Part three

Caribbean countries

1. General trends

Countries members of the Organization of Eastern Caribbean States (OECS)

During 2001, the countries members of the Organization of Eastern Caribbean States registered decreasing growth (-1.5%) at the aggregate level, reflecting declines in the most important sectors of their economies, particularly the banana and tourism sectors.

At the country level, Saint Vincent and the Grenadines (which grew 2%), Anguilla (2.0%) and Antigua and Barbuda (4.3%) increased their growth rates in 2001, while economic growth in Saint Kitts and Nevis slowed from 5% to 2% in the same period and the rest of the countries experienced contractions in their real GDP of 5%, 5.2%, 3.3% and 4% for Saint Lucia, Dominica, Grenada and Montserrat, respectively. Leeward Island's performance was uneven.

The OECS countries' performance was marked by adverse external developments affecting the export growth of goods and services. The strong sectoral linkages of the affected industries (bananas and tourism) transmitted these negative effects to other areas of economic activity. In addition, manufacturing sectors faced severe limitations on the expansion of their production owing to high costs, low productivity and inadequate technological levels.

The contraction in output led in most cases to lower import growth, which, coupled with the reduction in tourist arrivals, narrowed the base for tax revenue collection. Given unchanging patterns of expenditure, central government deficits increased from 4.3% of GDP in 2000 to 6.5% in 2001.

The balance-of-payments position reflected declines in exports and imports of goods and services as well as decreased remittance flows, which contributed to a current account deficit of 15%. Foreign direct capital inflows and official aid inflows managed to offset the external imbalance.

Inflation remained stable throughout the year (1.8%), mainly as a result of a fixed exchange rate regime and low import prices.

Tax competition and money laundering issues affected the emerging offshore banking sector. These issues became particularly relevant following the events of 11 September. The Financial Action Task Force issued revised lists of non-cooperative countries in June and September 2001 that included some OECS countries. This forced governments in the region to tighten and improve offshore banking regulations.

Table 1

OECS COUNTRIES: MAIN ECONOMIC INDICATORS

	1997	1998	1999	2000	2001[a]
			Annual growth rates		
Gross domestic product	3.2	4.0	4.1	2.4	-1.5
Per capita gross domestic product	…	6.5	4.1	3.0	-0.1
Consumer prices	3.3	2.8	3.5	2.8	1.8
			Millions of dollars		
Balance of payments					
Current account	-386	-373	-452	-445	-434
Trade balance (goods and services)	-352	-346	-402	-399	-373
Exports	1,225	1,286	1,382	1,420	1,321
Imports	257	277	295	302	268
Capital and financial accounts [b]	407	431	469	468	503
Global balance	21	58	17	24	69
Variation in reserve assets (- denotes an increase)	-21	-54	-5	-16	-64
External indebtedness					
External debt (at year-end, as a percentage of GDP)	36 6	37.0	38.8	39.8	41.6
Net interest (as a percentage of exports)	4.2	4.3	4.5	6.3	7.4
			Percentages of GDP		
Central government					
Current revenues	24.9	25.3	25.7	25.4	24.8
Current expenditure	23.7	23.7	24.1	24.4	25.9
Saving	1.2	1.7	1.6	1.0	-1.1
Capital expenditure and net loans	6.4	7.1	7.3	7.7	8.1
Financial balance	-2.6	-1.6	-3.0	-4.3	-6.5
			Annualized rates		
Interest rates					
Deposit rate	4.3	4.3	4.3	4.5	4.3
Lending rate	11.9	11.6	12.0	11.9	11.5
			Millions of East Caribbean dollars at year-end		
Domestic credit	4,136	4,452	5,043	5,780	6,033
Money (M2)	4,323	4,879	5,397	5,969	6,319
Monetary base	313	345	389	387	373
Demand deposits	649	744	802	825	873
Savings and time deposits	2,932	3,313	3,652	3,991	4,272
Foreign-currency deposits	430	477	554	766	802

Source: ECLAC, on the basis of official figures.

[a] Preliminary figures. [b] Includes errors and omissions.

Other Caribbean countries

The Bahamas, Barbados, Belize and Trinidad and Tobago recorded declines in their GDP growth from the previous year. Meanwhile, Jamaica, Guyana and Suriname improved their economic performance.

The Bahamas, Barbados and Belize suffered (as did the OECS countries) from the impact of adverse external developments on the tourism sector. Moreover, in the case of Belize two natural disasters further damaged the productive capacity of the economy. Trinidad and Tobago's performance reflected lower agricultural production and a declining oil sector.

Jamaica's expansion was driven by the dynamism of goods and services sectors. Guyana benefited from improved weather conditions that helped to boost agricultural production. Suriname saw the initial results of the stabilization efforts it had initiated in August 2000.

Almost all the countries experienced a deteriorating fiscal position. Service-based economies were negatively affected by a reduced tax base that reflected the contraction of the tourism sector. Guyana's fiscal performance responded to a decline in the domestic tax on fuel and increases in personnel emoluments. Jamaica's fiscal out-turn reflected adverse external shocks and increased interest payments to the financial sector. Suriname experienced an improvement in its fiscal position due to its economic adjustment measures.

Inflation rates remained stable for pegged exchange rate regime economies (the Bahamas, Barbados and Belize). In the case of managed exchange rate regime economies, inflation increased in Jamaica and Trinidad and Tobago but tended to decline in Guyana as a result of a tight monetary policy. In Suriname inflation remained subdued following changes in the exchange rate the previous year as part of the stabilization programme.

External-sector performance was marked by slow export growth due to the drop in external demand and narrowing service account surpluses due to the fall-off in tourism earnings. Foreign direct investment also tended to subside, partly in response to impending economic conditions and to the completion of major tourism and infrastructure projects.

Negative results in the overall balance of payments were registered in the Bahamas, Guyana, Belize and Suriname, putting downward pressure on the level of foreign reserves. In the case of Barbados and Jamaica, capital inflows completely offset the current account deficit. Finally, Trinidad and Tobago was the only country to register a surplus on both the current and capital and financial accounts.

At the regional level, OECS and other Caribbean countries continued their efforts to deepen regional integration ties and maintain their preferential status in the international market for basic commodities. At the twenty-second meeting of the Conference of Heads of Government of the Caribbean Community (Bahamas, July 2001), members were informed that the regional legal framework for the implementation of the Single Market and Economy due to take effect by 2005 had been completed in the form of a revised treaty. In addition, CARICOM is integrating trade in services into the regional agenda (Protocol II). The participants in the WTO Ministerial Conference held in Doha, Qatar (November 2001) agreed to extend until 2005 the waiver for special and differential treatment granted to the states parties to the ACP-EC Partnership Agreement. Finally, Trinidad and Tobago signed a free trade agreement with Costa Rica in an effort to diversify the direction of its trade.

2. Economic policy

(a) Fiscal policy

OECS countries[1]

The OECS fiscal deficit of 7% of GDP in 2001 reflected a 2% decrease in current revenues as a result of lower international trade and transactions tax revenues, which also declined by 3%. Taxes on domestic goods and services increased from EC$ 313 million to EC$ 320 million, while taxes on income and profits decreased from EC$ 429 million to EC$ 422 million.

Current expenditure increased by 6% owing to a rise in wages and salaries, which represent some 50% of current expenditures. Interest payments on the domestic debt increased by 13%, while those on the external debt remained constant.

At the national level, all the OECS countries except Montserrat registered overall central government deficits.

In **Anguilla**, current revenues remained constant. Trade tax revenues decreased by 8%, while domestic taxes and non-tax revenues increased by 27%. Current expenditures increased by 9% as wages and salaries maintained their share of government expenditures, while interest payments on the domestic debt more than doubled (from EC$ 0.34 million in 2000 to EC$ 1.43 million in 2001).

In **Saint Lucia**, current revenues declined by 10%, partly because the erosion of the import base translated into an 11% drop in international trade and transactions revenue. Also, the government implemented tax and duty concessions aimed at stimulating economic activity, including the reduction of the stamp duty for commercial transactions and an increase in the income tax threshold. Current expenditures increased by 10%, as the government's wage bill obligations rose by 6% and interest payments surged by 69%. The delay in the implementation of infrastructure projects resulted in a 19% reduction in capital expenditures.

Antigua and Barbuda's tax revenues rose by 11% in 2001 owing to an increase in foreign trade taxes, which represent over 50% of tax revenues, and to the positive effect of a higher customs service charge and improved tax administration. Current expenditures increased by 7% due to a rise in wages and salaries and in expenditure on goods and services. Capital expenditures increased by 50% as tourism infrastructure projects were under way.

In **Dominica** the tax ratio moved from 40% to 37% between 2000 and 2001, reflecting mainly the decline in trade tax revenues for the fourth consecutive year as a result of the contraction of the economy and the implementation of the final phase of the common external tariff, despite the doubling of the customs service charge. Tax revenues on income and profits contracted by 30%, despite the increase in the income tax threshold from EC$ 12,000 to EC$ 15,000 as from January 2001. Tax revenues on domestic goods and services expanded owing to a higher intake from fuel taxes and an increase in the sales tax rate from 3% to 5% in January 2001. Current expenditures grew marginally, by 1%, while capital expenditures increased by 21%, reflecting the dynamism of public construction activity.

