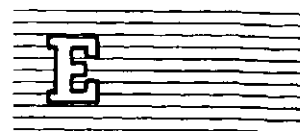


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ECONOMIC SURVEY
OF LATIN AMERICA

1981

DOMINICA



This preliminary version of the *Economic Survey of Latin America, 1981* is being distributed in the form of a general introduction, under the symbol E/CEPAL/L.268, and a number of addenda, each containing a study of the economic evolution of a country of the region. These studies will not be published in alphabetical order, but in order of completion.

The final version of the complete *Survey* will be published once the observations regarding this preliminary version have been received.

Notes and explanation of symbols

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

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

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

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

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

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

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

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

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

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

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

DOMINICA

1. Recent economic trends: Introduction and summary

Economic activity in Dominica during 1981 was affected fundamentally by the sequels of the natural disasters of 1979 and 1980. On 29 August 1979 the island was ravaged by Hurricane David, followed in that same year by Hurricane Frederick and in August 1980 by Hurricane Allen. Agriculture and housing were severely damaged, as well as roads and other main elements of the island's infrastructure, and the country was forced to rely on heavy inflows of international aid and grants for its social and economic reconstruction. These large and timely inflows seem to have averted excessive distress, and the GDP, which fell sharply in 1979, showed a partial recovery in 1980. Preliminary estimates suggest that there was a further increase in 1981, (see table 1).

Much emphasis was placed on support for agriculture, whose performance only started to improve during 1981, thanks partly to STABEX and other grants. Construction activity increased and efforts at economic diversification resulted in a higher contribution to GDP by the more dynamic though small manufacturing sector. The balance of payments continued to be unfavourable, and deficits had to be financed by foreign budget support and capital grants. Domestic revenues could not cover expenditure, and the termination of budget support grants from the United Kingdom, coupled with wage demands from the Civil Service Association, aggravated the already poor situation of government expenditure. The principal objectives of economic policy in Dominica in the period concerned have been to expand investment, to increase employment and

Table 1

DOMINICA: MAIN ECONOMIC INDICATORS

	1978	1979	1980	1981
A. Basic economic indicators				
Gross domestic product at factor cost (Millions of ECS at 1977 prices)	101.9	81.4	88.3	96.2
Per capita gross domestic product (East Caribbean dollars at 1977 prices)	1 249	984	1 055	1 144
Population (thousands of inhabitants)	81.6	82.7	83.7	84.1
Growth rates				
B. Short-run economic indicators				
Gross domestic product	...	-20.3	8.7	9.0
Per capita gross domestic product	...	-21.2	7.2	8.4
Terms of trade	0.6	-1.1	-6.6	...
Current value of exports of goods	32.8	-40.8	3.6	93.6
Current value of imports of goods	29.9	-21.9	114.7	6.3
Consumer price index				
December-December	9.3	34.1	21.4	8.1
Variation between annual averages	7.7	17.9	32.8	13.3
Wages and salaries	-33.7	32.4	67.6	3.4
Current income of government ^a	9.6	26.2	30.7	2.9
Total expenditure of government ^a	-13.2	59.8	52.7	71.0
Fiscal deficit ^a	...	861.9	121.6	196.4

Source: CEPAL, on the basis of official data.

^aData relate to fiscal year ("1" July - 30 June of following year).

productive capacity, to mitigate balance of payments problems, and to effect structural changes in public finances.

2. Trends in economic activity

(a) *Growth of the main sectors*

(i) *Agriculture.* Agriculture has always been the mainstay of Dominica's economy, accounting for almost 40% of total GDP before the hurricanes of 1979 and 1980. In the immediate post-hurricane period, production fell drastically, as major export crops were seriously damaged. It is estimated that the hurricanes damaged 75% of banana acreage, 40% of the grapefruit trees and a similar proportion of the coconut trees. Official statistics indicate that the sector's contribution to total GDP at constant prices stood at 23% in 1980 and 25% in 1981 (see table 2). Its contribution to exports and employment also fell. Thus, unprocessed agricultural products constituted over 60% of total exports in 1978 but amounted to only about 35% in 1980, and whereas 28% of registered employed persons worked in agriculture in 1978, by 1980 the figure was only 23%.

