and crop infestation. Exports, however, increased slightly by virtue of withdrawals from inventory.

Both Cuba and the Dominican Republic exported significantly increased quantities of sugar. In Cuba, the 58 per cent decline in sugar production between 1990 and 1995 was halted in 1996 as the country experienced a 35 per cent increase. The increase reflected favourable growing conditions, but also better organization and improved availability of inputs for the production process. Production efficiencies also increased, the foreign exchange cost of production falling from US$160 to US$120 per ton. Earnings from sugar were said to have increased by virtue of the increase in volume. In the Dominican Republic the volume of sugar increased by almost 30 per cent following efforts by the State sugar enterprise to expand production. Export earnings were also strong at almost 39 per cent.

Minerals

The sector performed creditably in several countries, notably in Guyana, Cuba and Jamaica and more modestly in the Dominican Republic and Trinidad and Tobago, all of which have fairly large minerals export sectors. In Haiti the sector also expanded, but this reflected strong performance in the construction sector since it was primarily related to quarrying for building materials. Similar comments apply to Barbados with the proviso that currently slightly less than one third of domestic crude oil needs were satisfied by local production. For 1996 this segment of the sector faltered since petroleum production fell by 21 per cent and natural gas sales were almost 11 per cent lower than in 1995. Following a decline in 1995 the minerals sector in Guyana expanded quite significantly in 1996. Both declared gold production, which was up by 29 per cent and bauxite which expanded by about 17 per cent, accounted for the expansion. Metallurgic and chemical grade bauxite led the increases in bauxite sales.



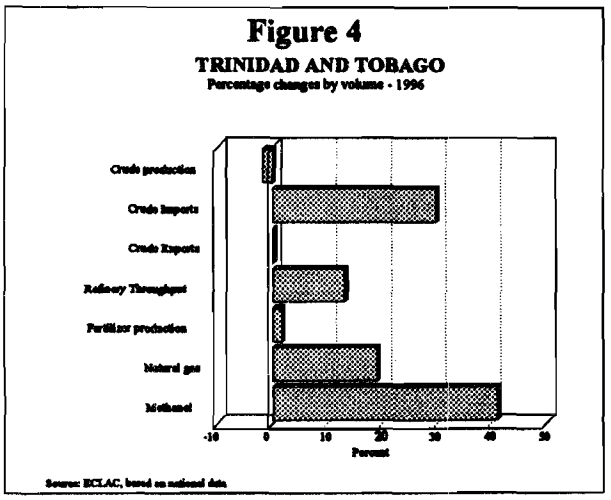


Table 4
BAUXITE AND ALUMINA EXPORTS

	Value (US$m.)					*Volume ('000 tonnes)*				
	1992	1993	1994	1995	1996	1992	1993	1994	1995	1996
					Bauxite					
Guyana	54	73	76	83	82	2192	2050	1996	2029	2368
Jamaica	89	84	72	71	78	4128	3917	3649	3547	3918
					Alumina					
Jamaica	471	440	537	632	600	2941	2943	3326	3045	3253

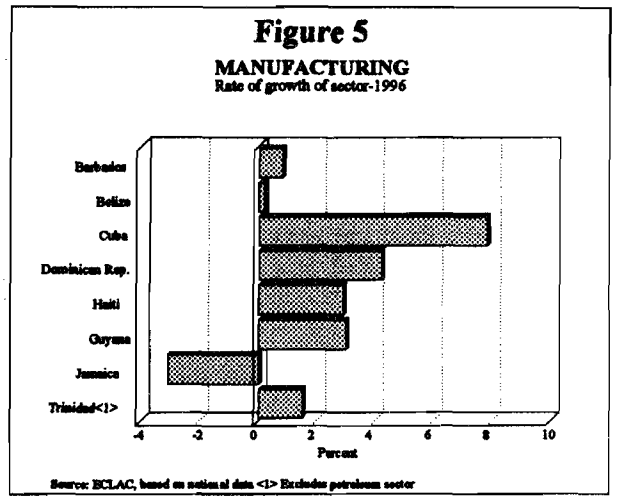
Source: ECLAC, based on national data

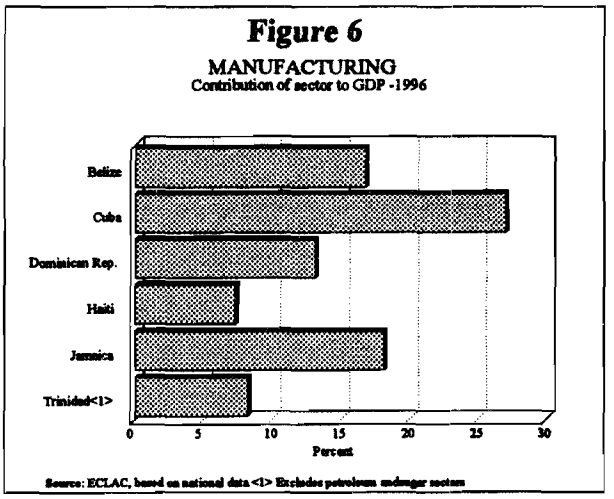
In Jamaica, the mining sector, which comprises essentially the bauxite mining and processing industry, expanded reversing a 7 per cent decline in 1995. The subsidiary industrial minerals subsector recorded a mixed performance, with three of the six industrial minerals recording an increase in output. Bauxite production increased by 9 per cent while total bauxite exports increased by 9.5 per cent. This latter figure comprised a 10 per cent increase in crude bauxite exports and a 7 per cent increase in alumina. Full benefit from increased exports were not received however, since primary aluminium prices fell by over 17 per cent.

The petroleum sector expanded by 1.8 per cent in Trinidad and Tobago, after stagnating in 1995. The subsector dealing with crude oil production expanded marginally but renewed activity in allocating offshore parcels for prospecting and increased drilling held some prospects for the future expansion while secondary recovery techniques improved the output of old and existing wells. Refining increased significantly, following upgrading of the refinery and necessitated increased

imports of crude. New gas fields were brought into operation in 1996 explaining the increased output of natural gas and natural gas liquids. Natural gas provided a major dynamizing factor in the Trinidadian economy providing downstream potential in several areas. Construction of a LNG plant commenced in the year under review, with production scheduled for 1999. The value added deriving from petrochemicals also showed an increase of 12.3 per cent. This and the fact that methanol production increased by 41 per cent was to be explained by the commissioning of the island's third methanol facility in May 1996. Earnings, however, suffered from the decline in international prices. Finally, the production of fertilizers increased marginally but increased capacity put the industry in a strong position for future expansion.

Growth in the sector in Cuba was stimulated by increased production of ferronickel which achieved record output consequent on arrangements allowing foreign exchange earning activities to be self-financing and benefits derived from the joint venture partnership, notably improved technology and efficiency. Conversely, ferronickel production fell in the Dominican Republic by 2.7 per cent as did silver production by 19 per cent. Gold production, however, increased by 11 per cent. Overall the sector increased modestly in 1996 although its contribution to Product has been declining, from 5 per cent in 1980 to 3 per cent in 1996.





Manufacturing

Overall, the manufacturing sector performed modestly in 1996. For the OECS member countries, where the sector is relatively small, moderate growth was recorded for Dominica, Antigua and Barbuda and Saint Kitts and Nevis while there was contraction in Saint Lucia. For the remaining CARICOM countries modest expansion was recorded for Guyana and Trinidad and Tobago while the sector stagnated in Barbados. In Jamaica, however, it contracted. Creditable expansion was posted for Cuba and the Dominican Republic with more modest expansion recorded for Haiti. All these countries were in the process of reforming their industrial sectors with a view to making them more productive and more open to market forces. The issue of viability and productivity became

more pressing in all three countries as trade regimes, which would reduce the degree of protection given to the sector, were being reformed.

For the OECS member countries, growth was recorded for Dominica, Antigua and Barbuda and Saint Kitts and Nevis while there was contraction in Saint Lucia. In Dominica, where the strongest growth, 6 per cent, was recorded, soap production, up 32 per cent, packaging and beverages accounted for the increase. In Antigua and Barbuda the sector expanded by 4 per cent, in line with the economy as a whole which suffered dislocation following hurricane damage in 1995. In Saint Kitts, the sectoral contribution, up 3 per cent, did not keep pace with the economy as a whole, for while sugar related activities increased marginally, non-sugar output, mainly in electronics, fell by 2.4 per cent. In Saint Lucia the sector experienced a contraction of 1.2 per cent, following the closure of several garment factories. Output of electrical products also declined by 10 per cent while the output of coconut products, meal and oil also declined by 63 and 43 per cent, respectively.

