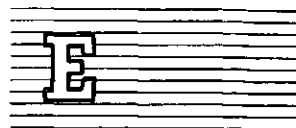


UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



Distr.
LIMITED
E/CEPAL/L.268/Add.6
October 1982
ORIGINAL: ENGLISH

CEPAL

Economic Commission for Latin America



ECONOMIC SURVEY
OF LATIN AMERICA

1981

GRENADA

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 These studies will not be published in alphabetical order, but in order of completion.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.

GRENADA

1. Recent economic trends: Introduction and summary

The external sector necessarily plays a decisive role in the evolution of small island economies such as Grenada, where it accounts for well over half of the gross domestic product. Nevertheless, for reasons which will be analysed below, internal developments proved to be at least as decisive as external ones in shaping Grenada's development in 1981.

Hurricanes so damaged agricultural production in 1980 that the 1981 output showed a significant improvement over that year even though the recovery was partial and incomplete. Since agriculture accounts for almost one-third of Grenada's gross domestic product, this was a very positive development for the economy.

Equally decisive was the dynamic role played by public sector investment, which doubled between 1980 and 1981. Though this implied a sharp increase in foreign debt (see table 1) the funds were mainly directed to a project which can reasonably be expected to raise Grenada's future export earnings —the new airport for international jet traffic at Point Saline. In the short term, and certainly in 1981, this project and the associated capital expenditure caused construction to play a leading and dynamic role in the economy.

Notwithstanding the significance of these positive developments in agriculture and construction, they served at best to offset the sharp decline in Grenada's tourist earnings, which fell by 11% in nominal terms. Since tourism accounts for half of Grenada's exports and directly or indirectly affects one-third of its gross domestic product, this hamstrung overall economic growth in 1981.

2. Trends in economic activity

(a) *Growth of the main sectors*

Agriculture and tourism continue to be the mainstays of the Grenadian economy, each accounting for close to one-third of the gross domestic product (see table 2). In the case of tourism, the benefits are spread over various sectors of the economy, including virtually all of the hotels and restaurants sector and much of wholesale and retail trade, transport and communications. In 1981 there was a partial recovery of the agricultural sector after the damage which the 1980 hurricane did to the harvest, but this recovery in agriculture was more than offset by the significant decline in tourism. Consequently, only construction played a truly dynamic role, its expansion being largely determined by the Government's heavy investment in the Point Saline international airport.

(i) *Agriculture.* In 1980, Grenada's agricultural output was severely damaged by Hurricane Allen and heavy flooding throughout the second half of the year, and as a result virtually all crops registered sharp declines. Because of better climatic conditions agriculture experienced a partial recovery of output in 1981, yet for the most part, production was unable to reach 1979 levels (see table 3).

A notable and important exception to this was the case of nutmeg production, which increased 40% in 1981. Since nutmegs account for 20% of Grenada's agricultural exports and of the order of 5% of its GDP, this expansion was of substantial significance. Unfortunately, because of marketing difficulties this important gain in output could not be readily translated into higher foreign exchange earnings, since almost half of the 1981 nutmeg crop remained unsold and had to be stockpiled.

Table 1
GRENADA: MAIN ECONOMIC INDICATORS

	1976	1977	1978	1979	1980	1981 ^a
A. Basic economic indicators						
Gross domestic product at market prices (millions of current dollars)	35.9	41.1	50.2	57.9	...	...
Population (thousands of inhabitants)	105	106	107	108	109	110
Per capita gross domestic product (current dollars)	342	388	469	536	...	...
Annual growth rates						
B. Short-run economic indicators						
Gross domestic product	14.4	14.6	22.2	15.3	...	...
Per capita gross domestic product	13.6	13.5	20.9	14.3	...	...
Current value of exports of goods and services	21.0	37.0	21.4	29.4	-11.2	-1.1
Current value of imports of goods and services	25.6	40.3	26.7	26.8	15.4	6.8
Consumer price index						
December-December	...	...	...	...	21.8	...
Variation between annual averages	...	...	...	...	20.6	17.7
Money	...	12.0	32.1	17.6	...	...
Unemployment rate	...	...	...	...	27.9	...
Current income of government	45.2	21.6	39.9	19.1	10.8	2.5
Total expenditure of government	47.2	0.0	42.9	67.3	-1.2	40.7
Fiscal deficit/total expenditure of government ^b	29.0	15.8	20.3	44.0	37.2	54.3
Millions of dollars						
C. External sector						
Trade balance (goods and services)	-4.0	-6.3	-11.3	-13.3	...	...
Balance on current account	-1.4	0.7	-8.3	2.7	...	...
Variation in international reserves	4.7	1.3	-1.2	6.0	...	...
External debt ^c	5.8	7.3	7.3	9.3	11.6	25.8
Exchange rate (EC dollars to US dollar)	...	...	...	...	...	2.7

Source: CEPAL, on the basis of official data.