Table 2

DOMINICA: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of East Caribbean dollars at 1977 prices				Percentage breakdown		Growth rates		
	1978	1979	1980	1981 ^a	1977	1981 ^a	1979	1980	1981 ^a
Total gross domestic product	101.9	81.4	88.3	96.2	100.0	100.0	-20.3	8.7	9.0
Goods	53.0	38.2	41.6	47.4	50.8	48.6	-28.0	9.1	14.3
Agriculture	37.5	23.7	20.5	25.0	35.6	25.2	-37.0	-13.6	18.8
Livestock	1.1	1.3	1.5	1.6	1.1	1.7	23.8	13.1	9.5
Fishing	2.5	1.5	2.6	2.7	2.5	2.8	-39.8	77.0	4.6
Mining	1.1	0.7	0.7	0.7	1.1	0.8	-32.1	-	2.8
Manufacturing	5.5	4.5	5.3	5.4	4.3	5.6	-18.9	18.8	2.1
Construction	5.3	6.5	11.0	12.0	6.2	12.5	21.8	69.6	9.3
Basic services	7.7	7.1	7.1	8.1	7.6	8.4	-8.5	-	13.6
Electricity and water	1.9	1.5	1.0	1.3	1.9	1.3	-22.1	-34.5	28.9
Transport and communications	5.8	5.6	6.1	6.8	5.7	7.1	-4.1	9.1	11.1
Other services	41.2	36.1	39.7	41.5	41.6	43.1	-12.6	10.1	4.4
Wholesale and retail trade	10.8	7.2	9.4	10.6	9.5	11.0	-33.6	31.2	12.6
Hotels and restaurants	1.3	1.0	0.9	1.0	1.2	1.0	-25.6	-9.1	8.9
Banking and insurance	3.9	4.2	4.3	4.6	3.7	4.8	9.1	2.9	6.5
Real estate and ownership of dwellings	5.0	3.8	5.3	5.3	5.6	5.5	-24.2	38.7	-
Government services	21.9	21.9	21.9	22.5	23.1	23.4	-	-	2.6
Other services	1.1	1.0	1.0	1.0	1.1	1.0	-12.8	-	2.1
Imputed banking services charges	-2.8	-3.0	-3.1	-3.5	-2.6	-3.6	9.0	3.0	12.1

Source: Data supplied to CEPAL.

^aEstimates.

Since bananas are Dominica's single most important export crop, trends in total export earnings have been in line with those in this sub-sector. After contributing over 45% of export earnings in 1978 and 1979, banana earnings fell to approximately 30% in 1980 (see table 6 below), when banana production was 41% below the level of 1979. As a result of programmes initiated by the Dominica Banana Growers' Association (DBGA), the 1981 output has shown signs of recovery,

(see table 3), although official sources report that the 34 750 ton target for 1981 was not actually reached and that in fact only about 22 000 tons were produced on about 10 000 acres of land. Apart from the smaller acreage and low productivity per acre, farmers faced a situation of price disincentives. Furthermore in 1981 the DBGA was forced to impose strict quality measures and as much as 40% of the bananas produced were rejected by the Association, resulting in still lower exports.

Coconut production, which has been second in importance to banana-growing over the years, also declined in 1980 and the nine million nuts produced then were only half the amount produced in 1979. However, a replanting programme financed by the Canadian International Development Agency (CIDA) has begun with the aim of replanting 3 000 acres by 1982. Because of the reduced crop of nuts, industrial problems, and an illicit trade in coconuts to the French islands, expansion of copra production was impossible.

Table 3

DOMINICA: INDICATORS OF AGRICULTURAL PRODUCTION

	1978	1979	1980	1981 ^a	Growth rates		
					1979	1980	1981 ^a
Production of main crops (thousands of tons)							
Bananas	49.0	23.2	13.7	34.8	-52.8	-40.8	153.3
Coconuts ^b	20.8	19.9	9.6	10.5	-4.3	-51.9	10.0
Limes	8.5	3.4	5.1	5.3	-60.0	50.0	3.1
Grapefruit	10.0	6.0	6.4	6.9	-40.0	5.6	8.6
Oranges	3.2	1.9	1.9	2.0	-40.0	-	2.0
Dasheen	13.9	10.4	10.4	10.6	-25.6	0.6	1.7
Tania	6.4	5.2	6.5	6.8	-19.4	25.8	4.2
Yam	4.1	2.8	4.1	4.4	-30.7	43.8	6.7
Plantains	2.8	2.1	1.2	1.3	-25.2	-40.9	10.0
Other crops (tons)							
Mangoes	239	96	120	126	-59.8	25.0	5.0
Cocoa	706	388	388	388	-45.0	-	-
Sweet potatoes	1 404	1 285	1 452	1 422	-8.5	13.0	-2.1
Cabbage	948	849	996	1 036	-10.4	17.3	4.0
Cucumbers	1 626	1 723	2 068	2 276	8.4	20.0	10.0
Cassava	1 049	734	763	774	-30.0	4.0	1.4
Coffee	269	155	148	152	-42.4	-4.5	2.7
Pumpkins	366	387	447	469	5.7	15.5	4.9
Indicators of livestock production							
Meat production (tons)							
Beef	159	162	163	204	1.9	0.6	25.2
Pork	161	164	191	227	1.9	16.5	18.8
Mutton	53	53	53	55	-	-	3.8
Poultry meat	28	27	25	27	-3.6	-7.4	8.0