In the CARICOM countries, where industrial restructuring was further underway, the sector was in the process of identifying new areas of potential while presiding over the decline of activities which had been spawned under former artificial protective regimes. Overall, industrial expansion was modest for these countries. In Barbados, the sector showed only modest growth, coming from food processing, petroleum products and chemicals, the latter two showing significantly reduced growth rates than those achieved in 1995. In Belize, the manufacturing sector which was driven essentially by the processing of agricultural products, stagnated following two years of robust growth. Reduced performance was to be explained by the fall-off in citrus processing following a bumper crop in previous years. Reduced consumption of beer, soft drinks and cigarettes also contributed to the stagnation of the sector. The steady growth in Guyana was to be explained by increases in beverages, pharmaceuticals, stock feed, margarine and soap. The production of refrigerators, freezers, garments and cooking oil declined. In Jamaica the sector contracted quite markedly, reflecting a 4.3 per cent decline for the sector since 1992. Over the same five year period the sectoral contribution to Product has declined, from almost 20 per cent to just over 18 per cent. The decline in 1996 was widespread, with 12 of the 16 subsectors being so affected, as a result of tight domestic demand and the availability of cheaper and/or more attractive imports. In Trinidad and Tobago manufacturing output was stimulated by buoyancy in agriculture, the petroleum sector and construction. The latter sector created demand for metal assembly type products, paints and cement, production of the latter expanding by 10 per cent.

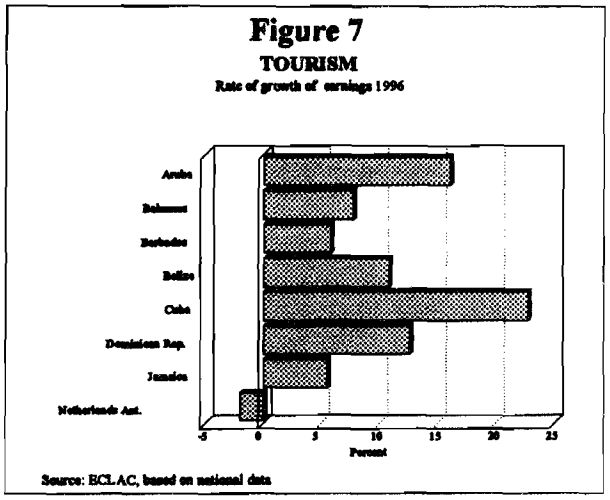
In Cuba the sector, which comprised nearly 30 per cent of value added expanded for the third consecutive year culminating with an increase of nearly 8 per cent in 1996 and reflecting the beneficial effects of changing macroeconomic policy on the economy as a whole. Much of the increase related to recuperating sugar manufacturing activities, although relaxation of foreign exchange constraints permitted greater production of domestic necessities such as cooking oil, detergents and textiles for garment production.

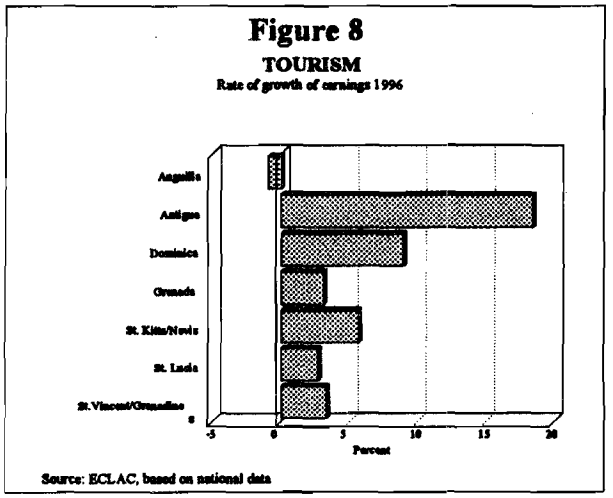
In the Dominican Republic, increased crude and refined sugar production, up 27 and 32 per cent, respectively, also accounted for the bulk of the increase. However, industrial reorganization via the privatization of several State enterprises, including sugar, brought in its train expansion of

capacity and greater efficiency. Other notable increases were recorded for cement production, up by 13 per cent, food products up by 6 per cent and drinks by 7 per cent.

In Haiti a more modest increase was achieved but despite the second year of growth the manufacturing sector remained smaller than the level reached in 1992. Structurally it has contracted significantly relative to the economy, in 1990 it contributed 16 per cent of value added but this had contracted to just over 7 per cent in 1996. Increased production of basic necessities such as cooking oil and detergents accounted for the expansion. Recent political instability, the effects of the economic embargo and administrative problems in several State monopolies all worked to debilitate the sector. The former two factors greatly damaged production in the free-zones, as several firms moved elsewhere although there were some signs of recovery in the free zones as 20 firms relocated in 1996. The issue of stagnating State monopolies was partly addressed in 1996, after much political debate, with policies slated for implementation in 1997 which would seek to open them to greater market forces.

Tourism





Tourism performance was comparatively modest in 1996, explained in part by the relatively poor performance achieved in the first semester. This was influenced by several events, notably the consequences of the 1995 hurricane season, which continued to affect destinations such as Anguilla, Antigua and Barbuda, St. Marten, and the United States Virgin Islands; the Olympics in Atlanta which caused a diversion of interest away from the Caribbean; and the United States election which had traditionally slowed travel by United States citizens to the region. By the second semester most destinations affected by earlier hurricane damage had recovered, although this initial setback together with the other factors remained to diminish full year performance. Taken for the region as a whole, stopover arrivals increased by just under 2 per cent, although reported tourist earnings increased by

Table 5
STOPOVER TOURIST ARRIVALS
(Thousands)

	1992	1993	1994	1995	1996
Anguilla	31	37	44	39	37
Antigua/Barbuda	194	221	235	191	202
Aruba	542	562	582	614	641
Bahamas	1399	1489	1516	1598	1633
Barbados	385	396	426	442	447
Belize	84	101	109	112	103
Cuba	460	546	619	745	1004
Dominica	47	52	57	60	63
Grenada	88	94	109	108	108
Guyana	95	107	113	108	97
Jamaica	909	979	1098	1147	1162
Montserrat	...	23	21	18	9
Netherlands Antilles	826	789	888	767	672
Puerto Rico	2657	2855	3042	3131	3065
St.Kitts/Nevis	88	86	94	89	84
St. Lucia	177	195	219	231	236
St. Vincent / Grenadines	53	57	56	60	58
Trinidad/Tobago	235	203	220	260	266
US Virgin Islands	658	729	683	562	458

Source: CTO

17 per cent. The cruiseship trade had another good year with total cruise visitors increasing by 11 per cent.

For the OECS countries total arrivals were estimated to have increased by 4 per cent. Stopover arrivals, however, increased by slightly over 1 per cent with the balance made up by an 8 per cent increase in cruiseship visitors. Gross earnings were estimated to have increased by about 4 per cent. Performance did not meet the standards set in 1995, but should be seen in the context of hurricane damage in Anguilla and Antigua and Barbuda. In fact, Anguilla did not recover fully, since all indicators were down on 1995. Value added from the tourism sector declined by 6 per cent, foreign earnings by 1 per cent, and stopovers by almost 3 per cent. Although cruise visits recommenced, the number of excursionists fell by 29 per cent, in part because of reduced activity in adjacent St. Maarten. By contrast, Antigua and Barbuda posted gains for the full year, value added for the sector increasing by 8.5 per cent in contrast to the fall of 16 per cent in 1995. Most of the damaged hotels were operational by the first quarter of 1996 and intensified marketing efforts reaped benefits with the volume of stopover visitors increasing by 6 per cent, cruise visitors by 19 per cent and earnings by 18 per cent. Montserrat, the other member country suffering the effects of natural disasters with an active volcano, had a dismal year with arrivals estimated to be down by 50 per cent.

