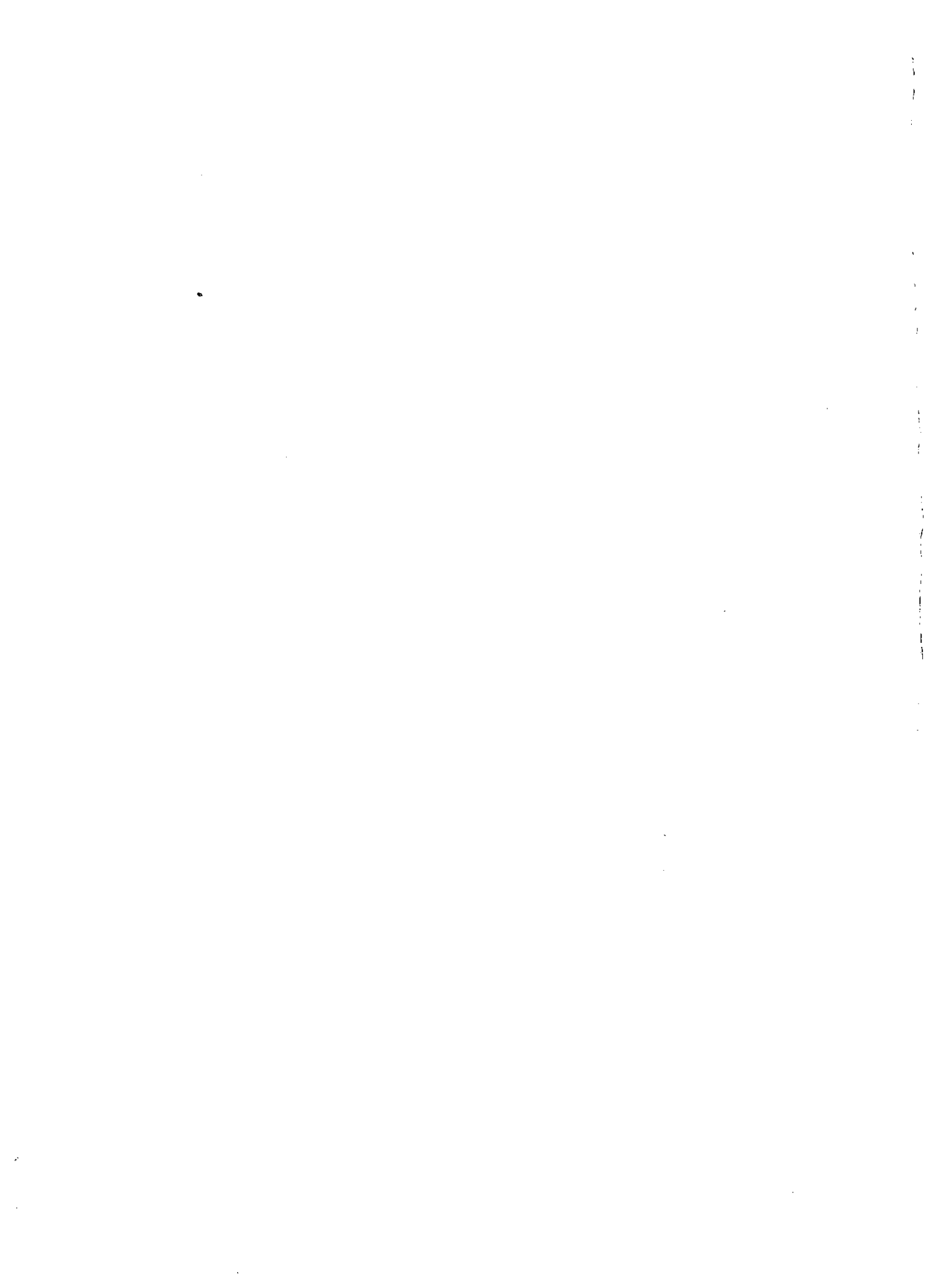


ECLA/CARIB 83/2

ECONOMIC ACTIVITY 1982 IN CARIBBEAN COUNTRIES



UNITED NATIONS
Economic Commission for Latin America
Sub Regional Headquarters for the Caribbean.



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ECONOMIC COMMISSION FOR LATIN AMERICA
Sub-regional Headquarters for the Caribbean

ECONOMIC ACTIVITY 1982

IN

CARIBBEAN COUNTRIES

(A Joint effort of the Professional and Research Assistant Staff of the Economic Commission for Latin America, Sub-regional Headquarters for the Caribbean)

FOREWORD

In this twelfth issue of the publication, eleven countries of the Caribbean are surveyed. Technical considerations have prevented the publication in this document of country notes in respect of Belize, Dominica and Guyana. These will appear at a later date as an addendum to this document.

The ECLA Sub-regional Headquarters for the Caribbean acknowledges with gratitude the co-operation of the several National Statistical Offices and other national agencies for the assistance that they gave in supplying the information needed. While many statistics have been furnished, there still exists in many countries the need for wider statistical coverage.

This is the first time that this publication is being produced on the word-processing capability of the in-house micro computer of the Office. This medium presents several possibilities of cost-effectiveness. These will be introduced over time. The character set used by the printer may be new to several readers, but offers several advantages over the former presentation.

I heartily commend this twelfth issue of 'Economic Activity in Caribbean Countries' to the reader.

W.L. Whittingham
Director a.i.

TABLE OF CONTENTS

PAGE NOS.

GUIDE TO THE SYMBOLS USED

PART I :	Sub-regional Summary	
	I Introduction	1
	II The International Setting	1 - 6
	III Caribbean Economies	6 - 22

COUNTRY NOTES

PART II :	ANTIGUA AND BARBUDA	1 - 10
PART III :	BAHAMAS	1 - 14
PART IV :	BARBADOS	1 - 16
PART V :	GRENADA	1 - 13
PART VI :	JAMAICA	1 - 18
PART VII :	MONTSERRAT	1 - 7
PART VIII :	NETHERLANDS ANTILLES	1 - 22
PART IX :	ST. KITTS/NEVIS	1 - 9
PART X :	ST. LUCIA	1 - 17
PART XI :	ST. VINCENT AND THE GRENADINES	1 - 13
PART XII :	TRINIDAD AND TOBAGO	1 - 18
	SELECTED LIST OF STATISTICAL PUBLICATIONS AND PUBLISHERS	1 - 5

A GUIDE TO THE SYMBOLS USED

The symbols used in this report are the following:

...	:	not available
.	:	category not applicable
-	:	nil or negligible
0, 0.0 or 0.00	:	less than half final digit shown
e	:	estimated figure
p	:	provisional figure
r	:	revised figure
*	:	government estimate
**	:	ECLA estimate

PART I

SUB-REGIONAL SUMMARY

COUNTRY NOTES

PART I

Sub-regional Summary

TRENDS IN CARIBBEAN ECONOMIES IN 1982

I Introduction

An overview of the performance in 1982 of the several separate but similar little economies of the Caribbean might assume one of a number of alternative analytical frameworks. The emphasis chosen of first reviewing export performance and then residentiary activity derives from the a priori theoretical perspective which, because of its closer fit to the Caribbean reality, we bring to the exercise.

On account of their historical origins, small fragmented markets and skewed resource endowments and production structures, Caribbean economies without exception are impelled to produce for export. Their economies pulsate in rhythm with the success of their export sectors in earning foreign exchange or otherwise securing foreign loans or grants. Performance of the export sector is transmitted to the rest of the economy by various mechanisms, depending on the time or country, thereby stimulating trade, finance or such second round activity as assembly-type manufacturing for the home or regional market. Investment supportive of the export sector or its ancillary activities may stimulate construction, but this may also be induced by consumption. The activities of Government derive from revenues generated from these basic activities and from the cumulation of secondary activities as the spread effects of money and finance unfurl, generating additional employment and income.

Residentiary activity - broadly, production using almost exclusively domestic primary and intermediate inputs and know-how for domestic consumption, while generating little income with substantial foreign exchange expenditure impact - constitutes the other plank of Caribbean economic systems. In some countries of the region this sector still provides a sizeable part of the basic supplies of the population not engaged in export production, including the bulk of the food and culturally determined services. An intricate relationship exists between the export and residentiary sectors which compete with or complement each other in the complex process of provisioning the society. However interest in the residentiary sector derives because of the tendency of the export sector to lag in labour absorption thus leaving a critical role to residentiary activity to cushion trend and cyclical shocks in the labour market.

II The International Settings

Because such sizeable proportions of the productive resources of Caribbean countries are in industries which produce for the world market - in 1982 the median ratio of exports of goods to Gross Domestic Product (GDP) was 35% and the range 6% to 73% - the state of the international economy is critical to their well-being. Most of

these markets for goods, and increasingly for non-factor services such as tourism and off-shore finance, are concentrated in the USA, Canada and the EEC. Against this background the performance of the OECD countries as regards output, income and employment, and the related areas of trade, payments and prices, reported in 1982 to have been the worst since World War II, would imply poor performance in Caribbean countries unless special circumstances prevailed.

a) **Growth in aggregate output:** World output which was severely depressed in 1975 following the monetary and commodity crisis of the early seventies and the first petroleum shock of 1973-1974 recovered strongly in 1976-1978. The growth of real output in those latter years exceeded 4% per year and was experienced alike in the centrally planned, developed market and underdeveloped countries. The impact of the second round of petroleum prices in 1979-1980, when the average price of petroleum products rose 140%, triggered a new round of decelerated growth beginning in 1979. This continued into 1982 when the industrial countries as a group experienced absolute decline (see Table II.1). With the exception of Japan which grew 3% some major industrial countries declined absolutely, including Canada (-4.8%), USA (-1.7%), and the Federal Republic of Germany (-1.1%).

Table II.1
REAL GNP GROWTH

	1978	1979	1980	1981	1982
Industrial countries	4.1	3.4	1.3	1.2	-0.3
Oil-exporting developing countries	2.0	3.1	-2.3	-4.3	-4.8
Non-oil developing countries	6.3	5.0	4.8	2.5	1.4

Source: IMF: World Economic Outlook 1983 - Occasional Paper 21.

Restrictive monetary policies aimed at curbing inflationary expectations in the centre countries and the contradictory policy of deficit budgeting which put severe upward pressure on interest rates combined to delay the recovery which from past historical patterns should have started in 1982. Instead the depression deepened further. The international banks, which by recycling the petro-dollars had brought the 1973-1974 crisis to an early end, became excessively cautious, so much so that financing for plant and inventory in the centre and refinancing for defaulting countries in the periphery became increasingly short and exceedingly costly.

b) **Aggregate Demand/Employment:** The slow down in economic activity resulted in 1982 in a reduced demand for goods and for labour in the industrial countries with consequent negative spread effects to trade and tourist dependent economies. Real total domestic demand which increased by 3% to 4% each year between 1977 and 1979 in the industrial countries fell absolutely in 1982 (see Table II.2). The main components contributing to the decline were gross fixed investment (-3.3%) and stock-building (-0.4%). These were sufficient to nullify the increases in real consumption expenditure (1.1%) and in

real Government outlays (1.6%). Again Canada (-6.9%), the Federal Republic of Germany (-2.1%) and the USA (-1.1%) were the worst affected while Japan, France and the United Kingdom actually showed increases.

Table II.2
GROWTH RATES: INDUSTRIAL COUNTRIES

	1978	1979	1980	1981	1982
Domestic demand	4.0	3.7	0.4	0.6	-0.1
Employment	2.6	2.0	0.7	0.3	-0.9
Unemployment rate (level)	5.2	5.0	5.7	6.4	8.1

Source: IMF - World Economic Outlook 1983.

Unemployment also grew quite rapidly in the industrial countries, the combined effect of normal additions to the labour force and an absolute decline in job places. The labour market performed most poorly in Canada where unemployment rose to 11% and employment fell by 3.3% in 1982 and in the United Kingdom where the comparable figures were 11.9% and 3.2% respectively. However in 1982 unprecedentedly high rates of unemployment also typified the USA (7.9%), Italy (9.1%) and France (8.6%) while Japan was again exceptional (2.4%). To the extent that in the downturn employment is reduced less than proportionately to output, and lags behind output growth in the recovery, unemployment is expected to continue to grow even after recovery has begun to be felt.

c) World Trade: Impulses from the economic engine in the industrial countries are spread through the world by trade which in 1982 decelerated markedly. Merchandise trade at US\$2,000 billion in 1980 had grown about 20% compared to a 25% growth in 1979. While however volumes had grown about 6% in 1979, indications are that they grew only about 2% in 1980 suggesting mainly price increases between 1979 and 1980. In those latter years the impact of the petroleum price increases was crucial. In 1980 the volume of petroleum traded actually fell while the volume of manufactures grew 5.5% in 1979 and 3% in 1980 and the volume of agricultural products traded grew by 7% and 4% respectively in 1979 and 1980.

GATT has estimated that during the current recession the volume of trade declined by about 2% in 1982 to about its 1979 level while the value decline was about 6 percent. Both volume declines and the terms of trade effects were unevenly distributed between sectors. Thus the volume of trade in agricultural products rose by 1% in 1982 compared to a 4% increase in 1981, but the volume of trade in manufactures fell by 1% in 1982 compared to a 3% increase in 1981. The volume of trade in minerals fell by 7% in 1982 following a 9% fall in 1981, and while a number of metals such as steel and aluminium were affected the brunt of this decline was borne by petroleum (see Table II.3). The growing trend to protectionism worsened in 1982.

**Table II.3
GROWTH IN WORLD TRADE**

	1978	1979	1980	1981	1982
Volume (%)	5.5	6.5	2.0	0.5	-2.5
Unit value (US\$)	10.1	18.5	20.0	-1.0	-4.0

Source: IMF - World Economic Outlook 1983.

In all this, the non-oil exporting developing countries were the most adversely affected by movements in the terms of trade, while the oil exporters and industrial countries experienced complementary movements. After three years of adverse movements the industrial countries were able in 1982 to reverse the trend in the terms of trade. The price of non-oil primary commodities has fallen fastest, but manufactures and oil have also suffered declines (see Table II.4).

**Table II.4
CHANGES IN THE TERMS OF TRADE AND COMMODITY PRICES**

	1978	1979	1980	1981	1982
Terms of trade - Industrial countries	2.7	-2.4	-7.4	-0.8	2.5
Oil exporting developing countries	-10.4	29.1	41.5	11.1	-1.3
Non-oil developing countries	-3.7	-0.3	-6.2	-3.9	-2.7
World trade - Manufactures	14.7	15.3	10.5	-5.1	-2.0
Prices					
Oil	0.1	48.7	62.0	10.1	-4.6
Non-oil primary products	-4.7	16.5	9.7	-14.8	-12.1

Source: IMF- World Economic Outlook 1983.

d) **Prices and Interest Rates:** Perhaps the most encouraging feature of the world recession is the evidence that inflation is being brought under control. This is widely regarded as a *sine qua non* for the orderly return to investment and for economic recovery. The rate of inflation was reduced to about 7% in the industrial countries in 1982, the smallest increase in ten years. This was due largely to reduced consumer price increases in the USA (6.2%) and the United Kingdom (8.5%) after three years of double digit inflation and continued moderate price increases in Japan and the Federal Republic of Germany. Oil exporting countries also showed moderated rates of inflation, but the non-oil exporting countries because of higher fuel prices and accommodating financial policies continued to have inflation rates in excess of 30% (see Table II.5).

Interest rates too fell during 1982 from their peak in 1981 though they are still high by historical standards. At present long-term rates are still 6% to 7% above the rate of inflation. Such unprecedented high real rates of interest while certain to reverse the

trend in capital/labour ratios must nevertheless be a disincentive to investment and place an excessive burden on debtor nations.

Table II.5
INDICATIONS OF INFLATION RATES

		1978	1979	1980	1981	1982
Industrial countries	- GNP deflators	7.6	8.0	9.0	8.6	7.2
	Consumer prices	7.2	9.0	11.8	9.9	7.4
Oil exporting developing countries	- Consumer prices	9.8	10.9	12.7	12.9	9.8
Non-oil developing countries	- Consumer prices	19.8	24.6	31.8	31.0	32.8

Source: IMF - World Economic Outlook 1983.

e) **Balance of Payments and Foreign Debt:** During 1982 the current account position of all groups of countries moved into deficit, the deterioration being least noticeable in the case of industrial countries as a group. While the non-oil developing countries managed to prevent their current accounts from worsening in 1982 they nevertheless remained deeply in deficit (see Table II.6).

Table II.6
BALANCE OF PAYMENTS - CURRENT ACCOUNT (US\$ billion)

	1978	1979	1980	1981	1982
Industrial countries	32.7	-5.6	-40.1	0.6	-1.2
Oil exporting countries	2.2	68.6	114.3	65.0	-2.2
Non-oil developing countries	-41.3	-61.0	-89.0	-107.7	-86.8

Source: IMF - World Economic Outlook 1983.

Not unexpectedly, the the external debt position of the non-oil developing countries worsened and rose from about 120% of their exports of goods and services in 1981 to about 136% in 1982. Most of this debt is owed to private international banks. These banks lent about US\$25 billion in 1982, only about one-half of their lendings in 1981, and net capital inflows into the non-oil developing countries actually declined by about US\$35 billion in 1982. The debt problem of these countries may be judged from the fact that in 1982 their debt service payments reached 24% of their exports compared to 20% in 1981 and 15% in 1976-1977, the result of higher debt, lower exports, shortening average maturity and only a slight lowering of interest rates.

f) **Exchange Rate Appreciation:** The US dollar is the intervention currency in all Caribbean countries under review and fixed parities exist between it and the various domestic currencies. Between 1970 and 1980 the dollar depreciated steadily and by the latter year had lost 20% of its purchasing power. This trend was

dramatically reversed in 1981, the result of tight monetary policy and high interest rates, and the dollar appreciated by about 11 percent. This trend continued strongly into 1982 and by October 1982 it was some 37% above the low point reached in 1980. Although slight losses were experienced late in the year, the effective gains in 1982 were substantial.

III Caribbean Economies - Levels and Main Trends

a) **Summary:** The striking features of the performance of Caribbean economies in the eighties have been hesitant policy stance and declining rates of growth. In most cases 1982 was the worst of recent years. Following on the post-war commodity booms of the fifties, and the expansion of the sixties brought about by the spread of tourism, the harnessing of oil, bauxite and bananas as new staples, and the active pursuit of an industrialization programme - for all of which there were sizeable inflows of foreign capital - the seventies saw the consolidation of the integration movement with Lomé and the General System of Preferences (GSP) stabilising export markets while regional import substitution was pursued at home. The world monetary crisis of 1971 and the first oil shock of 1973-1974 caused problems. But the accompanying commodity booms and the mood of the decade brought in foreign exchange from oil, bauxite, sugar, the minor staples and services sufficient to keep Caribbean economies on an even keel.

The second oil shock of 1979-1980, the energy conservation policies of OECD countries, and their deflationary monetary strategies created new problems for the Caribbean, moreso by plunging the world economy into deep depression. Export markets dried up and for the first time it became apparent that the industrialization and integration policies pursued so far were predicated on strong export performance. The only lingering doubt seemed to exist in Trinidad and Tobago, where up to 1982 the use of saved up foreign exchange from the petroleum windfall maintained positive growth. Grenada's bold step towards a new order was accompanied by growth engendered by public sector investments financed from international concessionary capital. Dominica and St. Vincent which performed strongly up to 1981 did so because they were recovering from the trough into which natural disasters had plunged them. The other countries made little if any progress against such tremendous odds (see Table III.1).

Because in most Caribbean countries population increased, the performance in 1982 implies a decline in real per capita incomes. Most other variables also reflected a negative turn of events. Foreign exchange earnings declined nearly everywhere as oil and bauxite volumes fell and agricultural staples were down. A few countries showed increased tourist activity e.g. Bahamas and Jamaica, but many others showed a continued decline. Domestic agriculture showed improved performance in most countries except Jamaica. The only sectors where growth was consistently recorded were services, except for Guyana, thus reinforcing the trend in the region to tertiarisation and marginalisation.

Table III.1
GROWTH RATE IN REAL GDP

	1980	1981	1982
Antigua	6.0	4.0	2.0
Bahamas ¹	...	...	...
Barbados ²	27.7 (6.9)	11.6 (14.6)	5.7 (10.3)
Belize	4.3	2.6	-0.3
Dominica	15.6	8.2	3.3
Grenada	3.0	3.0	5.5
Guyana ²	1.0 (12.8)	1.0 (22.1)	-7.4 (20.7)
Jamaica	-5.3	3.3	0.2
Montserrat	...	2.0	1.2
Netherlands Antilles ¹	...	...	...
St. Kitts/Nevis	4.8	3.0	-0.5
St. Lucia	-9.0	-3.0	-0.6
St. Vincent	...	12.5	0.8
Suriname	2.3	-9.3	...
Trinidad and Tobago	5.3	3.7	3.9

Source: Various country reports.

¹The latest data on GDP are for 1979.

²Growth rate of GDP at current prices. Figures in parentheses are the growth rates of the RPI.

In nearly every country the public finances weakened as fiscal deficits widened and public debt increased. Such general poor economic performance manifested itself in the worsening of an already bad unemployment situation. Perhaps the only positive development in 1982 was the slowing down in the rate of inflation, but this was due not so much to increased supply or effective monetary management as to the slowing down of the rate of imported inflation.