Source: Data supplied to CEPAL.

^aEstimates.

^bMillions of nuts.

Citrus production has followed the general trend of the agricultural sector as a whole. After the hurricane in 1979, production of limes, grapefruit and oranges fell by about 50% and has since shown only slight improvement. Although recent estimates indicate that lime production increased in 1980 and 1981, the export earnings from lime juice fell by over 90% in 1980. It is claimed that during 1981 there was some improvement. Projects for the rehabilitation of the

existing 2 000 acres of lime trees and expansion to 1 000 more have not yet been financed. The Government has recently purchased the lime processing plant from private interests and has made initial steps towards rehabilitation. There were no significant changes in grapefruit and orange production in 1980 and 1981, but there have been some marketing difficulties. Grapefruit, which is exported mainly to Europe, obtained premium prices for only eight weeks during September and October, when supply from the major producing countries was low. The 1981 market is estimated to have been smaller than anticipated and the situation was further aggravated by low prices, competition from Cuba and unfavourable exchange rates between the pound sterling and the East Caribbean dollar. A loan from the Caribbean Development Bank has been earmarked for the expansion of packaging facilities.

A major drawback to the sectors' performance has been the serious financial position of the DBGA. A number of funding agencies have promised finance but the adequacy of the help offered is questionable. The Dominican Agricultural Marketing Board (DAMB) has not been very effective in handling domestic crops, especially because of poor management. Until proper management is established the marketing of agricultural goods will remain a bottleneck.

Livestock production continued to lag behind demand, since there has been a general lack of interest in financing projects in this area. A small programme has been started involving stud servicing, fattening and importation of new breeds of sheep, goats and pigs.

(ii) *Manufacturing*. In absolute and relative terms, this sector is very small, as is evidenced by its modest contribution to overall GDP and employment. Between 1978 and 1981 its share of total GDP has fluctuated between 5 and 6%, and there has been a noticeable decline in the number of people employed in the sector during this period.

Manufacturing activity in Dominica has traditionally centered around labour-intensive industries employing simple technology and consuming little energy. The major enterprises mostly process agricultural products (coconuts and citrus), but there is a promising garment industry in addition to small establishments producing rum, cigarettes and soft drinks. The sector's GDP increased substantially (about 19%) in 1980 and by 2% in 1981. Much of this growth is attributable to soap production (see table 4). After declining by 30% in 1979, soap production increased by 138% in 1980 and by a further 20% in 1981. Although the production of coconuts, which constitute a major input of soap manufacture, has been negatively affected by the hurricanes, the importation of tallow from the United States has proved a very economical substitute and was responsible for the relatively high rates of growth in the production of soap in 1980 and 1981.

The Dominica Government has embarked on an enthusiastic industrial promotion campaign to complement its efforts in agriculture. Through the new Industrial Development Corporation (IDC) it has been attempting to encourage the private sector to play a more active part. To this end, new legislation is being drafted and the IDC has been made responsible for encouraging and assisting both local and foreign investors in establishing labour-intensive assembly operations, industries to produce agricultural inputs, and the development of the country's marine resources to meet domestic as well as foreign demand.

The IDC's efforts since 1979 began with the provision of infrastructure. Two buildings have been constructed to house garment industries, and plans have been made for the establishment of a tyre-retreading industry, firms producing mattresses and pepper sauce, a multipurpose agro-processing unit, the production of ornamental plants in a joint venture with Venezuela, and the shipping of fresh water to the Middle East.