Grenada witnessed a deterioration in its fiscal balance. This was attributable to retroactive salary payments for 1996-2000 and a 10% decline in domestic and international trade tax revenues due to the slowdown in economic growth. The 12% decrease in non-tax revenues, derived from administrative fees and service charges, was also a contributing factor and resulted from the government's efforts to streamline its offshore banking regulations to comply with international standards. According to official information, the government closed 17 offshore banks during the first quarter of 2001 and revoked the licences of 26 banks and trust companies. Capital expenditure increases were aimed at improving social and physical infrastructure and, at the same time, providing fiscal stimulus via expenditure on public works.

[1] OECS economies have three different fiscal years. Dominica's fiscal year starts in July and ends in June. The fiscal year in Anguilla, Saint Kitts and Nevis and Montserrat coincides with the calendar year. The rest of the economies have a fiscal year that runs from April to March. The Eastern Caribbean Central Bank (ECCB) reports the fiscal accounts on a calendar year basis to make these accounts comparable.

Montserrat registered a 9% decline in current revenues owing to the underperformance of international trade tax revenues and a 10% reduction in tax collection on income and profits. Current and capital expenditures remained at the same level as in the previous year. Grant receipts (EC$ 29 million) allowed the country to achieve a surplus in its fiscal accounts.

Saint Kitts and Nevis did not experience changes in its current account balance relative to the previous year. Tax revenue on domestic goods and services rose by 23%, reflecting an increase in stay-over visitors due to the reopening of three hotels. Revenues from international trade decreased by 5 percentage points owing to the implementation of the third phase of the common external tariff. Its effects on tax revenues were offset by increases in the consumption tax and the customs service charge, from 15% to 20% and from 3% to 5%, respectively. Current expenditures grew by 2% and reflected efforts to contain the expansion of the wage bill and the upgrading of the electricity department to a public utility company, NEVLEC. Capital expenditures reflected the completion of some development projects.

Saint Vincent and the Grenadines undertook a series of measures intended to improve tax collection and at the same time reduce public expenditure. On the revenue side the government increased petroleum taxes, made efforts to settle tax arrears and narrowed the range of import concessions. On the expenditure side the government suspended part of its external debt payments and froze salaries and employment in the public sector in the last quarter of the year. Notwithstanding these measures, current account revenues increased marginally, by 2%, reflecting mainly the rise in consumption tax revenues as a result of growing imports. Current expenditures maintained a constant rate of increase of 6% and capital expenditures remained unchanged.

For 2002, the fiscal position of the OECS economies will reflect, in part, mediocre growth prospects. Current expenditure and capital expenditure are expected to decline, on average, in line with control measures to improve the current fiscal situation.

Other Caribbean countries

Bahamas

The central government reduced its fiscal deficit between the fiscal years 1999-2000 and 2000-2001 (0.8% and 0.4% of GDP, respectively).[2] This result was achieved through expenditure containment and despite the compression in government revenues.

The performance of government revenues was adversely affected by a decline in import duties that represent 48% of total revenues. Departure tax and property tax revenues (11% of tax revenues) suffered from the contraction in the tourism sector. Finally, business and professional licence fees (3% of tax revenues) exhibited weaker growth as a result of a change in the financial sector legislative regime.

Total expenditures declined from 14% of GDP to 4% as a result of a decrease in current expenditures and reduced capital expenditures. Current expenditures responded to wage controls and a more favourable interest rate on the public debt. Capital expenditures were determined by lower-than-planned budget outlays on education and public works and infrastructure projects and higher-than-expected transfers to the non-financial public sector.

The fiscal results for the first part of the fiscal year 2001-2002 indicate a deterioration in the government's fiscal position as a result of external shocks (the events of 11 September and hurricane Michelle), which may result in a deficit of over B$ 80 million for the entire fiscal year. In the first six months receipts decreased by 8.4% while expenditures increased by 9.4%, leading to a deficit of B$ 70 million. The decline in tax revenue is most evident in foreign trade and transactions tax revenues, whose performance has also been affected by tariff rationalization measures, including a reduction in duties for a variety of products, to 35% from a previous range of 40% to 210%. Meanwhile, current and capital expenditure have continued to rise.

Barbados

Barbados' fiscal performance deteriorated during the fiscal year 2001-2002, increasing the deficit from 1.5% to 3.5% of GDP. This reflected a lower intake of indirect tax revenues, which was partially offset by the growth of direct tax revenues and a significant expansion of current and capital outlays.

The performance of direct and indirect taxes mainly reflected the effects of the economic contraction in the first nine months of the year, aggravated in some cases by the events of 11 September. In the case of indirect taxes, value added tax (VAT) collections also showed a return to trend following the collection of arrears during

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2 In the Bahamas the fiscal year starts in July and ends in June. For this reason, at the time of writing this report, complete data on the fiscal year 2001-2002 were not available.

Table 2
BAHAMAS: MAIN ECONOMIC INDICATORS

	1995	1996	1997	1998	1999	2000	2001[a]
	Annual growth rates						
Consumer prices	2.2	1.4	0.5	1.4	1.3	1.6	2.0
	Millions of dollars						
Balance of payments							
Current account	-147	-272	-666	-996	-409	-408	-152
Trade balance (goods and services)	-152	-160	-557	-831	-316	-279	-19
Exports of goods, f.o.b.	176	249	246	363	523	805	766
Imports of goods, f.o.b.	-1,155	-1,273	-1,548	-1,737	-1,773	-2,118	-1,764
Capital and financial accounts [b]	144	50	84	1,115	474	347	122
Global balance	-3	-222	-582	119	65	-61	-30
Variation in reserve assets (- denotes an increase)	3	222	582	-119	-65	61	30
External indebtedness							
External debt (as a percentage of government revenues)	45.7	41.3	41.8	42.2	38.4	37.1	33.5
	Millions of Bahamian dollars						
Fiscal sector							
Revenues	663	687	764	804	918	990	1,030
Expenditure	706	827	837	874	956	991	1,024
Fiscal balance	-43	-140	-73	-70	-38	0	6
	Annualized rates						
Interest rates							
Discount rate (90-day Treasury bills)	4.6	4.4	4.5	3.5	1.5	1.0	1.9
	Growth rates						
Monetary sector							
M1	6.9	0.5	18.6	14.9	27.3	5.6	-3.5
M2	8.2	6.1	23.8	15.4	11.7	8.1	4.5
M3	8.5	5.7	24.1	15.9	11.1	9.0	4.6

Source: ECLAC, on the basis of official figures.
[a] Preliminary figures. [b] Includes errors and omissions.

2000-2001. Import duty revenues reflected a 14% decline in imports.

The behaviour of expenditure in the first nine months of the year was determined by the government's strategy of providing financial support to strategic or vulnerable sectors of the economy. The events of 11 September led to additional measures, including an intervention package estimated at BDS$ 32 million geared mainly to the tourism sector. Financing was provided by international capital markets, which provided a loan of US$ 150 million. Capital expenditures basically reflected the capital works programme and the reliance on project financing for capital and infrastructure projects.

For 2002, **Barbados** is expected to register a fiscal deficit in the range of 3.5% to 4% of GDP, owing to a reduction in corporation tax revenues and a continued downturn in the level of economic activity.

Belize

The government's overall fiscal balance registered a deficit equivalent to 6% of GDP. This reflected an upswing in the tax burden from 27% in 2000 to 29% in 2001 that helped boost total revenues in 2000-2001. Total expenditure also rose in 2000-2001.

Tax revenues mainly reflected the increase in tax collection stemming from foreign trade and transactions in 2001, despite the decline in average import duties from 25% to 20%, and also the improved efficiency of tax collection. Taxes on income and profits and taxes on goods and services, which represented 60% of total tax revenues, experienced declines in their growth rates due to a lower level of economic activity. Capital revenues increased, led by the privatization of public enterprises and the implementation of an indexed environmental levy.