The existence of structural imbalance in the economies of the Caribbean may be illustrated by measurement of a number of gaps in the markets for goods and factors. These disequilibria are presented for 1982 for a sample of countries (see Table III.2).

Except for Trinidad and Tobago, there was everywhere a global resource gap, measured as the excess of domestic demand over GDP. There was also imbalance in the external accounts as judged from the ratio of the current account deficit to GDP. In most countries, domestic savings met only a small part of gross domestic investment, and the overall fiscal deficit was everywhere a high percentage of GDP. Excessive monetary expansion, measured as the excess in the growth of narrow money (M_1) or quasi money (M_2) over the growth of real GDP, was also a common feature, and there was everywhere excess supply of labour. Not unexpectedly there was a tendency for the equilibrating variables (prices, wages, interest and real exchange rates) to be in a continuous state of adjustment.

Table III.2
INDICATORS OF STRUCTURAL IMBALANCE - 1982

(Percent)	Global	Foreign	Savings/	Overall	Monetary		Unemploy- ment rate
	resource sAP	payments sAP	Invest- ment ratio	fiscal deficit	M ₁	M ₂	
Belize	13	9	42	5	-0.2	6.2	14.3 ¹
Dominica	25 ²	34	6 ²	26	-0.5 ³	26.1 ³	15.0 ⁵
Guyana	23 ²	35	38 ²	86 ⁴	31.5 ³	36.5 ³	...
Jamaica	19	13	26	17 ⁴	5.9	32.2	27.4
Trinidad + Tobago	(8) ⁶	9	127	19	40.0	29.5	10.4

Source: Various country reports.

¹1980

²1981

³Using growth rate of GDP at current prices.

⁴April-December 1982. In 1981 full year fiscal deficit was 29% higher than the April to December deficit.

⁵Estimate.

⁶Surplus.

b) **Structural Characteristics:** Certain unique structural facts impinge heavily on the short-term performance of Caribbean economies. (see Table III.3a + 3b). These are briefly set out by way

Table III.3a
CARIBBEAN COUNTRIES - STRUCTURAL CHARACTERISTICS: 1980

Country	Area km ²	Population million	Currency (US\$ value)	GDP million national currency
Antigua	440	0.07	EC\$(2.7)	223
Dominica	750	0.08	EC\$(2.7)	148
Grenada	340	0.11	EC\$(2.7)	195
Montserrat	100	0.01	EC\$(2.7)	28
St. Kitts/Nevis	270	0.04	EC\$(2.7)	96
St. Lucia	620	0.12	EC\$(2.7)	261
St. Vincent	340	0.10	EC\$(2.7)	127
OECS				
Bahamas ¹	13,940	0.21	Bhs\$(1.0)	1,080
Barbados	430	0.25	Bds\$(2.0)	1,520
Belize	22,960	0.15	Bze\$(2.0)	280
Guyana	214,970	0.79	G\$(2.55)	1,336
Jamaica	10,990	2.19	J\$(1.78)	4,738
Trinidad and Tobago	5,130	1.20	TT\$(2.4)	15,327
CARICOM				
Netherlands Antilles ¹	993	0.25	NAF(1.79)	2,291
Suriname	163,270	0.39	Sf(1.78)	3,044

Source: Various country reports.

¹Data relate to 1979. Full data for 1980 not available.

Table III.3b
CARIBBEAN COUNTRIES - STRUCTURAL CHARACTERISTICS: 1980

Country	Exports ¹	Imports ¹	Trade ² revenue	Tourist visitors '000	Tourist ³ expend- iture
Antigua	34	117	30	205	47
Dominica	17	86	15	25	4
Grenada	23	69	27	175	27
Montserrat	6	143	15	21	43
St. Kitts/Nevis	66	126	22	38	...
St. Lucia	49	113	41	140	...
St. Vincent	31	121	31	92	...
OECS					
Bahamas ¹	16	70	70	1,735	52
Barbados	22	69	23	526	31
Belize	56	52	...	64	6
Guyana	73	76	...	...	...
Jamaica	35	44	4	543	9
Trinidad + Tobago	63	31	8	...	...
CARICOM					
Netherlands Antilles ¹	8	58	12	946	21
Suriname	30	29	...	...	...

Source: Various country reports.

¹Merchandise trade as a percentage of GDP.

²Import and export duties as a percentage of total current revenue.

³Estimated tourist expenditure as a percentage of GDP.

of establishing context. In addition to their complex variations in language, ethnic structure and political systems, Caribbean countries show vast diversity in size, economic structure and economic performance. They nevertheless share certain dominant characteristics. They are all very small economies (area, population and markets), heavily dependent on merchandise trade and the export of services (e.g. tourism) and integrally a part of the Western economic system, existing in the economic shadow of the USA to whose dollar their various national currencies are pegged in fixed relationship.

c) **Export Performance:** Short-term export performance is the key to overall economic health in Caribbean countries, a proposition tenable despite the variety of activities which comprise the export sector¹. Thus St. Kitts (sugar) and Belize (sugar, bananas, citrus) are still classic plantation economies, Trinidad and Tobago (oil) is par excellence a mineral exporter, while Guyana and Suriname (sugar, rice, bauxite) combine plantation and small scale export agriculture with mineral extraction. Tourism dominates in the Bahamas, Antigua and Montserrat, while Barbados combines it with a declining plantation agriculture (sugar) and the Netherlands Antilles with off-shore services (oil refining, ship repair, finance). Dominica, Grenada, St. Lucia and St. Vincent combine their new agricultural staple (bananas) with a large number of minor export crops and with cottage tourism, all in the context of a broadly based small-scale agricultural framework. The classic mixed export economy is Jamaica, minerals (bauxite), tourism and declining plantation (sugar) and small scale (bananas, coffee, citrus) agriculture being all important. Attempts to develop export manufacturing based on cheap labour have nowhere in the Caribbean been successful as footloose light manufactures and Trinidad's recent resource - based heavy industry have experienced difficulties of one sort or another.

(i) **Agriculture:** In addition to coping with the cyclical difficulties of the deepest world recession in forty years, export

¹A simple test of this export propelled hypothesis was attempted. The growth rate of real GDP in 1982 was regressed on the growth rate of price corrected exports (EXP) and of exports lagged one period (LEXP) for those countries for which data were at hand. Because two of these countries are known to have had foreign exchange inflows substantially in excess of earnings (long-term grants and soft loans in Grenada, and official loans in Jamaica) and Trinidad and Tobago used past accumulations of foreign exchange to finance public sector expenditures, a dummy variable (DUM1) was used. In addition a second dummy variable (DUM2) was introduced to take account of those countries for which only merchandise exports were available. The results were

$$GDP = 1.38 + 0.14 EXP + 0.10 LEXP + 6.03 DUM1 - 10.77 DUM2$$

(1.86) (1.24) (0.93) (-1.66)

$$R^2 = 0.63, \quad F = 2.12, \quad n = 10$$

Figures in parenthesis are t-values and the co-efficient of EXP and DUM2 are significant at 10% only. The zero order correlation between GDP and EXP was 0.35. When LEXP is excluded from the regression the co-efficient of EXP rose to 0.15 with a t-value of 2.05 which is significant at 5%. A Koyck-type adjustment function of GDP with respect to its optimal relation to EXP yielded the regression

$$GDP = -4.15 + 0.06 EXP + 0.83 LGDP + 7.44 DUM1 - 1.29 DUM2$$

(1.62) (5.59) (2.71) (0.43)

$$R^2 = 0.93, \quad F = 17.48, \quad n = 10$$

In a general way the hypothesis seems to be not in conflict with the evidence.

agriculture in the Caribbean faced major structural problems. Archaic ownership and socio-cultural patterns deriving from their history as colonies for tropical exploitation, and continuation with mature commodities on the declining phase of the product cycle - long past their ability to earn international rents - are not the appropriate settings for economic dynamism. Capital shifted out of these industries in the organic process of economic adaptation has tended to be deployed internationally and not complement the reallocation of resources (land, labour) to new potentially dynamic productive activities in the region. The result has been that adjustment has been slow, has taken place with declining capital intensity, and there might even have been a tendency to retrogression.

Sugar, still the principal export staple was produced commercially in seven Caribbean countries, but of these only Belize (8.5%) and St. Kitts/Nevis (11%) showed increased output in 1982. Overall production was down 2%. The other widely produced agricultural staple, bananas, also performed modestly (see Table III.4). Were it not for the increased exports from Dominica and Jamaica, in both of which production had been at rock bottom because

Table III.4
MAJOR EXPORT STAPLE PRODUCTION (000 tonnes)

	Sugar production		Banana exports	
	1981	1982	1981	1982
Barbados	94	88	-	-
Belize	99	108	510	510
Guyana	307	292	-	-
Jamaica	206	196	19	22
St. Kitts/Nevis	32	36	-	-
Suriname	8	...	...	...
Trinidad and Tobago	93	82	-	-
Windward Islands	...	...	123	123

Source: Various country reports.

of devastating hurricanes in previous years, the overall 2% growth could not have been recorded. Other minor export staples - cocoa, coffee, copra, arrowroot, citrus and spices - also lacked dynamism, but exporters of shrimp and crawfish (Bahamas and Belize) fared well in 1982.

Most of the Caribbean's agricultural exports are sold under negotiated price and quota agreements, such as the Lomé Agreement between ACP countries and the EEC, or gain entry to the US market under the GSP. Because of depressed demand in these countries or adverse long-term trends, e.g. artificial sweeteners, alternative starches to St. Vincent's arrowroot, or cheaper sources of supply, markets have not been buoyant and in some cases (e.g. Belize's sugar) commodities have had to be sold on the international markets because of quota restrictions. However quantities and prices apart, the most

pervasive cause of reduced earnings from agricultural exports in 1982 has been the substantial appreciation of the US dollar. Most Caribbean countries have passed their currency to the US dollar, sell agricultural products for quotations in EUA's or sterling and increasingly purchase hard currency imports.

(ii) **Mining:** Output of bauxite and alumina, the principal mineral exports of Guyana, Jamaica and Suriname, declined sharply in 1982. Exports from Jamaica declined 30% in 1982 and was not worse only because of the sale of 1.6 million tonnes of bauxite to US stockpiles. In Guyana, output declined 26% in 1982 following a 10% fall in 1981. While no 1982 data are at hand for Suriname, the 15% decline experienced in 1981 might well have worsened both on account of the deepening world depression and because of differences between the Government and mining companies. World bauxite output is estimated to have fallen by 17% in 1982 because of the depression in construction in the industrial countries, and the industry is facing its first ever major crises (see Table III.5).

Table III.5
BAUXITE AND ALUMINA PRODUCTION

	'000 Metric Tonnes	1981	1982
Guyana	- Dried bauxite	971	764
	Calcined bauxite	513	392
	Alumina	170	73
Jamaica	- Bauxite	11,606	8,447
	Alumina	2,556	8,761
Suriname	- Bauxite	4,125	...
	Alumina	1,248	...

Source: Various country reports.

The petroleum industry continued to shore up the Trinidad and Tobago economy and to distinguish it from the difficulties of its neighbours. Nevertheless circumstances altered in 1982. Crude oil output, which peaked in 1977-1978, fell by 6% in 1982 following an 11% decline in 1981, and because of the weakening international petroleum market, prices softened considerably. Exports of domestic crude remained unchanged in 1982 at 6 million cubic metres. Production of natural gas in Trinidad was 5% higher in 1982 following a 1% decline in 1981. Because of the world energy crisis a number of Caribbean countries have intensified their search for oil, among them Bahamas, Guyana, Jamaica, the Netherlands Antilles and Suriname, Barbados, where crude output was up 22% in 1982 and natural gas 4%, is now self-sufficient in the latter and meets about one third of its petroleum needs.

(iii) **Tourism:** For the region as a whole, tourism is the most pervasive earner of foreign exchange and, with the exception of Guyana and Suriname, the industry is everywhere being actively promoted. In 1981, because of the negative impact of world recession on incomes and employment in the industrial countries and increased travel costs, most Caribbean destinations were adversely affected. In

particular the Bahamas and Barbados experienced a 7% fall in visitor arrivals. Despite the continuing world recession, in 1982 some Caribbean countries showed signs of increased visitor arrivals, among them the Bahamas (10%) and Jamaica (21%) and such smaller destinations as St. Lucia (18%). But recovery was not general. Barbados, where the industry contributed 12% of GDP in 1980, and Grenada where it brings in one-third of foreign exchange receipts, experienced further declines in 1982, and the Netherlands Antilles was only seriously affected late in 1982 when difficulties began to show themselves in Venezuela, its principal market. The industry is highly income elastic and so responsive to economic conditions in the high income countries. But it is also price sensitive - hence the importance of currency parities - and negatively responsive to political events, partly explaining Jamaica's spectacular recovery in 1982 and Grenada's continued decline (see Table III.6).

Table III.6
INDICATORS OF TOURIST ACTIVITY

	Visitor Arrivals (000)			Estimated Expenditure (US\$m)		
	1980	1981	1982	1980	1981	1982
Antigua	205	198	154	38	...	...
Bahamas	1,904	1,763	1,947	596	640	688
Barbados	526	488	408	250	260	250
Belize	64	62	60	7	8	8
Dominica ¹	25	23	23	3	3	4
Grenada ¹	175	103	85	54	47	47
Guyana	...	...	...	...	...	...
Jamaica	543	552	670	136	163	187
Montserrat	20	21	25	4	5	6
Netherlands Antilles ²	946	897	...	328	366	...
St. Kitts/Nevis ¹	38	46	47	...	...	...
St. Lucia	140	90	106	40	38	39
St. Vincent	92	83	80	...	...	26
Suriname	...	...	...	...	...	...
Trinidad and Tobago	...	...	...	...	...	...

Source: Various country reports.

¹Stopover plus cruise ship visitors.

²Estimated expenditure on cash basis.

(iv) Other Services: Because of its very favourable geographical location, the Caribbean has developed the export of a number of off-shore services, but the tremendous potential here has not to date been fully exploited. Among areas currently being tapped are oil transshipment and refining, ship repair and registration as a flag of convenience, finance, banking and insurance.

Not unexpectedly the rationalisation of off-shore oil products supply lines consequent on US energy conservation and strategic policies had a negative impact on Caribbean off-shore petroleum activities. While firm data are not available for all transshipment

and refinery centres in the Caribbean - Bahamas, Netherlands Antilles, St. Lucia and Trinidad and Tobago - all indications are that activity was sharply reduced. Thus Trinidad and Tobago's refinery throughput in 1982 was less than half its peak attained in 1976, thirteen percent lower than 1981, and closure of the refinery was being mooted in late 1982. Transshipment through the Netherlands Antilles was substantially lower in 1982 and one of its refineries short of markets. Plans to build a refinery in St. Lucia complementary to the recently opened transshipment facilities have been shelved.

Of the other activities, casual observation indicates that the ship repair facilities of the Netherlands Antilles were idle for much of 1982, the result of enormous slackening of international trade, surplus shipping capacity and the logical adjustment of deferred ship maintenance. Off-shore banking and finance in the Bahamas and Netherlands Antilles, the principal Caribbean centres, seem not to have been adversely affected in 1982, but the shaky state of international finance and the unfurling US policy towards off-shore financial havens would seem to make for tremendous uncertainty for these potential growth points.

d) Domestic Activity

(i) **Agriculture:** With only a few exceptions, e.g. Netherlands Antilles, where on account of low rainfall and rocky terrain agricultural potential is poor, and St. Kitts/Nevis where plantation agriculture dominates, residential agricultural activity is of considerable importance in the social economy of Caribbean countries. In Jamaica and the Windward islands its contribution is particularly large, and recent official policy in Guyana has emphasized greater self-sufficiency based on agriculture. In spite of the sizeable regional food import bill - much of which constitutes the import of services since the foods are largely processed - much of the basic supplies of food is domestically or regionally produced.

Performance of this sector of the regional economies was very mixed in 1982 with Jamaica (-12%) turning in very poor results. Indicative of mixed performance was the increased rice production in Guyana (10%) and the decline in Belize (-12%). Poultry output was severely affected by competitive imports into Jamaica (-10%) and the Bahamas (-23%) but was generally higher in 1982, for example Trinidad and Tobago (15%) and Barbados (11%). Guyana reported increased output of fish (17%), which is largely home consumed, and shrimps (7%) which are partly exported, and general increases in production for the home market. The Windward Islands improved their output of root crops, fruits and vegetables, Grenada being particularly successful in developing its agro-industry. An interesting recent development is the return of Antigua and St. Vincent to producing sugar for home consumption, and St. Vincent's first crop of 1,776 tonnes was encouraging.

(ii) **Manufacturing:** Tremendous effort has been expended in the last 25 years towards promotion of manufacturing. While some of this has been export oriented, e.g. in Barbados, the Bahamas and the Netherlands Antilles and more recently in Trinidad and Tobago

(fertilizers, steel and methanol), most industries have been import substitution type activities primarily aimed at the domestic and regional markets within the CARICOM agreement. Because of the nature of these industries, they tend to prosper when the export sector generally is buoyant since they require net flows of foreign exchange for intermediate inputs, plant and royalties. Thus as a whole, after 1980 their performance was extremely shaky. While individual small producers, such as St. Vincent and specialists such as Dominica (soap) have turned in creditable performances the sector was not a major growth point in 1982 (see Table III.7).

Table III.7
INDICATORS OF MANUFACTURING GROWTH
Value Added (%)

	1980	1981	1982
Antigua	10.6	...	...
Bahamas	...	...	...
Barbados	42.9	11.1	7.6
Belize	10.7	-1.4	5.0
Dominica	18.8	17.7	9.6
Grenada	9.3	...	...
Guyana	11.0	24.1	-11.9
Jamaica	-9.7	1.3	4.2
Montserrat	...	12.9	-2.9
Netherlands Antilles	...	...	...
St. Kitts/Nevis	...	-13.0	2.0
St. Lucia	...	-0.5	13.1
St. Vincent	...	20.3	12.5
Suriname	47.9	-44.6	...
Trinidad and Tobago	7.1	-2.3	-2.0

Source: Various country reports.

(iii) Construction: The construction sector is yet another area where buoyancy generates domestic incomes and employment. However, on account of its sizeable import content (for components and equipment), foreign fundings (e.g. infrastructure and other public sector capital works) and the import demand generated by incomes derived therefrom, it must be regarded more as a channel through which external impulses are spread rather than a classic residentiary activity. Contributions of this sector in 1982 were, on a regional basis, generally positive. There were however sharp declines in the sector in Belize (-22%) and St. Lucia (-30%) and a slowing down in Barbados and Trinidad and Tobago. In Jamaica (13%) there was a minor construction boom in 1982, following recovery in 1981, after years of decline. In most other countries the sector made a positive contribution to growth as activity connected with infrastructure development, expansion of the tourist plant and housing was pursued.

(iv) Other Services: A wide range of basic (transportation, electricity and water) and supportive (commerce, finance, community) services are drawn in train by basic export and residentiary economic activity. With the tendency towards increased

tertiarisation of Caribbean economies there has generally been expansion of these services. Guyana was perhaps the only exception in 1982 as basic services declined 5.6% and distribution 15%. At the other end of the spectrum, Trinidad and Tobago recorded a more than 20% growth in services during 1982.

e) **The Public Sector:** The historical origins of Caribbean countries which placed economic power firmly in the hands of post colonial elites, political independence after 1962, and the post-war ideology of economic development combined to make active Government a central feature of their economic structure. The state not only performs its liberal-classic functions of maintaining law and order and holding the economic reins. In most countries, it is an active participant in commercial and industrial activities. The most outstanding case of this is Guyana where 80% of the economy is state owned, but Trinidad and Tobago also has a sizeable public sector owned industrial sector, while Grenada and Suriname are in the course of increasing state participation and Jamaica of reducing state involvement.

Judged by the trends in public revenues and expenditures, (see Tables III.8a and 8b) in 1982 the public sector enhanced its position in the economy of most Caribbean countries, though there was a slowing down in the rates of growth since 1980, a trend consistent with the less buoyant economic circumstances. There was in addition a tendency everywhere for the public sector to be in deficit. Exceptions to this were the Bahamas and Montserrat, and until 1981 Trinidad and Tobago. This trend led inevitably to increased national debt.

Table III.8a
PUBLIC FINANCES: CURRENT REVENUE AND EXPENDITURE

Growth rates	Current Revenue			Current Expenditure		
	1980	1981	1982	1980	1981	1982
Antigua	...	23.3	28.4	-2.4	63.1	13.9
Bahamas	20.8	14.0	-1.7	16.4	16.5	8.2
Barbados	23.8	6.2	8.7	22.8	18.8	4.5
Belize ¹	...	26.1	2.4	...	18.0	17.0
Dominica ²	22.6	52.4	18.1	...	16.0	-4.6
Grenada	10.9	-8.3	20.4	14.7	7.9	3.6
Guyana	14.3	23.7	-4.8	22.1	17.5	-1.8
Jamaica ¹	7.3	15.7	26.7	60.2	24.6	6.6
Montserrat	33.9	13.9	10.0	23.9	16.3	14.6
Netherlands Antilles	3.6	16.2	12.1	1.4	14.4	23.2
St. Kitts/Nevis	35.7	1.3	-3.8	20.3	27.1	3.1
St. Lucia ²	...	...	58.3	...	...	41.9
St. Vincent ²	...	10.7	13.2	...	11.3	13.2
Suriname	11.8	9.7	...	11.7	23.7	...
Trinidad and Tobago	58.3	7.1	-0.5	22.1	13.7	76.2

Source: Various country reports.