(iii) *Construction*. Construction activity increased during 1980 and 1981 on account of several emergency rehabilitation projects. Thus, in 1980 the construction GDP rose by approximately 70%, and in 1981 it rose a further 9%. The volume and value of trade in building materials grew significantly. A further reflection of the sharp increase in construction activity is seen from the distribution of loans by commercial banks. At the end of 1979, loans outstanding to this sector stood at EC\$ 785 000¹ —some 38% below the figure for the previous year— but at the end of 1980

¹The exchange rate of the East Caribbean dollar is US\$ 1.00 = EC\$ 2.70.

Table 4

DOMINICA: INDICATORS OF MANUFACTURING PRODUCTION

	1978	1979	1980	1981 ^a	Growth rates		
					1979	1980	1981 ^a
Production of some important manufactures							
Laundry soap ^b	2 712	1 933	4 420	4 950	-28.7	28.7	12.0
Toiled soap ^b	699	466	1 289	1 946	-33.3	176.6	51.0
Animal feed	784	865	210	218	10.3	-75.7	3.8
Copra ^b	2 710	2 747	847	743	1.4	-69.2	-12.3
Crude coconut oil ^c	1 799	1 945	554	503	8.1	-71.5	-9.2
Edible coconut oil ^c	698	450	127	95	-35.5	-71.8	-25.2
Rum ^c	...	404	527	30.4	...
Soft drinks ^d	287	240	262	...	-16.4	9.2	...
Cigarettes ^e	39	30	25	25	-23.1	-16.7	0.0
Pipe tobacco ^b	5	5	4	4	0.0	-20.0	0.0
Preserves ^f	...	210	336	60.0	...
Electricity ^g	17 358	12 131	6 701	...	-30.1	-44.8	...

Source: Data supplied to CEPAL.

^a Preliminary figures.

^b Tons.

^c Thousands of litres.

^d Thousands of cases.

^e Thousands of KWH.

these loans stood at EC\$ 1 526 000 and by the end of September 1981 the figure was EC\$ 1 606 000 (see table 12 below).

Construction was oriented towards the rehabilitation of priority areas such as roads and houses, and further plans were made for the improvement of main roads and agricultural feeder roads. Designs have been completed for the reconstruction of the port and bridges, while the reconstruction of public buildings is still at the concept stage. The Caribbean Development Bank (CDB) has been approached for help in the construction of factory shells to accommodate new enclave industries. Considerable importance has been assigned to the maintenance, reconstruction and development of educational, health and housing facilities, for which negotiations are still in progress.

(iv) *Energy.* Dominica's relatively low dependence on imported petroleum makes it somewhat unique among the smaller Caribbean islands. Its precipitous topography and abundant forest resources afford it the opportunity of economically generating power from hydroelectric installations, wood and charcoal. Approximately 90% of power needs are satisfied by hydroelectric installations.

After the hurricanes, electricity consumption fell as a result of the destruction of installations and transmission lines. Power was subsequently diesel-generated until the facilities were restored during 1981. Consequently the sector's GDP fell in 1979 and 1980 by 22% and 34.5% respectively, but by the end of 1981 it had increased by 29%.

During 1980 imports of petroleum products increased and so did prices, increases in which were felt immediately by consumers. There were substantial increases in import duties as well as in the retail price of gasoline.

There has been some speculation about Dominica's potential as regards alternative sources of energy and studies have been made of the island's potential for hydro and thermal energy generation, but to date no projects have materialized.

3. The external sector

(a) *Tourism*

Compared with most other Caribbean islands, tourism in Dominica remains largely under-developed. In relation to other economic activities, this sector has always been very small and can still be considered embryonic. Moreover, the natural disasters of 1979 and 1980 thwarted efforts to develop what little tourism potential existed at that time.

As far as the total GDP is concerned, this sector's contribution has consistently totalled about 1 to 2%. The total number of visitors declined in 1980 and 1981, although the drop was less rapid in 1981, when the greatest decline was in the category of excursionists (see table 5). At the same time that the total number of visitors has gone down, so too has visitor expenditure, which fell by about 11.5% in 1980. To date, no data are available for 1981. The hurricane destruction of some of the major hotels was responsible for a 23% reduction in the number of beds, but there are signs of rehabilitation.