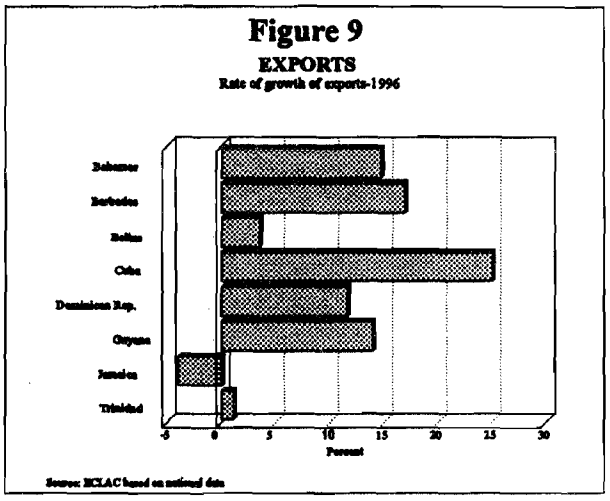
Performance in the other OECS countries was generally favourable. Dominica, Grenada, Saint Kitts/Nevis and Saint Lucia all showed growth in the sector; they received more stopover guests and all, with the exception of Saint Kitts and Nevis, received more cruiseship visitors than in 1995. All these countries received increased earnings from tourist activities. Saint Vincent and the Grenadines was the exception to these generally positive indicators, for there the sector contracted by 1.4 per cent as both cruise and stopover visitors contracted by 20 per cent and 4 per cent respectively.

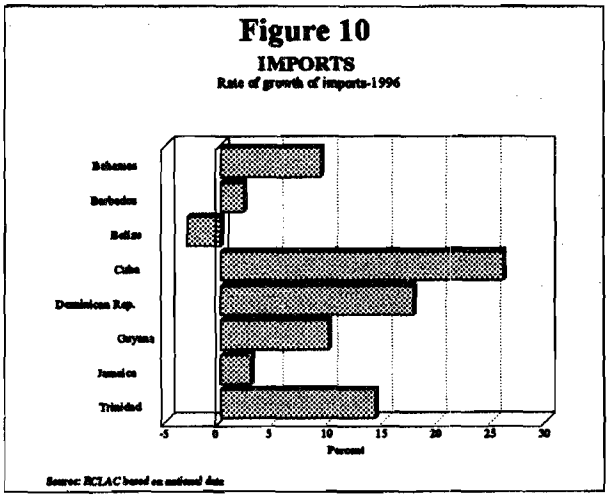
For the remaining CARICOM countries performance was mixed. The sector expanded in the Bahamas, Barbados, Jamaica and Trinidad and Tobago. In the Bahamas earnings grew by 8 per cent, compared with a 1 per cent increase in 1995. Stopover visitors increased by only 2 per cent, however, largely because of hotel refurbishing in Grand Bahama where arrivals declined by 6 per cent. For the remaining hotels average hotel and occupancy rates increased. Cruiseship visitiors increased by 9 per cent, a turnaround following three consecutive years of decline. In Barbados, value added increased by 3.2 per cent accrued mainly in the first semester when it benefited from the diversion of visitors from other Caribbean destinations. Stopover arrivals increased by only 1 per cent but increases in the length of stay and in cruiseship visitors contributed to sectoral growth. In Jamaica the subsector related to tourism increased its value added by almost 2 per cent. All indicators were up although stopovers only increased by 1 per cent.Cruiseship arrivals increased, however, by 9 per cent as did gross earnings, at nearly 6 per cent. In Trinidad and Tobago, stopover arrivals increased by over 2 per cent although the number of cruiseship visitors fell by about the same amount. However, the tourist sector contracted in Belize, value added falling by 1.4 per cent, mainly because of the collapse of the cruiseship business. The imposition of a $10 tax induced cruise operators to select alternative destinations, although it is hoped that a reduction will induce them to return in 1997. Air arrivals increased slightly, however, as did earnings which benefited from increased daily expenditures.

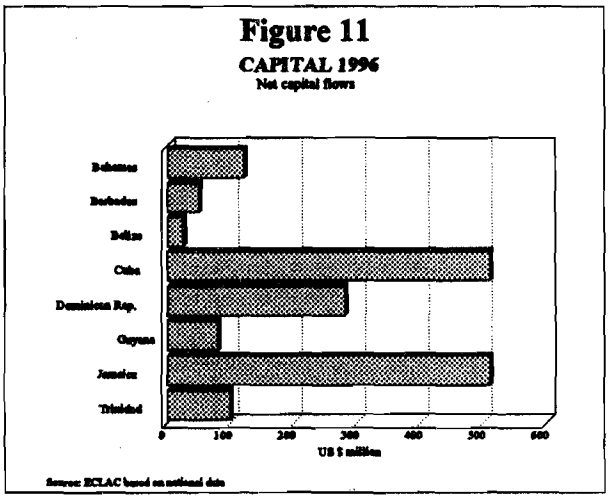
Among the non-CARICOM countries strong performance was again recorded for Cuba, where the sub-sector increased its value added by 8 per cent. This was in response to a 35 per cent increase in visitors and gross earnings of 23 per cent. In the Dominican Republic, the subsector expanded by 4.2 per cent, stopovers increasing by 9 per cent and gross earnings by 13 per cent. The limited information available for Haiti suggests modest growth, of value added by under 1 per cent although gross earnings were up by 6 per cent.

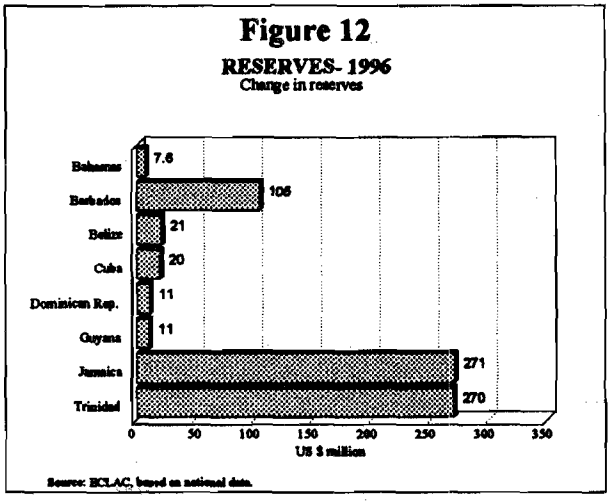
For the smaller countries where tourism was the major economic activity the result was mixed. In the Netherlands Antilles, the sector contracted, gross earnings by 20 per cent and stopovers by 12 per cent. The decline is explained in part by hurricane damage in St. Maarten, with full year arrivals down by 20 per cent, from which it was recuperating in the second semester. Performance in the other main destination, Curacao, which suffered no such damage was also down, with arrivals declining by 4 per cent. Tourism is important for the Netherlands Antilles' economy, earnings from that activity accounting for 25 per cent of total current foreign exchange inflows. In Aruba tourism was even more important, contributing 38 per cent of Product and accounting for 35 per cent of employment in 1995. Accordingly the 16 per cent increase in tourism revenues deriving from 3.5 per cent increase in stopovers and 8 per cent in cruise tourists helped to explain the 7 per cent increase in Product.

TRADE AND PAYMENTS









For the region as a whole the trade performance deteriorated, the merchandise trade deficit increasing by almost 50 per cent. Moreover, while earnings from services and transfers were strong they were insufficient to cover the trade deficit so that the current deficit widened by almost one third. Capital inflows were strong, for most of the countries surveyed, net inflows being over US$3 billion. Accordingly several countries used this means to augment their reserves which increased by about US$500 million.