¹Fiscal year April-March. ²Fiscal year July-June.

Table III.8b
PUBLIC FINANCES: FISCAL DEFICIT/[surplus] AND PUBLIC DEBT

	Fiscal Deficit ¹			Public Debt ²		
	1980	1981	1982	1980	1981	1982
Antigua	9.5	20.0	...	...	...	...
Bahamas	[3.2]	[21.5]	[25.8]	292	361	447
Barbados	11.4	25.8	15.8	493	683	760
Belize ³	8.9	19.7	15.4	...	...	...
Dominica ⁴	45.2	33.4	34.9	...	...	...
Grenada	37.1	59.0	61.6	58	105	134
Guyana	57.1	55.5	67.0	...	3,100	...
Jamaica ³	41.9	36.5	48.5 ⁵	4,038	4,900	5,900
Montserrat	2.9	4.5	...	...	...	...
Netherlands Antilles	[6.0]	...	...	298 ⁶	...	...
St. Kitts/Nevis	19.8	26.6	39.1	...	...	...
St. Lucia ⁴	...	14.8	15.5	...	...	...
St. Vincent ⁴	32.7	25.6	...	...	...	...
Suriname	16.6	...	...	...	...	...
Trinidad and Tobago	[16.9]	[2.6]	32.7	1,710	1,714	...

Source: Various country reports.

¹As percentage of total Government expenditure. Surplus shown [].

²Millions of national currency.

³Fiscal year April-March.

⁴Fiscal year July-June.

⁵April-December 1982.

⁶Public debt to the Netherlands. Million US dollars.

f) Trade, Payments and External Debt: Depressed world trade and sluggish performance of staple output reflected itself in negative export growth in most Caribbean countries in 1981 and 1982. The performance of tiny Montserrat, Dominica's recovery from devastating hurricanes of 1979 and 1980, and St. Vincent from volcanic eruptions in 1979, were aberrations from this general pattern. Stagnating exports created severe pressures for the adjustment of imports which changed from substantially reduced growth in 1981 to absolute declines in 1982 (see Table III.9a).

Deteriorating terms of trade, especially for the non-oil exporters, was another feature of the trade performance in 1981 and 1982. The measurement of the terms of trade for services is a difficult exercise and was not done. If however attention is focussed on merchandise only, because of currency appreciation and the pattern of trade, the picture which emerges is that of serious income losses in most cases. Unit earnings of most traditional exports, notably sugar and bananas, declined rather more than unit prices of imports. In a few isolated cases such as Dominica and St. Lucia, there was some apparent improvement in the net barter terms of trade. For other countries such as Belize, Grenada and Jamaica, the net barter terms of trade were decidedly unfavourable in 1982, while Trinidad and

Tobago's oil, sugar, fertilizers and steel commanded weaker prices than those paid for its increasing volume of high technology capital goods.

Table III.9a
TRENDS IN EXPORTS AND IMPORTS (Growth rates)

	Exports			Imports		
	1980	1981	1982	1980	1981	1982
Antigua ¹	17.2	...	...	54.5	...	...
Bahamas	23.5	-0.1	...	31.7	-1.5	...
Barbados	43.3	-22.5	15.6	26.5	10.5	-3.0
Belize	32.1	3.2	-18.9	13.8	6.8	-19.4
Dominica ¹	3.2	97.9	27.6	114.8	4.2	-4.4
Grenada	-5.4	-4.8	-5.7	-2.6	14.2	3.0
Guyana ¹	33.6	-1.8	-25.6	24.6	19.7	-30.5
Jamaica	17.5	5.2	-7.5	18.4	21.8	-0.5
Montserrat ¹	114.8	9.0	107.8	37.8	14.6	7.1
Netherlands Antilles ¹	40.7	...	...	45.2	...	...
St. Kitts/Nevis	43.2	0.1	...	39.7	0.6	...
St. Lucia ¹	...	-11.6	-0.3	...	...	-8.4
St. Vincent	18.0	18.5	-0.4	20.7	3.8	10.0
Suriname	19.4	-7.7	...	27.9	6.2	...
Trinidad and Tobago	53.8	-5.0	-10.2	33.7	2.5	17.6

Source: Various country reports.

¹Exports and Imports of goods only.

Not unexpectedly, the current depressed state of extra-regional trade was accompanied by a slowing down of intra-regional trade. Up to now, the key economic integration activities of the CARICOM region have been the region-wide import substitution programme and the intra-regional trade flows created thereby. After much success in the early seventies - intra-Caribbean trade grew 23% per annum between 1973 and 1979 - problems began to develop towards the end of the decade culminating in reduced trade flows, payments difficulties and the suspension of the CARICOM Multilateral Clearing Facility early in 1983. When account is taken of inflation such data as are at hand clearly indicate a slowing down of CARICOM trade (see Table III.9b).

A striking feature of the current balance of payments accounts for Caribbean countries is that, with the exception of Trinidad and Tobago up to 1981, it is everywhere negative. Because of private long-term capital flows to the Bahamas and on official account to such countries as Jamaica, Netherlands Antilles or Suriname, the basic balance presents a less conspicuous negative picture. There was nevertheless a tendency everywhere for the external debt to grow in spite of the observed trend for reduced private capital inflows. Because of the extremely open nature of these economies, debt servicing ratios are, in relation to export earnings, low by international comparison. However, rising external

Table III.9b
DOMESTIC EXPORTS TO CARICOM
(Millions national currency)

	1978 ¹	1980	1981	1982
Antigua	11.3	...	...	...
Barbados	66.8	126.7	124.7	...
Belize	4.8	...	...	...
Dominica	9.3	15.3	22.5	29.4
Grenada	...	5.2	10.5	15.1
Guyana	120.6	135.6	165.3	117.1
Jamaica	126.3	101.5	124.8	139.1
Montserrat	0.3	...	...	...
St. Kitts/Nevis	9.1	...	...	...
St. Lucia	29.4	...	...	...
St. Vincent	16.4	...	...	...
Trinidad and Tobago	385.5	202.8	189.3	...

Source: Various country reports.

¹Million EC dollars.

debt can be a source of future problems if the debt incurred does not result in expanded export capacity (see Table III.9c).

Table III.9c
CURRENT ACCOUNT BALANCE AND EXTERNAL DEBT

Million US dollars	Current Balance			External Debt		
	1980	1981	1982	1980	1981	1982
Antigua	...	...	...	...	...	...
Bahamas	-15	-74	-19	...	87	147
Barbados	-20	-100	-107	82	130	144
Belize	-12	-22	-14	47	54	72
Dominica	-27	-22	-15	18	24	33
Grenada	-16	-25	-32	12	26	26
Guyana	-101	-158	-144	357	475	...
Jamaica	-153	-359	-428	868	1,063	1,427
Montserrat	-7	...	...	...	...	...
Netherlands Antilles	-4	...	...	289 ¹	...	...
St. Kitts/Nevis	...	...	...	...	...	...
St. Lucia	...	-47	-44	15	18	24
St. Vincent	-10	-5	-12	13	16	17
Suriname	-58	-119	...	28	22	...
Trinidad and Tobago	394	313	-223	437	448	637

Source: Various country reports.

¹Debt to the Netherlands Antilles.

The state of their external accounts caused a number of Caribbean countries to utilize short-term financing from the IMF. In 1982 Barbados, Guyana and Jamaica used the Compensatory Financing Facility (CFF) and Barbados had a Stand-by Agreement. In many cases,

however, the malaise seemed rather of a structural nature requiring long-term adjustment. Both Dominica and Jamaica continued their use of the IMF's Extended Fund Facility in 1982, but Guyana formally terminated its EFF agreement in July 1982. Nevertheless the external performance of the Jamaican economy in 1982 was so poor that an IMF waiver had to be obtained in early 1983.

d) **Monetary Developments:** Because of the open nature of their economies and the parlous state of their external accounts the central concerns of monetary policy in Caribbean countries are with exchange rate parity and the maintenance of external balance. This task was less difficult to attain in the ECCA countries where money supply is closely related to the state of the foreign reserves. In the other eight countries with independent monetary authorities domestic credit expansion and the financing of the fiscal deficit were key variables. There was in addition concern that the available credit be channelled towards productive rather than consumption uses.

Generally, the rate of growth of narrow supply (M₁) slowed considerably in 1982. The authorities in Barbados and Belize pursued a deliberately tight monetary policy in an effort to dampen demand, while Jamaica was under the discipline of an IMF programme, and the external asset position placed automatic constraints on monetary expansion in the ECCA countries. In Guyana, domestic credit increased by 38% of which net credit to the Government and official entities absorbed 92 percent. In Trinidad and Tobago, domestic credit was the major factor of expansion with the dominant change occurring in the position of the Government and official entities, a situation quite similar to what developed in Grenada. By contrast quasi money grew rapidly nearly everywhere (see Table III.10).

Table III.10
GROWTH IN MONETARY RESOURCES

	Money Supply			Quasi Money		
	1980	1981	1982	1980	1981	1982
Antigua	...	...	...	13.9	13.0	20.1
Bahamas	5.6	4.3	6.1	36.9	12.2	14.8
Barbados	11.4	5.6	-1.3	21.0	13.5	9.0
Belize	13.0	-5.0	-0.5	12.8	8.9	6.2
Dominica	-10.9	-2.6	-3.8	11.0	4.6	29.4
Grenada	6.5	8.2	18.4	6.4	6.0	-4.5
Guyana	13.7	9.0	24.1	22.6	30.1	43.0
Jamaica	19.6	6.2	6.1	35.6	-4.7	32.4
Montserrat	...	...	...	...	...	...
Netherlands Antilles	12.6	18.1	20.2	...	...	...
St. Kitts/Nevis	33.1	5.6	5.9	12.9	8.8	14.2
St. Lucia	...	...	...	...	...	...
St. Vincent	...	...	...	...	...	...
Suriname	7.6	21.7	...	28.4	37.1	...
Trinidad and Tobago	24.5	16.1	43.9	10.1	23.0	33.4

Source: Various country reports.

h) **Prices and Wages:** Without exception the rate of increase of consumer prices slowed during 1982 and in most cases attained single digit. In Guyana, sizeable monetary expansion and fiscal deficit in the absence of foreign exchange to augment supplies led to shortages and black markets in circumstances where domestic supply was inelastic and consumer tastes rigid. The continued high public sector investment programmes in Grenada and Trinidad and Tobago maintained incomes and demand pressures. In addition to these specific domestic circumstances, international inflation slowed considerably and the slackened rate of increase of import prices dampened price levels.

Such scanty indicators of wage increases as are at hand suggest that wage inflation might also have abated. Thus in the immediate future, the rate of price inflation can be expected to stabilise at levels consistent with the expectations generated by import prices, wage bargains and monetary and fiscal policies. As international prices stabilise domestic policies would increasingly determine the rate of inflation (see Table III.11).

Table III.11
INDICATORS OF INFLATION

Growth rates	Consumer price index			Nominal wage rates		
	1980	1981	1982	1980	1981	1982
Antigua	19.0	11.5	4.6	...	...	...
Bahamas	12.1	11.1	5.6	...	...	...
Barbados	6.9	14.6	10.3	...	8.4	...
Belize	...	11.4	9.4	...	...	...
Dominica	29.3	13.3	4.4	...	...	...
Grenada	20.6	19.6	13.2	12.5	...	10.0
Guyana	12.8	22.1	20.7	...	...	...
Jamaica	27.2	11.6	7.4	12.2	13.6	...
Montserrat	29.8	10.6	6.3	...	...	...
Netherlands Antilles	16.0	8.6	5.7 ¹	...	...	...
St. Kitts/Nevis	14.2	8.3	3.2	...	...	...
St. Lucia	19.5	15.1	4.6	...	...	...
St. Vincent	17.2	13.0	7.2	...	30.0	10.0
Suriname	14.1	9.0	...	9.9	13.0	...
Trinidad and Tobago	17.5	14.3	11.4	22.2	29.9	21.4 ²

Source: Various country reports.

¹September 1981 - September 1982.

²May 1981 - May 1982.

i) **Labour Absorption:** Post-war Caribbean countries had to cope with the politically explosive problem of high open unemployment most of it concentrated among the 15 to 25 age cohort. This structural problem derives more from lack of production dynamism than from the undoubted high rate of population growth or high female participation rates.

With the worsening economic situation in 1982 the labour market seems to have deteriorated further. Unfortunately no definitive statement can be made on trends in the labour market for the entire Caribbean region since only Barbados, Jamaica and Trinidad and Tobago have been conducting scientific labour force surveys. For the rest the evidence is fragmentary. But two features seem to stand out. Firstly, open unemployment is everywhere very high. Secondly, there was a worsening trend in 1982. Jamaica stands out as having the highest rate in part because of the practice of including among the unemployed persons who say that they were 'willing to work' even where no active search was made. In both Barbados and Jamaica the situation worsened in 1982 while in Trinidad and Tobago the downward trend in unemployment evident since 1975 seems to have been reversed in 1982. The large public sector construction programmes in Dominica and Grenada seem to have reduced unemployment dramatically (see Table III.12).

Table III.12
RATES OF UNEMPLOYMENT

	1980	1981	1982
Antigua	20.0	20.0	20.0
Bahamas	...	...	...
Barbados	12.6	10.7	13.6
Belize	14.3	...	...
Dominica	23.0	23.0	15.0
Grenada	27.9 ¹	...	14.2 ²
Guyana	...	...	...
Jamaica	27.3	25.9	27.4
Montserrat	6.1	...	5.0
Netherlands Antilles	...	...	15.0 ⁴
St. Kitts/Nevis	...	...	30.0 ⁴
St. Lucia	...	...	27.0
St. Vincent	...	...	20.0 ⁴
Suriname	...	...	...
Trinidad and Tobago	10.0	10.4 ³	10.4 ³

Source: Various country reports.

¹Ad hoc survey October 1980.

²Ad hoc survey April 1982.

³January-June.

⁴Estimate.

PART II

ANTIGUA AND BARBUDA

COUNTRY NOTES

ANTIGUA AND BARBUDA

1. Recent economic trends: introduction and summary

The rate of economic growth declined for the third successive year. Whereas the real Gross Domestic Product (GDP) grew at an average annual rate of 8% during 1977-1979, the rate declined to a 6% in 1980, 4% in 1981 and 2% in 1982.

The 1982 GDP, at 1975 prices was estimated at \$155.9 million. Sectoral contributions to GDP remained unchanged, being estimated as:

	1981	1982
	-----	-----
	%	%
Agriculture	7.6	7.4
Manufacturing	8.0	8.1
Construction	7.8	7.8
Trans. + communication	18.8	18.8
Trade	12.4	12.3
Hotels + restaurants	11.5	11.5
Real estate	11.4	11.5
Government services	14.3	14.3

Industrial activities consist mainly of import substitution industries or enclave and assembly type operations attracted by favourable investment conditions.

The manufacturing sector realized real growth of about 28% annually from 1977 to 1980; the growth rate fell to about 8% in 1981 and is estimated to have declined further during 1982 although data are not available.

The anticipated increase in industrial activity and employment resulting from the re-introduction of sugar manufacturing and oil refining was not achieved since neither enterprise has been able to realize normal throughput.

2. Trends in economic activity

(i) **Agriculture.** There has been a continuing decline in agricultural activities during the last two decades. Export agriculture has collapsed and production is now directed to the domestic market. Agricultural real GDP has declined from about \$12 million in 1978 to \$11.5 million during the last four years. Likewise, the contributions to GDP decreased from 9.4% in 1978 to 7.4% in 1982.

Since the 1950's, the Government has pursued a policy to purchase private estates if offered for sale. When the absentee owners of the sugar estates suspended production in the mid-1960's, the estates were purchased by the Government, thereby consolidating just over 60% of the arable land on Antigua.

The fisheries authorities estimate that fish landings decreased by 8% and lobsters by 20%. The decline in catch has been attributed to depletion of in-shore stocks and also to periods of adverse sea conditions during 1982. Exports of fish are estimated to have decreased by 60% and that of lobsters by nearly 90%. It is reported that higher domestic prices have removed the incentive to export both fish and lobster.

Sugar production stopped in 1972. In 1978 a Public Corporation was formed to re-establish a small-scale sugar industry, the objectives being to meet domestic requirements for raw sugar and to supply molasses for the production of rum. Re-establishment efforts have experienced cost overruns, under-financing, shortages of field labour and insufficient field machinery.

At the end of September 1982, public investment to re-establish the sugar industry amounted to \$3.1 million for field operations and \$12.3 million in the industrial plant and administration; however, the industrial plant is not yet fully refurbished and severe processing problems have been experienced.

During 1981, the sugar corporation harvested 2,750 tonnes of cane from 41 hectares and produced 37 tonnes of sugar. In 1982, some 2,850 tonnes of cane were processed from which 84 tonnes of high grade sugar, 17 tonnes low grade sugar and 82,000 litres of molasses were produced. The factory price for sugar is \$1,870 per tonne and molasses \$0.33 per litre. Efforts are still being made to establish a functional industry.

There was a further decline in the production of sea island cotton. A total of 4,025 kg. clean lint was produced from 137 hectares. Serious pest problems were again experienced, in particular with pink boll worm. Production levels are now so low that concerted efforts will be required to avoid the complete collapse of cotton production and the end of any attempts at agricultural export.

Data relating to the production of food and vegetable crops during 1982 are not yet available.

(ii) **Manufacturing.** In addition to the processing of sugar and cotton ginnings, there is a small manufacturing sector producing mainly for the domestic and regional market. The main products are clothing, rum, motor vehicles and mattresses, some of which are exported, and consumer goods and building materials (see Table 1).

Table 1
ANTIGUA AND BARBUDA: INDICATORS OF MANUFACTURING
PRODUCTION 1979-1981

	1979	1980	1981
Copra meal ¹	33	38	31
Edible oil ²	61	76	53
Cotton seed meal ¹	12	14	1
Rum ³	181	128	162
Garments (foundation) ⁴	120	150	180
Paper products	5,151	7,411	8,100
Aerated beverages ⁶	338	284	224
Stoves	6,583	6,207	6,300
Refrigerators ⁷	4,108	3,806	...

Source: World Bank estimates.

¹Tonne, ²'000 litres, ³'000 gallons,
⁴'000 dozen, ⁵'000 rolls, ⁶'000 cases,
⁷Units.

Ownership of these industries is foreign, with the investors being attracted by relatively cheap labour and attractive investment incentives. The manufacturing sector has registered increases of an average of 28% per annum over the period 1977 to 1980. The growth of the manufacturing sector has contributed to the creation of jobs, and by 1981 the sector was estimated to have been contributing some 9% of total GDP.

(iii) **Tourism.** The tourist sector maintained a dominant position in the economy and continued to be the main source of foreign earnings. The performance of the industry during the last four years is summarized in Table 2.

There has been a general downturn in Caribbean tourism. Whereas the number of cruise ship visitors to Antigua decreased by 40.1% in 1982, the more important overnight visitors increased by 2.7%. Estimates of earnings from the tourist industry during 1982 are not yet available.

The United States of America accounted for 42.2% of the overnight visitors, Canada 10.2% and the United Kingdom 14.2%

The Government proposes to construct several large hotels and condominiums estimated to cost \$540 million or 198% of 1981 GDP at current prices. Construction has been started at Deep Bay Complex which is to consist of a 200-room hotel, 700 condominium units, a golf course and a yacht marina estimated to cost \$243 million, for which the Government has negotiated some loan financing from the Government of Brazil. However, the total loan and the phasing of construction remain to be finalized.

Table 2
ANTIGUA AND BARBUDA:
SELECTED DATA ON TOURISM 1978-1982

	1979	1980	1981 ^P	1982 ^P
Total overnight visitors	99,536	97,901	84,724¹	87,042
Cruise ship visitors	70,266	107,094	113,357	66,768
Total visitors	169,802	204,995	198,081	153,810
No. of hotels + guest-house beds	2,747	3,475	3,644	3,750
No. of new hotels	-	-	2	-
No. of new guest-houses	...	4	1	2
Total tourist expend.(\$'000)	95,000^e	104,000^e	...	...
No. of cruise ship calls	120	164	177	120
No. of yacht calls	2,040	2,707	2,527	...
Passengers on yachts	4,819	8,957	9,894	10,800 ^e
No. of wind cruiser calls	34	72	47	36
Passengers on wind cruisers	3,091	7,356	1,436	1,500 ^e

Total visitor arrivals (Air only)

By country of origin				
U.S.A.	45.0	39.8	38.0	42.2
Canada	10.6	10.2	9.7	10.2
United Kingdom	11.7	12.4	15.4	14.2
Caribbean	22.1	23.7	37.9 ²	...
Other	10.6	13.9	...	...
Total air arrivals	86,459	86,571	84,724	33.4

Source: Antigua Department of Tourism and data supplied ECLA.

¹Visitors by air only

²Includes % for Caribbean

(iv) **Basic services.** Some improvements in the Public Utilities were realized during 1982. Details relating to the electricity services are given at Table 3 below.

Telephones. Prior to November 1978, there were 1,900 single party service possibilities of very poor quality. A new system, including 3,700 additional lines was commissioned in 1978. The system was enlarged to 4,600 operational lines in 1981 and subsequently to 5,100 in 1982.

This expansion programme was financed in part by a loan of C\$6 million and a technical assistance grant of C\$300,000 from the Government of Canada. The loan is at 4% interest with a moratorium of 10 years; repayments are to commence in September 1984 with the interest payments being paid into a fund for further expansion and maintenance of the telephone system.