^a Preliminary figures.

^b Percentage.

^c External public debt outstanding.

Clove production, though not yet back to 1979 levels, recovered sharply from 1980. The remaining export crops showed sluggish performance (maize and cocoa beans) or sharp declines (cinnamon, condiments, and most especially bananas). Indeed, banana production was almost 25% below its 1979 level: a decline attributed to moko and leaf spot diseases —the former appearing for the first time in 1978. Moko and leaf spot eradication programmes have been initiated, but production will continue to be affected until the diseases are contained and increased acreages can be put into production.

Altogether, the volume of agricultural export crops harvested increased by close to 9% in 1981. Because of the nutmeg marketing difficulties, however, the volume and value of agricultural exports actually declined (see table 4).

The output of crops mainly destined for domestic consumption was uneven at best, and on the whole unsatisfactory. While most fruits and basic root crops showed modest increases, important declines were registered in vegetables and limes, and sugar cane output fell by more than 20%.

The fact that the recovery of agricultural output in 1981 was only weak and partial was all the more serious in view of long-run trends. The Agricultural Census of 1981 showed that acreage under cultivation has fallen by one-third since 1961, from 21 000 hectares to 14 000 at present.

Table 2

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

	Millions of current East Caribbean dollars			Percentage breakdown	
	1979	1980	1981	1979	1981
Total gross domestic product	156.3	...	...	100.0	...
Goods	57.6	...	...	37.0	...
Agriculture, fisheries and forestry	49.8	...	...	31.9	...
Mining and quarrying	0.1	...	...	0.1	...
Manufacturing	4.3	...	...	2.8	...
Construction	3.5	...	...	2.2	...
Basic services	12.7	...	...	8.1	...
Electricity and water	2.5	...	...	1.8	...
Transport and communications	9.9	...	...	6.3	...
Other services	85.5	...	...	54.8	...
Wholesale and retail trade	23.5	...	...	15.0	...
Hotels and restaurants	4.5	...	...	2.9	...
Government services	34.6	...	...	22.1	...
Miscellaneous services	22.9	...	...	14.7	...

Source: Grenada, Ministry of Finance and Ministry of Planning. Last available breakdown of GDP.

Table 3

GRENADA: INDICATORS OF AGRICULTURAL PRODUCTION

(Metric tons)

	1978	1979	1980	1981	Growth rate			
					1978	1979	1980	1981
Production of main export crops								
Nutmegs	2 087	2 819	2 488	3 483	-15.0	35.1	-11.7	40.0
Mace	277	336	293	...	-18.2	23.9	-12.8	...
Cocoa beans	2 413	2 774	2 131	2 161	17.9	14.9	-23.2	1.4
Bananas	15 656	18 991	16 330	14 696	2.7	21.3	-14.0	-10.0
Production of domestic crops								
Sugar cane	15 726	13 452	9 773	7 686	-4.4	-14.5	-27.3	-21.4
Root crops								
Yams	496	506	459	482	-3.0	2.0	-9.3	5.0
Sweet potatoes	391	371	276	271	-3.5	-5.1	-25.6	-1.8
Tannias	280	271	276	284	2.6	-3.2	1.8	2.9
Dasheen and eddoes	166	164	283	289	4.0	-1.2	72.6	2.1
Pigeon peas	...	...	902	830	...	...	...	-8.0
Vegetables								
Carrots	42	34	32	26	-4.5	-19.0	-5.8	-18.7
Tomatoes	55	42	48	45	-27.7	-23.6	14.3	-6.3
Cabbages	57	39	...	...	1.8	-31.6	...	...
Fruit								
Oranges	961	1 000	936	983	7.9	4.1	-6.4	5.0
Mangoes	1 445	1 517	1 805	1 841	-0.7	4.9	19.0	2.0
Grapefruits	2 009	2 109	2 093	2 197	29.2	4.9	-0.7	5.0
Limes	499	488	496	422	12.1	-2.2	1.6	-14.9
Avocado	1 240	1 236	1 356	1 423	25.4	-0.3	9.7	5.0

Source: Grenada, Central Statistical Office.