Despite this sector's limited potential, the Government of Dominica and the Dominica Tourist Board (DTB) recognize that there is room for expansion. The Government's tourism strategy attempts to integrate tourism into national life, to ensure better spending of tourism funds, to develop new and existing tourist attractions, to establish more efficient air links and deepwater dock facilities and to seek further impetus by encouraging foreign investment in the sector.

During 1980 and 1981 the Board spent most of its funds on overseas promotion. Local efforts included motivation surveys, heightening of local awareness, hospitality training seminars, revival and support of folkloric entertainment and maintenance of natural beauty spots. The Board is fairly confident about the prospects for the industry.

Table 5

DOMINICA: SELECTED TOURIST INDICATORS

	1978	1979	1980	1981 ^a	Growth rates		
					1979	1980	1981
Total visitors ^b	35.6	28.1	24.8	23.2	-21.1	-11.7	-6.3
Stopover visitors	21.2	15.5	14.3	15.2	-27.0	-7.4	6.1
Cruise-ship visitors	7.6	7.8	7.4	5.8	1.8	-5.1	-21.3
Excursionists	6.8	4.8	3.1	2.2	-28.4	-36.1	-28.2
Average length of stay of stopover visitors (days)	...	3	3	3	...	-	-
Hotel and guest house beds	380	410 ^c	315	353	7.9	-23.2	12.1
Estimated visitors' expenditure ^d	6 266	6 287	5 562	...	0.3	-11.5	...

Source: Ministry of Finance, Statistical Division, Quarterly Bulletin of Statistics, 4th Quarter 1981, and data supplied to CEPAL.

^aPreliminary figures.

^bThousands.

^cUntil hurricane David, 29 August 1979.

^dThousands of East Caribbean dollars.

(b) *Trade and payments*

No official balance of payments statistics have been prepared by Dominica. In spite of the 4% increase in export earnings in 1980, the trade deficit almost tripled because of the heavy foreign exchange outflow due to increased imports made necessary by the rehabilitation and reconstruction efforts for coping with the current emergency situation (see tables 6, 7 and 9).

Table 6

DOMINICA: EXPORTS OF GOODS

	Thousands of East Caribbean dollars			Percentage breakdown		Growth rates	
	1978	1979	1980	1978	1980	1979	1980
Total exports	42 891	25 391	26 302	100.0	100.0	-40.8	3.6
Main exports							
Bananas	24 748	11 920	7 977	57.7	30.3	-51.8	-33.1
Citrus fruits	2 745	884	1 243	6.4	4.7	-67.8	40.7
Coconuts	718	480	55	1.7	0.2	-33.1	-88.5
Lime juice	727	419	26	1.7	0.1	-42.6	-93.7
Grapefruit juice	952	638	...	2.2	...	-32.9	...
Coconut oil	482	1 750	1 008	1.1	3.8	263.0	-42.4
Bay oil	1 477	1 306	265	3.4	1.0	-11.6	-79.8
Toilet soap	1 868	2 063	5 776	4.4	22.0	10.4	180.0
Laundry soap	3 168	2 618	7 336	7.4	27.9	-17.4	180.2
Other exports and re-exports	6 006	3 313	2 616	14.0	9.9	-44.8	-21.0

Source: Data supplied to CEPAL.

Table 7

DOMINICA: IMPORTS OF GOODS CIF, BY SITC SECTIONS

	Thousands of East Caribbean dollars			Percentage breakdown		Growth rates		
	1978	1979	1980	1978	1980	1978	1979	1980
Total	76 770	59 970	128 730	100.0	100.0	29.9	-21.9	114.7
Food and live animals	22 334	15 012	25 695	29.1	20.0	32.8	-32.8	71.2
Meat and meat preparation	4 834	3 143	4 350	6.3	3.4	...	-35.0	38.4
Meat and flour (wheat)	3 355	2 576	4 586	4.4	3.6	...	-23.2	78.0
Milk and cream	2 808	2 290	3 071	3.7	2.4	...	-18.4	34.1
Margarine and lard	1 006	792	1 053	1.3	0.8	...	-21.3	32.9
Others	10 331	6 211	12 635	13.5	9.8	...	-39.9	103.4
Beverages and tobacco	3 189	3 509	5 076	4.2	3.9	24.1	10.0	44.6
Alcoholic beverages	2 380	2 195	3 475	3.1	2.7	...	-7.8	58.3
Others	809	1 314	1 601	1.1	1.2			
Crude materials	1 331	1 488	6 355	1.7	4.9	41.5	11.8	327.2
Mineral fuels	4 471	3 738	11 346	5.8	8.8	16.6	-16.4	203.5
Animal and vegetable oils	1 305	1 060	4 389	1.7	3.4	6.1	18.7	313.9
Chemicals	9 623	8 055	14 972	12.5	11.6	26.9	-16.3	85.9
Fertilizers	2 420	2 994	3 749	3.2	2.9		23.7	25.2
Basic manufactures	16 224	11 292	26 078	21.1	20.3	22.4	30.4	130.9
Machinery and transport equipment	12 438	12 163	25 935	16.2	20.1	78.2	-2.2	113.2
Passenger motor vehicles	4 455	5 542	10 528	5.8	8.2	...	24.4	90.0
Miscellaneous manufactures	5 855	3 652	8 885	7.6	6.9	29.3	-37.6	143.3