Table 3
ANTIGUA AND BARBUDA:
ELECTRICITY GENERATION AND CONSUMPTION

	Unit	1980	1981	1982
Installed capacity	'000 kW	20.3	20.3	32.3
Public	'000 kW	15	15	27
Industrial	'000 kW	5.3	5.3	5.3
Production	kWh x 10 ⁶	53.7	57.2	59.8
Public	kWh x 10 ⁶	52.7	56.2	58.8
Industrial	kWh x 10 ⁶	1	1	1
Consumption (sold)	kWh x 10 ⁵	37.7	42.7	44.8
Residential	kWh x 10 ⁵	17	19	19.8
Commercial	kWh x 10 ⁵	12	14	14.4
Industrial	kWh x 10 ⁵	5	6	6.1
Municipal	kWh x 10 ⁵	1.6	1.6	1.7
Government	kWh x 10 ⁵	2.1	2.7	2.8
Own use plus	kWh x 10 ⁵	1.2	1.3	1.6
Transmission losses	kWh x 10 ⁵	14.4	12.2	12.3

Source: Electricity Department, Public Utilities Authority, Antigua.

At present all population centres including villages are linked by telephone but the residential services in some villages is severely limited particularly in the East and South of the island. In order to meet present demand, and in anticipation of requirements by the proposed Government hotel expansion, additional needs are estimated at 3,000 lines requiring an investment of EC\$6 million.

Water. The Public Utilities Authority produces 1.8 million gallons of water each day. All population centres are supplied with pipe-borne water. There are some 12,000 connections. It is estimated that domestic and household usage accounts for 40%; industrial and commercial use 18% and public standpipes 42% of consumption.

Existing demand is estimated at 3.0 million gallons per day rising to 6.0 million gallons per day by the year 2000. Large investments and the comprehensive development of the water resources capability are therefore necessary to ensure adequate water supplies.

(v) **Construction.** All construction materials are imported and therefore contribute much to total trade, and to Government revenues. The industry makes significant demands for transportation and other services.

Construction activity maintained real growth rates of 10.6, 13.8 and 10.3% during 1979-1981 during which time hotel expansion, the construction of a new parliamentary buildings, the airport terminal and the refurbishing of the oil refinery were in progress. The growth rate decreased to an estimated 4% during 1982 when activities were

sustained mainly by the construction of private housings.

Roads. Antigua has an intensive road system serving a widely dispersed population whereas Barbuda has one population centre with a poorly developed system. Recent estimates indicate that on Antigua, some 20 miles of roads need to be rebuilt and a further 80 miles require urgent maintenance.

(vi) **Employment.** There are no recent data relating to national employment. Estimates at mid-1981 allocated 9% of the labour force to agriculture, 8% to manufacturing and mining, 11% to construction, 22% to tourism, transport, communications and banking and the remaining 50% to the Government and other services. The unemployment rate has been officially estimated at 20% since 1975.

During the past ten years there has been a steady increase in the numbers employed in the service sectors and Government services. In addition to the high unemployment rate, there is no doubt that there is considerable underdevelopment due to the seasonality of the agriculture and tourism sectors and the fluctuating nature of employment in the construction sector. There are indications that school leavers and displaced workers experience difficulty finding jobs; in addition, there seems to be increasing numbers of youth who are no longer serious job-seekers. These trends point to important socio-economic implications.

3. The external sector

The total visible trade for the 1978-1980 period is summarized in Table 4 below.

Merchandise Trade

Domestic exports have increased significantly during the last five years as output from light industries, in particular, garment manufacture and assembly operations have come on stream. From a current value of \$5.4 million in 1977, exports increased by 135% in 1978, decreased by 30% in 1979, rose by 210% in 1980 and then decreased by an estimated 2.2% in 1981. Data for 1982 are not available, but there are indications of a decline due to reduced demand on the United States market.

Table 4
ANTIGUA AND BARBUDA: TOTAL VISIBLE TRADE
(E.C. dollars million)

	1978	1979 ^P	1980 ^P	1981
Total imports	125.0	197.4	305.1	...
re-exports	21.3	19.4	49.7	...
Net imports	103.7	178.0	255.4	...
Domestic exports	34.0	27.5	74.8	...
Visible trade deficit	69.7	150.5	180.6	...

Source: Ministry of Finance, St. John's, Antigua.

ANTIGUA AND BARBUDA

During 1980, manufactured commodities represented nearly 59% of domestic exports, food and live animals 15%, beverages 5.4% and machinery and equipment 17%; more recent data are not available.

Re-exports increased from \$12.5 million in 1977 to \$19.5 million in 1979 and \$49.7 million in 1980. Manufactured goods represented 61% of re-exports, machinery 29.3% and food and beverages 7.6%.

Total imports which were valued at \$125 million in 1978 increased by 58% in 1979 and by 55% in 1980; preliminary estimates indicate a deceleration to 23% in 1981; there are no estimates for 1982 at this time. The main imports during 1978-1980 are summarized in Table 5.

Table 5
ANTIGUA AND BARBUDA: VALUE OF IMPORTS - BY SITC SECTIONS
(E.C. dollars million - Current Values)

	1978	1979	1980	Growth rates	
				1979	1980
Food and live animals	31.3	70.5	90.2	25.2	27.9
Beverages and tobacco	3.8	6.2	9.2	63.2	48.4
Crude materials	2.2	3.0	5.9	36.4	96.7
Fuel	18.6	29.7	46.9	59.7	57.9
Animal + vegetable oils + fats	0.5	0.3	0.3	-40.0	0.0
Chemicals	8.6	8.4	21.3	-2.3	153.6
Manufactured goods	33.8	42.7	75.1	26.3	75.9
Machinery + transport equipment	26.2	36.7	56.2	40.1	53.1
Total	125.0	197.5	305.1	58.0	54.5

Source: Statistics Division, Ministry of Finance, Antigua.

There are no quantitative restrictions, foreign exchange restrictions or tariff controls on imported commodities. Adjustments to consumption taxes are designed to increase revenue and not as a control mechanism.

4. Monetary and fiscal policy

(a) Monetary policy

The volume of commercial banking activities decreased during 1982. Deposits increased by 16.9% in 1981 and 12.6% in 1982 (see Table 6). Loans and advances increased by 16.9% in 1981 and 16.5% in 1982 (see Table 7). Foreign assets declined by 20.3% at the end of 1982.

Table 6
ANTIGUA AND BARBUDA: COMMERCIAL BANKS' LIABILITIES
 (E.C. dollars million)

	1980	1981	1982
Total deposits	(155.44)	(181.72)	(204.68)
Demand deposits	32.36	42.37	37.46
Time deposits	64.05	70.32	97.49
Savings deposits	59.03	69.03	69.73
Due to local banks	5.41	5.60	2.72
Due to other ECCA banks	4.83	11.34	23.94
Foreign liabilities	11.30	9.34	13.33
Other liabilities	24.46	28.24	32.05
Total liabilities	201.44	236.24	276.72

Source: East Caribbean Currency Authority (ECCA).

Table 7
ANTIGUA AND BARBUDA: LOANS AND ADVANCES
BY COMMERCIAL BANKS

	1980	1981	1982
Total	136.67	159.68	185.99
Agriculture	3.74	1.82	1.64
Manufacturing	6.82	9.29	13.07
Distributive trades	23.14	22.95	23.81
Tourism and catering	3.57	4.97	9.19
Transport	3.56	5.47	5.73
Constr. + land development	5.03	9.47	17.95
Govt., stat. bodies + Pub. Util.	29.33	25.19	34.39
Prof. + other services	1.17	1.52	2.96
Personal	48.52	65.55	58.76
Other	11.79	13.45	18.49

Source: East Caribbean Currency Authority (ECCA), Antigua

¹Includes loans for purchase of lands and personal dwellings

(b) Fiscal policy

Deficit budgeting has been a feature of Government financial management procedures. There is heavy dependence on the commercial banks to meet scheduled recurrent expenses and on both aid funds and external borrowings to finance capital expenditure. Summaries of the Governments recurrent and capital finances for the period 1981-1983 are given at Table 8.

Table 8
ANTIGUA AND BARBUDA: GOVERNMENT RECURRENT AND
CAPITAL FINANCES
1981-1983

	1980	1981	1982
Recurrent revenue	62.2	77.2	99.2
Recurrent expenditure	57.2	93.3	106.3
Capital revenue	11.0	12.2	...
Capital Expenditure	23.7	18.5	...
Total revenue	73.2	89.4	...
Total expenditure	80.9	111.8	...
Debt servicing	15.6	16.2	19.4

Source: Ministry of Finance, Antigua

External indebtedness. The external debt increased by 4.6% in 1980 and 27% in 1981 (Table 9), and was equal to 46% of GDP in 1981. Some 70.4% of the accumulated external debt in 1981 has been used to finance Central Government operations, the remainder being guarantees for loans to the Antigua and Barbuda Development Bank (3.7%) and loans to the Public Utilities.

Table 9
ANTIGUA AND BARBUDA: EXTERNAL DEBT^P
(E.C. dollars million)

	1979	1980	1981	1982
Outstandings at 1 January	84.55	88.44	112.30	...
Net drawings	3.89	24.12	45.77	...
Drawings	(5.19)	(27.27)	(46.08)	...
Amortization	-1.30	-3.12	-0.31	...
Valuation adjustment	-	0.30	2.29	...
Total external debt	88.44	112.3	155.78	...
Debt service payments	5.99	4.93	5.41	...

Source: Ministry of Finance, Antigua

5. Wages and prices

Prices. The rate of inflation, as measured by the annual average of the retail price index, was approximately 5% in 1982, showing a marked deceleration from the 1981 rate of 12%. Generally, the slowdown reflected the depression in the developed economies that are major trading partners of the country.

Greatest price increases were observed in clothing and accessories, and household and miscellaneous items.

It is worthy to note that Index carries a base of 1 January 1969.

It is therefore desirable that a revision be made so as to (a priori) represent more fully, recent purchasing patterns (see Table 10).

Table 10
ANTIGUA AND BARBUDA: CONSUMER PRICE INDEX
(1 January 1969 = 100)

	1980	1981	1982
Annual averages			
All items consumer price index	374.4	417.3	436.7
Food and beverages	431.1	485.7	503.3
Alcoholic beverages + tobacco	339.3	380.8	385.3
Housing	230.6	250.1	255.1
Utilities	448.4	475.2	495.5
Clothing and accessories	365.2	426.6	480.9
Transportation	454.7	495.0	497.9
Household operations + misc.	360.8	410.2	450.9
December to December variation			
All items consumer price index	7.0	7.0	1.9
Food and beverages	6.9	6.9	-0.2
Alcoholic beverages + tobacco	7.1	7.1	1.9
Housing	7.9	7.9	-2.9
Clothing and accessories	12.6	12.6	23.5
Transportation	2.4	2.4	0.0
Household operations + misc.	12.9	12.9	3.6
Annual average variation			
All items consumer price index	19.0	11.5	4.6
Food and beverages	17.1	12.7	3.6
Alcoholic beverages + tobacco	17.1	12.2	1.2
Housing	21.0	8.5	2.0
Utilities	41.9	6.0	4.3
Clothing and accessories	13.2	16.8	12.7
Transportation	18.1	8.9	0.6
Household operations + misc.	16.2	13.7	9.9

Source: Statistics Division, Ministry of Finance, Antigua.

PART III

BAHAMAS

COUNTRY NOTES

BAHAMAS

1. Recent economic trends: Introduction and summary

Following an estimated overall decline of from 1% to 2% in the Bahamian economy in 1981, a recovery of equal magnitude is believed to have restored output in 1982 to about its 1980 level.

Table 1
BAHAMAS: MAIN ECONOMIC INDICATORS

	1977	1979	1980	1981	1982
A. Basic economic indicators					
Gross domestic product at current factor cost (million Bahamas dollars)	851	1 074	...	...	...
Population (thousands)	217	224	210 ¹	214	218
Per capita GDP (current Bahamas dollars)	3 927	4 795	...	...	...
Growth rates					
B. Short-term economic indicators					
Gross domestic product at current prices	6.5	11.8	...	...	...
Per capita GDP at current prices	3.1	12.3	...	...	...
Current value of exports of goods and services	2.6	12.9	23.5	-0.1	...
Current value of imports of goods and services	5.1	20.2	31.7	-1.5	...
Consumer price index December/December	4.6	11.6	12.1	8.3	4.6
Variation between annual averages	3.1	9.1	12.1	11.1	5.6
Money	10.3	27.3	5.6	4.3	6.1
Current income of government	3.8	23.2	20.8	14.0	-1.7
Fiscal deficit/total expenditure of government	18.1	3.9	3.2	21.5	25.9
Millions of dollars					
C. External sector					
Trade balance (goods + services)	148	135	102	78	...
Balance on current account	66	16	-15	-74	-19
Variation in net international reserves (- indicates increase)	-20	-20	-14	-11	-11
Total international reserves (minus sold)	67.1	77.5	92.1	100.2	129.4

Source: ECLA on the basis of official data.

¹Census at 12 May. Estimates after 1980 do not include net migration.

While this cannot be accurately quantified in the absence of systematic Gross Domestic Product estimates, the monitoring of the principal productive sectors and the flows of trade and finance suggest a reversal of the 1981 experience. Principally responsible for the changed economic performance were a recovery in the tourist trade, and better performance from offshore manufacturing. While agriculture weakened somewhat, fishing performed better and its export performance improved considerably. Construction was clearly better in 1982 than in 1981.

Earnings from tourism were higher in 1982 and merchandise exports increased 26 percent after their 14 percent fall in 1981. The volume of oil imported for domestic consumption rose slightly, the net effect of increased tourist trade and energy conservation measures, but the value of imported fuel declined for the second consecutive year. The trade imbalance narrowed considerably and the \$74 million current account deficit of 1981 was almost eclipsed. Although inflows of long-term foreign capital were down compared to 1981, there was nevertheless a positive balance on capital account and a positive overall balance on foreign payments.

The moderate growth in monetary resources, reflecting orderliness in the financial sector, coupled with moderated international inflation, combined to yield a modest 6 % inflation rate. While bank credit was tight both the private and public sectors could be accommodated. The public sector current surplus was reduced from \$36 million to \$12 million and a \$40 million expenditure below the line resulted in an increased overall deficit. This was financed largely from foreign borrowing with the result that the foreign debt rose from \$87 million in 1981 to \$147 million in 1982, approximately 13 percent of the exports of goods and services in 1981.

2. Trends in economic activity

(a) Growth of the main sectors

(i) **Agriculture.** Agriculture contributed just about 4 % of GDP in 1978 and while clearly not the focal point of the economy attracts considerable attention from policy makers because of its importance to food supply and its pervasive impact on the social economy. The agricultural census¹ conducted in that year showed that there were about 3000 households engaged in farming while the Department of Fisheries estimates that in 1980 some 2500 persons were engaged in fishing. As in 1981 the overall performance of the sector in 1982 was mixed.

Fishing performance in 1982 was much better than 1981. While the overall volume, as measured by landings at New Providence (See Table 2), was up by just 1% the volume of the highly valued crawfish increased almost 50%. All other types of fish declined, but slightly.

¹Ministry of Agriculture, Fisheries and Local Government: Report of the 1978 Census of Agriculture, Bahamas.

The average price of fish landed at Nassau about held steady in most cases and increased appreciably in the case of crawfish thus resulting in a 26.7% increase in total value between 1981 and 1982. Fish exports in 1982 were valued at \$11.5 million with the principal variety, viz. crawfish, valued at \$11.2 million representing a value increase of 22% over 1981. The volume of crawfish exported in 1982 was 1.67 million pounds, approximately 18% more than 1981.

With the completion in early 1983 of the \$3.4 million IDB financed modern fish landing, handling and marketing facility at Potters Cay in Nassau - the culmination of a comprehensive fisheries development plan - the industry is expected to be even further stimulated. It is also to be noted that from its inception in 1978 the Bahamas Development Bank has given emphasis to fisheries and marine transportation and that of its approved loans of \$2.6 million in 1982 between 40% and 45% went to fishing, principally for boat and engine purchase.

Table 2
BAHAMAS: VOLUME OF MARINE PRODUCTS LANDED¹

	Metric tons					Growth rates			
	1978	1979	1980	1981	1982	1979	1980	1981	1982
Crawfish	504	538	486	273	396	6.7	9.7	-43.8	45.1
Conch	170	221	257	353	311	30.0	16.3	37.4	-11.9
Turtle	42	20	23	19	18	-50.0	15.0	-17.4	-5.3
Other	963	847	1 267	1 367	1 303	-12.0	49.6	7.9	-4.7
Total	1 679	1 626	2 033	2 013	2 028	-3.2	25.0	-1.0	0.8

Source: Data supplied ECLA.

¹New Providence.

The estimated value of farm production in 1982 was \$23 million, a fall of 15% compared to 1981 (see Table 3). This was largely due to a sharp decline in poultry production, reportedly under severe competition from U.S. supplies, and to the closure of the dairy in Eleuthera. Production of meat and eggs just about remained at their 1981 levels.

Fruit and vegetables had a good year in 1982 and showed the only sizeable gains of all agricultural activities. With the exception of declines in output of tomatoes (-36%), sweet potatoes (-27%) and pigeon peas (-23%), all other indicator items showed sizeable increases to record an overall 17% value increase. The large tourist trade and proximity to the U.S., where between November and April duties on imports are low, would seem to constitute especially favourable conditions for vegetable and fresh fruit farming. The Government's Produce Exchange has considerably improved the marketing effort, a necessary pre-conditioned for sustained agricultural production.

There continues to be a policy emphasis on the further development of agriculture and fisheries although this sector received no additional Government allocations in either the recurrent or capital budget for 1983, and allocations in 1982 were lower than those in 1981. Thus encouragement is to be given to the development of agro-industrial ventures, possibly with foreign capital, and the Bahamas Agricultural and Industrial Corporation, established in 1982 by combining the Bahamas Development Corporation and the Bahamas Agricultural Corporation, is charged with this responsibility. A plant propagation station and research facilities are to be established in 1983. At the end of 1982 commercial bank loans and advances to agriculture and fisheries stood at \$5.4 million some 18% below their 1981 level.

Table 3
BAHAMAS: ESTIMATED VALUE OF FARM PRODUCTION

	Millions of dollars				Growth rates		
	1979	1980	1981	1982 ^F	1980	1981	1982 ^F
Fruit + vegetables	3.3	3.9	6.0	7.0	17.3	55.0	16.7
Dairy produce	0.4	0.5	0.6	- ¹	9.3	17.0	-
Meat (beef+mutton)	0.6	0.5	0.7	0.7	-5.5	38.5	2.8
Poultry products	13.2	15.4	19.6	15.1	16.2	27.6	-22.9
Total	17.5	20.3	26.9	22.8	15.5	32.9	-15.2

Source: Data supplied ECLA.

¹Local dairy ceased production.

(ii) **Tourism.** The tourist sector which provided 50% of GDP in 1978 continues to be the dynamic force in the economy. Overall in 1982 the industry performed somewhat better than it did in 1981 and far better than was anticipated. After the decline of 1981 the 1982 recovery formed the basis on which some overall economic growth was recorded (see Table 4).

The depressed state of the world economy continued to impact negatively on tourist travel and the further appreciation of the U.S. dollar raised the cost of a Bahamian holiday to non-Americans. Despite this however, cruise ship visitors increased 20%, and stopover visitors increased marginally compared to the sharp decline in 1981. Overall, the total number of visitors surpassed its 1980 peak. That the industry is not experiencing full boom conditions is however indicated by an estimated decline in the average length of stay of stopover visitors. Nevertheless, the incremental economic impact of the industry was positive. Stopover and cruise ship visitors both increased their expenditure resulting in an estimated 7.5% overall increase compared to 1981. While this partly reflects price effects the slowing of inflation to between 4% and 6% suggests that some real growth was experienced.

BAHAMAS

During 1982 a net addition of over 500 rooms became available and this might in part account for the slightly lowered hotel room occupancy rate estimated to June at 59.6%. Confidence in the future of the industry is however clearly indicated by the construction by Government of a 735-room hotel estimated to cost \$150 million, a 39% increase in the 1983 budgetary allocations to the Ministry of Tourism mostly for promotional work, and a ten-year plan for continuous improvement in the tourist plant and the further development of the physical and social infrastructure.

Table 4
BAHAMAS: SELECTED TOURISM INDICATORS

	1980	1981	1982 ^P	Growth rates	
				1981	1982 ^P
Total number of visitors					
(000)	1 872	1 752	1 947 ¹	-6.8	10.5 ²
Stopover visitors (000)	1 181	1 031	...	-12.8	0.3 ²
Cruise ship visitors (000)	578	597	720	3.3	20.6
Avg length of stay of stop-					
over visitors (nights)	7.1	7.3	...	2.8	-3.9 ²
Total expend.(\$ million)	596	640	688	7.3	7.5
Stopover visitors	564	608	650	7.8	6.9
Expenditure per day					
(\$ currency)	63	77	...	22.2	...
Expenditure per visit	435	530	...	21.8	...
Cruise ship visitors					
(\$ million)	32	31	38	-3.1	22.6
Expenditure per visit					
(\$ currency)	55	52	55	-5.5	5.8
Hotel rooms available	11 427	11 903	12 406	4.2	4.2
Average hotel room					
occupancy rate	75.4	59.8	...	-20.7	...