Table 4

GRENADA: MERCHANDISE EXPORTS

	Thousands of East Caribbean dollars			Percentage breakdown		Growth rates		
	1979	1980	1981 ^a	1974	1981	1979	1980	1981 ^a
Total merchandise exports	56 016	44 522	49 761	100.0	100.0	26.2	-18.7	9.3
Main traditional exports	52 264	39 722	38 830	91.4	78.0	26.3	-24.0	2.2
Nutmegs	12 413	8 543	8 126	34.2	16.3	15.6	-31.2	-4.9
Mace	2 313	1 845	1 687	8.0	3.4	32.8	-20.2	-8.6
Cocoa	27 078	18 239	19 021	30.7	38.2	38.3	32.6	4.3
Bananas	10 460	11 095	9 996	18.6	20.1	12.3	6.1	-9.9
Main non-traditional exports	1 356	3 164	6 159	3.9	12.4	-21.5	133.3	94.7
Clothing	991	2 373	5 511	2.3	11.1	-2.1	139.4	132.2
Furniture	365	791	648	1.6	1.3	-49.0	116.7	-18.1
Other exports	828	313	699	1.4	1.4	39.2	-62.2	123.3
Claves	751	199	594	1.2	1.2	44.1	-73.5	198.5
Cinnamon	37	75	69	0.1	0.1	-16.0	102.7	-5.3
Sauces and condiments	40	39	36	0.1	0.1	33.0	-2.5	-7.7

Source: Grenada, Central Statistical Office.

^a Preliminary figures.

Moreover, the little land available is subdivided into over 8 000 tiny plots, so that most farms are under 2 hectares, and even the country's largest 80 farms average no more than 70 hectares. Finally, and possibly most alarming, is the fact that the average age of farmers is well over 50 years. This implies that the young are refusing to look to agricultural activity for work—a fact quite consistent with farmers' complaints of not finding workers, despite an unemployment rate of 27% and almost double that among youth. Given Grenada's high man/land ratios (a 38 000 man labour force with 14-21 000 hectares of cultivable land), it is improbable that agriculture will be able to play a leading role in output or employment in the future. Nevertheless it must hold its own, for it still accounts for one-third of the GDP, and if agriculture were to stagnate or deteriorate, it would undoubtedly leave a shortfall too large for the possible growth sectors (tourism and the incipient exports of manufactures) to absorb alone.

Consequently, if agriculture is at least to hold its own, farming must again be made attractive to the young as a profession and not merely a means of subsistence. Agricultural exports must be promoted: farms need to be consolidated to nearer family-size levels; credit should be extended; agricultural infrastructure must be provided; and it is necessary for the security of crops to be assured. A number of agricultural sector projects, covering agricultural credit, feeder roads, a farm management training centre and a banana development programme, have been included in the Public Sector Investment Programme. Moreover, an agricultural co-operative programme is underway which is especially addressed to attracting youth and experimenting with a different model of development. Twelve such co-operatives were begun in 1981.

Two other initiatives worth noting in connexion with primary sector activity are the National Fisheries Corporation and the Forestry Development Corporation established in 1981 to exploit the extensive fish and timber resources available in Grenada. These initiatives are still too new to have had much of an economic impact or admit of an evaluation, however.

(ii) *Manufacturing*. Manufacturing contributes only about 3% to the GDP in Grenada. It is largely (and until recently exclusively) of an agro-industrial or food processing nature, aimed at satisfying domestic consumption. Since the national market is small, the scope for manufacturing growth is very limited, production being conditioned by fluctuations in the agricultural outputs

which serve as inputs (the case of sugar and rum) and the largely vegetative growth of local demand. In recent years, Grenada has begun developing export-oriented industries which may permit this sector to play a more dynamic role.

At all events, at present the largest role by far is still played by manufactures aimed at the domestic market. Because of the most important of these (sugar and beer) registered declines in output, overall manufacturing output is estimated to have declined 2%, notwithstanding the continued substantial increase in export manufactures.

Preliminary data indicate that sugar production declined by 71% during the year (see table 5) and while the final figures probably will not show a decline of this magnitude, especially bearing in mind the 21% reduction in sugar cane output, the decline of over 50% in sugar cane output since 1978 clearly bodes ill for the sugar industry. Rum production increased by 6% in 1981, but rather than indicating the success of 1981 production, this merely reflected the fact that the factory was off-stream for the final two months of 1980. The 1981 figure thus represents a decrease of 2.5% over 1979, the last year of full production.

Table 5

GRENADA: INDICATORS OF MANUFACTURING PRODUCTION

	1978	1979	1980	1981	Growth rates		
					1979	1980	1981
Production of some important manufactures							
Sugar ^a	592	524	494	143 ^b	-11.5	-5.7	-21.0
Flour ^a	...	...	3 107	4 927	...	...	58.6
Rum ^c	337	359	330	350	6.5	-8.0	6.1
Beer ^c	1 447	1 674	1 393	1 203	15.6	-16.8	-13.6
Malt ^c	187	485	544	618	159.3	12.2	13.6
Edible oil ^f	290	308	240	198	6.2	-22.0	...
Coconut meal ^d	153	296	118	62 ^d	93.5	-60.0	...
Laundry soap ^d	26	27	23	57 ^d	3.8	-14.8	...
Clothing ^{e,f}	1 422	1 243	2 606	5 511	-12.6	109.7	111.5
Furniture ^{e,f}	1 006	458	869	648	-54.4	89.7	-25.4

Source: Grenada, Central Statistical Office.