Table 3
BARBADOS: MAIN ECONOMIC INDICATORS

	1995	1996	1997	1998	1999	2000	2001[a]
	Annual growth rates						
Gross domestic product	2.3	2.5	2.8	4.2	2.9	3	-2.5
Consumer prices	2.8	1.5	1.8	6.3	2.9	3.8	-1.2
	Percentages						
Unemployment rate	19.6	15.8	14.5	12.3	10.4	9.2	9.9
	Millions of dollars						
Balance of payments							
Current account	44	71	-49	-62	-147	-145	-90
Trade balance (goods and services)	58	84	-49	-59	-143	-141	-89
Exports	1,112	1,214	1,248	1,294	1,300	1,377	1,265
Imports	1,054	1,130	1,297	1,353	1,444	1,518	1,354
Capital and financial accounts [b]	-7	42	87	25	203	346	318
Global balance	37	113	38	-37	56	201	227
Variation in reserve assets (- denotes an increase)	-12	-81	-22	37	-56	-201	-227
External indebtedness							
External debt (as a percentage of GDP)	25.6	23.2	19.4	19.1	19.8	23.3	20.8
Net interest (as a percentage of exports)	53.2	47.8	40.6	32.7	35.4	26.1	42.9
	Percentages of GDP						
Fiscal sector [c]							
Total revenues	30.9	30.3	32.6	32.4	31.4	32.9	33.7
Total expenditure	30.1	33.5	33.5	33.3	33.7	34.3	37.2
Fiscal balance	0.8	-3.2	-0.9	-0.8	-2.3	-1.5	-3.5
	Annualized rates						
Nominal interest rates							
Deposit rate	5.2	5.2	4.2	4.3	4.8	4.9	3.1
Lending rate	11.8	11.9	11.1	11.6	11.7	11.9	11.1
	Annual growth rates						
Monetary sector							
Currency in circulation	5.6	9.9	8.9	11.9	12.9	2.6	0.5
Monetary base	15.7	31.1	-9.1	16.1	3.9	12.3	15.0
Demand deposits	1.0	39.6	4.0	18.2	10.8	11.7	13.4
Money (M1)	2.6	28.8	5.5	16.2	11.4	8.9	9.6
Time deposits	10.6	23.8	-0.3	-4.0	37.2	20.4	1.3
Savings deposits	7.4	8.6	8.4	10.2	6.9	6.2	5.1
M2	6.4	15.6	6.6	10.5	11.0	8.6	6.1

Source: ECLAC, on the basis of official figures.
[a] Preliminary figures. [b] Includes errors and omissions. [c] Figures for the fiscal year.

Current expenditures were driven by the public wage bill and interest payments on the public debt, representing 65% of the total. Interest payments responded, in turn, to increases in the domestic and external debt ratios of 13% for the domestic debt and 59% for the external debt in 2001. The increase in infrastructure project expenditures financed with local resources (20%) was offset by the contraction (-8%) in those financed from international sources (66% of the total).

Guyana

The central government's fiscal position deteriorated (by 7% and 9.6% of GDP in 2000 and 2001), taking into account grants and relief, under the Heavily Indebted Poor Countries (HIPC) Debt Initiative, while that of the consolidated public sector remained at the same level as in the previous year (7%).

The government's current revenue increased marginally (by 0.2%), reflecting declines in the corporate

Table 4
BELIZE: MAIN ECONOMIC INDICATORS

	1995	1996	1997	1998	1999	2000	2001[a]
	Annual growth rates						
Real gross domestic product	3.8	3.6	4.5	1.8	6.5	10.8	4.6
Consumer prices (average)	2.9	6.4	1	-0.8	-1.2	0.6	1.1
	Millions of dollars						
Balance of payments							
Current account	0	-4	-17	-66	-73	-127	-170
Trade balance (goods and services)	-18	-12	-29	-71	-70	-131	-153
Exports	300	309	341	375	417	473	444
Imports	-319	-321	-369	-446	-487	-604	-597
Capital and financial accounts [b]	-13.7	9.3	21.2	92.2	99	206	145
Global balance	3.0	20.9	0.7	27.2	27	77	- 11
Variation in reserve assets (- denotes an increase)	-3.0	-20.9	-0.7	-27.2	- 27	- 77	11
External indebtedness							
Net interest (as a percentage of exports)	8.1	9.9	9.6	9.0	9.8	8.9	10.6
	Percentages of GDP						
Fiscal sector							
Total revenues [c]	23.9	22.7	25.2	24.9	26.1	27.9	27.0
Total expenditure and net loans	29.9	25.8	26.0	26.2	27.7	31.2	32.9
Fiscal balance	-6.0	-3.1	-0.8	-1.3	-1.7	-3.3	-5.9
	Annualized rates						
Nominal interest rates							
Deposit rate	7.2	6.2	6.7	6.0	5.7	5.0	4.3
Lending rate	16.3	16.2	16.6	16.3	16.3	15.8	15.4
	Annual growth rates						
Monetary sector							
Currency in circulation	8.3	3.6	4.4	6.0	19.6	14.0	9.6
Demand deposits	3.1	10.0	4.8	13.6	25.9	25.3	21.2
Money (M1)	5.0	7.6	4.7	10.9	23.8	21.6	17.6
Time deposits	28.6	5.6	20.9	8.1	1.5	8.5	-2.6
Savings deposits	5.0	5.1	6.7	4.1	13.1	22.3	17.6
M2	16.2	6.1	13.6	8.0	10.0	15.0	8.0

Source: Central Bank of Belize.
[a] Preliminary figures. [b] Does not include errors and omissions. [c] Includes grants and donations. Figures are for the fiscal year.

tax, foreign trade taxes and production and consumption tax revenues. The performance of foreign trade taxes and consumption taxes reflected a decrease in the domestic tax rate on fuel from 50% to 30% in the first half of the year.

Total expenditure reflected policy efforts aimed at fiscal restraint. Most of the 3% increase is explained by a rise in the public sector wage bill (from 5.5% to 34% of total expenditure). Capital expenditure declined (-4%), despite the adoption in 2001 of the Public Sector Investment Programme. Debt charges amounted to G$ 8.1 billion, 40% of which corresponds to external debt servicing.

As a result of the HIPC Initiative, the outstanding public guaranteed debt declined from 170% to 166% of GDP between 2000 and 2001. The debt service ratio moved from 16% to 11% in the same period.

For 2002, the financial operations of the non-financial public sector are expected to yield a deficit equivalent to 7% of GDP.

Jamaica

Jamaica's fiscal performance was marked by three adverse external shocks (civil disturbances in July, the events of 11 September and flood damage in November) and by the need to accommodate cash payments for interest payments on the Financial Sector Adjustment Company (FINSAC) debt. The slowdown in the United States economy also helped to dampen

Table 5
GUYANA: MAIN ECONOMIC INDICATORS

	1995	1996	1997	1998	1999	2000	2001[a]
	Annual growth rates						
Gross domestic product [b]	5.1	7.1	6.2	- 1.7	2.9	- 0.5	1.9
Consumer prices	8.1	4.5	4.1	4.8	8.7	5.8	1.5
	Millions of dollars						
Balance of payments							
Current account	-95	-154	-105	-99	-75	-109	-129
Trade balance (goods and services)	-48	-143	-71	-86	-56	-104	-114
Exports	496	575	593	547	525	505	490
Imports	-544	-717	-665	-633	-581	-609	-604
Capital and financial acounts [c]	26	52	109	76	71	152	120
Global balance	-69	-101	4	-23	-4	43	-8
Variation in reserve assets (- denotes an increase)	2	-14	-22	23	4	-61	-17
External indebtedness							
External debt (as a percentage of GDP)	330.9	218.0	203.7	229.8	176.5	169.7	169.3
Net interest (as a percentage of exports)	…	…	…	…	13.4	17.6	10.8
	Percentages of GDP						
Fiscal sector							
Total revenues	36.7	38.4	34.5	33.3	33.8	37.0	35.3
Total expenditure and net loans	40.0	40.0	41.7	40.1	35.7	44.4	44.9
Fiscal balance	- 3.3	- 1.6	- 7.2	- 6.8	- 2.0	- 7.4	- 9.6
	Annual rates						
Nominal interest rates							
Deposit rate	10.5	7.7	7.4	7.1	8.0	7.3	6.7
Lending rate	20.4	18.5	18.3	18.3	17.9	17.7	17.6
	Annual growth rates						
Monetary sector							
Currency in circulation	9.8	11.1	12.4	1.3	18.4	8.0	4.4
Demand deposits	22.9	20.6	1.9	4.7	25.7	26.7	- 6.4
Money (M1)	14.2	14.5	8.4	2.5	21.1	15.1	- 0.1
Savings and time deposits	31.6	17.6	13.0	8.4	9.0	9.4	12.6
M2	26.1	16.7	11.7	6.8	12.1	11.0	8.9

Source: ECLAC, on the basis of official figures.
[a] Preliminary figures. [b] At constant 1986 prices. [c] Includes errors and omissions.

fiscal performance. The central government's operations resulted in a 6.3% deficit for the fiscal year 2001-2002. This reversed the trend towards declining budget deficits over the past four years.

The increase in tax revenues (15% in the fiscal year 2000-2001 and 4% in the fiscal year 2001/2002) reflected two trends. First, measures were taken to close loopholes and to increase the rates of selected taxes. In the last seven months of the year, tax revenues reflected lower-than-expected economic growth. As a result, for the fiscal year 2001-2002, General Consumption Tax (GCT) receipts declined by 5.5% and 2% for local and imported products, and corporate tax revenues decreased. The underperformance of these taxes was partially offset by increases in foreign trade taxes and by efforts to reduce the incidence of tax evasion.

Total expenditures reflected a higher-than-expected increase in recurrent expenditures of 19% and the containment of capital expenditures (9%) in the fiscal year 2001-2002. Recurrent expenditures reflected a 21% increase in wages and salaries in the fiscal year 2001-2002, due to salary agreements, Air Jamaica pension funds and domestic interest payments to settle the FINSAC debt. In 2001, the government took over the FINSAC debt and a conversion scheme was put in place to trade debt for stocks in order to avoid a deterioration in commercial banks' balance sheets. As a result the domestic debt rose from 111% to 142% of GDP.