Source: Data supplied to CEPAL.

Preliminary data for 1981 indicate that export earnings almost doubled. No statistics are available to determine the source of this increase, but it would appear that soap has become a major contributor, since export earnings from this product almost trebled in 1980 and it has been suggested that this trend continued in 1981. Imports in 1981 increased by about 6%.

Dominica's major trading links are still with the United Kingdom and United States, which together supplied 50% of its imports and absorbed 36% of its exports (see table 8). Trade within the region is conducted mainly with the more developed CARICOM countries, with Dominica being especially dependent on Trinidad and Tobago for its imports and on Jamaica for its exports.

Table 8
DOMINICA: TRADE, BY MAJOR TRADING PARTNERS

	Thousands of East Caribbean dollars			Percentage breakdown		Growth rates	
	1978	1979	1980	1978	1980	1979	1980
	Exports						
Total	42 891	25 391	26 302	100.0	100.0	-40.8	3.6
United Kingdom	28 843	14 094	9 118	67.2	34.7	-51.1	-35.3
United States ^a	1 651	1 490	226	3.8	0.9	-9.8	-84.8
CARICOM	9 559	8 090	16 171	22.3	61.5	15.4	99.9
Others	2 838	1 717	787	6.6	3.0	-39.5	-54.2
	Imports						
Total	76 770	59 970	128 730	100.0	100.0	-21.9	114.7
United Kingdom	20 659	15 017	29 775	26.9	23.1	-27.3	98.3
United States ^a	13 544	9 885	34 473	17.6	26.8	-27.0	248.8
Canada	3 990	2 982	5 343	5.2	4.2	-25.3	79.2
Latin America ^b	2 127	1 414	3 333	2.8	2.6	-33.5	135.7
EEC	4 144	3 128	6 712	5.4	5.2	-24.5	114.6
CARICOM	22 052	16 636	34 499	28.7	26.8	-24.6	107.4
Others	10 255	10 909	21 308	13.4	16.6	6.4	95.3

Source: Data supplied to CEPAL.

^aIncludes Puerto Rico and US Virgin Islands.

^bContinental Latin America.

Table 9
DOMINICA: MAIN FOREIGN TRADE INDICATORS

	1978	1979	1980
	Growth rates		
Exports of goods			
Value	32.8	-40.8	3.6
Volume	22.9	-48.1	-17.4
Unit value	8.9	11.2	24.4
Imports of goods			
Value	29.9	-21.9	114.7
Volume	14.8	-27.3	71.6
Unit value	8.2	12.5	33.4
Indexes (1977 = 100)			
Terms of trade	100.6	99.5	92.9
Purchasing power of exports	123.6	63.5	49.0

Source: Ministry of Finance, Statistical Division, Annual Overseas Trade 1979; and data supplied to CEPAL.

4. Prices, wages and employment

World price developments are normally the main determinant of price movements in Dominica. Since the latter half of 1979, however, price increases have been largely a result of dislocation and shortages ensuing from the hurricanes, and a system of price controls that is not enforced.

The annual average for the consumer price index increased by 33% in 1980 compared with 18% in 1979; the highest increase since 1974. In 1981 the rise was of the order of 13% (see table 10). Higher food prices and energy costs contributed significantly to these increases. In addition to the scarcity of food and its high import prices, the island lost some of its hydroelectricity generating capacity, and fuel and light costs were 70% higher during the greater part of 1980. During 1981 food prices rose by 16%, and the hydroelectric plants were repaired. Notable declines also occurred in the housing and beverages and tobacco sections, with the result that the rate of inflation went down during 1981.