Table 6
BALANCE OF PAYMENTS - CURRENT ACCOUNT
(Millions of U.S. dollars)

	1992	1993	1994	1995	1996
Anguilla	-16.7	-12.8	-11.4	-9.5	-25.8
Antigua/Barbuda	-18.9	-0.5	-18.0	-23.7	-58.1
Aruba	43.8	41.7	81.1	-0.3	90.0
Bahamas	-34.1	-54.5	-33.6	-147.0	-207.7
Barbados	143.4	70.3	134.7	107.9	98.1
Belize	-29.1	-49.0	-22.6	-1.9	-2.5
Cuba	-403.0	-423.0	-187.0	-585.0	-701.0
Dominica	-24.9	-23.9	-40.7	-45.1	-29.9
Dominican Republic	-708.0	-447.0	-68.0	-125.0	-613.0
Grenada	-32.3	-43.6	-21.4	-35.9	-57.4
Guyana	-146.7	-137.9	-100.8	-94.9	-69.7
Haiti	7.9	-16.6	4.0	-66.6	-150.0
Jamaica	10.9	-194.2	18.3	-214.7	-238.4
Netherlands Antilles	9.9	1.2	-76.1	-17.6	-249.4
Puerto Rico	-3370.6	-3686.3	-4210.5	-4837.4	-5396.5
St.Kitts/Nevis	-15.5	-29.3	-24.1	-46.8	-66.7
St. Lucia	-54.8	-49.3	-53.8	-30.2	-73.9
St. Vincent	-25.5	-46.7	-51.5	-27.7	-48.4
Suriname	14.2	44.0	58.6	79.6	...
Trinidad/Tobago	32.5	-107.8	221.4	269.9	44.5

Source: ECLAC, based on national data

For the OECS countries, the trends identified for the region as a whole were also evident. Merchandise trade performance deteriorated, the deficit widening by almost 12 per cent. Tourism earnings which increased by 3.6 per cent to almost US$700 million, together with increased remittances were insufficient to prevent a 156 per cent increase in the current deficit. Net capital flows were strong, amounting to almost 340 million but were insufficient to cover the gap, so that the reserves declined in the OECS countries.

For the other members of CARICOM, not members of the OECS, performance on the external account was mixed. The current account deficit widened quite significantly although continued strong capital inflows served to augment the reserves. Merchandise trade performance was weak, with exports growing by 3.5 per cent while imports grew by about 8 per cent. On the services side, the main source of foreign inflows came from tourism which performed less robustly than in the recent past, tourist earnings increasing by 6.5 per cent. Overall the current deficit moved from US$81 million in 1995 to US$376 million in 1996 but capital inflows were sufficient to permit the

reserves to increase by US$726 million. Two countries maintained current surpluses, Barbados and Trinidad and Tobago, but in both instances they contracted. In **Barbados** exports increased by about 17 per cent the increment coming mainly from sugar and food and beverages, while imports increased by just over 2 per cent, the increase comprising mainly capital goods. Tourism earnings increased by about 6 per cent similar to the increase in net services earnings while the current surplus contracted by 9 per cent. In **Trinidad and Tobago** the current surplus also contracted. The primary contributor was a 41 per cent decline in the trade surplus. The disappointing 1 per cent increase in exports was to be explained by weak prices for petrochemical products. On the other hand, the 14 per cent increase in imports while less than in the previous year was nevertheless significant, especially in the category raw materials and intermediate goods which grew by 36 per cent and road vehicles and transportation equipment which also showed a strong increase. Services earnings increased but were offset by outflows of income to non-residents. The capital account turned around in 1996, to record a surplus of nearly US$100 million, consequent on increased direct investment and government borrowing, as compared to the deficit of US$28 million in the previous year.

The four remaining countries in this cluster, the Bahamas, Belize, Guyana and Jamaica all incurred current deficits and in all instances, with the exception of Guyana, the deficits widened. In **Guyana**, the current deficit contracted by 27 per cent, the trade deficit by 40 per cent. Merchandise exports increased by 14 per cent, led by sugar, gold and forestry products while imports increased by 10 per cent. Capital flows also increased, direct investment by 10 per cent, while amortization costs fell, as a consequence of debt relief provided by a Paris Club agreement in May 1996. The current account deficit widened by 40 per cent in the **Bahamas** explained by strong domestic demand leading to a 9 per cent growth in imports. Increased imports derived from increasing costs of petroleum products, up 24 per cent and increased imports of manufactured goods, especially transport equipment. Tourism earnings, up by 8 per cent, helped to increase the surplus on services though this was not sufficient to offset the increased merchandise deficit. The current account deficit was financed by increased capital flows, private long-term capital flows increasing by 20 per cent and directed to tourism industrial and manufacturing activities. In **Belize** the current deficit widened slightly, although contrary to most other countries in the group the merchandise deficit contracted by 19 per cent. Export earnings grew by 3 per cent, derived from traditional and non-traditional goods while imports contracted by a commensurate amount. The invisible trade surplus, however, contracted despite an 11 per cent increase in tourist receipts. Once again, however, net capital flows increased to bridge the gap and augment the reserves. **Jamaica** provided the striking example of buoyant capital flows compensating for deteriorating current account performance. Poor current account performance was influenced by a 4 per cent decline in export earnings, even though imports also contracted. Earnings contracted because of depressed prices and falling garment exports while imports contracted across the board as a consequence of tight demand management policies. Taken together these factors increased the merchandise trade deficit by nearly 10 per cent. Tourist earnings expanded modestly but taken together with reduced net private transfers, perhaps reflecting reduced confidence in the local financial sector, were insufficient to offset increases in the merchandise deficit. Nevertheless capital inflows increased by 114 per cent, private capital accounting for 81 per cent, consequent on high real interest rates, and the reincorporation of informal market activities into the

formal accounting. The inflow of capital was sufficient for a significant increase in the reserves but would further complicate macroeconomic management.

For the non-CARICOM countries similar trends were also in evidence. Trade performance deteriorated, the merchandise deficit more than doubling. On aggregate, exports increased by 2 per cent but imports increased much faster, by over 5 per cent. Earnings from tourism services were buoyant in most countries but were insufficient to redress the deterioration in the merchandise account, so that the current deficit increased by 18 per cent. Once again capital flows were sufficient to establish a surplus in all cases with the exception of Haiti and the Netherlands Antilles.

In **Cuba**, the current deficit contracted by 5 per cent, even though the trade deficit expanded by 27 per cent. Merchandise exports expanded by 25 per cent notably in nickel derivatives and tobacco but imports, mainly of consumer goods increased by 26 per cent. The increased trade deficit was, however, offset by increased tourism earnings, up by 23 per cent and increased remittances from Cubans living abroad. Net capital flows also increased by 17 per cent over 1995, 48 new foreign investment projects being consummated in 1996 notably in industry, mining and tourism. The capital surplus was sufficient to offset the current deficit and permit an accumulation of reserves.

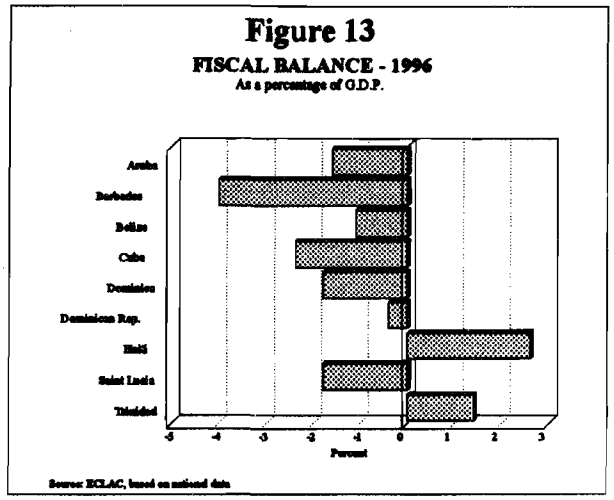
Similiar trends were evident in the **Dominican Republic**, the current account moving from surplus in 1995 to a significant deficit in 1996. For its part the trade deficit widened by 30 per cent, mainly because of 18 per cent increased imports demanded by an expanding economy. Capital goods increased by 30 per cent with intermediate goods and consumer goods up by 16 per cent. Exports increased at a slower pace than exports at 12 per cent, sugar and tobacco being the main sources of increase. Receipts from tourism and remittances were not sufficient to compensate for the booming goods imports but net direct investment flows, which accounted for 91 per cent of the net capital flows, ultimately permitted a small balance of payments surplus.