^aTons.

^bPreliminary data.

^cThousands of litres.

^dJanuary-July.

^eThousands of East Caribbean dollars of 1981 purchasing power, deflated by the US wholesale price index for consumer goods.

^fData relate to exports

Flour production, which came fully on-stream in 1980, increased by 59% in 1981, when 18% of flour output was exported to CARICOM countries. Figures for the production of coconut meal, edible oils and laundry soap are only available for the period January-July 1981. Comparison with the corresponding seven-month period the year before shows an increase in edible oil production of 51% but a decrease in coconut meal production of 13%.

The production of laundry soap increased enormously during 1981, as the supply of raw materials was finally assured.

The data available for furniture and garment production relate to the value of exports. Furniture exports were not able to sustain the level recorded in 1980, and declined by 25%, but the clothing industry which is far more important in terms of value exported, continued to record impressive rates of growth in export earnings, the volume of output increasing by over 100%.

The major thrust of current government policy in manufacturing is the development and expansion of an agro-industry to process fruits and spices for local and CARICOM markets. The project, which is still in its early stages, currently absorbs produce that is surplus and would normally go to waste. If it is to fully meet the existing market potential, the supply of raw materials and other inputs, such as containers, will need to be secured by longer-term contracts, and the sporadic operation of the factory due to electricity cuts will need to be corrected.

(iii) *Construction*. Once again in 1981 construction was the leading sector of the economy, growing by a further 14.5% after the spectacular increase of 208% in 1980. This rapid growth in the two years in question was due mainly to the initiation of the Point Saline International Airport project. Nearly EC\$ 39¹ million was spent on the airport's construction in 1981, EC\$ 27 million of which was in foreign grants and nearly EC\$ 11 million in loans. This project looms large in the Grenadian context, accounting for half of the country's investment and over 10% of gross domestic expenditure. It is thus the single most important dynamic factor in the Grenadian economy today, and as such is a major reason for the increased role of government in the economy.

By comparison, other construction projects were clearly dwarfed in importance. A total of 32 housing units were completed in 1981, and even the housing repair programme, which covered 973 households, absorbed less than EC\$ 800 000. Construction and repair work of public institutions in education, health and agriculture amounted to less than EC\$ 350 000. Even previously important public works projects are small by comparison: all road and bridge repair work, together with Grenadian feeder road construction, totalled about EC\$ 8 million.

(iv) *Tourism*. It is estimated that close to one-third of Grenada's GDP depends on tourism in one way or another. This is true not only of hotels and restaurants, but also of much commerce, transport, services and even agriculture. A fact which is just as important and of even more direct significance is that fully half of Grenada's foreign exchange is derived from tourism.

While considerable efforts are being made to prepare for tourism —principally, but not exclusively, through the construction of the international airport able to handle wide-bodied jets and so to exploit charter flight tourism— the fact remains that Grenada experienced an 11% decline in tourist earnings in 1981 (see table 6). Since these earnings are expressed in current EC dollars, this implies a much sharper decline in the real volume of activity, of the order of at least 20%. Given the importance of tourism to the economy, this was a very significant brake on Grenada's growth.

Table 6
GRENADA: SELECTED TOURIST INDICATORS

	1978	1979	1980	1981 ^a	Growth rates		
					1979	1980	1981 ^a
Total visitors ^b							
Stopover visitors	32.3	32.3	29.4	25.1	-0.3	-8.8	-14.8
Cruise-ship visitors	116.3	138.7	145.6	68.6	19.2	5.0	-53.0
Average length of stay of stopover visitors (days)	18.7	19.7	18.0	18.0	5.3	-8.6	-
Number of cruise-ship calls	188	200	236	131	6.4	18.0	-44.5
Number of yacht calls	2 079	926	1 005	473 ^c	55.5	8.5	-39.9 ^c
Hotel and guest house beds	1 500	1 550	1 500	1 128	-	-	-24.8
Estimates visitors expenditures ^d	39.4	53.6	52.4	46.8	35.9	-2.2	-10.7

Source: Grenada, Central Statistical Office, and Grenada Tourism Department.

^aPreliminary figures.

^bThousands.

^cJanuary-September.

^dMillions of East Caribbean dollars.

¹The exchange rate of the currency used in Grenada (the Eastern Caribbean dollar) is EC\$2.7 = US\$ 1.0.