Table 6
JAMAICA: MAIN ECONOMIC INDICATORS

	1995	1996	1997	1998	1999	2000	2001 [a]
	Annual growth rates						
Gross domestic product [b]	1.0	1.0	-1.7	-0.3	-0.4	0.7	1.7
Consumer prices	25.5	15.8	9.2	7.9	7.0	6.1	8.7
	Percentages						
Unemployment rate	…	…	16.5	15.5	15.7	15.5	15.0
	Millions of dollars						
Balance of payments							
Current account	-192	-139	-332	-334	-216	-289	-650
Trade balance (goods and services)	-503	-598	-665	-654	-531	-760	-1,033
Exports	2,376	2,339	2,650	2,612	2,552	2,679	2,525
Imports	2,880	2,938	3,315	3,266	3,083	3,438	3,558
Capital and financial accounts [c]	192	139	332	334	216	289	651
Global balance	20	271	-169	175	-137	519	871
Variation in reserve assets (- denotes an increase)	-20	-271	161	-39	134	-519	-871
External indebtedness							
External debt (as a percentage of GDP)	71.3	58.4	51.8	51.0	46.3	50.3	57.1
Net interest (as a percentage of exports)	33.0	33.7	30.8	39.4	40.3	30.7	40.7
	Percentages of GDP						
Fiscal sector [d]							
Total revenues	32.0	29.1	27.6	29.2	32.9	32.9	30.7
Total expenditure and net loans	29.9	36.0	35.9	36.6	37.5	34.0	37.0
Fiscal balance	2.1	-6.9	-8.3	-7.4	-4.6	-1.1	-6.3
	Annualized rates						
Real interest rates							
Deposit rate	2.7	-1.1	3.9	6.4	7.4	5.2	3.3
Lending rate	19.7	13.9	24.3	24.0	22.3	16.3	13.7
	Annual growth rates						
Monetary sector							
Currency in circulation	33.7	13.1	15.7	8.5	32.0	-1.3	6.6
Demand deposits	48.1	34.2	-12.1	3.1	27.4	-3.4	29.4
Money (M1)	41.9	25.6	-1.9	5.4	29.5	-2.5	18.9
Time deposits	31.5	8.6	-4.4	19.1	18.0	26.9	-2.3
Savings deposits	39.7	11.7	31.0	4.4	10.1	12.9	10.0
M2	38.5	15.4	12.5	7.2	17.3	10.6	9.8

Source: ECLAC, on the basis of official figures.
[a] Preliminary figures. [b] At constant 1986 prices. [c] Includes errors and omissions. [d] Calculated using the base fiscal year. The first statistic corresponds to fiscal year 1991/1992.

Suriname

The budget deficit decreased from 13% to 3% of GDP. Despite a 21% reduction in grants and development aid, current revenues increased by 51%, reflecting the government's efforts at fiscal consolidation. Expenditures increased by 21% owing to the need to enhance productive and social infrastructure. In 2002 expenditures are bound to continue their upward trend by an estimated 37%. The authorities used a special facility created under the 1975 independence treaty to finance external debt payments of US$ 49 million.

Trinidad and Tobago

The government obtained a fiscal surplus for the fiscal year 2001 (TT$ 819 million).[3] Total revenues increased by 17%, propelled by both oil sector and non-

[3] In Trinidad and Tobago the fiscal year runs from October to September.

oil sector tax receipts (22% and 14%). Non-oil sector receipts (67% of total tax revenues) depended on higher export prices for petrochemical products and a higher level of transactions in the economy, as reflected in VAT revenue. In addition, tax revenue was also influenced by the government's settlement of arrears and salaries to public sector workers and the tax amnesty granted to individuals to increase the incentive for tax compliance.

Total expenditures rose by 9% and reflected higher wages and salaries, which represented 29% of total expenditures. Government expenditure on goods and services (12% of the total) was partly accounted for by the improvement of school facilities. Transfers also registered an increase as oil-related revenues were transferred to the Revenue Stabilization Fund (TT$ 600 million in September 2001). Finally, capital expenditure recorded a contraction of 22% due to the completion of major infrastructure projects.

For the fiscal year 2002, the government has announced a series of measures to render the tax system more efficient and at the same time to increase the number of tax exemptions. As a result, the present fiscal surplus should become a fiscal deficit, estimated at 1% of GDP. This will increase government liabilities, which stand at 66% of GDP and of which external debt stock represents 25% of GDP.

(b) Monetary and exchange rate policy

OECS economies

The Eastern Caribbean Central Bank maintained a neutral policy stance.[4] The interbank and discount rates, as well as the reserve requirement ratio (22%), remained constant. The expansion of the banking system's net foreign assets resulted in a net international reserve position (27% in 2001) that translated into a backing ratio of 97%, widely surpassing the 60% required by statutory law.

The growth rate of the narrow money supply (M1) expanded from 1.7% in 2000 to 2.8% in 2001, while M2 rose by 11% in 2000 and 6% in 2001, reflecting a higher level of time deposits by private individuals despite lower interest rates on deposits. The liquidity position of the commercial banks, measured by the ratio of liquid assets to total deposits and liquid liabilities, improved, and this translated into higher credit growth. The distribution of loans and advances by economic activity showed that personal loans represented 47% of the total in 2001. More than half was used for the acquisition of property, followed by commerce (11%), government services (9%) and tourism (8%).

The growth rate of M2 declined in all the countries except Dominica and Montserrat (from 1% to -9% and from 7% to 1%, respectively). Domestic credit expanded in Anguilla, Dominica, Grenada and Saint Lucia but contracted in all the other OECS countries. In addition, they all posted increases in net external assets, with the exception of Saint Vincent and the Grenadines (30% in 2000 and -10% in 2001). Credit activity was concentrated in personal loans for the acquisition of property, followed by tourism and commerce.

As a further step to develop money and capital markets with a view to the eventual creation of a single financial space, the Eastern Caribbean Central Bank launched the Eastern Caribbean Securities Exchange in June 2001 to provide a regional secondary market for securities.

Other Caribbean countries

Bahamas

During 2001 the expansion of monetary aggregates subsided in response to slackened real sector conditions and reduced foreign capital inflows. At the same time, following the events of 11 September, the authorities implemented measures to ensure adequate levels of liquidity inflows in the economy. To this end, the authorities froze the outstanding balances of financial institutions and relaxed their foreign exchange requirements.

Between 2000 and 2001, the growth rate of narrow money (M1) declined by 3.5%; the expansion of broad money (M2) slowed from 8.1% to 4.5% and that of the total money supply (M3) from 9% to 4.7%. Their behaviour reflected a decline in foreign currency deposits and changes in the composition of deposits in favour of alternative investment opportunities. In line with monetary conditions, the growth rate of domestic credit abated. Credit to the public sector increased by 30%, reflecting the deterioration of the government's fiscal position.

The reaction of interest rates to the monetary policy strategy was mixed. The interest rate on weighted deposits increased from 3.97% to 4.27%, while that for loans decreased from 11.74% to 11.47%.

Other developments in the financial sector include the removal of the Bahamas from the Group of Seven's watch-list of non-cooperative countries. This followed the implementation of a series of policy measures aimed

[4] The monetary authority of the OECS countries, which acts as a quasi-currency board and maintains a fixed parity of the Eastern Caribbean dollar to the United States dollar (EC$ 2.71 to US$ 1).

Table 7
TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS

	1995	1996	1997	1998	1999	2000	2001[a]
	Annual growth rates						
Gross domestic product	3.2	2.9	3.0	4.0	5.0	4.7	3.5
Consumer prices	5.3	3.3	3.6	5.6	3.4	3.6	5.5
	Percentages						
Unemployment rate	17.2	16.2	15.0	14.2	13.2	12.2	10.7[b]
	Millions of dollars						
Balance of payments							
Current account	270	68	-579	-645	31	544	127
Trade balance (goods and services)	752	591	-201	-325	393	1,135	729
Exports	2,472	2,538	2,663	2,399	2,943	4,356	4,284
Imports	1,720	1,947	2,865	2,724	2,550	3,221	3,554
Capital and financial accounts [c]	-237	145	754	726	132	-103	344
Global balance	33	214	175	80	162	441	471
Variation in reserve assets (- denotes an increase)	-41	-214	-176	-81	-162	-441	-471
	Millions of Trinidad and Tobago dollars						
Central government							
Current income	…	…	…	…	9,613	13,007	13,380
Current expenditure	…	…	…	…	10,542	10,994	12,595
Saving	…	…	…	…	-929	2,013	785
Capital income	…	…	…	…	101	30	36
Capital expenditure and net loans	…	…	…	…	527	1,224	861
Financial balance	…	…	…	…	-1,355	819	-41
	Annual rates						
Nominal interest rates							
90-day Treasury bill rate	8.8	10.6	10.0	11.9	10.4	10.5	8.3
Prime lending rate	15.0	15.0	15.0	17.5	17.5	16.5	14.5
	Millions of Trinidad and Tobago dollars						
Monetary sector							
Currency in circulation	…	…	1,063	1,020	1,292	1,271	1,376
Demand deposits	…	…	2,835	3,052	2,990	3,616	5,314
Money (M1)	…	…	3,898	4,072	4,282	4,887	6,690
M2	…	…	14,919	16,894	17,216	19,219	22,197

Source: Central Bank of Trinidad and Tobago.
[a] Preliminary figures. [b] As of March 2001. [c] Includes errors and omissions.

at strengthening the Bahamas' financial regulatory framework and financial supervision. These policy measures led to the revocation of the licences of some banks and trust companies, reducing their number from 410 to 367.