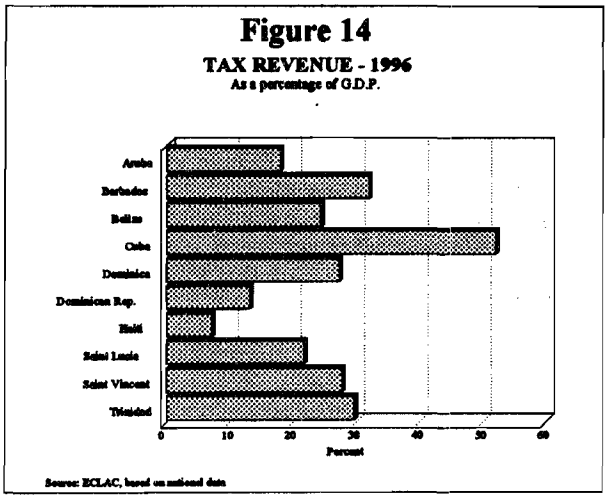
By comparison, merchandise trade performance improved in **Haiti**, the deficit contracting by 8 per cent. Exports increased by 7 per cent mainly as a result of increased sales of coffee, mango confections and increased proceeds from free zone activities, while imports actually declined after the peak in 1995 a fact which partly reflected increased domestic food production. Yet the services account was unable to offset the merchandise deficit, transportation costs, for example, exceeding twice the gross earnings from tourism, which remained fairly stagnant. Transfers, comprising official donations and remittances from Haitians living abroad, remained substantial for the second year, though 16 per cent down from 1995 while gross direct investment was a scant US$4 million, down from US$7 million in 1995. These flows were insufficient to secure external balance, a deficit of US$50 million being recorded and financed from reserves.

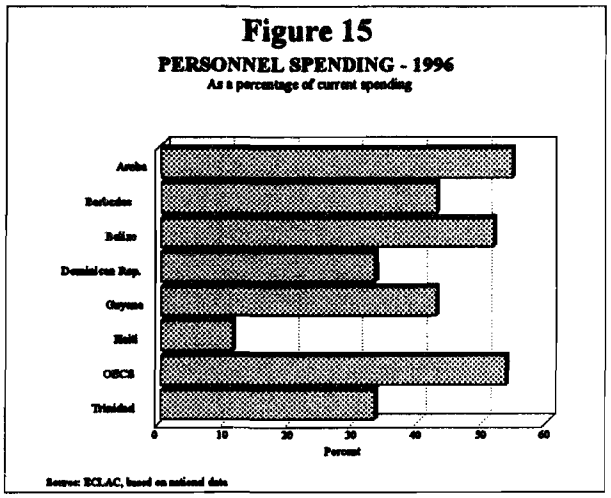
The merchandise trade surplus in **Puerto Rico** contracted by 6 per cent, mainly because of a decline in exports of chemical, pharmaceutical and electrical products while the value of imports remained substantially the same. However, the deficit on current account widened, mainly because of a US$1173 million (7 per cent) increase in income payments to non-residents, for investments conducted in Puerto Rico.

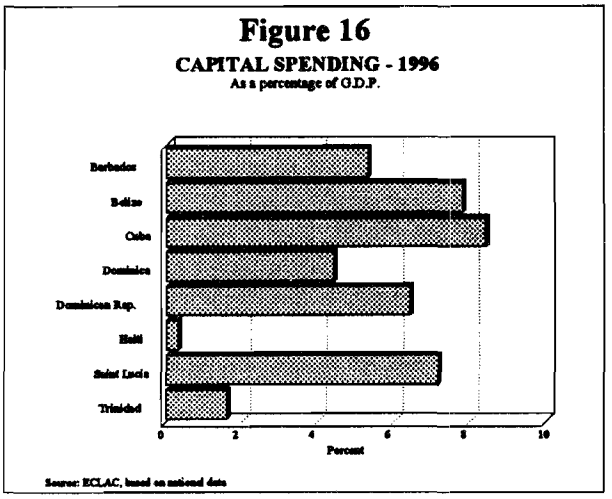
The current deficit widened significantly in the **Netherlands Antilles**. Weak performance in export activities, stagnating tourism earnings in Curacao and incomplete recuperation after hurricane damage in St. Maarten, and declining income from financial services, consequent on uncertainty in the tax treaties were all contributory factors. Capital account transactions were, however strong but insufficient to offset the deficit and create a balance of payments surplus. Private capital flows derived from the sale of loans by domestic commercial banks to their foreign subsidiaries, to meet credit targets set by the Central Bank. Public inflows derived from infusions of Dutch development aid, and the deferral of scheduled repayments, a reprieve earned by meeting adjustment targets. In **Aruba** the current account returned to surplus after lapsing into a small deficit in 1995. Exports increased faster than imports in percentage terms but were insufficient to prevent a 1 per cent deterioration in the trade account. Nevertheless, a 16 per cent increase in tourism receipts was sufficient to offset the trade deficit and achieve a current and overall external surplus.

PUBLIC FINANCE



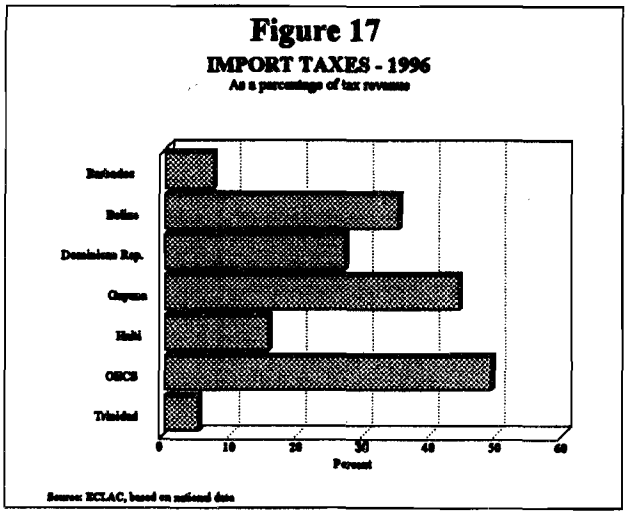


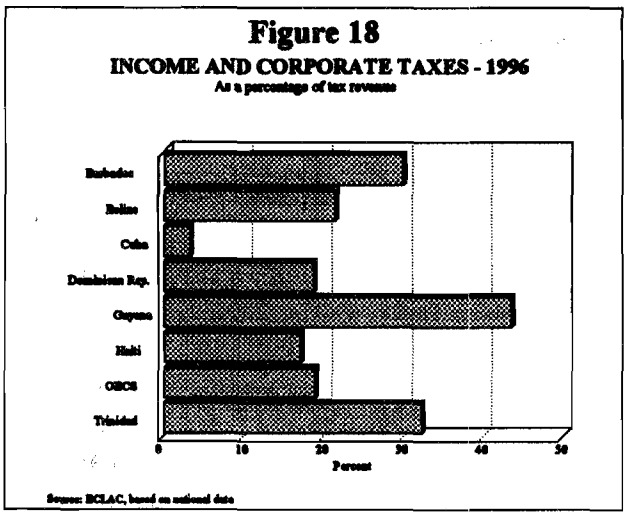


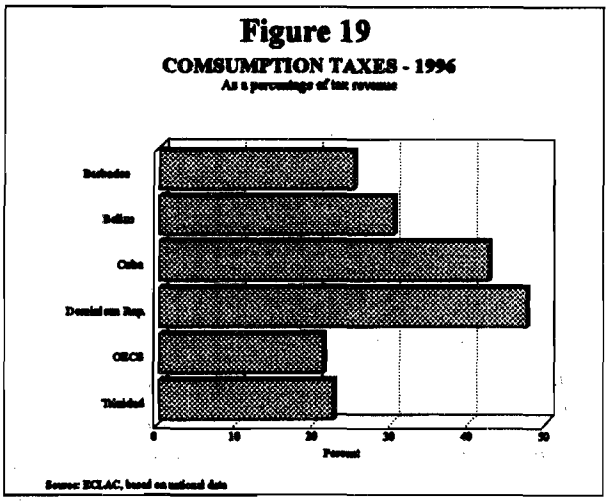


Fiscal performance remained a source of concern throughout the Caribbean, with only two countries achieving a surplus and in both cases the surplus contracted in 1996. In some instances, the deficit widened significantly. For the aggregated accounts of the central governments of the OECS countries, fiscal performance strengthened, with the current account surplus increasing by 33 per cent over 1995. Increased current surpluses were recorded by Grenada, Saint Lucia and Saint Vincent and the Grenadines. Anguilla recorded a smaller surplus than in the previous year while Antigua and Barbuda and Dominica moved from deficit to surplus in the current year.