Dominica provides no official index from which changes in wages can be measured. Wage agreements during this period were influenced by the Government's grant of an average 82% wage increase to civil servants in December 1979. In December 1980 a new wage agreement was made between the Government and the Civil Service Association whereby public servants would receive 10% increases each year from 1982 through 1984. Moderation in the remuneration practices of the private sector was called for in order to help contain the rate of cost-pushed inflation.

Although complete data on employment are not available, official statistics collected by the Social Security Scheme indicate that the services sector accounted for almost 50% of total employed persons in 1980, agriculture ranking second with an employment rate of 23%. It is to be noted that the statistics collected by the Social Security Scheme exclude own-account workers and thus result in an undercount, possibly in both the services sector and the agricultural sector, since it is thought that a large proportion of the agricultural labour force consists of own-account workers. If they were included, the relative importance of agriculture in the total labour force might well surpass that of any other sector. As a consequence of the hurricanes of 1979 and 1980, employment in the commerce and hotel sector fell from 2 651 in 1979 to 1 921 in 1980.

Table 10

DOMINICA: EVOLUTION OF DOMESTIC PRICES

	1979	1980	1981
	Variation December to December		
Consumer price index	34.1	21.4	8.1
Food	45.4	24.6	6.6
Housing	27.3	13.9	1.3
Fuel and light	36.9	36.8	9.1
Services	21.9	17.5	16.6
	Variation between annual averages		
Consumer price index	17.9	32.8	13.3
Food	... ^a	37.6	15.8
Housing	... ^a	34.7	2.8
Fuel and lighth	... ^a	70.5	6.9
Services	... ^a	26.7	14.4

Source: Data supplied to CEPAL.

^aDue to the devastation caused by hurricane David, it was not possible to compile the index for September and October 1979.

5. Monetary and fiscal policy

(a) *Monetary policy*

The absence of a National Central bank in Dominica makes it difficult to measure the money supply accurately. The East Caribbean Currency Authority, which acts as a regulator of currency for the Less Developed Countries (LDCs), estimates that quasi-money increased by 14% in the twelve months up to the end of December 1980. Data available to the end of September 1981 put the total amount at EC\$ 72 million. The relative increases in both time and savings deposits hint at an increase in the money supply (see table 11).

An analysis of commercial bank credit through data on loans and advances outstanding indicates generally higher amounts outstanding at the end of September 1981 than at the end of 1980. Indications are that apart from the government and the household sectors, the distributive sector and the agricultural sector were the major recipients of bank credit (see table 12).

Table 11

DOMINICA: MONETARY BALANCE

(Millions of East Caribbean dollars)

	Balance at end of:					Growth rates		
	1978	1979	1980	1980 ^a	1981 ^a	1979	1980	1981 ^b
Deposits	58.9	83.2	87.1	88.3	95.1	41.1	4.7	7.7
Demand	12.6	25.5	21.7	22.7	23.3	102.4	-15.2	2.5
Time	12.3	15.4	17.5	17.7	21.4	25.1	13.6	21.3
Savings	34.0	42.2	47.9	47.9	50.3	24.3	13.5	5.2
Loans and advances as a percentage of total deposits	...	61.5	78.6	75.0	79.4	...	27.8	5.9

Source: East Caribbean Currency Authority, Commercial Banking Statistics, December 1981, and data supplied to CEPAL.

^aAs of September.

^bAs of September 1981 with respect to same period in 1980.

(b) *Fiscal policy*

Official estimates of government fiscal operations during 1980 and 1981 reveal heavy increases in total revenue and expenditure. While the current account deficit for the fiscal year 1981/1982 grew by over 280%, the total fiscal deficit rose by almost 200% (see table 13).

Current government revenue, most of which came from consumption taxes, showed minimal growth during the fiscal year 1981/1982. A general strike among civil servants ended with the Government granting an 82% increase in personal emoluments over three years in December 1979. Current expenditure during the fiscal year 1980/1981 increased by about 27%.

In the wake of the hurricane devastation in 1979 and 1980, government transfers to statutory bodies more than doubled, but by the end of 1980 the Government decided to monitor more closely the activities of these bodies in order to minimize overspending. The government sectors share of the GDP at current prices was 22% (EC\$ 32 million) in 1980.

Heavy concentration on rehabilitation projects financed by external sources has increased capital outlays and this is expected to continue in the immediate future. Capital grants finance virtually the entire investment effort by the government.