Barbados

Barbados' monetary policy followed a counter-cyclical pattern to counteract the negative effects of the United States economy's slowdown and the events of 11 September on economic activity. The Central Bank lowered its discount rate to commercial banks from 10% to 9% in April and then to 8.5% in July. In addition, the reserve requirement for commercial banks decreased from 6% to 5% and the Central Bank set the ceiling on the indicative weighted average interest rate on selected loans from commercial banks at 10% in August, 9.5% in September and 8.5% in December. This monetary stance was facilitated by the build-up in the monetary authorities' stock of net international reserves (59% and 46% growth in 2000 and 2001) that allowed the money base to expand by 15%.

Despite the Central Bank's expansionary policy, the growth of the narrow money supply (M1) remained at much the same level as in the previous year (9% and 10% in 2000 and 2001), while the growth rate of the

Table 8
CARIBBEAN COUNTRIES: BALANCE OF PAYMENTS
(Milions of dollars)

	Merchandise trade			Services trade balance			Current account balance			Global balance		
	1999	2000	2001[a]	1999	2000	2001[a]	1999	2000	2001[a]	1999	2000	2001[a]
Caribbean countries												
Bahamas	-1,249	-1,313	-998	934	1,034	980	-409	-408	-152	65	-61	-30
Barbados	-714	-744	-694	571	603	605	-147	-145	-90	56	201	227
Belize	-103	-173	-191	33	42	39	-73	-127	-170	27	77	-11
Guyana	-25	-80	-94	-31	-24	-20	-75	-109	-129	-4	43	-8
Jamaica	-1,187	-1,354	-1,579	655	594	546	-216	-289	-650	-137	519	871
Trinidad and Tobago	64	969	430	329	166	299	31	544	127	162	441	471
OECS countries												
Anguilla	-78	-79	-65	30	24	38	-51	-56	-28	2	0	4
Antigua and Barbuda	-316	-299	-295	256	250	253	-77	-80	-60	10	-6	16
Dominica	-67	-75	-70	40	39	36	-40	-61	-47	11	1	4
Grenada	-110	-136	-137	70	67	65	-48	-82	-73	5	7	6
Montserrat	-18	-18	-16	-1	-3	-4	-1	-9	-7	-11	-4	2
Saint Kitts and Nevis	-90	-118	-113	14	22	24	-84	-63	-103	2	-4	11
Saint Lucia	-251	-253	-203	188	211	168	-79	-62	-60	8	8	10
Saint Vicent and the Grenadines	-127	-97	-122	59	66	67	-72	-33	-55	4	14	9

Source: ECLAC, Port of Spain.
[a] Prelimnary figures.

broad money supply (M2) rose by 6%. This behaviour corresponded to a lower level of transactions. Commercial banks reduced the cost of borrowing by dropping the prime lending rate from its initial level of 10% to 9.75% in March, 9.5% in August and 8.75% in December.

Belize

Monetary aggregates tempered their growth relative to the previous year owing to a 15% fall in net foreign assets, which compensated for the increase in net domestic credit. Narrow and broad money (M1 and M2) expanded by 17% and 8%, respectively, in 2001, down from 14% and 21% in 2000.

The net domestic credit of the banking system registered an upturn in relation to the previous year. This was facilitated in part by the high levels of statutory liquidity maintained by commercial banks and the decline in real interest rates. The weighted average real rate of interest decreased.

Net domestic credit financed the central government's capital works projects, but mostly provided funding to private-sector activities (78% of total credit). Private-sector credit went mainly to the construction subsector (22% of the total) and, in particular, to residential housing projects, followed by agriculture (9%) as a result of the reparations needed in the banana subsector following hurricane Iris.

Guyana

In Guyana monetary policy adapted to the conditions of the credit market. Sluggish credit demand driven by the agricultural, manufacturing and distribution sectors and a policy of cautious lending improved commercial banks' liquidity, which was significant in 2000. The ratio of liquid assets to total deposits and liquid liabilities increased from 13% to 17% between 1999 and 2001.

The excess liquidity (43% above required reserves) underpinned a precautionary stance by commercial banks. Excess liquidity was channelled to the treasury bill market, causing a decrease in the 91-day treasury bill rate from 9.2% in December 2000 to 6.3% in December 2001. Commercial banks' lending rates were adjusted accordingly (17.8% and 17.6% for the same period) and deposit rates were lowered to 6.7%. However, the decline was insufficient to offset the decline in inflation, and real interest rates increased.

The monetary authorities validated the behaviour of interest rates by allowing high-powered money to grow in line with set targets (14% in 2000 and 11% in 2001). This was made possible by an increase in net foreign assets thanks to a 13% decline in the foreign liabilities of the Bank of Guyana due to the HIPC Initiative. Narrow money (M1) remained unchanged from the previous year and broad money (M2) increased by 9%, reflecting a change in the composition of commercial banks' liabilities from demand to savings and time deposits.

In accordance with monetary policy strategy, the nominal exchange rate in relation to the United States dollar depreciated by 2.6%, from G$ 184.75 in December 2000 to G$ 189.5 in December 2001, in line with the rate of inflation.

Jamaica

Jamaica's monetary policy was geared to the maintenance of macroeconomic stability to allow for a reduction in interest rates and in the required reserve ratio that would be compatible with a money supply management operating target. The main challenge for monetary policy was the maintenance of this expansionary stance in the face of a slowdown in growth and increasing pressure towards exchange-rate depreciation. Accordingly, the authorities monitored the growth of the money supply by controlling net domestic credit and intervening selectively in the foreign exchange market.

Broad money (M2) increased by 9.8%, because of the expansion in net international reserves, which increased by US$ 871 million, with a 22% deviation from the planned target for the year. This reflected the purchase of official capital flows by the Government of Jamaica from commercial and multilateral sources and the government's domestic issue of United States dollar-denominated bonds.

Investor preference for dollar-denominated instruments and expectations of depreciation after 11 September led to a depreciation of the nominal exchange rate between September and October. The authorities decided to counteract the pressures by intervening in the foreign exchange market and by increasing the interest rate on long-term instruments as well as the maturity period of open-market instruments. As a result, the exchange rate registered a yearly depreciation of only 4% in 2001.

The cash reserve ratio was reduced by three percentage points to 10% during 2001, continuing a policy initiated in August 1998 of reducing commercial banks' statutory reserve. The monetary conditions allowed the Bank of Jamaica to decrease short-term interest rates. The Bank's 30-day signal rate, the reverse repurchase rate, declined from 16.45% to 14.25% between December 2000 and 2001. The six-month interest rate on treasury bills followed this movement, closing with a yield of 17% at the end of 2001, compared to 20% the previous year.

Commercial banks followed suit as the average lending rate decreased from 32.9% to 26.8% and deposit rates decreased from 10.5% to 9.1%. Bank credit rose by 21% in 2001. A third of loans is devoted to consumption purposes.

Suriname

The narrow (M1) and broad (M2) money supply expanded by 43% and 39% and overall liquidity (M3), by 30%, in line with the growth of nominal GDP this maintained stable prices and exchange rate movements. The monetary policy strategy has led to an increase in foreign assets as a percentage of narrow and broad money. As a result, import coverage rose from 0.4 to 3 in monthly terms. Following the devaluation of the guilder in the third quarter of 2000, the exchange rate has stabilized at 2,180 guilders per United States dollar in the free market.

Trinidad and Tobago

In the face of weak external economic conditions and to avoid deflationary pressures in domestic activity, the monetary authorities adopted a lenient monetary stance, facilitated by the accumulation of net international reserves (44%) and reinforced by liquidity injections to the public sector in the first half of the year and the decline of the reserve requirement from 21% to 18%. To avoid excessive pressure on prices and the exchange rate, the authorities engaged in sterilization operations by issuing treasury bills and securities and introducing Central Bank notes with a three-month maturity (October 2001).

The overall result was an 11% expansion in the money base, while narrow money (M1) increased by 36% and broad money (M2) by 15%. The exchange rate remained stable, registering a slight appreciation by the end of the year (6.30 and 6.23 in 2000 and 2001).

In consonance with the monetary conditions, the term structure of interest rates moved to a lower level. The median basic prime rate moved from 16% in the first quarter of 2001 to 14.50% in the last quarter of 2001. Term loan rates followed a similar path, and the three-month deposit interest rate decreased from 7.2% to 5.8%. However, uncertain local conditions stemmed the demand for loans.

Starting in 2002, the monetary authorities have decided to implement a new framework for monetary policy that represents a switch from monetary targets to the overnight interest rate for Central Bank repurchase operations to guide monetary policy.