As table 6 indicates, there was quite a sharp decline in the number of tourists: almost 15% among stop-over visitors (who account for 90% of tourist expenditures), and over 50% among cruise ship visitors. The number of visitors from the United States, Germany and the United Kingdom declined by 24%, 21% and 14% respectively — probably a reflection of the sharp fall in the number of cruise ships calling in at Grenada. On the other hand, guest arrivals from CARICOM increased by 11% and from Venezuela by 5%, so that Caribbean tourists now comprise one-third of all tourists.

It is true that tourism throughout the Caribbean has turned in a weak performance, due mainly to the recession in the major industrial countries: for example, visitor arrivals went down in 1981 by close to 6% in Barbados, and by over 4% in the Bahamas. Nevertheless, other factors are also involved in Grenada, for not only was Grenada's decline in tourists much sharper in 1981 than elsewhere in the Caribbean, but it came on top of a similar decline in the previous year (-2% in nominal terms and of the order of -15% in real terms), whereas in 1980 tourism had grown in Barbados and the Bahamas.

Among these adverse factors was a fire at the Holiday Inn which reduced the availability of first class hotel rooms by approximately 50% and total room capacity by 25%. Unfavourable reporting of political developments is also thought to have reduced the influx of tourists, especially those from the United States. Finally, the virtual absence of organized marketing and tourist promotion has further militated against full exploitation of the industry's potential. With the new airport scheduled for completion in 1983 and the Government's increasing awareness of the importance of the industry and the need for effective tourism promotion, however, the possibility of tourism playing a dynamic role in the economy looks promising.

(b) *Employment and unemployment*

A labour force survey conducted in October 1980² showed 38 000 persons (34% of the population) to be economically active. Of those employed, fully 35% worked for the government or State-owned enterprises, while somewhat over 10 000 persons (27%) were unemployed. This problem was especially acute among the young, since 63% of the total number of unemployed were in the 15-24 age group, which thus had a rate of unemployment of the order of 50%.

In view of the sharp increase in public investment in 1981, the situation may be expected to have improved. Nevertheless, such a high rate of unemployment reflects both the scanty opportunities open in agriculture, given its low land/man ratio, and the natural aspirations of the young to work in activities that provide more than mere subsistence. This underlines the need to seek dynamic sectors of economic activity, all of which must necessarily be outward looking, such as agricultural exports, tourism or exports of manufactures.

3. The external sector

As is natural in an economy the size of Grenada, the external sector plays a decisive role. Exports constitute over 50% of the gross domestic product, with half of export income consisting of tourist earnings, while imports because of the influx of capital donations and loans during the year, have risen to a figure equivalent to over 80% of the gross domestic product.

(i) *Exports.* The value of merchandise exports increased slightly over 9% in 1981 (see table 4), yet still remained well below 1979 levels.

One reason was the important decline in the prices of two of Grenada's key exports, nutmegs and cocoa (see table 7). Another was the aforementioned difficulties experienced in the marketing of nutmegs, the result of which was that while production grew 40%, the volume actually exported declined by 16%. Equally important, however, is the fact that the recovery of the agricultural sector was weak, so that the volume of exports did not increase markedly. Only the manufacture of clothing, a non-traditional export, showed vigorous growth.

²Grenada, *Employment, Unemployment and Householding Survey*, 1980.

Table 7

GRENADA: PRICES OF SELECTED EXPORTS

(East Caribbean dollar per lb)

	1978	1979	1980	1981	Growth rates		
					1979	1980	1981
Bananas	0.29	0.33	0.40	0.41	13.8	21.2	2.5
Nutmegs	2.46	2.44	2.54	2.26	-0.8	4.1	-11.0
Mace	2.96	2.93	3.32	3.62	-1.0	13.3	9.0
Cocoa	3.72	5.14	4.38	3.17	38.0	-14.7	-27.6
Claves	9.61	9.52	6.85 ^a	11.76	-0.9	...	23.5 ^b

Source: Grenada, Central Statistical Office.

^a Figure of EC\$ 6.85 includes cloves and stems; no figures available for cloves alone.^b Increase over 1979 price.

The EEC continued to take most of Grenada's merchandise exports (72%), and the United Kingdom alone accounted for 36%. These figures were, however, less than the percentages for 1980 (77% and 44%, respectively). On the other hand, the CARICOM share of Grenadian exports increased to 18% in 1981, compared with 10% in 1980. The Trinidadian contribution to this increase was most significant, moving from less than 8% of total exports in 1980 to almost 15% in 1981. Thus in 1981 it became the third largest market for Grenada's exports after the United Kingdom and the Netherlands, and moreover it purchased a highly diversified package of products. Most rapid growth was registered in non-traditional food and vegetable exports and clothing. In contrast, exports to North America fell from 6% to 4% of total export earnings.