Source: Ministry of Tourism, Bahamas, Annual Report on Tourism, 1981, Tourism Statistical Review, 1981 and data supplied ECLA.

¹Includes transits. The comparable fig. in 1981 was 1,763 and in 1980 1,904.

²January-June 1982 compared to 1981.

(iii) **Construction.** Informed judgement is that, compared to 1981, construction activity was generally higher in 1982. Hotel construction work at Paradise Island begun in 1981 was completed in 1982 and the Government financed Cable Beach project was fully underway in 1982. Public sector construction work in road improvement, airport construction at Acklins Island, water and electricity supply improvement and public buildings continued apace.

However, other indicators of construction activity reveal a blurred picture. Commercial banks' loans and advances to the building and construction sector were down 21% at end 1982 compared

BAHAMAS

to 1981, the second consecutive year of decline, and to real estate dramatically from \$46.8 million to \$14.3 million, suggesting possibly that the recently introduced changes in the Government's land policy by way of Immovable Property Act might have reduced activity in the latter market (see Table 12).

By contrast, data on buildings permits issued and on buildings starts and completions all suggest that the 1982 level of construction activity was substantially higher than 1981 (see Table 5). Data reported are for New Providence and in this respect only a partial indicator. Data for the whole country for the first quarter of 1982 compared to the similar period in 1981 confirm the enhanced level of activity. The total number of permits issued increased by 63% and value by 114% with the only ambiguity arising from a lower overall value of buildings starts caused by lower commercial and industrial buildings starts. It must however be recalled that these latter tend to be lumpy and high value, and it is known that there was a bunching of large hotels starts in 1981 which continued into 1982 or beyond.

Table 5
BAHAMAS: CONSTRUCTION INDICATORS

	1980	1981	1981 ¹	1982 ¹	Growth rates		
					1980	1981	1982 ¹
Buildings permits issued							
Number	2 332	2 581	1 047	2 061	8.4	10.7	5.9
Value (\$ million)	232	144	99	188	94.9	-37.9	89.9
Buildings starts							
Number	1 120	1 228	1 046	1 206	1.2	9.6	15.3
Residential buildings starts							
Number	913	1 035	921	1 089	1.4	13.4	18.2
Value (\$ million)	55	49	40	58	-1.8	-10.9	45.0
Commercial/industrial starts							
Number	196	180	113	109	-0.5	-8.2	-3.5
Value	80	71	63	81	43.3	-11.3	28.6
Buildings completions							
Number	729	724	621	653	5.3	-0.7	5.2
Value	39	44	35	54	14.7	12.8	54.3

Source: Central Bank of the Bahamas, *Quarterly Review*, September 1982, vol. 9, no. 3 and data supplied ECLA.

¹New Providence only.

To the extent that the large hotel projects were financed from external private capital and a consortium loan to the government, enhanced construction activity may not be inconsistent with lowered domestic financing to the industry. Further residential construction which showed growth in 1982 in both the number and value of starts,

BAHAMAS

attracts partial financing through specially designed public sector windows.

(iv) **Mining and manufacturing.** These activities contribute only modestly to economic activity, their estimated share in GDP being 5% in 1978, the last year for which any systematic estimate was made. Salt, aragonite and building materials continue to be the principal minerals. Apart from offshore oil refining and chemicals, only light manufactures are produced, largely for the home market.

Following on the sharp fall in industrial production in 1981 brought about by the closure of the steel and pipe company in late 1980 and reduced cement production (see Central Bank of the Bahamas: Annual Report and Statement of Accounts for the year ended 31 December 1981, p.4), a reliable estimate is that output increased some 25% in 1982. This change came about mainly from the growth in pharmaceutical output from two new chemical plants completed at Freeport in 1981.

Industrial development for import substitution and export promotion is being actively pursued through the establishment of a free trade zone. In 1982 the Bahamas Agricultural and Industrial Corporation was established and charged with executing responsibility. A brewery with foreign participation is about to be constructed at Andros.

The Government has stated its intention to pursue 'an integrated development programme'. To this end its oil exploration programme was reactivated in 1980 and during 1982 two new licences were issued. It is reported that prospects are good and there is interest from some of the industry's leading companies.

Offshore oil refining at Freeport which attained a throughput rate of 10.2 million metric tons in 1971 and peaked at 14.2 million tons in 1977 flattened out at just over 9 million metric tons thereafter to stand at 9.3 million metric tons in 1980. At the time of writing data for 1981 and 1982 are not available but no dramatic deviation from recent average is believed to have taken place.

(v) **Energy.** Imported oil provides virtually all the energy needs of the Bahamas and as oil prices rose after 1973 there was an increasingly adverse impact on the external payments position. The softening of oil prices and the economic slow down combined with energy conservation awareness to reduce this import in 1981 and 1982. In 1982, for the first time since the 'oil crisis', domestic commodity exports about matched oil imports for local consumption (see Tables 6 + 7).

Table 6
BAHAMAS: OIL IMPORTS FOR LOCAL CONSUMPTION

	Thousand barrels and million dollars			Growth rates		
	1980	1981	1982	1980	1981	1982
Total local consumption						
Volume	8 349	7 767	6 525	-14.8	-7.0	-16.0
Value	303.4	277.1	221.3	64.5	-8.7	-20.1
Total domestic consumption						
Volume	3 714	3 146	3 157	-8.0	-15.3	0.3
Value	128.6	123.4	119.0	35.1	-4.0	-3.6
Foreign bunkers						
Volume	4 635	4 621	3 368	-19.5	-0.3	-27.1
Value	174.8	153.7	102.3	96.0	-12.1	-33.4

Source: Central Bank of Bahamas, *Quarterly Review*, December 1982, vol.9, no.4.

Table 7
BAHAMAS: RATIO OF SELECTED AGGREGATES

	1978	1979	1980	1981	1982
Petroleum imports ¹ /total imports	0.35	0.32	0.36	0.33	0.28
Petroleum imports ¹ /domestic exports	1.11	1.03	1.49	0.57	1.00
Petroleum imports ¹ /GDP	0.17	0.16	...	...	...
Total foreign currency debt/GDP	0.08	0.05	...	...	...
Total foreign currency debt/ domestic exports	0.55	0.32	0.20	0.50	0.66
Petroleum imports and foreign currency debt/domestic exports and net total receipts	0.50	0.34	0.48	0.48	0.49

Source: Calculated from official data.

¹Petroleum imports for local consumption.

In general, electricity use fluctuates with the fortunes of the tourist industry and as expected this peaked in 1980 (see Table 8). After a noticeable decline in electricity consumption in 1981 a moderate increase was expected in 1982, but at time of writing data are not available. Only thermal electricity is generated in the Bahamas using cheap Bunker 'C' fuel in New Providence and Grand Bahama and diesel in the Family Islands. It is to be noted that some island communities have no electricity supplies and alternative energy sources such as solar cells and wood are being investigated.

Domestic petroleum prices, after being relatively stable in 1981, actually declined in 1982, octane gasoline, diesel oil and LPG all showing significant reductions.

Table 8
BAHAMAS: INSTALLED CAPACITY AND PRODUCTION OF ELECTRICITY¹

Year	Public	Industrial ²	Total
Installed capacity - thousand kW			
1976	250.2	...	...
1977	248.2	49.6	297.8
1978	245.5	49.5	295.4
1979	260.2	49.9	310.1
1980	261.7	48.3	309.9
1981	256.5	47.9	304.5
1982	...	...	...
Production - million kWh			
1976	608.6	...	608.6
1977	641.2	57.8 ³	699.0
1978	692.6	94.9	787.5
1979	735.7	92.9	828.6
1980	786.2	55.3	841.6
1981	697.9	59.1	757.0
1982	...	...	...

Source: Bahamas, Ministry of Works and Utilities - data supplied ECLA.

¹ Only thermal electricity generated.

² Include foreign government bases.

³ Cement plant out of operation for most of year.

3. The external sector

The Bahamas is par excellence an open economy dependent on the export of services. Whereas in 1978 export receipts comprised 85% of GDP, commodity exports was a mere 18% of total exports leaving invisible earnings at a high 70% of GDP. In that year, tourism receipts accounted for 50% of GDP.

By contrast, commodity imports are typically between three and four times commodity exports thus leaving a sizeable visible trade balance, estimated at \$561 million in 1982, affordable only because of the large current surplus on travel, transport and insurance (see Table 9). The opportunity for such an economic structure derives partly from proximity to the continental markets for goods and services in North America and partly from ingenuity in harnessing the physical and climatic resources. Such Specialisation for international economic participation might well be the only basis on which small economies can attain high levels of income.

Banking and financial services are the main other export services but the captive insurance business prevalent in the 1960's is being sought after anew, and encouragement is being given by amendments to

BAHAMAS

the shipping regulations to develop the flag of convenience business. Some 96 ships with a gross tonnage of 466,000 tons are reported to have been registered by March 1982 in the Bahamas compared to 60 ships with gross tonnage of 58,000 tons in 1977.

The balance of payments have been in surplus in recent years except 1978 and 1981, and this has permitted some addition to foreign reserves. In particular 1982 witnessed increased commodity exports of 26%, reduced commodity imports of approximately 6% (measured to include cost, insurance and freight), and consequently a substantially narrowed trade balance. The balance on current account, favourable up to 1979, was unfavourable in 1982 but substantially improved over 1981. There have been sizeable inflows of long-term capital, both private and official, in 1981 and 1982 associated with offshore hotel and industrial development and with the government's developmental activities. Payments for non-factor services have been consistently high and as is not unexpected have shown an upward trend consistent with sustained past inflows of long-term capital.

Table 9
BAHAMAS: BALANCE OF PAYMENTS
(Millions of dollars)

	1977	1978	1979	1980	1981	1982
Exports of goods and services	700	820	926	1 144	1 143	...
Goods f.o.b.	136	146	171	201	176	221
services	564	674	755	943	966	...
Transport and insurance	80	96	107	204	184	...
Travel	407	489	552	595	639	...
Imports of goods and services	552	658	791	1 042	1 065	...
Goods f.o.b.	387	465	590	797	783	782
Services	165	194	201	246	282	...
Transport and insurance	46	59	74	76	83	...
Travel	54	61	53	71	91	...
Trade balance (goods)	-277	-349	-460	-639	-653	-561
Trade balance (goods + services)	79	56	20	-13	-72	-23
Net payments of profits + interest on foreign capital	-75	-114	-125	-114	-137	...
Profits	-	-	-	-	-	...
Interest	4	7	11	13	17	...
Net private transfer payments	-19	-22	-16	-20	-14	...
Balance on current account	66	41	16	-15	-74	-19
Long-term capital	40	-25	4	10	141	72
Private	36	-15	3	8	87	25
Official	4	-10	1	2	54	47
Basic balance	106	-16	20	-5	67	53
Short-term capital	10	12	-19	-3	15	9
Balance on capital account	50	-13	-15	17	156	81
Errors and omissions	-96	-36	14	17	-76	-51
SDR allocations	-	-	5	5	5	-
Global balance (reserve movements)	20	-8	20	24	11	11

Source: Central Bank of Bahamas.

4. Prices

The rate of inflation, as indicated by the Retail Price Index for New Providence, abated considerably. Compared to 1981 when there was an 11% increase in prices, the all items index rose by less than 6% in 1982. The extent of the deceleration may be further gleaned from the fact that the December to December variation was only 4.6%. Slowing world inflation and weakening petroleum prices, key determinants of imported inflation, were the principal causes of the slowing down in price increases for a second consecutive year. The slowing down in prices was quite general (see Table 10).

Table 10
BAHAMAS: EVOLUTION OF DOMESTIC PRICES¹
 November/December 1971 = 100

	Weight	1978	1979	1980	1981	1982

Annual averages						
Consumer price index	1000	156.5	170.7	191.3	212.5	224.5
Food	343	166.4	184.6	212.5	244.0	260.5
Housing	250	135.9	144.7	158.4	171.2	180.8
Clothing and footwear	101	166.9	187.8	216.9	234.6	252.6
Transport	91	169.2	180.2	201.1	213.5	225.9
Health and personal care	70	153.9	165.6	181.0	200.1	212.1

December to December variations						
Consumer price index		6.6	11.6	12.1	8.3	4.6
Food		8.3	15.0	15.4	12.1	3.3
Housing		4.8	6.9	10.4	6.1	5.3
Clothing and footwear		8.5	16.8	12.1	5.1	10.0
Transport		4.2	9.4	12.1	4.2	7.4
Health and personal care		8.3	7.0	12.4	7.8	5.0

Annual average variation						
Consumer price index		6.2	9.1	12.1	11.1	5.6
Food		8.2	10.9	15.1	14.8	6.8
Housing		3.1	6.5	9.5	8.1	5.6
Clothing and footwear		6.2	12.5	15.5	8.2	7.6
Transport		7.6	6.5	11.6	6.2	5.4
Health and personal care		6.1	7.6	9.2	10.6	6.0

Source: Bahamas, Department of Statistics, Retail Price Index and data supplied ECLA.

¹New Providence Island only where 60% of the Bahamian population live.

5. Monetary and fiscal policy

(i) Monetary policy. The task of monetary management in the Bahamas is two-fold. As a large offshore banking centre - at December

BAHAMAS

1982 there were registered 346 such banks and trust companies - compliance with the law must be ensured. Secondly, the 18 domestic commercial, savings and loans institutions must direct their efforts in ways consistent with the objective of Bahamian monetary policy. The main objectives of policy have been credit restraint and the use of loans and advances for productive purposes rather than for consumption. Moral suasion is the main instrument used along with various statutory and liquid asset ratios.

Only moderate monetary expansion was experienced in 1982 whether judged by growth in narrow money supply (6.1%), domestic credit (12%) or quasi money (17%). Worthy of note is the relatively faster growth of time deposits compared to savings deposits or demand deposits, reflecting in part sensitivity to increased interest rate differentials. Credit to Government slowed considerably in 1982 as resort was made to foreign financing, while credit to the private sector grew at a faster rate than it did in 1981 (see Table 11).

Table 11
BAHAMAS: MONETARY BALANCE

	Millions of dollars				Growth rates		
	1978	1980	1981	1982	1980	1981	1982
Money (M ₁)	106	143	149	158	5.6	4.3	6.1
Currency ¹ outside banks	26	33	37	41	12.1	12.0	9.7
Demand deposits	80	110	112	117	3.8	2.0	4.9
Factors of expansion	369	512	583	658	18.7	13.7	12.9
Foreign assets (net)	-42	2	-2	3	-	-	-
Domestic credit	411	511	585	655	14.8	14.5	12.0
Government (net)	99	81	112	120	-7.9	38.5	6.9
Other financ'l instit.	2	6	8	3	48.7	32.8	-55.8
Private sector	310	424	466	532	20.0	9.7	14.3
Factors of absorption	262	369	434	500	24.7	17.6	15.2
Quasi money	216	291	332	389	22.2	13.9	17.2
Savings deposits	66	95	101	108	14.0	6.3	7.2
Time deposits	123	174	213	255	29.5	22.7	19.7
Deposits in foreign currency	22	18	10	17	7.8	-43.4	67.6
Amounts due other local financial institutions	4	4	8	9	6.7	58.3	14.5
Other items (net)	46	78	102	111	25.5	29.9	9.1

Source: Central Bank of the Bahamas, Quarterly Review, December 1982 and data supplied ECLA.

Loans and advances of commercial Banks were \$525 million at the end of 1982, 15% above their December 1981 level. (see Table 12). Of this, personal and other loans accounted for 53% compared to 47% in 1981 while the share going to trade and commerce declined from 18% to 15%. Credit to the productive sectors rose marginally from \$161 million to \$170 million with construction, real estate and agriculture

and fisheries showing absolute declines, while increases were recorded by utilities, hotels and manufacturing. Commercial bank liquidity in 1982 remained tight and there were no new bond issues.

Table 12
BAHAMAS: LOANS AND ADVANCES OF COMMERCIAL BANKS

Sector	Million dollars at year end				Growth rates		
	1979	1980	1981	1982	1980	1981	1982
Agriculture and fisheries	2.6	3.4	6.4	5.4	30.8	88.2	-15.6
Manufacturing and quarrying	1.2	0.6	0.9	13.8	-50.0	50.0	1 433.3
Hotels, restaurants and nightclubs	38.1	30.5	43.9	56.8	-20.0	43.9	29.4
Trade and commerce	50.0	55.7	82.0	78.6	11.4	47.2	-4.1
Utilities (water, electricity transport)	20.0	36.8	22.3	47.3	84.0	-39.4	112.1
Building and construction	36.6	44.5	41.1	32.5	21.6	-7.6	-20.9
Real estate	42.8	46.1	46.8	14.3	7.7	1.5	-69.4
Personal + other local loans	157.0	199.2	214.2	276.1	26.9	7.5	28.9
Total	348.3	416.8	457.6	524.8	19.7	9.8	14.7

Source: Central Bank of the Bahamas: Quarterly Review, December 1982.

(ii) **Fiscal policy.** In 1982 current income of the Government actually fell while current expenditure rose moderately thereby narrowing the current surplus from \$36 million recorded in 1981 to \$12 million. Expenditure on wages and salaries rose by 9%. Comparison of expenditure on wages and salaries, a virtually fixed commitment on the public purse, with tax receipts from import duties, the principal revenue source reveals a rapidly narrowing gap. The reduction in expenditure on goods and services was the basis for generating any current surplus. Capital expenditure was maintained at about its 1980 and 1981 level of \$40 million. When however account is taken of the Government's net lending to public sector corporations, an overall fiscal deficit of \$78 million was recorded in 1982, some 28% higher than in 1981 (see Table 13).

The financial position of the government was extremely tight in 1982 so much so that the Treasury Bill limit was raised from \$24 million to \$40 million. Because no bond issue was made in 1982, capital expenditure was financed directly from current flows. During 1982, further drawdowns were made on the foreign bank consortium loan of \$50 million contracted for the Cable Beach Hotel project, and in consequence the national debt rose by 23.8% in 1982. It is to be noted that most of the growth in the national debt after 1980 has been in its foreign component. Foreign debt more than doubled in 1981 and grew a further 68% in 1982 when it comprised 33% of the national debt. The sluggish revenue position of the Government in relation to its financial commitments and development objectives led to imposition of

BAHAMAS

additional taxes, licenses and fees in the 1983 Budget. There are no direct taxes on income.

Table 13
BAHAMAS: CENTRAL GOVERNMENT REVENUE AND EXPENDITURE

	Million of dollars				Growth rates		
	1979	1980	1981	1982	1980	1981	1982
1. Current income	202	244	278	274	20.8	14.0	-1.7
Tax revenue	176	201	205	208	14.5	1.7	1.6
Imports	119	140	144	150	17.6	-2.6	4.1
Services	16	16	16	15	1.2	-2.5	-3.8
Stamps	14	16	16	16	10.5	1.3	-0.6
Others	26	29	29	27	10.6	0.7	-6.8
Non-tax revenue	26	43	73	66	62.3	71.2	-10.7
2. Current expenditure	179	208	242	262	16.4	16.5	8.2
Wages and salaries	99	115	134	146	16.0	16.8	8.9
Goods and services	48	57	68	62	19.4	19.7	-10.2
Transfer payments and subsidies	32	36	40	54	13.2	10.2	36.9
3. Savings on current account	23	36	36	12	54.5	-0.6	-67.9
4. Capital expenditure	26	39	42	40	47.5	7.7	-3.6
Capital formation	15	23	32	28	47.4	42.7	-12.7
Acquisition of assets	-	-	-	-	-	-	-
Others	11	16	10	12	46.8	-41.6	27.7
5. Total expenditure	205	247	284	302	20.3	15.1	6.4
Net lending	5	5	55	49	-3.8	100.4	-10.5
Fiscal deficit	8	8	61	78	-4.9	68.3	28.0
Total national debt	275	292	361	447	6.4	23.6	23.8

Source: Central Bank of the Bahamas, Quarterly Review, December 1982, vol.9, no.4.

PART IV

BARBADOS

COUNTRY NOTES

BARBADOS¹

1. Recent economic trends: Introduction and summary

Estimates of GDP at current factor cost put the 1982 figure at \$1,804 million - an increase of 6% over the 1981 performance. The goods producing sector accounted for nearly 27% of total GDP, while the other services sector contributed 63%, mirroring the importance of the tourist sector in the economy. The recession in North America and Europe conduced to a 14% drop in the number of tourist arrivals. A sugar output at the level of 88,000 tonnes in 1982 was the lowest in 34 years. The performance in the tourist and sugar sectors contributed to the decline in the country's current account position. In the face of the export shortfalls experienced, the Government secured medium-term balance of payments financing of \$54 million from the International Monetary Fund (IMF).

The year 1982 marked the second year of economic recession in Barbados, with industrial production contracting by some 1% after a 4% decline in 1981. A near 8% increase in the Gross Domestic Product accruing to the Manufacturing sector reflected to a great extent a general price increase in the output of the sector as opposed to an increased physical output.

The Balance of Payments, though experiencing great pressure in 1982, showed a small surplus of \$5 million. The value of exports grew while that of imports fell, narrowing the merchandise trade gap significantly. Weak external demand caused a depression in earnings and other services, causing the current account to go a little further into deficit than in 1981.