3. The main variables

(a) Economic activity

OECS economies

Agricultural production, in the aggregate, decreased by 9.2%, largely because of the decline in banana production in the Windward Islands. Banana output decreased by 41%, to 82,843 tons, in 2001. In the major producers (Saint Lucia and Saint Vincent), accounting for 41% and 37% of the total output, banana production declined by 48% and 27%, respectively. This performance is attributed to leaf spot disease, the ongoing exodus of farmers from the industry, depressed prices, internal factors affecting one banana company and drought conditions. Weather conditions also affected the performance of nutmeg, mace and cocoa in Grenada. Sugar cane production in Saint Kitts and Nevis (42% of total agricultural value added) increased by 12% owing to the growth in the tonnage of cane milled. Finally, in the case of Saint Lucia, drought conditions and the weakening of the tourism sector accounted for the decrease in non-traditional crops.

Manufacturing production decreased by 5.9%, mirroring the individual countries' situations, with two exceptions (Anguilla and Antigua and Barbuda, with rates of 2.1% and 6.1%, respectively for 2001). This outcome resulted from declining external demand, lack of competitiveness, absence of adequate technological levels and high production costs. Intra- and extra-regional competition affected the major manufacturer in Saint Vincent and the Grenadines, whose production decreased by 11% in 2001. The contraction in external demand particularly affected activity in the area of assembling electronic components.

Tourism, with a 5% drop for the OECS countries in the aggregate, reflected the slowdown of the United States economy, the events of 11 September and the discontinuation of weekly charter flights from the United Kingdom by a major airline in the last quarter of 2001. The number of stay-over tourists, excursionists and cruise ship visitors declined by 5%, 19% and 11% respectively. As a result, gross visitor expenditure declined by 6%. At the individual country level, Saint Lucia and Dominica recorded the largest decreases, of 11% and 10% respectively, while Anguilla, Montserrat and Saint Kitts and Nevis registered outcomes above those of the previous year.

An important contributing factor to the performance of Anguilla and Saint Kitts and Nevis, which registered increases of 9.5% and 3.9% respectively, was the

Table 9
CARIBBEAN COUNTRIES: NET FOREIGN DIRECT INVESTMENT
(Millions of dollars)

	1993	1994	1995	1996	1997	1998	1999	2000	2001[a]
Caribbean countries									
Bahamas	42	43	27	88	210	146	149	250	71
Barbados	1	41	-5	24	32	17	54	156	93
Belize	12	19	18	11	8	47	50	19	40
Guyana	63	47	53	59	52	44	46	67	56
Jamaica	...	...	...	...	147	287	429	...	...
Trinidad and Tobago	373	521	296	356	1,000	732	379	654	554
OECS countries									
Anguilla	7	11	18	33	21	28	38	39	28
Antigua and Barbuda	15	25	32	19	23	27	37	33	54
Dominica	13	23	54	18	21	7	18	11	14
Grenada	20	19	20	19	34	49	42	36	34
Montserrat	5	7	3	0	3	3	8	4	4
Saint Kitts and Nevis	14	15	21	35	20	32	58	96	83
Saint Lucia	34	33	33	18	48	83	83	49	51
Saint Vicent and the Grenadines	31	47	31	43	93	89	56	28	36

Source: ECLAC, Port of Spain.
[a] Preliminary figures.

reopening of major hotels in the 2000-2001 winter season following their closure in November 1999 because of damage by hurricane Lenny. The construction sector experienced a decline of 1.3% in 2001 and all countries experienced a contraction, with the exception of Antigua and Barbuda, where construction grew by 11%.

The financial services sector grew at a slower rate than in the previous year (6.0% in 2000 and 2.5% in 2001), mostly because of the increase in regulations pertaining to the offshore financial sector. Antigua and Barbuda, Grenada, Saint Kitts and Nevis and Saint Vincent and the Grenadines undertook measures to strengthen the regulatory framework and correct legislative deficiencies in relation to the sector in order to comply with international standards. As a result, some OECS countries revoked the licences of some institutions.

For 2002, growth prospects are dim, as countries expect the slowdown in the tourism sector to continue. A recovery in agricultural production is expected, but the manufacturing sector's activity will remain weak. Overall the growth rate is expected to be 2%.

Other Caribbean countries

Bahamas

Tourism, measured by tourist expenditures, decreased its growth rate from 14.6% in 2000 to 3.5% in 2001. Air arrivals declined by 2.9%, while sea arrivals grew by only 1%. Hotels experienced a reduction of 4.4% in occupied room nights, and hotel revenues fell by 1.7%. The expansion in available capacity increased by 7% and the average hotel occupancy rate moved from 67% to 60%. Construction activity stabilized in 2001 and hinged upon the continuation of projects initiated in 2000, since investments in new projects were reduced.

The output of fisheries contracted as a result of fewer landings, both in volume (with a 7% drop) and in value (which decreased by 20%), as well as a reduced volume of sales.

Barbados

The agricultural sector reduced its output. Sugar production fell by 14% as a result of a late start in the crop, reduced acreage and unfavourable weather conditions. The non-sugar agriculture and fishing sector declined by 1.1%. Some products, such as milk, expanded (4.1%), while fish landing and chicken production contracted (5% and 8%).

Tourism registered a decrease of 8.1% in 2001. Long-stay arrivals declined by 7%, for the first time since 1992, and the number of cruise-ship passengers fell by 1.1% owing to itinerary changes and the repositioning of cruise ships closer to the United States following the events of 11 September. The 8% decrease in the manufacturing sector is attributed to a lack of competitiveness manifested by high production costs. The 4% contraction in the construction sector reflected the decline in the sector's growth following the 1997-1998 construction boom and the completion of private tourism and commercial projects.

For 2002, GDP is forecasted to fall by 2%. Sugar production is expected to contract by 15% to 20%, while non-sugar agriculture, fishing and manufacturing may show marginal increases, partly as a result of the introduction of a 60% tariff on selected imported manufactured goods. Construction, transport and communications will show marginal growth.

Belize

The 12% expansion of agriculture was determined by the growth of the fishing subsector as a result of the expansion of ponds, which boosted the output of farmed shrimp. The agricultural subsector suffered from declines in the production of sugar cane and bananas due to the damage caused by hurricanes Keith and Iris.

Manufacturing activities contracted (by 20% and 2% in 2000 and 2001) because of the decrease in agriculture-based manufacturing and in productivity. Suboptimal input usage and poor field growing conditions affected the output of sugar, which fell by 14%. The garment industry was affected by the restructuring efforts of a major plant seeking new product lines in order to cope with increased external competition, and declined by 23%.

Tourism suffered as a result of adverse weather conditions and the events of 11 September. The growth rate in the number of total tourist stay-overs moved from 10% to 2% and that of cruise-ship arrivals, from 53% to -7% between 2000 and 2001.

In 2002 GDP is expected to grow by 6%. The biggest contributor will be the tourism sector, which is scheduled to benefit from major investments.

Guyana

The improved performance of the agricultural sector, which expanded by 4%, resulted from favourable weather conditions. Sugar and rice output, which account for 42% and 9% of the agricultural sector, increased by 4% and 10% owing to the extension of the harvesting period and improved productivity.

The mining and quarrying sector increased marginally because of the poor performance of bauxite owing to domestic firms' structural difficulties. Manufacturing remained stagnant because of inadequate levels of infrastructure and human capital. However, increases were registered in pharmaceuticals (4%), food (4%), beverages (44%) and selected industrial products (44%). The performance of the services sector, which contributes 41% to GDP, fell by 1% in 2001 as a result of a 5% decline in financial services. In 2002, GDP will increase by 2%, driven by services and by agriculture, forestry and fishing, and to a lesser degree by manufacturing.

Jamaica

The agricultural sector's performance in 2001 was marked by a notable improvement in the first nine months of the year, rising by 7.3% owing to an increase in harvested hectarage and favourable weather conditions. In the last quarter of the year, production decreased by 2% because of floods that damaged the land.

The 3.8% growth in mining and quarrying reflected a 3.7% increase in the production of bauxite as a result of the reopening of the Gramercy refinery plant in the United States in the last quarter of 2001. The expansion of bauxite output compensated for the 1.6% decline in aluminium, caused by the closure of a plant undergoing restructuring.

Manufacturing grew by 0.6% thanks to increases in food processing, alcoholic beverages, non-metallic minerals and metal-producing industries. Domestic demand and efforts to rationalize production drove the performance of these subsectors. The textile and wearing apparel and the leather and footwear industries experienced strong declines in output of 35% and 20% owing to a lack of competitiveness attributable to high operating costs despite the ongoing government assistance programme and the introduction of the Caribbean Basin Trade Partnership Act (CBTPA) in the last quarter of 2000.

The performance of the tourism sector deteriorated as a consequence of the slowdown of the United States economy, the events of 11 September and civil disturbances that affected Kingston in July 2001. Total visitor arrivals, stop-over visitors and cruise ship passengers decreased by 5.1%, 3.5% and 7.4%, respectively. As a result, foreign exchange earnings from the tourism sector dropped from US$ 1.332 billion to US$ 1.235 billion.

For 2002, GDP is expected to increase by 2.0%. The main sources of growth are expected to be the construction and transportation and communications sectors.

Suriname

The most dynamic sectors (aluminium and petroleum) benefited from prospective investments in infrastructure (US$ 32 million for the national petroleum industry) and higher prices during part of 2001. At the same time, agricultural output contracted owing to structural problems, high indebtedness and adverse external conditions. The waiver granted at the WTO meeting in Doha in favour of special and differential treatment is expected to provide relief to agricultural production and in particular to the banana industry.