For the OECS governments taken together, recurrent revenues increased by 8 per cent. Individually all countries achieved increases, ranging from just over 1 per cent in Anguilla, to almost







12 per cent in Antigua and Barbuda, and explained mainly by improved tax administration arrangements. Tax revenues, comprising 84 per cent of current revenues, increased by almost 7 per cent while non-tax revenues increased by 19 per cent as compared with an increase of 2 per cent in 1995. Taxes on international trade, which comprised about 50 per cent of current revenues, increased by almost 8 per cent on aggregate and in all countries individually with the exception of Montserrat where they declined by over 20 per cent. Grenada and Antigua and Barbuda recorded the greatest increases, of 24 and 11 per cent, respectively. Taxes on income and profits, accounting for about 20 per cent, also increased by about 5 per cent while taxes on domestic goods and services, the other major revenue source, increased by about 6 per cent compared with over 7 per cent in 1995.

Recurrent expenditure increased by 7 per cent, marginally under that of 1995. The overall increase was contained by smaller rates of increase (up 4 per cent) in personal emoluments, which absorbed over 50 per cent of current expenditures. Increases were recorded in all countries except in Montserrat and Saint Kitts and Nevis, the largest increase being recorded for Grenada, up by over 11 per cent.

For the remaining CARICOM countries for which data are available, performance was generally stronger in Belize and Guyana and Trinidad and Tobago. Deficits, however, increased in Barbados and Jamaica. In Belize the fiscal deficit fell further, from 4.5 per cent of Product in 1995 to just over 1 per cent in 1996. Current revenue increased by 11 per cent. Tax revenues increased by

8 per cent, although non-tax revenues fell by 5 per cent. The composition of taxes also showed signs of changing, following on tax reform implemented on 1 April 1996. Trade tax rates fell, in line with the lagging Belizean timetable to reduce the CARICOM CET, causing a 30 per cent decline in revenues collected from this source. Previously trade taxes comprised 53 per cent of current revenues but this had contracted to 35 per cent in 1996. Simultaneously, taxes on goods and services increased, by almost 200 per cent, following the introduction of a Value Added Tax, so that these taxes now accounted for 30 per cent of current revenues as compared with 11 per cent in 1995. Greater efforts by the revenue departments were also rewarded with increased revenues from income and profits. Both current expenditure, down 1 per cent and capital expenditure, down by 3 per cent, contracted. Notable decreases, by 6 per cent in personnel spending were evident following the retrenchment of 860 public officials, although the full impact of the savings was concealed by severance payments in the initial year. Expenditure on goods and services also fell marginally although interest payments increased slightly as did subsidies and transfers. Financing was sought externally, the opportunity also being taken to reduce domestic debt.

The public accounts strengthened in **Guyana**. Factors working in favour were strong revenues, reflecting robust economic performance, moderate expenditure increases and the benefits of debt-relief. Current revenues increased by 16 per cent, exceeding projections by 4 per cent. Notable increases were made in import taxes which increased by 13.5 per cent, while other taxes grew by 17 per cent. Current expenditures, which increased by 7 per cent, did not keep pace with revenues, the major increase being personnel costs which increased by 19 per cent. Other current spending actually fell. Capital spending, however, increased by 35 per cent reflecting improved absorptive capacity. The bulk of new capital spending was attributable to central government programmes although transfers to public enterprises increased. Capital revenues remained substantially unchanged. Their composition, however, changed, for while grants increased divestment proceeds fell and were well below target consequent on the faltering divestment programme. This was targeted for new emphasis in the 1997 budget. Overall, the fiscal deficit which grew by a nominal 8 per cent, increased more slowly than nominal Product. It was financed by external borrowing, a portion of which was used to reduce domestic debt.

A fiscal balance or surplus was achieved for the third consecutive year in **Trinidad and Tobago**. The surplus in the current survey year was achieved by increased revenues and tight fiscal management. Revenues increased by over 12 per cent, as a result of the growing economy and improved tax administration. Increased contributions were broad based, coming from the oil and non-oil sectors with increases of 18 per cent and 11 per cent, respectively. Higher oil prices accounted for the bulk of the increase from the oil sector since production volumes fell. Non-oil revenues benefited from reform measures to improve tax compliance. Measures included simplifying tax procedures, reducing the two highest marginal rates for individual incomes, reducing corporate taxes and reducing the business levy. The measures were successful since revenues from personal income increased by 18 per cent and receipts from non-oil corporations increased by 22 per cent. VAT revenues also increased although taxes from foreign trade stagnated. Expenditures, on the other hand, slowed slightly, the major increases coming from personal emoluments, which were up by 10.4 per cent consequent on the payment of arrears and the resumption of salary increments to public servants,

and increased transfers and subsidies which also increased by 10 per cent. Capital spending fell, in nominal terms and as a percentage of total spending, from 7.4 per cent in 1995 to 5.7 per cent in 1996. The surplus was used to meet domestic debt servicing obligations.

A fiscal deficit equivalent to 4 per cent of Product was incurred in **Barbados** in 1996 as compared to a surplus of just under 1 per cent in 1995. Revenues increased by 5 per cent while expenditures increased by 19 per cent. Direct taxes, which grew by 7 per cent showed much greater buoyancy than indirect taxes which showed scant growth. In the former category personal taxes increased by 10 per cent benefiting from rising incomes and greater total employment. Corporate taxes, on the other hand, declined slightly as did property taxes. Indirect tax revenues stagnated after a 8 per cent increase in 1995. Consumption taxes recorded scant growth believed by the authorities to be as a result of uncertainty prior to the introduction of a VAT in 1997. Revenues from stamp and import duties actually fell. Expenditures increased by nearly 19 per cent, increases being evident in most categories. Current expenditure increased by over 12 per cent, increases going especially to interest payments, up by 24 per cent, wages and salaries, up by 11 per cent and to transfers and subsidies, up by nearly 8 per cent. Capital spending increased by 66 per cent, 75 per cent of which was for improving infrastructure, the allocation of which increased by 80 per cent over spending for that purpose in 1995. The deficit was financed primarily from domestic commercial banks and from the National Insurance Fund. Net foreign inflows were negative.

Preliminary indicators[5] for **Jamaica** suggest a significant widening of the fiscal deficit. The unintended outcome was to be explained primarily by the costs which were necessary to meet monetary targets, given continued strong inflows of external capital and to reinforce fragile financial institutions. Revenues increased by 10 per cent, tax revenues by 14 per cent. These figures were, nevertheless, below the amounts targeted and explained by slow economic activity because of tight monetary policy and lower than expected inflation which reduced nominal tax returns. By comparison, total expenditure increased by 38 per cent, the recurrent component by over 50 per cent. Interest payments, which comprised nearly one half of recurrent costs, increased by 65 per cent, to meet the increased cost of sterilization and servicing the growing stock of debt. Wages and salaries, comprising 19 per cent of recurrent costs, increased by 17 per cent. In the final quarter of the fiscal year, supplementary expenditure to increase the original budget by 14 per cent was approved to provide financial support to fragile financial institutions, settle outstanding Central Bank debt and meet increased wages and salaries for public servants. The stock of internal debt increased by 30 per cent in calendar 1996, to rest at 38 per cent of Product.

For the non-CARICOM countries, the fiscal accounts improved in Cuba, Haiti and Suriname but deteriorated in Aruba, the Dominican Republic and the Netherlands Antilles. In **Cuba** the fiscal deficit contracted from 3.5 per cent of Product in 1995 to 2.4 per cent in 1996. This was made possible because of a fall in expenditures, of 8 per cent, since revenues also contracted. The reason for the fall was mainly decreased indirect taxation, consequent on falling tobacco and alcohol sales while taxes on services also fell. At the same time several recently implemented taxes showed strong

---

[5] Fiscal data for Jamaica are for nine months.

growth despite the short history of such taxes. These included taxes on utilities, up 131 per cent, taxes on the work force up 119 per cent and personal income taxes up 80 per cent. Taxes on foreign exchange, farm cooperatives and from customs also increased. Expenditure increased on housing and community services by 25 per cent, social aid by 23 per cent and national defense by 19 per cent.