The Central Bank, pursuing a policy to contain domestic expenditure, tightened monetary restrictions, and Government reduced its planned level of activity, reducing the demand for imports as well as for local goods and services. The liquidity ratios of commercial banks were raised, and selective credit controls more strictly enforced. These actions brought about a sharp reduction in new borrowings from the commercial banking system. The money supply as measured at the end of the year stood 1.3% lower than it did one year earlier when it had expanded some 5.6% beyond the level of 1980. The slow down in the rate of inflation as measured by the Retail Price Index responded to the recession in North America and Europe, and to the contracted money supply in 1982.

¹Since July 1975 the Barbados dollar has been linked to the US dollar at the rate of US\$ 1.00 = B\$ 2.00.

Table 1
BARBADOS: MAIN ECONOMIC INDICATORS

	1980 ^r	1981 ^r	1982 ^p
A. Basic economic indicators			
Gross domestic product at factor cost (millions of current Barbados dollars)	1 530	1 707	1 804
Per capita gross domestic product (current prices)	6 145	6 815	7 206
Population (thousands of inhabitants)	249	250	251
Growth rates			
B. Short-run economic indicators			
Gross domestic product	27.7	11.6	5.7
Per capita gross domestic product	30.9	10.9	5.7
Current value of exports of goods and services	43.3	-22.5	15.6
Current value of imports of goods and services	26.5	10.5	-3.0
Consumer price index			
December-December	14.0	12.3	6.9
Annual averages variation	6.9	14.6	10.3
Money supply	11.4	5.6	-1.3
Wages and salaries ¹	26.1	8.4	12.5
Rate of unemployment ²	12.6	10.7	13.6
Current income of government	23.7	6.2	8.7
Total expenditure of government	20.6	32.2	-8.1
Fiscal deficit as a percentage of total expenditure government	11.4	28.9	15.8
Millions of dollars			
C. External sector			
Trade balance (goods and services)	-82	-237	-261
Balance on current account	-39	-201	-214
Variation in net international reserves	-25	48	-54
External debt	164	259	287

Source: Ministry of Finance and Planning, Barbados, *Barbados Economic Report*, 1981, February 1982; Central Bank of Barbados, *Annual Statistical Digest*, 1981; *Economic and Financial Statistics*, February 1982; *Balance of Payments of Barbados*, 1981, and data supplied to ECLA.

¹Data relate to approximate average annual percentage increase.

²Percent. Not a growth rate.

Credit to the household sector declined, contributing to a fall-off in construction activity. The reduction in this activity was further emphasized when several government projects ended or were postponed. A smaller fiscal deficit reduced public sector borrowings needs in 1982. The proportion of foreign financing fell sharply, placing the burden of financing on the domestic economy. The National Debt rose

BARBADOS

to \$760 million in 1982, reflecting an increase of 11.2% over the 1981 level.

2. Trends in economic activity

(a) Growth of the main sectors

(i) Agriculture. Estimates put the agricultural contribution to GDP at current prices at \$124 million. This represents 6.8% of total GDP, and a near 4% increase below the figure of 1981. Production of sugar and molasses declined for the second year in succession, the production of sugar being 88,000 tonnes in 1982. This is the lowest output of sugar recorded since 1948. The increase in unplanned cane fires, a shortened growing season, and poor cultural practices explained the poor performance of sugar in 1982. Sugar cane yields per hectare fell by some 15% in 1982, but the amount of sugar extracted from each ton of cane increased by 9% in 1982.

Table 2
BARBADOS: GROSS DOMESTIC PRODUCT, BY ECONOMIC
ACTIVITY, AT FACTOR COST, CURRENT PRICES

	Millions of dollars		Percentage breakdown		Growth rates	
	1981 ^r	1982 ^p	1975	1982 ^p	1981	1982 ^p
Gross domestic product	1 707.2	1 804.4	100.0	100.0	11.6	5.7
Goods	471	486	30.4	26.9	2.8	3.8
Agriculture	129	124	13.3	6.8	-15.3	-3.9
Mining + quarrying	13	14	0.2	0.8	14.5	8.3
Manufacturing	204	219	10.3	12.2	11.1	7.6
Construction	125	128	6.6	7.1	11.3	2.4
Basic services	152	180	8.7	10.0	26.7	18.4
Electricity, gas, water	39	45	1.5	2.5	16.4	15.9
Transport, storage + communication	113	135	7.2	7.5	29.9	19.3
Other services	1 085	1 139	61.0	63.2	14.1	5.0
Wholesale + retail trade	369	398	18.2	22.1	15.6	7.9
Tourism	207	181	9.3	10.0	12.9	-12.6
Finance, insurance, real estate + business services	210	250	14.0	13.9	21.7	19.0
General services	69	77	4.4	4.3	20.4	11.6
Government services	230	233	15.1	12.9	5.3	1.3

Source: Barbados Statistical Service, and Ministry of Finance and Planning, Barbados Economic Report, 1981.

Costs of production increased with the average cost per tonne of sugar reaching a figure of \$1300. No significant price increases for sugar were realized in 1982, and the country sustained a revenue loss of some \$4 million because of the exchange depreciation of the pound sterling.

BARBADOS

Table 3
BARBADOS: SUGAR PRODUCTION - AREAS AND AVERAGE YIELDS

Year	Hectares reaped	Canes milled (000 tonnes)	Cane/Hectare (tonnes per hectare)	Average yields sugar (tonnes per hectare)	Sugar output (000 tonnes)
1978	15 854	895	36.4	6.3	101.0
1979	15 800	1 052	66.3	7.1	114.0
1980	16 096	1 205	74.9	8.2	135.0
1981	15 800	966	61.1	5.9	94.0
1982	15 490	804	51.9	5.7	88.0

Source: Barbados Sugar Producer's Association and data supplied ECLA.

Table 4
BARBADOS: INDICATORS OF AGRICULTURAL PRODUCTION
(Tonnes)

	1980	1981	1982	Growth rates		
				1980	1981	1982
Production of main crops						
Sugar-cane (000)	1 205	966	804	14.5	-19.8	-16.8
Cotton	77	77	...	54.7	-	...
Root crops						
Sweet potatoes	4 631	3 000	...	108.7	-35.2	...
Yams	7 700	4 000	...	30.3	-48.1	...
Vegetables						
Beans	521	510	509	...	-1.9	-0.2
Beets	356	507	480	...	42.4	-5.3
Cabbage	1 717	1 399	1 577	51.9	-18.5	12.7
Carrots	2 395	2 145	2 416	-61.1	-10.4	12.6
Cucumbers	818	1 808	1 701	...	121.0	-5.9
Onions	473	396	432	23.1	-16.0	9.1
Pumpkins	512	527	493	...	2.9	-6.5
Tomatoes	1 636	1 055	1 208	133.0	-35.5	14.5
Other vegetables	1 077	1 307	1 247	...	21.4	-4.6
Stock-raising production						
Bovine	414	442	376	27.8	6.8	-14.9
Pork	918	942	1 300	14.5	2.6	38.0
Mutton	62	51	21	55.0	-17.7	-58.8
Poultry	5 248	6 026	6 700	- 0.5	14.8	11.1
Eggs	1 476	1 350	...	-35.0	- 8.5	...
Milk	7 500	6 146	6 054	135.0	-18.0	- 1.5

Source: Ministry of Agriculture, Food and Consumer Affairs, Barbados.

BARBADOS

The sugar industry was heavily in deficit throughout 1982, with the deficit on the 1982 crop being estimated at some \$30 million. This was exacerbated by a significant debt arising from capital expansion and losses on the 1981 crop. Government sought to improve the cash flow problem by guaranteeing a support price of \$925 per tonne of sugar produced. Government guaranteed a \$17.5 million bond issue of the Barbados Sugar Factories Ltd., and a \$15 million Euro-dollar loan to construct a new factory and to refurbish an existing one.

Non-sugar agriculture is estimated to have grown by 11% in 1982. The 4% estimated increase in vegetable production was due to some extent to favourable weather conditions. Part year unpublished data indicate increases in the production of beans, cabbage, carrots and sweet peppers with consequent decreases in the retail prices of those commodities. The increase in chicken production and the increased imports of the commodity caused a glut on the market. Fish landings were 14% lower than the previous year.

(ii) **Manufacturing.** The sector's contribution to GDP at current sector cost grew to \$219 million in 1982 - a near 8% increase over the 1981 figure. The index of Industrial Production, however, reveals a 1% decline in 1982 below the figure of the previous year.

The recession adversely affected activity in the manufacturing sector, with production in the Quarrying and Chemicals sub-sectors falling by some 13%. The other non-metallic product sub-sector sustained a decrease in output of nearly 14% and the Food sector declined in terms of output, by some 6%. Relatively small increases in production were observed in the Wearing apparel, petroleum products, and Electricity and Gas sub-sectors. The foreign-owned electronic components sub-sector is estimated to have registered significant growth. This sub-sector created four hundred new jobs in 1982.

(iii) **Energy.** Oil production recovered somewhat from the slump of 1981, mainly as a result of the re-emphasis on shallow drilling. Output of crude petroleum rose to 41.1 thousand cubic metres - an increase of 22% above the 1981 figure, but some 15% below the output of 1980. The output of natural gas produced in association with crude petroleum increased by about 4% to a total of 18.3 million cubic metres. This was 41% below the output of 1980. The natural gas produced satisfied domestic demand. Some 1.4 million cubic metres were used to generate electricity, the consumption of which is estimated to have increased despite the reduced economic activity in the goods producing sectors.

Table 5
BARBADOS: INDEX OF INDUSTRIAL PRODUCTION

	Weight 1970 = 100	Weight			Growth rates	
		1980	1981	1982	1981	1982 ¹
I Production Index						
Total all industries	1 000	157.2	151.1	149.2	-3.9	-1.3
Quarrying	29	109.3	126.6	104.4	15.8	-17.5
Manufacturing	800	147.5	140.7	137.4	-4.6	-2.3
Food	151	173.8	164.7	155.7	-5.2	-5.5
Beverages + tobacco	170	125.1	118.6	111.8	-5.2	-5.7
Wearing apparel	111	168.2	169.3	173.2	0.7	2.3
Chemicals	29	149.0	150.2	131.3	0.8	-12.6
Petroleum products	38	133.3	136.7	136.1	2.6	-0.4
Other non-metallic products	42	105.4	116.3	100.5	10.3	-13.6
Other manufactures	259	146.5	130.0	132.9	-11.3	2.2
Electricity + gas	171	208.9	209.2	212.2	0.2	1.4
II Production of some manufactured goods						
Sugar ²		132	94	88	-28.8	-6.4
Rum ³		8 467	5 719	4 690	-32.5	-18.0
Beer ³		8 578	9 220	8 815	7.5	-4.4
Margarine ⁴		2 238	3 796	2 625	69.6	-30.8
Lard		1 453	2 206	1 510	51.8	-31.6
Malt beverages ³		3 300	3 691	3 605	11.8	-2.3
Non-alcoholic bev. ³		18 916	17 934	17 411	-5.2	-2.9
Animal feeds ²		39	45	50	15.4	11.1
Milk products ⁴⁵		10 000	9 300	8 500	-7.0	-8.6
Cigarettes ⁴		224	260	271	16.1	4.2
Crude petroleum ⁶		48.6	33.6	41.1	-30.9	22.3
Natural gas ⁶		17 500	9 900	10 300	-43.4	4.0
Gasoline ⁶		55.1	58.4	56.4	6.0	-3.4
Diesel oil ⁶		49.7	50.3	48.6	1.2	-3.4
Fuel oil ⁶		96.4	99.1	106.3	2.8	7.3
III Other indicators						
Electricity generated ⁷		310	327	331	5.5	1.2

Source: Statistical Service, Barbados, Monthly Digest of Statistics.

¹Based on Jan-Oct estimates. ²Thousands of tonnes. ³Thousands of litres. ⁴Tonnes. ⁵Converted to the fresh milk equivalent. ⁶Thousands of cubic metres. ⁷Millions of kWh.

In July, the Government of Barbados entered into an agreement to purchase the assets of Mobil Exploration, Barbados Ltd. The assets were valued at \$24 million.

(iv) **Construction.** Growth in the construction sector was slowed down as a result of cut backs in expenditure on the Government's capital works programme, and as a result of weak demand for housing. High mortgage interest rates acted as a further deterrent to increased construction activity. Several significant projects were completed

BARBADOS

during the year. The only new Government project put into motion was the cement plant, embarked on as a joint venture with the Government of Trinidad and Tobago. The output of quarry products declined by 17%.

(b) Employment

The size of the labour force rose to 115,100 in 1982. However the numbers employed in 1982 reflected the fall-off in economic activity, with a decrease of some 2 500 jobs. At the same time, new entrants into the labour market did not all find jobs. The result was that an estimated 900 seekers immediately went to the unemployed category. The number of unemployed persons rose by some 3 400 during the same period, yielding an unemployment rate of 13.6%.

Table 6
BARBADOS: SELECTED DATA ON EMPLOYMENT AND UNEMPLOYMENT

	1979	1980	1981	1982

Thousands of persons				
Total number of adults	171.0	174.2	176.8	177.6
Labour force	109.0	114.8	114.3	115.1
Employed	95.0	100.3	101.9	99.4
Unemployed	14.0	14.5	12.4	15.7
Not in labour force	62.0	59.4	62.5	62.5
Unemployed as a percentage of the labour force	12.8	12.6	10.7	13.6
Labour force as a percentage of total adults	63.7	65.9	64.7	64.8

Source: Statistical Service, Barbados, Ministry of Finance and Planning, Economic Report, 1981, and data supplied ECLA.

3. The external sector

(a) Merchandise trade

(i) Exports. Part year data indicate that domestic exports rose in 1982 by 22% over the previous year. January to October data indicate domestic exports to the value of \$313 million as compared with \$257 for the corresponding period of the previous year. This increase was primarily due to the export of manufactured goods. Exports of clothing, electrical components, furniture and chemicals increased appreciably, while exports of processed foods, beverages and tobacco fell below the level of 1981. Export earnings from sugar fell to \$51 million - the lowest in 34 years. Some 51 000 tonnes of sugar were exported to the EEC at a price of \$692 per tonne, while 18 000 tonnes exported to the USA were sold at a price of \$861 per tonne.

The main export markets of Barbadian produce continued to be the USA, the CARICOM countries and the United Kingdom of Great Britain.

Within the CARICOM group, Trinidad and Tobago was the most important export market with total exports to that country at the end of July amounting to \$43 million, of which \$38 million were domestic exports.

(ii) Imports. The total value of imports increased by almost 10% in 1982. Total retained imports decreased in value by 9.1%, with both consumer and intermediate goods registering decreases of 12 and 31% respectively. The value of capital goods increased by 21%, reflecting in part, preparation for the construction of a cement plant embarked on jointly with the Government of Trinidad and Tobago, and expansion by the Barbados Light and Power Company. Credit control helped to depress imports of consumer durables by some 53%, while

Table 7
BARBADOS: DOMESTIC EXPORTS OF GOODS, FOB

	Millions of Jan-		Jan-		Percentage		Growth	
	dollars		Oct	Oct	breakdown		rates	
	1980 ^r	1981 ^r	1981	1982	1977	1981	1981	1982
Total exports ¹	337.3	297.0	257	313	100.0	100.0	-11.9	21.8
Main traditional exports	130.5	68.4	63.7	59.3	34.7	23.0	-47.6	- 6.9
Sugar	109.4	51.5	51.5	47.3	25.0	17.3	-52.9	- 8.2
Molasses	11.9	8.3	6.1	6.0	3.6	2.8	-30.3	- 1.6
Rum	3.5	4.1	2.9	3.7	3.2	1.4	17.1	27.6
Lard + margarine	6.1	4.5	3.2	2.3	2.9	1.5	-26.2	-28.1
Non-traditional exports	113.0	130.1	83.1	115.5	41.8	43.8	15.1	39.0
Clothing	49.1	52.2	32.0	39.7	21.6	17.6	6.3	24.1
Electronic components	63.3	77.3	50.6	75.3	20.2	26.0	22.1	48.8
Petroleum products	0.6	0.6	0.5	0.5	-	0.2	-	-
Other exports	93.8	98.5	64.1	118.2	23.5	33.2	5.0	84.4

Source: Statistical Service, Barbados, External Trade Publications; Central Bank of Barbados, Economic and Financial Statistics, February 1983, and data supplied to ECLA.

¹Total domestic exports. Excludes re-exports.

curtailed growth in personal disposable income and possibly the decline in tourism explained much of the decrease in demand for food and other non-durables. Intermediate goods imported fell in value by 31%, in response to lower levels of domestic production. More favourable energy prices and an increase in domestic crude oil production kept fuel payments below the figure of the previous year.

Table 8
**BARBADOS: RETAINED IMPORTS BY ECONOMIC FUNCTION
 AND/OR END USE**

	Millions of dollars		Jan- Aug	Jan- Aug	Percentage breakdown		Growth rates	
	1980	1981	1981	1982	1977	1981	1981	1982 ¹
Consumer goods	342.3	372.7	239.8	210.7	40.6	35.3	8.9	-12.1
Food + bev.	163.5	179.2	114.4	110.6	20.6	17.0	9.6	- 3.3
Other non- durables	84.3	92.1	58.0	51.5	10.1	8.7	9.5	-11.2
Durables	38.8	50.4	20.6	19.7	4.9	4.8	30.4	-52.9
Other manuf- actured goods	55.7	51.0	32.0	28.9	4.9	4.8	- 9.0	- 9.7
Intermediate goods	323.6	369.5	245.9	169.9	33.8	35.0	14.2	-30.9
Fuels	108.6	143.7	99.4	38.8	9.4	13.6	32.4	-61.1
Textiles	39.3	43.5	25.5	24.4	4.8	4.1	10.7	- 4.3
Others	176.3	182.3	121.0	106.7	19.6	17.2	3.3	-11.8
Capital goods	267.7	312.0	195.0	236.1	22.4	29.5	16.5	21.1
Machinery	187.4	226.9	133.8	189.7	15.3	21.5	21.1	41.8
Construction materials	80.3	85.1	61.2	46.4	7.2	8.1	6.0	-24.2
Unclassified goods	2.5	2.7	4.2	4.5	3.2	0.3	8.0	7.1
Total retained imports	931.0	1 057.0	683.4	621.3	100.0	100.0	13.5	- 9.1
Total imports	1 049.1	1 151.1	670.8	735.8	-	-	9.7	9.7

Source: Statistical Service, Barbados, External Trade Publications; Central Bank of Barbados, Economic and Financial Statistics, February 1983, and data supplied to ECLA.

¹Based on Jan-Aug comparison.

(b) Services trade

Tourism remained the main earner of foreign exchange, but was for another year adversely affected by the recession in the major tourist markets. Tourist arrivals (excluding tourist cruise ship passengers) fell by nearly 14% in 1982, to a total of some 304 thousand. Tourists from CARICOM countries accounted for the greatest number of arrivals, followed by tourists from the USA and Canada in that order.

Arrivals from the UK declined, partly because of the depreciation of the pound sterling, which resulted in raised costs to the UK tourist, and partly because of the cessation of important air services from Europe and Canada and the bankruptcy of key tour operators.

Cruise-ship visitors declined by 23% in 1982, at a time when average length of stay of stopover passengers, as well as their number, were on the decline. Despite these movements, there was a net

BARBADOS

inflow of \$43 million dollars on the services account. This amount, however, represented a decline of 20% from the figure of the previous year, the second decline in two years. The sharp fall in tourist arrivals contributed significantly to the overall economic activity in 1982.

Table 9
BARBADOS: SELECTED TOURISM INDICATORS

	1979	1980	1981	1982 ^P	Growth rates	
					1981	1982 ^r
Total visitors ¹	481.0	526.5	488.4	408.3	- 7.2	-15.1
Stopover visitors ¹	370.9	370.0	352.6	303.8	- 4.7	-13.8
From: United States	91.4	86.0	74.5	75.5	-13.4	1.3
Canada	92.7	85.0	70.0	59.6	-17.6	-14.7
United Kingdom	49.4	56.2	72.1	51.1	28.3	-29.1
Europe	40.8	38.4	29.6	21.6	-22.9	-27.0
CARICOM countries	76.0	85.4	87.4	82.3	1.5	- 5.9
Other countries	20.6	19.0	19.0	13.7	0.0	-27.9
Cruise-ship visitors ¹	110.1	156.5	135.8	104.5	-13.2	-23.0
Hotel+guest house beds ¹	11.8	13.4	14.1	14.4	5.2	2.1
Average length of stay of Stopover visitors ²	9.9	9.8	9.6	8.3	-2.0	-13.5
Hotel bed occupancy rate	76.4	65.3	54.0	45.5	-17.3	-15.7
Estimated visitor expenditure ³	200.4	249.6	260.4	249.7	11.2	...
Hotel + restaurant tax ³	5.5	7.3	7.2	...	- 0.7	...

Source: Ministry of Finance and Planning; Barbados Economic Report, 1981, and data supplied to ECLA.

¹Thousands.

²Days.

³Millions of US dollars.

(c) Balance of Payments

The balance of payments account registered a small surplus of \$5 million in 1982. In the Merchandise trade account, the value of exports increased while that of imports fell, thereby narrowing the deficit significantly. The tourism earnings and receipts on other services fell to such an extent that the current account registered a slightly increased deficit from the figure of the previous year. There were substantial inflows of investment and short-term funds, mostly absorbed by the private sector. Long-term capital inflows contracted somewhat in 1982 in response to the heavier dependence placed by Government on domestic borrowings. As in 1981, the Central Bank engaged in foreign borrowings to maintain foreign exchange liquidity. Long-term funds to the extent of \$10.4 million were obtained from the CARICOM and Venezuelan Oil facilities. A stand-by

BARBADOS

arrangement with IMF, together with the compensatory financing from the IMF, helped to procure an addition of \$54 million to the level of international reserves at the end of 1982.