Trinidad and Tobago

Agriculture was negatively affected by the decline in sugar production due to a 31% fall in the tonnage of canes harvested. Cocoa, coffee and citrus also experienced contractions in their output of 61%, 27% and 47% respectively, due to adverse weather conditions and pests. In addition to weather conditions, export agriculture (-29% and -57% for sugar and cocoa) also suffered from a lack of competitiveness reflected in high costs.

Oil production contracted by 5% as a result of a natural decline in mature oilfields. In turn, lower crude production levels have affected the national industry's refinery performance. For its part, the natural gas industry experienced strong growth of 8% in production and 13% in exports. This expansion is partly attributed to the fact that a major plant lengthened its operations from 8 to 12 months. Nitrogenous fertilizers and methanol production and exports expanded by 20% and 15%, respectively. The production of ammonia benefited from Trinidad's position as the leading exporter to the United States market, and that of methanol, from a major plant's achievement of its first full year of production and higher international prices.

Manufacturing reduced its growth rate from 6.7% in 2000 to 3.1% in 2001 as a result of a contraction in the production of wood and related products and of food, beverages and tobacco. Tourism expanded by 6% in 2001 in response to increased investment in hotel accommodations. The number of cruise ship passengers decreased by 4% because of adverse external events.

For 2002, GDP is expected to expand by 3% owing to the improved outlook for the agricultural sector and the gas industry.

(b) Prices, wages and employment

OECS economies

Inflation for the OECS economies in the aggregate remained stable at 2.8% in 2000 and 1.8% in 2001 as a result of favourable external conditions and some countries' efforts to stabilize energy prices through selective tax measures. At the individual country level, inflation outcomes were mixed. Grenada reduced its inflation from 3.5% in 2000 to 2.5% in 2001; Saint Vincent and the Grenadines, from 1.4% to -0.7%; and Saint Kitts and Nevis, from 3.1% to 2.6%. Antigua and Barbuda, Dominica, Montserrat and Saint Lucia recorded shifts in the opposite direction (from 0.5% to 1.7%, from 1.1% to 1.9%, from 1.7% to 4.9% and from 0.3% to 2.1%, respectively). The largest increases in inflation in the area, those of Montserrat and Saint Lucia, were attributed to food supply shortages and also to a rise in the cost of utilities in the case of Montserrat.

Other Caribbean countries

Bahamas

Inflation, as measured by changes in the retail price index, registered a marginal increase from 1.6% in 2000 to 2.0% in 2001. This out-turn was the product of a rise in costs driven by an increase in the price of food and beverages and a contraction of demand, as reflected in the decline of economic activity and tightened money market conditions.

In terms of the components of the retail price index, food and beverages increased by 2.1%; furniture and household operations, by 2.6%; and recreation and entertainment services, by 3.5%. Other goods and services, rising by 5.5%, exerted an upward pressure on prices. Clothing and footwear remained stable, as did housing, which represents a third of the weight, while the remaining components registered declining rates of growth.

Barbados

The inflation rate, measured by the retail price index, registered a decline of 1% as a result of the decrease in aggregate demand in response to the slowdown in economic activity and stable production costs. Food and housing –the most important components of the price index (39% and 17%)– registered positive increases of 1.1% and 1.2% respectively, while the rest of the components recorded negative rates of growth. For 2002, inflation is estimated to reach 2.5%.

The unemployment rate increased from 9.2% to 9.9%, driven by the slowdown in the major economic sectors and entrepreneurial efforts to rationalize work procedures. Male and female unemployment rose from 7.3% to 8.8% and from 11.3% to 11.8%, respectively.

Belize

The rate of inflation remained stable, increasing by a mere 1.0%. The contributing factors were the slowdown in economic activity and the reduction in the cost of imports as a result of the 0.7% decline in the United States export price index and the decrease in import tariffs. At the component level, the largest increases were attributed to transport and communications (5.3%), rent, water, fuel and power (2.1%) and medical care (1.9%). The biggest decreases were in clothing and footwear (-3.5%) and household goods and maintenance (-0.9%). The inflation rate for 2002 is expected to remain at a level similar to that registered in 2001.

The unemployment rate declined from 11.1% to 9.8%, despite an increase in the labour force participation rate from 59% to 61%. The rise in the labour force participation rate was due to an increase in the proportion of women entering the labour market. Agriculture, forestry and fishing and the tourism sector account for more than half of total employment (27% and 23%, respectively).

Guyana

Inflation declined with respect to the previous year (5.8% in 2000 and 1.5% in 2001) as a result of government intervention to absorb the impact of increasing international oil prices, the decline in the narrow money supply, higher real interest rates and diminished business demand, as reflected in the build-up of inventories. At the component level, lower growth relative to the previous year was recorded in the food, housing, furniture and transport subgroups, while clothing and footwear increased by 9.0% and 1% in 2001. The inflation rate forecast for 2002 is 5%.

During 2001, the government increased the public-sector minimum wage to G$ 20,045 per month and announced a 5.5% across-the-board increase in wages and salaries, applicable to other categories of workers and pensioners, with the exception of teachers. Workers in the sugar industry received bonuses based on the performance of the previous year, while workers in other agricultural and mining activities received lower incomes owing to the deterioration in the terms of trade brought about by the decline in the international prices of major commodity exports.

Jamaica

Inflation increased from 6.1% to 8.7% in 2001, marking a deviation from the declining trend that the country had experienced since 1991. The increase in inflation is attributed to the contraction in the supply of agricultural produce following bad weather conditions, increases in administered prices (bus fares and postal rates) and the depreciation of the exchange rate. The declines in the prices of oil and of import commodities (soybeans (-8%), rice (-7%), coconut oil (-25%) and groundnut oil (-5%)) were mitigating factors that helped to dampen the rise in prices.

Unemployment declined from 15.5% to 15%, which was consistent with the increase in the growth rate of the economy. The unemployment rates for males and females were 10% and 21%, respectively. The national minimum wage was increased by 50% (from J$ 1,200 to J$ 1,800 per week). Industrial security guards also received a wage increase of 40% (from J$ 2,020 to J$ 2,828 per week).

Suriname

The double-digit inflation rate (79%) declined to a single-digit level at the end of 2001 following the implementation of the stabilization and adjustment programme. The contributing factors included a stable exchange rate, a firm monetary stance and low import prices.

Trinidad and Tobago

Inflation rose from 3.6% to 5.5%, reflecting a looser monetary stance, a higher level of spending, increases in wage costs and lower agricultural production. The behaviour of inflation is explained at the component level by food prices, which contributed 85% to the inflation rate for 2001.

Minimum wages fell by a slight 2.2% in 2001, reflecting a reduction in remuneration in basic services. Unemployment declined from 12.2% to 11.1%. This resulted from the creation of new jobs in the construction, mining and quarrying sectors and in wholesale and retail trade. Job losses were registered in the agricultural and petroleum sectors.

(c) The external sector

OECS countries

The overall balance of payments for the OECS countries registered a US$ 69 million surplus. This was the result of a current account deficit of US$ 434 million, which was more than offset by a US$ 500 million surplus on the capital and financial accounts.

The current account result reflected a trade deficit (US$ 1.021 billion, or 35% of GDP) and a deficit on the factor income account, combined with a surplus on the services account and in net current transfers.

Merchandise exports decreased by 11% in 2001 in response to weaker external demand and adverse developments in domestic export industries. Countries registered declines in banana exports (of 45% in the case of the Windward Islands), fuel re-exports (Antigua and Barbuda), cream and soap (Dominica), electric and electronic components (Saint Kitts and Nevis and Grenada) and food and beverages (Saint Vincent and the Grenadines). A lower level of domestic activity, a decrease in demand for imported inputs due to the completion of public sector projects and a lower imported energy bill drove imports down by 6% in 2001.

The services account registered a surplus of US$ 649 million in 2001, compared to US$ 677 million the previous year, dominated by the decrease in travel inflows and the discounting of hotel room rates. The 9% decline in travel inflows was explained by a reduction in the number of stay-over visitors from an average of 109,000 in 2000 to 104,000 in 2001, which represents one third of the total. Anguilla, Saint Kitts and Saint Vincent represented exceptions to this pattern, registering both increases in travel earnings and service account surpluses.

The factor income account registered a deficit of US$ 190 million, reflecting a decrease in profit repatriations, since interest payments on the public-sector debt remained at levels similar to those recorded the previous year. Current transfers remained significant (5% of GDP) but recorded a decrease of 17% with respect to the previous year, attributable to the slowdown of the United States economy.

The capital and financial account surplus reflected foreign direct inflows of US$ 303 million, mainly to the tourism sector, followed by governmental capital transfers (development aid). Saint Kitts and Nevis, followed by Saint Lucia, were the largest recipients of FDI (31% and 19% of the total for OECS, respectively). As a result of the movements registered on the current and capital accounts, the net transfer of external resources to the OECS countries rose to US$ 750 million in 2001.