The deficit fell from 4.2 per cent of Product to 2.6 per cent in **Haiti**. In the first semester, prior to the elections, policies were expansionary and financed primarily by the Central Bank. Thereafter, efforts were made to restrict public spending and credit. Revenues, benefitting from fiscal reforms and improved tax administration increased from 3 per cent of GDP in 1994 to 8 per cent in 1996. In 1996 they increased by 45 per cent, current revenues by 47 per cent mainly because of increased income and corporate taxes. Reforms included a 10 per cent sales tax and modernization and automation of customs procedures. Trade reforms included the elimination of quantitative restrictions and the reduction of import taxes to a ceiling of 15 per cent compared with a previous average tariff of 50 per cent. A second phase of tariff reductions is envisaged with a ceiling of 10 per cent in three bands, of 10, 5 and zero per cent. Exceptions will be made, for items such as rice with a ceiling of 19 per cent. Expenditures increased by 16 per cent, salaries by 58 per cent although transfers decreased. The deficit was financed internally, mainly via the Central Bank.

In the **Dominican Republic** a fiscal deficit appeared following a slight surplus in 1995. Revenues increased by 7 per cent, increases being evident in most categories, direct taxes by 12 per cent, from goods and services by 6 per cent and from external trade by 7 per cent. Expenditures, however, increased by 18 per cent, salaries by 14 per cent and transfers, which represented 31 per cent of current spending, grew by 59 per cent. Expenditure on goods and services fell by 10 per cent. Capital spending grew by 11 per cent. The deficit was financed internally mainly from the Central Bank.

The fiscal deficit widened from under 1 per cent in 1995 to 1.6 per cent in **Aruba** in 1996. Revenue increased by 6.6 per cent, with all categories increasing modestly, while non-tax revenue increased by 13 per cent. On the revenue side, three trends were identified. Income and trade taxes accounted for 75 per cent of government tax revenue. Tax revenue as a percentage of GDP continued to decline from 20 per cent in 1993 to 18 per cent in 1996, while non-tax revenue grew steadily. As far as expenditure was concerned there was an 11.6 per cent increase caused mainly by personnel costs, constituting 55 per cent of current expenditures, which were up by 13 per cent. Transfers also increased by 12.3 per cent. Capital investment also increased modestly, by 3 per cent, the focus being on infrastructure and maintenance with larger projects having a lower rate of return being a casualty of fiscal austerity.

In the **Netherlands Antilles** the budget deficit increased by 23 per cent. This was, however, less than the rate of expansion in 1995 which saw the deficit more than double. The slowdown was to be explained by several fiscal adjustment measures coming on stream in the final quarter, such as the introduction of a sales tax, the increase in excise taxes on gasolene and strengthened measures to collect tax arrears. These measures elicited an increase in total revenues for the whole year of just

over 4 per cent. Tax revenues increased by 16 per cent, mainly because of increases in the category goods and services, which increased by 60 per cent and notably excise taxes on gasolene the proceeds of which were up by 37 per cent. Expenditures increased by 7 per cent overall, current expenses by 4 per cent. In the latter category, personnel costs increased by 4 per cent while interest payments, mainly on domestic debt, increased by 13 per cent. Capital expenses increased by 56 per cent, one half being directed to investments the remainder being divided equally between capital transfers and lending to islands within the group.

EXTERNAL DEBT

Table 7
EXTERNAL DEBT
(Millions of U.S. dollars)

	1992	1993	1994	1995	1996
Anguilla	9.2	8.6	8.7	8.5	8.5
Antigua/Barbuda	245.0	230.1	233.2	234.0	223.6
Bahamas	440.5	453.4	410.4	391.9	346.9
Barbados	377.5	352.0	357.2	358.9	355.3
Belize	141.4	167.4	184.0	184.3	216.9
Cuba<1>		8784.7	9082.8	9161.8	11000.0
Dominica	96.9	94.5	99.1	103.2	104.3
Dominican Republic	4413.0	4559.0	3924.0	4300.0	4200.0
Grenada	80.9	81.3	88.2	88.3	89.3
Guyana	2054.0	2062.0	2004.0	2058.3	1498.7
Haiti	873.0	866.0	875.0	806.8	800.0
Jamaica	3678.0	3687.2	3651.8	3451.9	3231.9
Montserrat	5.2	10.0	10.2	10.2	10.0
Puerto Rico	13821.7	14242.2	15257.5	15993.6	17625.8
St. Kitts/Nevis	44.1	46.7	52.1	53.3	54.3
St. Lucia	96.3	100.0	105.9	114.8	126.8
St. Vincent	70.8	77.3	87.7	88.2	87.4
Trinidad/Tobago	2215.0	2102.1	2063.5	1905.2	1875.7

Source: ECCB, ECLAC based on national data.
<1> Relates to debt in freely convertible currencies

The external debt of Caribbean countries increased by just over 2 per cent. The trend or rate of increase did not, however, hold for all the groupings. The debt increase was moderate for the OECS countries, at 0.5 per cent and for the remaining CARICOM countries it contracted by almost 10 per cent. For the non-CARICOM countries, however, it increased by over 5 per cent.

The debt increase for the OECS countries was modest though fairly widespread, with Dominica, Grenada, Saint Kitts/Nevis, and Saint Lucia all incurring increased debt. Only in the case of Saint Lucia, where it increased by almost 11 per cent, was the increase in excess of 2 per cent. The amount spent on debt service payments fell by 13 per cent, mainly because of a 46 per cent decline in service payments from Antigua.

Debt for the rest of the CARICOM countries fell by 10 per cent. The most notable factor was the 27 per cent decline in the external debt of **Guyana**, which benefited from a US$520 million debt relief granted by Paris Club and Trinidad and Tobago creditors. In May 1996 Guyana was granted "Naples Terms", which provided for the cancellation of 67 per cent of the net present value of its eligible bilateral debt. Initiatives were also being taken to mount a debt buy-back scheme for outstanding commercial debt, but this was not activated in 1996. Net external borrowing for 1996 was US$6.3 million which comprised US$10 million in disbursements and US$4 million in debt repayments. Interest payments on outstanding debt increased by 20 per cent.

Disbursed outstanding debt in **Belize** increased by nearly 17 per cent. Disbursements amounted to US$54 million, derived from a Central Bank Building Bonds issue and a bilateral loan, while principal and interest payments outflows amounted to nearly US$30 million. In **Barbados**, the external debt declined by 1 per cent. Public sector borrowing totaled US$40 million but amortization payments exceeded this amount, the Central Bank retiring nearly US$36 million in outstanding obligations. Debt service payments as a percentage of exports of goods and services declined from 13 per cent in 1996 to 11 per cent in 1996.

The stock of external debt declined by over 6 per cent in **Jamaica**. Two of the three categories of debt decreased, government direct debt by 2.6 per cent, and Bank of Jamaica debt by 45 per cent. The decrease in the latter was consequent on the conclusion of International Monetary Fund (IMF) programmes and reimbursement of IMF loans. Overall debt to multilateral creditors decreased by 10 per cent. Government guaranteed debt increased by 4 per cent.

Similarly, the stock of external debt declined by 1.5 per cent in **Trinidad and Tobago**. A US$150 million loan was secured on the Eurobond market following the country's upgraded credit rating, but net repayments together with valuation adjustments resulted in a fall of US$29.5 million from 1995. Principal repayments amounted to US$251 million while interest payments were almost US$142 million. Both principal and interest payments were slightly below those of 1995. The external debt to GDP ratio continued to fall resting at 34 per cent, the debt service ratio falling to 13 per cent from 15 per cent in 1995.

In the **Bahamas** outstanding debt declined by 11.5 per cent, the component relating to direct Government debt by 14 per cent, while the debt to public corporations fell by almost 10 per cent. The increase in debt service costs, up by 9 per cent, related mainly to direct government debt.