Table 10
BARBADOS: BALANCE OF PAYMENTS
 (Millions of dollars)

	1979	1980	1981	1982 ^F
Merchandise (Net)	-536.0	-628.8	-776	692.0
Exports	294.5	422.0	327	378
Imports	-830.5	-1 050.8	-1 103.0	-1 070.0
Services (Net)	454.1	547.2	539.0	431.0
Travel	389.7	484.0	484.0	...
Other	64.4	63.2	55.0	...
Balance on goods and services	-81.9	-81.6	-237.0	-261.0
Net transfer payments	43.9	43.1	36.0	47.0
Balance on current account	-38.0	-38.5	-201.4	-214.0
Capital account				
Long-term	38.0	70.1	180.0	100.0
Official	22.9	51.8	96.7	-
Private sector	13.0	18.3	64.0	-
Short-term	44.3	51.5	55.0	119.0
Other capital	-9.6	5.8	59.4	-
Errors and omissions	-8.9	-75.3	-54.7	-
Balance for official financing	22.1	40.3	-76.0	5
Allocation of SDR's	4.5	-1.0	-	-
Official financing (loans)	-	-	28.0	49.0
Reserve movements (- increase; † decrease)	-18.1	-25.4	48.0	-54.0

Source: Ministry of Finance and Planning, Barbados Economic Report, 1981, and data supplied ECLA.

4. Wages and prices

(a) Wages

Wage increases varied from some 30% in the private sector to 7% in the public service. The restraint in wages helped to curb inflationary pressures during 1982. The magnitude of wage increases was reflected in a personal disposable income that did not increase to the extent that it would fuel the domestically originating inflation.

(b) Prices

The rate of inflation as measured by the Retail Price Index declined somewhat from the 1981 rate of 14.6%, to a 1982 annual

average of 10.3%. This was due to a great extent to the deceleration of inflation in the economies of the country's main trading partners. The largest relative price increases occurred in Housins, Transportation, Medical and Personal Care and Alcoholic Beverages and tobacco. Food, because of its weight, was the major contributor to the increase in the All Items Index. Housins was next in significance as a contributor to the increase in the Index. Although the annual average All Items Index rose 10.3% in 1982, a December to December comparison reveals a 6.9% increase in December 1982 over December 1981. This indicates more significant rates of growth in some of the other months of 1982. The fastest monthly rate of increase in prices in 1982 was recorded in April when the index increased by 4.1%.

Table 11
BARBADOS: EVOLUTION OF DOMESTIC PRICES
 (March 1980 = 100)

	1980	1981	1982
Annual averages			
All items consumer price index	103.5	118.6	130.8
Food	103.9	119.3	128.0
Alcoholic beverages and tobacco	106.6	115.0	130.4
Housins	102.1	126.9	154.0
Fuel and light	100.9	107.9	110.7
Clothing and footwear	105.6	124.2	129.4
Medical and personal care	107.2	116.1	134.6
Transportation	103.0	117.0	139.0
December to December variation			
All items consumer price index	14.0	12.3	6.9
Food	12.4	12.6	2.5
Alcoholic beverages and tobacco	17.2	2.6	17.3
Housins	24.7	21.1	10.1
Fuel and light	14.9	- 2.1	12.7
Clothing and footwear	18.5	12.7	- 1.5
Medical and personal care	7.3	18.2	13.0
Transportation	11.9	17.4	17.0
Annual average variation			
All items consumer price index	6.9	14.6	10.3
Food	6.6	14.8	7.3
Alcoholic beverages and tobacco	11.0	7.9	13.4
Housins	3.4	24.3	21.4
Fuel and light	12.7	6.9	2.6
Clothing and footwear	16.6	17.6	4.2
Medical and personal care	8.7	8.3	15.9
Transportation	11.2	13.6	18.8

Source: Data supplied by Barbados Statistical Service.

5. Monetary and fiscal policy

(a) Monetary policy

The maintenance of selective credit controls during 1982 caused a sharp reduction in new borrowings from the commercial banking system. An analysis of loans outstanding suggests a cut back in credit to the private sector; credit to the public sector remained relatively high, amounting to some \$47.6 million at the end of 1982 - some 16.1% higher than the level of Government borrowings of a year earlier. The total amount of public sector borrowing was however contained in 1982 as government incurred a \$91 million fiscal deficit in 1982. The effect on the reduction in the foreign deficit was not fully felt on the domestic market because it was to some extent offset by an increase in domestic borrowing and foreign financing.

Table 12
**BARBADOS: SECTORAL DISTRIBUTION OF
 COMMERCIAL BANK CREDIT**
 As at December
 (Millions of Barbados dollars)

				Growth rates		
	1980	1981	1982	1980	1981	1982
Total	546.6	649.1	680.2	16.2	18.8	4.8
Agriculture (including fisheries)	20.3	26.5	32.5	15.3	30.5	22.6
Minings and quarrying	1.4	2.7	1.5	180.0	92.9	-44.4
Manufacturing	94.6	103.6	115.6	49.7	9.5	11.6
Distribution	87.6	95.0	92.8	28.1	8.4	- 2.3
Construction	39.4	45.3	32.3	-11.9	15.0	-28.7
Tourism (including entertainment)	71.1	97.3	114.6	37.3	36.8	17.8
Government	4.7	7.4	10.0	-24.2	57.4	35.1
Public utilities	30.4	33.6	37.6	- 7.6	10.5	11.9
Personal	135.0	139.3	131.0	2.4	3.2	- 6.0
Other	62.1	98.4	112.3	17.2	58.5	14.1

Source: Central Bank of Barbados, Economic and Financial Statistics, and data supplied to ECLA.

Credit to the household sector declined by some 6% to a year-end level of \$131 million in 1982. The fall-off in construction activity in 1982 was reflected in a 28.7 percent reduction in loans outstanding to the sector, while the decline of 44% in credit to the minings and quarrying sector was in part due to the re-emphasis on shallow drillings and no significant exploration activity.

The low level of economic activity dampened the growth of commercial bank's liabilities during 1982. Time deposits increased significantly, but growth in the money supply (demand deposits and

currency) and savings deposits was weak. Time deposits grew by \$54.8 million, or 22.3% during 1982 - the largest increase in this figure since the establishment of the Central Bank. Time deposits of private individuals accounted for 33.8% of the increase, indicating that depositors have become sensitive to the differential between the interest rates on time and savings deposits. Time deposits of the private sector grew in the face of the discouraging economic outlook for 1982.

Interest rates remained at the year end 1981 levels until October 1982 when in response to the fall in foreign interest rates, the Central Bank lowered most interest rates by one percentage point. A further reduction was made in December as foreign rates continued to fall. The average lending rate declined to 13% with the minimum rate on deposits falling to 6%. The rate on residential mortgages was reduced from 12% to 11%.

Monetary and Fiscal measures helped to contain foreign payments, contributing to the balance of payments surplus.

Table 13
BARBADOS: COMMERCIAL BANKS' LIABILITIES
 (As at December 31)
 (Millions of Barbados dollars)

				Growth rates		
	1980	1981	1982	1980	1981	1982
Total deposits	742.5	821.6	880.0	15.6	10.7	7.1
Demand deposits	164.2	172.3	167.0	1.9	4.9	-3.1
Time deposits	230.2	246.0	300.8	13.6	6.9	22.3
Savings deposits	348.1	403.4	412.3	25.0	15.9	2.2
Balances due to Bank of Barbados	1.2	5.4	16.2	-	35.0	20.0
Balances due to other local Banks	15.2	15.5	13.5	-21.2	2.0	-12.9
Foreign liabilities	52.8	81.2	75.4	1.0	53.8	-7.1
Other liabilities	72.1	87.2	124.4	-10.2	20.9	42.7
Total liabilities	883.8	1 011.0	1 109.6	11.1	14.4	9.8

Source: Central Bank of Barbados, *Economic and Financial Statistics*, April 1983.

Loans from the International Monetary Fund (IMF), under the Export Compensatory Financing Facility and a stand-by arrangement boosted the foreign reserves position. The export facility compensates Barbados for part of the fall in tourism and sugar receipts. Under the terms of the stand-by arrangement, the country is provided with quarterly instalments of balance of payments financing up to May 1984.

The fall-off in economic activity led to a 1.3% contraction in the total money supply in 1982, compared with a 5.6% expansion in 1981.

Table 14
BARBADOS: MONETARY BALANCE
 (Millions of Barbados dollars)

				Growth rates ¹		
	1980	1981	1982	1980	1981	1982
Money ¹	255	270	266	11.4	5.6	-1.3
Currency outside Banks	102	111	111	27.5	8.8	-
Demand deposits	154	158	155	3.4	2.6	-1.9
Factors of expansion	913	1 039	1 170	15.0	13.8	12.6
Foreign assets	167	126	185	16.0	-24.6	46.9
Domestic credit	747	913	986	14.7	22.2	8.0
Government	172	213	261	3.6	23.8	22.5
Private sector	575	700	725	18.6	21.7	3.6
Factors of absorption	658	769	904	16.5	16.9	17.6
Quasi-money (savings and time deposits)	571	648	706	21.0	13.5	9.0
Other items (net)	87	121	198	-6.5	39.1	63.6

Source: Central Bank of Barbados, **Economic and Financial Statistics**, April 1983.

¹Rates may not agree exactly with figures because of roundings.

(b) Fiscal policy

Government pursued a policy of expenditure restraint in 1982, so as to contain national expenditure, and to maintain a comfortable level of foreign exchange reserves.

Current revenue rose to \$486 million in 1982 - an 8.7% increase over the 1981 figure, partly as a result of slight increases in consumption taxes, fees, fines and surpluses of state corporations, and a more efficient collection of arrears of direct taxes. Hotels and Restaurant taxes fell by a reported 15.3% in 1982 as a result of the fall in tourist arrivals. Direct taxes increased by \$31 million.

Current expenditure rose by \$20 million to a figure of \$462 million. Contributing to this increase were increases in interest payments and wage and salary rates. Partly offsetting these increases were a reduction in the labour force in the civil service, and a shift of old age non-contributory pensions from the Government Budget to the National Insurance Board.

Capital expenditure fell significantly as some major projects ended and others were postponed. Work began on the construction of a cement plant estimated to cost \$148 million, with the Government of Trinidad and Tobago holding 49% interest. Expenditure on this project during 1982 was \$9.2 million.

BARBADOS

The National Insurance Board continued to be a significant source of financing to Government through an increase in its treasury bill holdings.

A fiscal deficit of \$91 million, nearly half the size of that of the previous year, 1981, was financed by heavy domestic borrowing and a drawdown of \$28 million under the IMF's Compensatory Financing Facility and the National Insurance Fund.

The National Debt rose in 1982 to \$760 million - an increase of some \$76.6 million over the level of 1981. Local indebtedness rose by \$49.1 million to \$473.1 million in 1982.

Table 15
BARBADOS: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of dollars			Growth rates		
	1980	1981 ^F	1982	1980	1981	1982
1. Current revenue	421	447	486	23.8	6.2	8.7
Tax revenue	373	394	436	21.9	5.6	10.7
Direct	159	166	197	20.5	4.4	18.7
Indirect	214	228	239	23.0	6.5	4.8
On foreign trade	86	92	73	22.9	7.0	-20.7
Non-tax revenue	48	52	57	41.2	8.3	9.6
2. Current expenditure	372	442	462	22.8	18.8	4.5
3. Savings on current account(1-2)	49	5	24	32.4	-89.8	380.0
4. Capital expenditure	103	186	115	13.2	80.6	-38.2
5. Total expenditure(2+4)	475	628	577	20.6	32.2	- 8.1
6. Fiscal deficit(1-5)	- 54	-181	- 91	0.2	235.2	-49.7

Source: Central Bank of Barbados, Economic and Financial Statistics, April 1983.

PART V

GRENADA

COUNTRY NOTES

GRENADA

1. Recent economic trends: Introduction and summary

Despite the depressed state of the world economy and the continued decline in export receipts, this small trading nation experienced some real growth in 1982, the result of massive public sector capital injections (See Table 1). Preliminary official estimates suggest that

Table 1
GRENADA: MAIN ECONOMIC INDICATORS

	1979	1980	1981	1982
A. Basic economic indicators				
GDP at 1977 market prices(\$M)	144.2	148.6	153.1	161.5
Population ('000)	108	109	110	110
Per capita GDP at 1977 prices	1,335	1,363	1,392	1,468
Growth rates				
B. Short-run economic indicators				
Real GDP at market prices	2.1	3.0	3.0	5.5
Per capita GDP	1.1	2.1	2.1	5.5
Current value of exports of goods and services	18.5	-5.4	-4.8	-5.7
Current value of imports of goods and services	43.3	-2.6	14.2	3.0
Consumer price index - annual average variations	...	20.6	19.6	13.2
December - December		21.8	10.5	...
Implicit GDP deflator	15.6	14.4	9.6	7.3
Money supply	24.3	6.5	8.2	18.4
Unemployment rate ¹	...	27.9	...	14.2 ²
Current income of Government	19.1	10.9	-8.3	20.4
Total expend. of Government	67.3	-1.3	40.7	28.8
Fiscal deficit ¹ /total expend. of Government	44.0	37.2	59.0	61.7
Millions of dollars				
C. External sector				
Trade bal. (goods + services)	-44.8	-46.7	-72.9	-91.5
Balance on current account	-40.5	-42.1	-66.7	-86.7
Variation in Internat'l reserves	0.3	1.1	-1.9	...
External debt	27.1	31.3	69.6	69.8
Exchange rate EC\$ to US\$	...	...	...	2.7

Source: ECLA on the basis of official data and World Bank.

¹Percentage.

²April 1982.

about 5% growth was recorded. Weak markets for Grenada's traditional agricultural exports and for tourism inevitably resulted in reduced export receipts and a widening trade and current account balance. However, public sector investment, financed largely from foreign grants and loans maintained demand and the combined expansion of new secondary industries and residentiary output resulted in income and employment growth, but also in the national debt. At present, national debt and debt servicing ratios are still low.

While the short-run trends are clearly positive, much will depend on the long-term success of the bold strategy adopted by the new Government to rehabilitate the infrastructure, resuscitate agriculture, extend the tourist plant and develop the human resource. Since these investments have long gestations, rising debt and income in the short run must be judged in relation to the prospects of diversifying the export base.

In 1982, agriculture performed only modestly, the net effect of massive declines in all the major export crops counter-balanced by increased output from domestic crops, particularly fruit. On balance, the fledgling manufacturing sector performed better than it did in 1981, with gains from agro-industry in particular, though sugar and rum declined. Tourism declined for the third consecutive year. By contrast, construction grew strongly in 1982, led by major public sector projects. The export sector performed poorly, the dominant traditional exports being nearly all lower in volume and recording a 20% reduction in export value compared to 1981, while the smaller non-traditional exports grew 10%. Even though imports grew by only a modest 3% in 1982, the payments gap widened. There was further growth in public sector operations where a 20% growth in current revenue and a 54% growth in capital expenditure led to a \$105 million overall fiscal deficit.

2. Trends in economic activity

(a) Growth of the main sectors

Agriculture, the mainstay of the Grenadian economy, and tourism, one of the main foreign exchange earners, performed only modestly in 1982. However, construction, largely public sector initiated, continued to be the dynamic force and the fledgling manufacturing sector performed well.

(i) **Agriculture.** Agriculture contributes substantially to the Grenadian economy, providing one-third of all income and employment, two-thirds of merchandise exports and substantial quantities of the food consumed at home (see Table 2). Its performance, therefore, is crucial to the health of the economy. However, markets for the traditional exports have weakened secularly and the structural problems of fragmentation of holdings, labour supply and primitive technology all result in low productivity and farm incomes. To modernise this sector, public policy is addressing the issues of agricultural organization, infrastructure, markets and human resource

GRENADA

Table 2
**GRENADA: GROSS DOMESTIC PRODUCT, BY ECONOMIC
 ACTIVITY, AT FACTOR COST**

	Million dollars			Percentage breakdown		
	1975	1979	1980	1975	1979	1980
Total GDP product	80.5	156.3	195.1	100.0	100.0	100.0
Goods	32.5	57.6	73.2	40.4	37.0	37.5
Agriculture, Fishing, Forestry	23.1	49.8)	51.1	28.7	31.9)	26.2
Mining and quarrying	.1	0.1)		0.1	0.1)	
Manufacturing	3.6	4.3	4.7	4.5	2.8	2.4
Construction	5.7	3.5	17.4	7.1	2.2	8.9
Basic services	9.2	12.7	14.9	11.4	8.1	7.6
Electricity + water	1.4	2.8	3.4	1.7	1.8	1.7
Trans. + communication	7.8	9.9	11.5	9.7	6.3	5.9
Other services	38.8	85.5	106.6	48.2	54.8	54.6
Wholesale + retail trade	12.7	23.5	26.8	15.8	15.0	13.7
Hotels + restaurants	1.9	4.5	4.9	2.3	2.9	2.5
Government services	7.2	34.6	38.9	9.0	22.1	19.9
Miscellaneous services	17.0	22.9	36.0	21.1	14.7	18.5

Source: Ministry of Planning, Finance and Trade.

development. (see Table 3).

Not unexpectedly, short-term performance tended to be uneven or modest. Thus, output of all major export crops declined in 1982 after encouraging recovery in 1981 by cocoa and nutmegs. Markets for nutmegs, while better than in 1981, still left a million pounds unsold in stock; disease in bananas continued to affect production; and proper tree crop management for cocoa and provision of fermenteries were problems (see Table 4).

By contrast, domestic agriculture performed creditably. With the exception of some vegetables and rootcrops output increased everywhere, particularly of fruit. Improved market outlets at the processing plant, the Marketing and National Import Board and through the CARICOM trade was the main stimulus.

Attempts to supply cheap protein and lumber from reorganized fishing and forestry industries have proved disappointing. There were severe problems with the fishing fleet, compared to 1981 output declined, and the company was closed down late in 1982. Output of the small forestry industry increased only marginally in 1982 and further increased output critically depends on investment in facilities.

Table 3
GRENADA: INDICATORS OF AGRICULTURAL PRODUCTION

Tonnes	1980	1981	1982	Growth rates			
				1979	1980	1981	1982
Production of main export crops							
Nutmegs	2,488	3,076	2,254	35.1	-11.7	23.6	-26.7
Mace	293	230	113	23.9	-12.8	-21.5	-50.9
Cocoa beans	2,131	2,913	2,024	14.9	-23.2	36.7	-30.5
Bananas	16,536	11,641	10,367	21.3	-14.0	-29.6	-10.9
Production of Domestic Crops							
Sugar cane	9,773	7,686	8,738	-14.5	-27.3	-21.4	13.7
Root crops							
Yam	459	482	506	2.0	-9.3	5.0	5.0
Sweet potatoes	276	271	297	-5.1	-25.6	-1.8	10.0
Tannias	276	284	115	-3.2	1.8	2.9	-59.5
Dasheen and eddoes	283	289	379	-1.2	72.6	2.1	31.1
Cassava	902	830	145	...	...	-8.0	-82.5
Vegetables							
Carrots	32	26	19	-19.0	-5.8	-18.8	-26.9
Tomatoes	48	45	21	-23.6	14.3	-6.2	-53.3
Cabbages	23	...	46	-31.6	-41.0	...	...
Fruit							
Oranges	936	983	1,032	4.1	-6.4	5.0	5.0
Mangoes	1,805	1,841	1,933	4.9	19.0	2.0	5.0
Grapefruit	2,093	2,197	2,228	4.9	-0.7	5.0	1.4
Limes	496	422	443	-2.2	1.6	-14.9	5.0
Avocado	1,356	1,423	1,495	-0.3	9.7	4.9	5.1

Source: Grenada, Central Statistical Office and Ministry of Agriculture.

(ii) **Manufacturing.** In spite of the emphasis given to this sector in the development strategy, manufacturing contributes less than 5% to GDP (ref: table 2). Interest resides in its potential for income, employment and foreign exchange generation - hence the emphasis on agro-industries and export markets. With the coming into effect of the Investment Code, private sector investment is expected to be stimulated to complement state investment, which, since 1979 has been the major catalyst to the sector.

Most of the traditional residentiary manufactures showed declines during 1982. Despite increased output of sugar cane, sugar and rum output fell, reflecting inefficient factory operations. The industry is high cost and most sugar consumed locally must be imported. However, the rum industry might possess unique export potential.

Table 4
GRENADA: MERCHANDISE EXPORTS

	Thousands of Dollars			Percentage breakdown		Growth rates		
	1980	1981	1982	1974	1982	1980	1981	1982
Total merchandise exports	45 814	50 276	50 092	100.0	100.0	-18.7	9.7	-0.4
Main traditional exports	38 826	39 507	31 060	91.4	62.0	-24.0	1.8	-21.4
Nutmess	8 567	8 194	8 332	34.2	16.6	-31.0	-4.4	1.7
Mace	1 775	1 844	2 329	8.0	4.6	-20.2	3.9	26.3
Cocoa	17 959	20 168	11 456	30.7	22.9	32.6	12.3	-43.2
Bananas	10 525	9 301	8 943	18.6	17.9	6.1	-11.6	-3.8
Main non-traditional exports	3 025	6 505	7 130	3.9	14.2	133.3	115.0	9.6
Clothings	2 213	5 857	6 554	2.3	13.1	139.4	164.7	11.9
Furniture	812	648	576	1.6	1.1	116.7	-20.2	-11.1
Other exports	307	699	488	1.4	1.0	-62.2	127.7	-30.2
Cloves	194	594	308	1.2	0.6	-73.5	206.2	-48.1
Cinnamon	74	69	92	0.1	0.2	102.7	-6.8	33.3
Sauces+condiments	39	36	88	0.1	0.2	-2.5	-7.7	144.4

Source: Grenada, Central Statistical Office.