Other Caribbean countries

Bahamas

The overall balance of payments yielded a negative result of US$ 30 million as the current account deficit of US$ 152 million was not offset by the surplus on the capital and financial account of US$ 122 million, which translated into a decrease in external reserves.

The current account deficit of US$ 152 million in 2001 was due to a 17% decline in imports that offset the negative effects of the underperformance of exports (which decreased by 1%), the narrowing of the services surplus from US$ 1,034 to US$ 980 million and the increase in the net income account deficit.

The behaviour of imports reflected a decrease in the demand for capital goods for the tourism and production sectors and for consumer goods due to the general slowdown in economic activity. Non-oil merchandise imports declined by 18% and goods purchased in ports by carriers, by 6%. Export behaviour, for its part, was determined by the contraction in external demand.

The service account surplus diminished as a result of the 4% reduction in travel receipts due to a combination of reduced tourism earnings and lower resident expenditure abroad. The capital and financial account surplus narrowed by US$ 235 million with respect to 2000, reflecting a 72% decline in FDI due to the completion of major tourism and production sector projects.

Barbados

The overall balance of payments surplus of US$ 227 million reflected a current account deficit of US$ 90 million that was outpaced by a surplus of US$ 317 million on the capital and financial accounts. This contributed to the increase in net foreign reserves from US$ 178 to US$ 223 million in 2001.

The current account result marked an improvement in the country's external position over the previous year (-6.7% of GDP in 2001), despite lower export earnings and a stagnant service account surplus. This result was due for the most part to a decline in imports that reflected the contraction in economic activity.

The underperformance of imports (-8%) affected all categories of imports. Consumer and capital goods representing 63% of total imports decreased by 8%. Exports, following a similar trend, fell by 7%, with declines in all major exports except food and beverages (18%). Sugar, electrical components and chemicals decreased by 7%, 16% and 14%, respectively.

The service account balance of US$ 605 million was shaped by the downturn in travel earnings from US$ 629 million in 2000 to US$ 616 million in 2001. Tourist and cruise arrivals registered a decrease in their average numbers and declined sharply in the fourth quarter of the year following the events of 11 September. The income account (US$ 83 million and US$ 86 million in 2000 and 2001) reflected rising foreign interest payments and a 7% increase in net transfers.

The surplus on the financial and current account declined by 24% with respect to the previous year as a result of the completion of tourism related and commercial projects by the private sector and the suspension of oil well drillings. Accordingly, total FDI moved from US$ 279 million to US$ 259 million and private-sector investment, from US$ 156 million to US$ 93 million between 2000 and 2001.

Belize

The overall balance of payments recorded a deficit of US$ 11 million as a result of a widening current account deficit (US$ 170 million, or 21% of GDP) and a declining capital and financial account surplus that fell from US$ 208 million to US$ 159 million in 2001.

The current account position was brought about by the underperformance of exports, which fell (by 9.4% and -6.7% in 2000 and 2001) while imports remained stable (-0.22%) and the deficit on the income account increased from to US$ 55 million to US$ 65 million in 2001 owing to interest payments on loans and bonds. Their combined effect overshadowed the surplus on the service balance (US$ 39 million) and current transfers (US$ 49 million), which were negatively affected by external shocks.

The decline in exports is explained by the 20% decrease in regular domestic exports since commercial free-zone exports increased. Domestic exports were affected by the decrease in the prices and volume of major commodity exports as a result of adverse external conditions and domestic restructuring. Export earnings from sugar, citrus products, bananas and marine products were reduced by 20%, 20%, 35% and 6%, respectively.

The capital and financial account surplus reflected a reduction in portfolio investment liabilities. Meanwhile, FDI rose from US$ 19 million to US$ 40 million.

Guyana

The balance of payments deficit of US$ 8 million in 2001 was the result of a current account deficit that rose from US$ 110 million to US$ 129 million, representing 15% and 18% of GDP for 2000 and 2001, which was only partially offset by a declining capital and financial account surplus of US$ 138 million and US$ 115 million in the same years. The external gap was closed by exceptional financing in the form of debt relief.

The current account deficit widened owing to a rise in the trade and services deficits. The deterioration of the trade balance is explained by the fall in earnings from major commodity exports, including sugar, rice, bauxite and timber, due to declines in export volumes and prices, since imports remained constant.

The capital and financial account surplus is attributable to a fall in FDI (from US$ 67 million in 2000 to US$ 56 million in 2001) and an increase in capital transfers (from US$ 11 million to US$ 30 million) due to the debt relief programme provided under the HIPC Initiative.

Jamaica

The current account result deteriorated in 2001, yielding a deficit of US$ 650 million compared to the US$ 288 million deficit of the previous year. The current account disequilibrium was financed by a capital and financial account surplus of US$ 650 million.

The current account outcome was influenced by the widening of the trade deficit from US$ 1.354 billion in 2000 to US$ 1.579 billion in 2001, and of the income account deficit from US$ 350 million to US$ 489 million, as well as the contraction in the surplus in the services balance from US$ 594 million to US$ 546 million.

Merchandise exports declined by 6.7% owing to the underperformance of major traditional exports (-11%) and non-traditional exports (-43%). Major traditional exports were negatively affected by lower world economic growth, the excess supply of sugar on the United States market, and lower realized prices for sugar in the United States market and for sugar and bananas in the European market. Non-traditional exports suffered from a lack of competitiveness in the garment industry, which was partly to blame for the downsizing of production operations and the reduction in the number of producers. Free-zone exports, which represent 16% of total exports, declined by 13%.

Import growth experienced a 4.2% reduction in relation to the previous year. This was the result of a 16% drop in demand for raw materials, which represent 54% of total imports. This, in turn, responded to a 21% contraction in the import value of crude oil, following the temporary closure of an oil plant in the last quarter of 2001. Meanwhile, imports of consumer and capital goods maintained their growth rates relative to 2000.

The reduction in the surplus of the service account is explained by the larger deficit of US$ 260 million in the transportation sub-account and by the 4.5% contraction in net earnings from travel. Both were associated with the events of 11 September and the economic slowdown in the United States.

The increase in the income account deficit was due to a rise in interest payments on the central government's foreign debt and profit remittances from foreign direct companies. Finally, in line with the international economic situation, the growth in transfers was lower than in 2000 (27% in 2000 and 6% in 2001).

The capital and financial account surplus more than doubled, from US$ 289 million in 2000 to US$ 650 million in 2001, partly as a result of receipts from Eurobond placements (US$ 800 million in total) and an emergency loan (US$ 150 million) from a multilateral agency following the events of 11 September. Private investment also surged (US$ 422 million and US$ 880 million in 2000 and 2001), driven by the divestment proceeds from the sale of the Jamaica Public Service Company and an insurance company, Life of Jamaica.

Suriname

The trade balance increased its deficit from US$ 30 to US$ 116 million as a result of a 6% decline in exports and a 16% increase in imports. The underperformance of exports reflected a 12% decrease in exports of bauxite and alumina, which together represent 72% of total merchandise imports. The increase in imports responded to improved growth and investment prospects. The current account balance is estimated at US$ 48 million.

Trinidad and Tobago

The overall balance of payments registered a surplus of US$ 471 million, reflecting positive results in the current and capital and financial accounts. The current account surplus declined from US$ 544 million in 2000 to US$ 127 million in 2001, in response to a 4% contraction in exports as a result of lagging external demand, a lower level of domestic production in key economic areas, productive restructuring and the appreciation of the real exchange rate.

The underperformance of exports was mainly accounted for by the 40% decrease in external sales of mineral fuel lubricants. Imports fell by 11%, reflecting ongoing investments in the energy sector. The capital account surplus registered flows representing overseas investments of commercial banks and a fall in government debt service obligations. FDI, for its part (US$ 554 million), reflected new investments in the energy sector.

Table 10
CARIBBEAN COUNTRIES: NET RESOURCE TRANSFERS [a]
(Millions of dollars)

	1993	1994	1995	1996	1997	1998	1999	2000	2001[b]
Caribbean countries									
Bahamas	42	43	27	88	210	146	149	250	71
Barbados	-88	-92	-79	-42	24	-31	132	264	232
Belize	3	-6	-19	-1	-6	49	59	149	94
Guyana	84	46	7	16	53	20	13	118	87
Jamaica	67	35	-85	233	-128	201	-254	458	1,033
Trinidad and Tobago	-59	-448	-695	-370	373	383	-268	-732	-295
OECS countries									
Antigua and Barbuda	-34	-1	-13	35	28	40	51	34	42
Anguilla	6	2	2	16	17	18	50	53	31
Dominica	22	24	40	23	10	0	25	24	23
Grenada	36	23	34	43	58	62	26	55	54
Monserrat	4	9	1	-15	2	10	-15	3	7
Saint Kitts and Nevis	20	11	37	50	44	27	58	29	81
Saint Lucia	21	13	0	14	45	36	49	32	24
Saint Vicent and the Grenadines	34	46	28	28	73	87	57	26	43

Source: ECLAC, Port of Spain.
[a] Net resource transfers are equal to net capital inflows (including involuntary flows and errors and omissions), less the balance on the factor income account (net profits and interest payments). Negative figures denote a net transfer of resources out of the region. [b] Preliminary figures.