Table 12

**DOMINICA: SECTORAL DISTRIBUTION OF
COMMERCIAL BANK CREDIT**

	Thousands of East Caribbean dollars				Growth rates		
	1978	1979	1980	1981 ^a	1979	1980	1981 ^a
Agriculture	4 169	12 101	10 985	11 165	100.9	-9.2	-1.2
Manufacturing	3 146	2 973	4 791	4 170	-5.5	61.2	-21.0
Distributive trades	9 361	8 300	10 273	12 443	-11.3	23.8	30.5
Tourism	2 991	2 632	2 292	1 972	-12.0	-12.9	-7.5
Transportation	2 348	2 887	5 552	6 959	23.0	92.3	38.0
Public utilities (gas, electricity, telephones)	49	193	212	298	200.9	9.8	46.8
Government and other statutory bodies	8 219	9 277	13 836	17 466	12.9	49.1	23.2
Building and construction	1 255	785	1 526	1 606	-37.5	94.4	13.1
Personal loans	9 297	9 462	14 381	15 465	1.8	51.9	28.4
Other advances	1 431	2 581	4 644	3 976	80.4	80.0	-21.8
Total loans and advances	42 266	51 191	68 492	75 520	21.1	33.8	14.1
Long-term loans as a percentage of total loans	36.3	33.5	49.2	43.9	-7.7	46.9	-1.3

Source: East Caribbean Currency Authority, Commercial Banking Statistics, December 1981, and data supplied to CEPAL.

^a As of September.

^b As of September 1981 with respect to same period 1980.

Table 13

DOMINICA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE^a

	Thousands of East Caribbean dollars				Growth rates		
	1978/ 1979	1979/ 1980	1980/ 1981 ^b	1981/ 1982 ^c	1979/ 1980	1980/ 1981 ^b	1981/ 1982 ^c
1. Current revenue	34 391	43 395	56 698	58 354	26.2	30.7	2.9
Tax revenue	23 036	26 741	38 900	48 750	16.1	45.5	25.3
Direct	5 431	8 212	12 700	14 950	51.2	54.7	17.7
Indirect	17 605	18 525	26 200	33 800	5.2	41.4	29.0
On foreign trade	4 414	4 001	6 225	8 300	-9.4	55.6	33.3
Other current revenue	11 355	16 654	17 798	9 604	46.7	6.9	-46.0
2. Current expenditure	32 784	45 759	58 082	63 660	39.6	26.9	9.6
Wages and salaries	14 913	19 757	33 121	34 254	32.5	67.6	3.4
Other	17 871	26 002	24 961	29 406	45.5	-4.0	17.8
3. Savings on current account (1 - 2)	1 607	-2 364	-1 384	-5 306	-247.1	41.5	283.4
4. Capital expenditure	3 051	11 526	29 404	85 930	277.7	155.1	192.2
5. Total expenditure (2 + 4)	35 835	57 285	87 486	149 590	59.9	52.7	71.0
6. Fiscal deficit surplus (1 - 5)	-1 444	-13 890	-30 782	-91 236	861.9	121.6	196.4

Source: Government of Dominica, Estimates of the Commonwealth of Dominica 1981/1982, and data supplied to CEPAL.

^a Data for fiscal year 1st July - 30 June.

^b Preliminary figures.

^c Estimates.

Dominica's fiscal development has always been difficult because of the contrast between its limited revenue resources and its costly expenditure programmes. Thus the 1980/1981 and 1981/1982 budgets embody concerted efforts to secure an improvement in public finances. Measures to restrain spiralling current expenditure include:

(1) A new wage policy whereby increases in public sector wages will be spread over a period of three years, rising by 10% per annum. A call has been made for moderation in trade union demands and private sector wage adjustments; (2) a freeze in public sector recruitment, a cut in travel allowances and encouragement of early retirement; (3) improvement in the management and accounting practices of statutory bodies.

Revenue measures include:

(1) Increased import duties and consumption taxes, especially on lubricating oils, beer and soft drinks; (2) removal of import duty concessions on building materials and vehicles; (3) introduction of taxes on telephone and telegraph services, and increases in postal rates in airport landing taxes, and property and land taxes. This package is expected to help to secure the improvements in the financial situation necessary for sustained efforts in production and investment. Such improvement is especially important because the United Kingdom ended its budget support payments in 1981.