As indicated earlier, Grenada's tourist earnings in 1981 declined sharply, by 11%, so that it is estimated that the total value of Grenada's exports of goods and services actually fell in 1981 (see table 8). The decline is not significant in nominal terms, amounting to only 1%, but when the inflation which has affected the value of the US dollar (notwithstanding its relative appreciation in international markets) is taken into account, this would point to a decline of 5-10% in the real purchasing power of Grenada's exports.

(ii) *Imports.* The value of imports increased by 7% in 1981 (see table 8). This was less than the 1980 growth rate (15%), but rather than reflecting any change in the volume of imports it was an indication of the reduced world inflation between the years 1980 and 1981. Preliminary estimates indicate that CARICOM still provides about 30% of all the country's imports, with petroleum accounting for nearly half of this amount, while the EEC and North America each provide a further 25%. Food accounts for about 36% of all imports, capital goods 16%, petroleum 16%, and airport-related imports 9%.

(iii) *Invisibles and the capital account.* Official balance of payments statistics are not prepared by Grenada. Some of the elements of this balance can, however, be identified and are presented in table 8. No attempt is made to arrive at a formal balance, however, since not all of the components are known.

From the available data it is clear that the trade balance was not only negative but increasingly so. This trade deficit was partly financed by invisibles, comprising remittances by Grenadians from abroad, which are estimated not to exceed EC\$ 6 million for 1981. Aid inflows for 1981 slightly exceeded EC\$ 35 million, while borrowing from abroad came to almost EC\$ 33 million. As a result of this external borrowing, the external debt increased 90% in 1981, to a level of the order of 25 million, which is over 3 times the amount owed in 1978, but still well below the country's export earnings (see table 9).

Table 8

GRENADA: BALANCE OF PAYMENTS

(Millions of US dollars)

	1975	1976	1977	1978	1979	1980	1981 ^a
Exports of goods and services	24.1	24.3	28.3	34.0	44.0	...	...
Goods FOB	12.3	13.0	14.3	17.0	21.2	17.0	18.7
Services ^b	11.8	11.3	14.0	17.0	22.8	...	...
Transport and insurance	-	-	-	-	-	...	...
Travel	8.9	7.9	11.0	14.0	19.8	19.4	17.3
Imports of goods and services	27.2	28.3	34.5	45.2	57.3	...	...
Goods FOB	21.9	22.9	28.5	32.2	43.6	50.3	53.7
Service ^b	5.3	5.4	6.0	13.0	13.7	...	...
Transport and insurance	2.3	2.4	3.0	5.0	6.8	...	...
Travel	1.0	1.0	1.0	4.0	3.0	...	...
Trade balance	-3.1	-4.0	-6.3	-11.3	-13.3	...	...
Profits and interest	-0.2	-0.2	1.0	-1.0	-0.5	...	...
Profits	...	...	-	-	...	...	...
Interest	...	...	1.0	-1.0	...	...	...
Unrequited private transfer payments	3.0	2.9	6.0	4.0	16.0	...	...
Balance on current account	-0.3	-1.4	0.7	-8.3	2.7	...	...
Unrequited official transfer payments	0.8	-0.5	0.8	1.0	...	...	...
Long-term capital	-	-	1.6	0.5	...	...	...
Direct investment	...	...	-0.2	-0.2	...	...	...
Portfolio investment	...	...	-	-	...	...	...
Other long-term capital	...	-	1.8	0.8	...	...	...
Official sector ^{c,d}	...	...	1.8	0.8	...	...	...
Loans received	...	...	1.9	1.5	...	...	...
Amortization payments	...	...	-0.2	-0.7	...	...	...
Commercial banks ^d	...	...	-	-	...	...	...
Loans received	...	...	...	...	...	...	...
Amortization payments	...	...	...	...	...	...	...
Other sectors ^{d,e}	...	...	-	-	...	...	...
Loans received	...	...	...	...	...	...	...
Amortizations payments	...	...	...	...	...	...	...
Basic balance	...	...	3.1	-6.7	...	...	...
Short-term capital	-	-	0.4	-	...	...	...
Official sector	...	...	-	0.2	...	...	...
Commercial banks	...	...	0.4	-0.2	...	...	...
Other sectors	...	...	-	-	...	...	...
Errors and omissions (net)	-0.2	-2.8	-3.2	6.4	...	...	...
Counterpart items ^f	...	...	0.9	-0.9	...	...	...
Global balance	-0.3	4.7	1.3	-1.2	...	...	...
Total variation in reserves (minus sign indicates an increase)	0.3	-4.7	-1.3	1.2	-6.0	...	...
Monetary gold	-	-	-	-	-	...	...
Special Drawing Rights	-0.1	-	0.1	-	-	...	...
IMF reserve position	-	-	-	-	-	...	...
Foreign exchange assets	0.6	-5.1	-1.3	1.2	-5.7	...	...
Other assets	-	-	-	-	-	...	...
Use made of IMF credit	1.0	0.5	-	-	-0.3	-0.9	...