Debt for the non-CARICOM countries increased by 5 per cent with increases of just under 2 per cent being recorded for Cuba and Haiti while debt outstanding to the Dominican Republic fell

by nearly 5 per cent. **Cuban** debt was incurred primarily with bilateral sources, notably the governments of France, Japan and Spain and while increasing in nominal terms fell as a percentage of Product from 48 per cent to 46 per cent of Product. **Haiti**, like Guyana benefitted from Naples Terms for its debt and together with limits placed on new debt in accordance with its new economic management incurred only a modest increase in its debt. Government debt accounted for over 80 per cent of the total which currently is equivalent to 33 per cent of GDP. Debt incurred by the **Dominican Republic** contracted by nearly 5 per cent. The decision to reduce the external debt was taken with a view to better fitting the country for global integration and especially the free-zone and tourist sectors. Currently the debt was equivalent to 66 per cent of exports of goods and services with interest payments were equivalent to 2 per cent of exports. Debt service amounted to 645 million dollars, 60 per cent of which related to medium and long term debt the balance being short term. In so far as the source of credit was concerned, 57 per cent related to bilateral sources 39 per cent to multilateral organizations with the balance being commercial debt.

PRICES

Prices seemed to be converging to a modest level in the Caribbean. While mild increases in inflation were evident in 11 of the 20 countries surveyed, 15 of them had inflation rates of under 5 per cent while only two exceeded 10 per cent. In both these countries steady progress was being made to reduce it. Inflation increased in the **OECS** countries in this survey year as compared to 1995. Increases were evident in five of the seven countries for which data were available, while prices declined in two of them. In Antigua and Barbuda, wage freezes in the public and hotels sector were deemed to have been influential in reducing the rate of price increase. In Saint Lucia prices were negative over the survey period also reflecting in part the objective of low wage growth. Food prices declined by 7 per cent. Overall, inflation remained moderate for all the member countries given the open trading environment and their tradition of prudent monetary policy.

For the remaining CARICOM countries, performance was mixed. The group included three relatively high inflation countries, Guyana, Jamaica and Suriname, all making progress to contain inflation. The most notable progress was made in **Suriname**, which had been suffering from hyper-inflation for the past five years. Macroeconomic policy directed at stabilization, notably a cessation of fiscal accommodation by the Central Bank, rapidly quenched the triple digit inflation experienced for the past three years. In **Guyana** prices declined for the third consecutive year. Factors influencing the decline were low external inflation, stable exchange rate liberalized markets fostering greater competition and restrained macroeconomic policies.

Macroeconomic policy in **Jamaica,** placed a high weight on reducing inflation and the efforts were rewarded despite the monthly average rate being higher in 1996. Judged on a December to December point to point basis inflation fell from 25.6 to 15.8, the lowest point since 1988. The trend was for the average monthly rate of inflation to fall from 1.8 per cent per month in the first semester

Table 8
CONSUMER PRICES
(Annual percentage rates of growth)

	1992	1993	1994	1995	1996
Anguilla	3.0	3.1	4.0	1.4	3.6
Antigua/Barbuda	1.2	1.5	7.1	6.2	4.1
Aruba	3.9	5.3	6.3	3.4	3.2
Bahamas	5.7	2.7	1.3	2.1	1.5
Barbados	6.1	1.1	0.1	1.9	2.4
Belize	2.8	1.3	2.6	2.9	6.4
Curacao	1.5	2.0	1.8	2.8	3.0
Dominica	4.4	1.7	-0.2	1.4	2.0
Dominican Republic	5.2	2.8	14.3	9.2	5.4
Grenada	4.6	3.5	1.8	2.1	3.2
Guyana	14.2	7.7	16.1	8.1	4.5
Haiti	19.4	22.5	42.6	25.5	17.1
Jamaica	77.3	22.1	35.1	19.9	26.4
Montserrat	1.4	0.7	2.8	4.4	...
Puerto Rico	2.6	3.0	2.9	4.0	5.1
St.Kitts/Nevis	1.5	1.4	1.3	2.6	3.1
St. Lucia	2.5	0.7	5.9	4.6	-2.3
St. Vincent/Grenadines	3.1	4.5	0.4	3.2	3.6
Suriname	43.7	243.5	368.5	235.9	-0.8
Trinidad/Tobago	6.5	8.7	9.4	5.4	3.3

Source: ECLAC, based on national data.

to an average 0.8 per cent in the second semester. Tight monetary policy was the main domestic factor containing inflation although global policies oriented toward price stability and progressive opening of domestic markets also contributed.

Prices rose in **Belize** mainly because of the dislocating influence of the VAT. Increases in the index were recorded for household goods and maintenance, recreation, education and culture. In **Barbados** prices rose moderately from 1.9 per cent in 1995 to 2.4 per cent in 1996, the main rises being evident in food and transportation. In the former category prices increased by 3.9 per cent as compared with 3 per cent in 1995. Transportation costs also grew faster than in 1995, at 1.2 per cent as compared with a decline of 2 per cent in 1995.

Prices continued to decline in **Trinidad and Tobago,** from 1994 at 9.4 per cent to 3.3 per cent in 1996.The decline was achieved despite a depreciating currency, although food prices which rose by 10 per cent in 1996 as compared to 17 per cent in 1995, had the greatest influence on

changes. The rate of inflation slowed in the **Bahamas**, to reflect trends in the United States to which the Bahamas had strong communication and trading links. The rate of increase moderated in most categories, with the exception of food and beverages.

For the rest of the Caribbean prices rose in **Curacao** and **Puerto Rico**, but fell in **Aruba**, the **Dominican Republic** and **Haiti**. Prices were also estimated to have declined in **Cuba**, for the second consecutive year, the index declining by 4 per cent in 1996. Several factors combined to reduce inflation such as opening of the economies, prudent fiscal policies, and monetary policies designed to absorb excess liquidity. The rise in inflation in Curacao was blamed on oil price increases and the effect on utility rates as well as new taxes designed to reduce the budget deficit.

UNEMPLOYMENT

Table 9
UNEMPLOYMENT RATES
(Percent)

	1992	1993	1994	1995	1996
Aruba	0.6	0.5	0.5	0.7	0.6
Barbados	23.0	24.3	21.9	19.7	16.4
Belize	11.9	9.8	9.0	12.5	13.7
Jamaica	15.7	16.3	15.4	16.2	16.0
Puerto Rico	16.5	16.8	16.0	13.8	13.8
Trinidad/Tobago	19.7	19.8	18.4	17.2	16.3

Source: National data

For those countries having readily available data unemployment fell in all cases, with the exception of Belize. The increased rate of unemployment in **Belize** was probably transitional and directly related to the retrenchment of 860 public officials. Fiscal and efficiency considerations influenced the decision to retrench and the expectation was that former public officials would be relatively quickly reabsorbed into the economy. Continued economic expansion in **Barbados** was given as the reason for unemployment falling from 19.7 to 16.4. By year end unemployment had contracted further, to 14.3 per cent. The unemployment rate for males declined to 11.3 per cent while that for females declined to 23 per cent, 5 percentage points below that of 1995. The bulk of new jobs was created in miscellaneous services but increased employment was also noted in agriculture and fishing, government and transport and communications services.

Job creation in **Jamaica** was strong between January and July 1996. Thereafter, 8500 jobs, mainly held by women, were lost between July and October. Job losses for the year as a whole came mainly from the goods producing sectors, agriculture, fishing, mining and manufacturing all showing decreases. Only construction recorded job increases. Services, however, showed increases across the

board, with the exception of community social and personal services and the wholesale and retail trades and hotels and restaurants. There was a reduction in male unemployment, their jobs coming primarily from construction. Women bore the brunt of the decline in jobs, since they were most likely to be employed in social and community services and in the wholesale and retail trades. At the same time, the labour force contracted, in part because of an ageing population and in part because of withdrawal by youth from the labour force for training.

In **Trinidad and Tobago** the unemployment rate fell by almost 1 percentage point from the 1995 average. While the labour force increased by 9400, job creation exceeded it by 3200. New jobs were created mainly in the services sectors finance, real estate and business, and community social and personal services accounted for the main increases. Employment in construction was also strong, although job losses were recorded in the agriculture sector. Unemployment was highest among youth, at almost 30 per cent. Unemployment among women, although declining, remained above that for men at over 21 per cent, compared to 13.3 per cent for the latter.

Unemployment rates remained unchanged in **Puerto Rico**. Both the labour force and participation rates increased, the former by 4 per cent, the latter from 46 per cent to 47.2 per cent. Jobs declined in the agriculture and manufacturing, although increases were evident in construction, in most services sectors and government.