Source: 1975-1979: International Monetary Fund, *Balance of Payments Yearbook* (magnetic tape, March 1981); 1980, 1981: CEPAL, on the basis of official data.

^aPreliminary figures.

^bServices also include other official and private transactions.

^cIncluding general government and Central Bank.

^dIn addition to loans received and amortization payments made, this entry includes net loans granted and other assets and liabilities.

^eIncluding private and State non-bank enterprises.

^fIncludes counterpart items in respect of monetization or demonetization of gold, allocation or settlement of Special Drawing Rights, and variations due to revaluation.

Table 9

GRENADA: INDICATORS OF EXTERNAL INDEBTEDNESS

(Millions of US dollars)

	1975	1976	1977	1978	1979	1980	1981 ^a
Total external indebtedness ^b	5.60	5.80	7.30	7.30	9.30	13.6	2.5
Servicing of external debt	0.58	1.19	0.46	1.01	0.68	...	...
Amortization payments	0.38	0.99	0.22	0.72	0.28	...	...
Interest payments	0.20	0.20	0.24	0.29	0.40	...	...
Servicing of external debt, as a percentage of total exports	2.70	5.60	1.60	2.90	1.70	...	...
Average interest rate	3.80	3.70	4.10	4.10	5.50	...	...

Source: World Bank.

^aPreliminary figures.^bExternal public debt outstanding.

4. Prices and wages

Inflation declined somewhat in 1981 when it amounted to 17.7%, compared with 20.6% in 1980. Given the fixed exchange rate and the openness of the economy, inflation is normally determined mainly by world inflation. However, in recent years and certainly in 1981, internal inflation exceeded imported inflation by a considerable margin. This was partly due to the incomplete recovery of agricultural output, on the supply side, and to the even stronger influx of foreign capital for airport construction, on the demand side. The sharpest increases in prices were registered by furniture and appliances 56%, and clothing and footwear 27% (see table 10). Food, which is the main item in the price index, with a weight of 59%, registered an increase of almost 20%.

Table 10

GRENADA: EVOLUTION OF DOMESTIC PRICES

	Percentage breakdown	Annual average growth rate	
		1980	1981
Total	100.0	20.6	17.7
Food	59.0	18.9	19.5
Alcohol and tobacco	2.5	20.6	15.3
Clothing and footwear	8.0	21.1	26.9
Fuel and light	6.0	43.6	3.9
Housing	6.5	9.8	3.3
Furniture and appliances	3.0	5.2	55.6
Household supplies	3.5	28.7	6.4
Transport	4.0	37.0	12.7
Miscellaneous	7.5	25.6	11.8

Source: Grenada, Central Statistical Office.

A number of wage agreements were concluded in 1981. Estimates suggest that central government employees achieved an average wage increase of 17%, with teachers' income increasing by 14%-24.5%, nurses by 17%-25% and civil servants' by 12%-17%. Port workers gained 15% and utility workers between 5% and 20%.

In the private sector, agricultural workers gained 11.5%, manufacturing workers 12.5%-17.5%, motor repairers 15%, and banking employees 15%-20%, while the increase in commerce ranged from 7.5%-32%. Thus it is likely that the real wages of most workers lost ground to inflation during 1981.

5. Monetary and fiscal policy

(a) *Monetary policy.*

Grenada, as a member of the East Caribbean Currency Authority, has no central bank of its own. There are four major foreign commercial banks in operation and a locally owned National Commercial Bank (NCB), which is the second largest in the country.

The money supply increased 11% in 1981 (see table 11), the central government's fiscal situation being the principal source of that expansion. The evolution of commercial bank credit was, however, negative since it declined 2% in 1981 (see table 12). Though credit to agriculture,

Table 11
GRENADA: MONETARY BALANCE
(Millions of East Caribbean dollars)

	Balance at end of:				Growth rates		
	1978	1979	1980	1981 ^a	1979	1980	1981 ^b
Money	37	46	49	49	24.3	6.5	11.4
Currency outside banks	22	29	33	34	31.8	13.8	17.2
Demand deposit	15	17	16	15	13.3	-5.9	-
Factors of expansion	114	115	126	136	1.0	9.6	10.6
Foreign assets (net)	21	25	28	25	19.0	12.0	8.7
Domestic credit	93	90	98	111	-3.2	8.9	11.0
Government (net)	33	24	24	33	-27.3	-	43.5
Private sector	60	64	72	76	6.7	12.5	4.1
Factors of absorption	77	69	77	87	-10.3	11.6	10.1
Quasi-money (savings and time deposits)	71	78	83	89	9.9	6.4	7.2
Other items (net)	6	-9	-6	-2	...	...	...

Source: International Monetary Fund, *International Financial Statistics*, May 1982.

^aSeptember.

^bSeptember 1981 with respect to September 1980.

Table 12
GRENADA: SECTORIAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

	Millions of current East Caribbean dollars			Percentage Breakdown			Growth rates		
	1979	1980	1981	1976	1980	1981	1979	1980	1981
Total	71.4	82.7	81.0	100.0	100.0	100.0	9.5	15.7	-2.0
Agriculture	2.4	2.9	4.9	7.0	2.5	6.1	-62.4	20.0	71.3
Manufacturing	3.9	6.5	7.3	3.3	8.0	9.0	240.9	68.7	11.8
Distributive trade	22.5	22.1	19.8	28.3	28.4	24.5	22.2	-1.9	-10.4
Tourism	4.6	4.7	6.1	8.0	7.2	7.6	10.4	1.9	31.7
Transportation	4.3	5.1	7.1	3.1	6.4	8.8	55.0	18.1	39.6
Public utilities	0.5	1.6	1.5	2.5	1.7	1.8	-50.0	194.5	-4.7
Building and construction	3.3	4.9	6.1	6.4	6.1	7.6	-20.7	50.4	24.4
Personal loans	17.3	17.7	12.6	16.8	23.4	15.6	27.5	2.0	-28.6
Other advances	12.6	17.2	15.5	24.5	16.3	19.1	-9.0	36.8	-10.1

Source: Grenada, Ministry of Finance.

tourism, construction and transportation showed strong growth, the shares of agriculture and tourism in total credit were still below 1976 levels, and were well below their contributions to GDP.

(b) *Fiscal policy.*

In 1981, if one excludes grants, Grenada accumulated a deficit on its current account budget in excess of EC\$ 6 million, or 10% of total revenue (see table 13). The current revenue of EC\$ 61 million, although 2.5% higher than the revenue collected in 1980, fell well below the projected figure of EC\$ 70 million. Current expenditure, which had been budgeted at EC\$ 70 million for the year, was reduced to a realized figure of EC\$ 66.7 million, but even so it was 7.9% higher than in 1980.

Table 13
GRENADA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of East Caribbean dollars			Growth rates		
	1979	1980	1981	1979	1980	1981
1. Current income	53.4	59.1	60.6	19.1	10.8	2.5
Tax revenue	31.8	34.4	34.8	16.4	8.3	1.0
Direct	10.7	15.6	16.0	20.4	45.6	2.5
Indirect	21.1	18.8	18.8	14.5	-10.7	-0.2
On foreign trade	18.4	16.6	15.5	17.7	-9.9	-6.7
Other current revenue	21.6	24.7	25.8	23.4	14.6	4.6
2. Current expenditure	53.9	61.8	66.7	10.4	12.8	7.9
Wages and salaries	31.8	33.2	34.0	0.3	4.4	2.4
Other	22.1	28.6	32.7	29.4	29.4	14.3
3. Saving on current account (1 - 2)	-0.5	-2.7	-6.1			
4. Capital expenditure	41.5	32.4	65.8	965.1	-21.9	103.2
5. Total expenditure (2 + 4)	95.4	94.2	132.5	81.0	-1.2	40.7
6. Fiscal deficit or surplus (1 - 5)	-42.0	-35.1	-71.9			
7. Aid grants	35.5	33.2	35.3			

Source: Grenada, Ministry of Finance.

Revenue from import duties declined by 13% and reflected the general reduction in economic activity, particularly in tourism. Actual receipts were 25% lower than originally budgeted for. Income tax revenue increased by 2.5%, well below the rate of inflation. Consumption duties, while up 48% over 1980, nevertheless fell 10% short of the original budget estimates. Export duties, on the other hand, which had declined by 40% in 1980, rose 9.7% in 1981 and were 35% higher than targeted.

Whereas current expenditure as a whole increased by 8%, the wages and salaries account increased by less than 3%, implying important reductions in real wages. Other current expenditures increased by 14%. Actual expenditure was 4% lower than the budget estimate.

The 1981 budget made provision for capital expenditures of EC\$ 90 million, an increase of 277% with respect to 1980. The amount actually spent was EC\$ 66 million, up 103% over 1980.

The reasons given for this shortfall include the late receipt of some of the project funds and bad weather, which had the effect of putting some projects behind schedule. It may be noted that expenditure on the new Point Saline International Airport project accounted for nearly 59% of total capital expenditure for the year.

In the past, grants in aid covered the bulk of the difference between total expenditure and revenue. Once again in 1981 these grants were of the order of EC\$ 35 million, but this time they covered only half the deficit. The other part of the sizeable fiscal deficit for 1981 was covered by loans from Libya and the IMF. Thus the level of foreign debt virtually doubled between 1980 and 1981.