Output of beer and malt about held even, as did also coconut meal and edible oil, and laundry soap performed well for the second running (see Table 5).

The new manufacturing products all continued to grow, with the exception of the furniture industry. Exports of flour increased by 8% in 1982 and clothings, reported to be operating at 90% capacity, increased 12% though there appears to be a levelling off. However, it was in the area of agro-industry that most dramatic increases were recorded in 1982. In its first year of operation, the spice grinding plant is reported to have generated a net income, and the coffee processing plant more than doubled its 1981 output even though its capacity utilization was only one-third. The production of nectars, jams and jellies at the agro-industries plant more than doubled in 1982, the second year of its operation, and marked labour productivity gains were recorded. While raw material supplies improved, machine breakdown and electricity outages were major problems, and markets continued to be weak.

(iii) Construction. Public sector investment, financed largely from external resources and expressing itself domestically in construction activity, has been the major injection into the income stream in 1982, as it was in 1981. Again the dominant project was the Point Salines International Airport where \$43 million were spent in

Table 5
GRENADA: INDICATORS OF MANUFACTURING PRODUCTION

	1980	1981	1982	Growth rates			
				1979	1980	1981	1982
Production of some important manufactures:							
Sugar ¹	494	143	51	-11.5	-5.7	-71.1	-64.3
Flour ¹	3 107	4 927	...	...	...	58.6	...
Rum ²	330	350	232	6.5	-8.0	6.1	-33.7
Beer ²	1 393	1 203	1 238	15.6	-16.8	-13.6	2.9
Malt ²	544	618	570	159.3	12.2	13.6	-7.8
Edible oil ²	240	198	259	6.2	-22.0	-17.5	30.8
Coconut meal ¹	118	...	102	93.5	-60.0	...	...
Laundry soap ¹	23	...	62	3.8	-14.8	...	...
Clothing ³	2.2	5.8	6.5	-12.6	109.7	163.6	12.8
Furniture ³	0.8	0.6	0.5	-54.4	89.7	-25.4	-16.7

Source: Grenada, Central Statistical Office and Ministry of Industry.

¹Tonnes.

²Thousand litres.

³Million dollars exported.

1982 compared to \$39 million in 1981. The total public sector investment expenditure of \$101.5 million in 1982 included a number of other construction projects such as roads, public buildings and commercial, industrial and communal buildings.

While the public sector clearly dominated construction, some private sector projects were also reported to have been under way such as, for example, a \$5 million aerated drinks plant, scheduled for completion in 1983. In addition, the National Housing Authority was active in new house construction even though it attained only 11% of its target and a mere 18% of its 1981 output when it built 32 houses at a cost of \$1.1 million. The National Housing Repair Programme which made 593 interest free loans totalling \$532 thousand in 1980, and 973 totalling \$782 thousand in 1981, is reported to have lent out a further \$952 thousand in 1982. A pre-fabrication housing plant and a facility for producing road surfacing materials were being put in place during 1982 and are expected to substantially improve the future performance of the construction industry.

(iv) **Tourism.** It is estimated that tourism accounts for about one half of Grenada's earned foreign exchange and in addition, impacts heavily on employment, tax revenues and the retail trades. The continued deterioration in the performance of this sector in 1982 was thus a significant drag on the economy (see Table 6). The serious decline in visitors, cruise ship and yacht calls seems not to have been matched by visitor expenditure which just about maintained its

GRENADA

Table 6
GRENADA: SELECTED TOURIST INDICATORS

	1975	1980	1981	1982	Growth rates		
					1980	1981	1982
Stopover visitors ('000)	21.1	29.4	25.1	23.3	-8.8	-14.8	-7.2
Cruise ship visitors ('000)	85.5	146	78	62	5.0	-46.7	-19.9
Avg. length of stay of stopover visitors (days)	13.5	18	18	...	...	...	...
Number of cruise ship calls	153	236	131	103	18.0	-44.5	-21.4
Number of yacht calls	1 258	1 863	1 367	1 602	8.5	-26.1	16.4
Hotel + guest house beds	1 800	1 500	1 500	1 112	...	...	-25.9
Estimated visitor expend. (\$M)	15.6	54.3	46.7	46.6	1.4	-14.1	-0.2

Source: Grenada, Ministry of Tourism.

nominal value of 1981. It is in this light that public policy to revive the industry through provision of facilities for wide-bodied aircraft, rebuilding the Holiday Inn partially destroyed by fire in 1981, and more astute promotion of Grenada as a tourist destination must be viewed. However, the depressed state of the world economy and an unfavourable international image in some tourist origins are impediments still to be overcome.

(b) Employment and unemployment

Labour absorption and labour market efficiency are serious concerns to the Grenada planning authorities. Indications from two ad hoc surveys are that there has been considerable improvement in the job situation with unemployment in April 1982 estimated at 14% compared to 27% in October 1980. Hard data are available for the state sector only where, compared to 1981, there have been substantial job increments in construction, agriculture and transportation, and decrements in fisheries. The policy stance is to stem the growth absolutely in administrative workers in the public sector so that labour would be available to the expanding state productive sector. Announced public policy places considerable emphasis on improving labour productivity through better organization, more effective management, improved skills, enhanced use of capital and higher level technology, and better work attitudes.

3. The external sector

As would be the case with all economies of such small internal markets - population 110,000 and GDP at current factor cost \$251 million - the external sector is a crucial indicator of economic performance. In 1982 merchandise exports were 20% of GDP and earnings from tourism slightly less. By contrast, merchandise imports were 66% of GDP and the import of services only slightly less than their exports. The resulting unfavourable current balance was possible only because of the continued influx in 1982 of grants and soft loans to the tune of \$69 million.

(i) Exports. Despite the long-term trend away from a narrow commodity trade dependence, four agricultural staples still account for over 60% of Grenada's merchandise exports. The value of these exports was 20% below its 1981 level with the result that total exports fell in 1982. That the fall was not more precipitous is the result of improved performance by non-traditional exports, largely manufactures, which showed a 10% improvement over 1981 (ref: table 4).

The poor performance of traditional exports derives from a combination of lower output, weak markets and exchange rate depreciation. Output volumes of all traditional agricultural commodities declined in 1982 (ref: table 3), with the result that export volumes declined in every case except nutmeg. Markets for nutmeg were particularly bad in 1981 when about half that year's crop was stockpiled. While 1982 was a far better year and export volume rose 15%, the price decline between 1981 and 1982 was such as to leave earnings unchanged between the two years.

All traditional exports fetched lower unit prices in 1982 with the exception of cloves, a minor commodity (see Table 7). To compound

Table 7
GRENADA: PRICES OF SELECTED EXPORTS

	EC Dollars per pound				Growth rates		
	1979	1980	1981	1982	1980	1981	1982
Bananas	0.33	.40	.45	.43	21.2	12.5	-4.4
Nutmeg	2.44	2.54	2.15	1.81	4.1	-15.4	-15.8
Mace	2.93	3.32	3.65	3.40	13.3	9.9	-6.8
Cocoa	5.14	4.38	3.24	2.71	-14.8	-26.0	-16.4
Cloves	9.52	...	10.80	12.75	...	...	18.1

Source: Grenada, Central Statistical Office.

matters, the continued weakening of the British pound against the US dollar, to which latter the Grenadian currency is linked, resulted in lowered receipts for those exports such as bananas marketed in the United Kingdom.

GRENADA

The EEC continued to be Grenada's principal market accounting for 54% of domestic exports, with the United Kingdom taking well over half of this. With the shift towards non-traditional exports the CARICOM market is rapidly growing in importance and accounted for 32% of domestic exports in 1982. Trinidad and Tobago has now emerged as Grenada's second largest trading partner.

Nominal tourist earnings are estimated to have stagnated or declined slightly in 1982, the result of the continued worsening of the tourist trade. The continuing, if lowered rate of increase of import prices, in conjunction with stagnant earnings from merchandise and invisible exports must imply a decline in the purchasing power of Grenada's exports.

(ii) Imports. Merchandise imports at \$150.9 million increased only 2.9% over 1981 and when price increases are taken into account must represent an absolute volume decline. Trend indications are for a relative increase in the share of capital and intermediate goods in imports and for a decline in the share of consumer goods. Among the latter group, food imports declined from a high of 30.6% in 1979 to 28.2% in 1981 and to 27.5% in 1982, but this may be partly related to the declining tourist trade. In 1981, CARICOM provided 32% of Grenada's imports, most of it including petroleum products coming from Trinidad and Tobago.

In that year, EEC countries provided 23% of imports, of which the United Kingdom provided three quarters. Petroleum, at \$18.5 million in 1982 accounted for 13% of merchandise imports, and increased only slightly over 1981.

(iii) Invisibles and Capital Account. Grenada does not produce balance of payments accounts as such and attempts were made to piece together some available information. (see Table 8). Indications are that there was a widening merchandise account caused by stagnant exports and growing imports of capital goods. Traditionally this balance was reduced by invisible earnings from tourism, but in recent years these too have not grown. There has been in consequence, a widening current account deficit. The large inflows of current transfers, mostly grants and soft loans, and some long-term public borrowing on commercial terms, have financed the gap and kept the overall payments accounts in a fairly healthy state. However, (see Table 9) there is a growing external indebtedness though foreign debt servicing remains at less than 5% of current foreign exchange earnings, a low rate by international standards.

Table 8
GRENADA: BALANCE OF PAYMENTS
 (Millions of dollars)

	1978	1979	1980	1981	1982
Trade balance	-50.5	-96.1	5.0	-105.9	-113.9
Merchandise exports	45.9	58.6	45.9	50.7	50.0
Merchandise imports	96.4	144.7	140.9	156.6	163.9
(of which oil)	(6.5)	(9.7)	(11.9)	(22.7)	(25.1)
Non-factor services (net)	35.1	41.3	48.3	32.9	22.4
(of which travel net)	(27.8)	(32.4)	(32.7)	(36.7)	(28.9)
Factor services (net)	-	0.8	-5	0.5	-8
(of which int. payments)	(-8)	(-8)	(-2.4)	(-1.9)	(-3.0)
Transfers (net)	3.5	3.5	5.1	5.7	5.7
Current account balance	-11.9	-40.5	-42.1	-66.7	-86.7
Public capital	1.6	40.2	25.1	55.6	69.4
Grants	1.6	34.3	21.6	35.4	41.9
Disbursements	1.9	6.8	4.9	21.3	29.7
Amortization	-1.9	-8	-1.4	-1.1	-2.2
Commercial banks	-1.6	-2.7	1.1	-5.4	10.0
Other cap. (net) (incl. errors and omissions)	7.8	-1.4	14.9	-4.9	8.1
IMF	2.7	3.5	1.4	17.3	-2.4
ECCA	0.5	1.1	.8	2.2	1.6
Change in reserves (- indicated increase)	0.8	-3	-1.1	1.9	-

Source: World Bank.

Table 9
GRENADA: INDICATORS OF EXTERNAL INDEBTEDNESS
 (Millions of dollars)

	1977	1978	1979	1980	1981	1982 ¹
Total external indebtedness	19.2	20.2	26.5	30.2	46.2	69.6
Servicing of external debt	1.4	2.7	1.6	4.0	3.7	4.9
Amortization payments	0.6	1.9	0.7	1.4	1.8	2.0
Interest payments	0.8	0.8	0.9	2.6	1.9	2.9
Ext. debt serv./total exports	1.7	2.7	1.4	2.9	3.7	...

Source: World Bank

¹Projected.

4. Prices and wages

The rate of inflation continued its downward trend in 1982, the retail price index showing a 13.2% increase over 1981 (see Table 10). Among explanations are the slackening of imported inflation, increased supply of wage goods brought about by the efforts of the Marketing and National Import Board at sourcing cheaper imports and

mobilising increased domestic food supplies, and more efficient price control mechanisms. However, with merchandise imports of the order of 60% of total supply, changes in international prices will continue to be the key determinant of domestic inflation.

There is no systematic computation of a comparable index of wage rates though indications are that there was overall about a 10% nominal increase in 1982 compared to 1981. The state sector, which provides about one-third of all employment, had an average wage increase of 10%. In the private sector, where wage agreements negotiated between Trade Unions and employers typically cover two or

Table 10
GRENADA: EVOLUTION OF DOMESTIC PRICES
(Consumer Price Index: January 1979 = 100)

	Weights	1979	1980	1981	1982
Total	100.0	112.3	135.4	162.0	183.4
Food	59.0	113.3	134.7	163.9	187.4
Alcohol + tobacco	2.5	104.1	125.5	149.5	167.0
Clothing + footwear	8.0	116.3	140.8	172.7	187.6
Fuel + light	6.0	124.5	178.8	188.0	186.1
Housing	6.5	101.5	111.4	115.4	128.0
Furniture + appliances	3.0	100.1	105.3	163.4	261.9
Household supplies	3.5	119.7	154.1	165.1	193.6
Transport	4.0	118.5	162.4	183.1	202.4
Miscellaneous	7.5	102.3	128.5	144.7	152.2

Source: Grenada, Central Statistical Office.

three years, wage increases in 1982 ranged from a low of 5% at the highest levels of pay in one case, and a 10% increase over two years in another, to high of 55% increase over two years.

5. Monetary and fiscal policy

(a) Monetary policy

The accurate assessment of monetary conditions in Grenada is difficult because membership of the ECCA, a monetary union, permits free movement of currency among its seven members. However, based on estimates of the IMF and the Ministry of Finance's monitoring of credit conditions, a reasonably accurate picture is presented (see Tables 11 and 12).

Money supply continued its moderate growth in 1982, with increases in currency, but mainly in demand deposits. Credit to the private sector continued at about average levels while the share to the Government, the principal economic dynamic, grew moderately. The dominant share of the distributive trades and personal loans in commercial bank portfolio was further reinforced in 1982, while

agriculture and manufacturing lost ground.

During 1982, the Government purchased one of the four foreign commercial banks and established it as the Grenada Bank of Commerce, the second state owned bank in the country.

Table 11
GRENADA: MONETARY BALANCE

	Millions of dollars			Growth rates		
	1980	1981	1982 ¹	1980	1981	1982 ²
Money	49	53	58	6.5	8.2	18.4
Curr. outside bank	33	37	37	13.8	12.1	8.8
Demand deposit	16	16	21	-5.9	...	40.0
Factors of expansion	126	141	135	9.6	11.9	-0.7
Foreign assets (net)	27	22	6	8.0	-18.5	-76.0
Domestic credit	98	119	129	8.9	21.4	16.2
Government (net)	24	42	48	...	75.0	45.5
Private sector	72	75	74	12.5	4.2	-2.6
Factors of absorption	77	88	76	11.6	14.3	-13.6
Quasi-money (savings + time deposits)	83	88	84	6.4	6.0	-4.5
Other items (net)	-6	0	-8	...	...	...

Source: International Monetary Fund, IFS, January 1983.
¹August. ²Compared to September 1981.

Table 12
GRENADA: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

	Millions of dollars			Percentage breakdown			Growth rates		
	1980	1981	1982	1976	1981	1982	1980	1981	1982
Total	82.7	85.9	96.3	100.0	100.0	100.0	15.7	3.9	12.1
Agriculture	2.9	4.9	3.7	7.0	5.7	3.8	20.0	69.0	-24.5
Manufacturing	6.5	7.3	5.8	3.3	8.5	6.0	68.7	12.3	-20.5
Distributive trade	22.1	19.8	26.3	28.3	23.1	27.3	-1.9	-10.4	32.8
Tourism	4.7	6.1	7.2	8.0	7.1	7.5	1.9	29.8	18.0
Transportation	5.1	7.1	5.5	3.1	8.3	5.7	18.1	39.2	-22.5
Public utilities	1.6	1.5	4.0	2.5	1.7	4.2	194.5	-6.2	166.7
Bldg. + Constr.	4.9	6.1	5.3	6.4	7.1	5.5	50.4	24.5	-13.1
Personal loans	17.7	16.3	19.4	16.8	19.0	20.1	2.0	-7.9	19.0
Other advances	17.2	16.7	19.2	24.5	19.5	19.9	36.8	-2.9	15.0

Source: Grenada, Ministry of Finance.

(b) Fiscal policy

Government's fiscal operations in 1982, compared to recent years, are presented in Table 13. It enhanced its revenue position from additional stamp duties imposed on imports, and because of the continued growth in employment and income, collected increased business and personal taxes. Sluggish exports reduced income from export duties. Tight financial control served to reduce the current deficit from over \$12 million in 1981 to under \$4 million in 1982. Massive capital expenditure left a financing gap of \$57.4 million, after the sizeable aid grants are taken into account.

Overall fiscal performance in 1982 was good with revenue collected and expenditure out-turn being both close to budgeted figures despite the poor performance of the export sector and the consequent shortfall on taxes on foreign trade. Seventy-five percent of the planned capital expenditure programme of \$135 million was achieved. The policy of the Government to make the state sector the leading dynamic force in the economy, with tight budgetary controls and massive capital expenditures on infrastructure, economic and social projects seems adequately reflected in the public sector accounts.

Table 13
GRENADA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Million of dollars				Growth rates		
	1979	1980	1981	1982	1980	1981	1982
1. Current income	53.4	59.2	54.3	65.4	10.9	-8.3	20.4
Tax revenue of which:	31.8	34.5	35.0	38.6	8.5	1.4	10.3
Income tax	10.7	15.6	16.6	20.4	45.8	6.4	22.9
Consumption tax	2.7	2.2	2.2	2.4	-18.5	0	9.1
Import duties	10.8	12.1	11.0	11.6	12.0	-9.1	5.5
Export duties	7.6	4.6	5.2	4.2	-39.5	13.0	-19.2
Other taxes, fees and licenses	21.6	24.7	19.3	26.8	14.4	-21.9	38.9
2. Current expenditure	53.9	61.8	66.7	69.1	14.7	7.9	3.6
Wages and salaries	31.8	33.2	32.5	30.5	4.4	-2.1	-6.2
Other	22.1	28.6	34.2	38.6	29.4	19.6	12.9
3. Svs. on curr. acc. (1-2)	-0.5	-2.7	-12.4	-3.7	...	...	...
4. Capital expenditure	41.5	32.4	65.8	101.5	-21.9	103.1	54.3
5. Total expend. (2+4)	95.4	94.2	132.5	170.6	-1.3	40.7	28.8
6. Fiscal deficit/surplus (1-5)	-42.0	-35.0	-78.2	-105.2	...	...	...
7. Aid grants	35.5	33.2	36.7	47.8	...	...	...
8. Domestic debt	30.1	27.0	36.0	64.2	-10.3	33.3	78.3
9. External debt	27.1	31.3	69.6	69.8	15.5	122.4	0.3
10. Gross national debt	57.2	58.3	105.6	134.0	1.9	81.1	26.9

Source: Ministry of Finance.

PART VI

JAMAICA

COUNTRY NOTES

JAMAICA

1. Recent economic trends: Introduction and summary

Not unexpectedly the 1982 performance of Jamaica's export-led economy essentially reflects the continued depressed world market for bauxite and alumina which together account for 70 to 80% of its merchandise exports. While domestic activity maintained the uphill if somewhat hesitant trend evident in 1981, and there was marked recovery in tourism, the combined overall performance was an estimated 0.2% real growth. With the exception of bauxite and domestic agriculture, both of which declined, strong performance was recorded by construction, and this was supported by growth in manufacturing and services. But this was not enough to maintain the 3% growth recorded in 1981 so that at best 1982 was only marginally superior.

The Economic Recovery Programme initiated in April 1981 with a three-year IMF Extended Fund Facility continued in 1982 reinforced by a 17-year Structural Adjustment Loan from the World Bank. The objective is to bring about a measure of balance between saving and investment between current public revenues and expenditures in the foreign payments, and in the labour and goods markets thereby eliminating tendencies towards wage and price instability. In addition to strong management of short-term monetary and fiscal aggregates, the programme envisaged heavy reliance on market forces, private sector initiative and international competitiveness for export-led growth.

During 1982 a number of further institutional changes were effected such as the streamlining of the procedures for licensing of imports and the allocation of foreign exchange, and dismantling of the negative list and price controls. On the productive side work was undertaken to refurbish infrastructure and productive facilities such as for example electricity generating capacity, Kingston port facilities and the sugar and tourist industries. Further, institutional mechanisms were set in train for investment and export promotion.

Indications are, however, that the economy did not make much progress in 1982. Overall export earnings declined by almost 8% while imports of goods and services held steady thereby widening the payments gap and foreign debt grew 34%. The Government budget went further into deficit, and labour absorption was marginally worse than the year before. There were, however, further improvements in rate of inflation as consumer prices stabilized at 7%, and increased domestic investment, but this latter was possible, but because of reduced consumption, but on account of increased inflows of foreign resources. The extremely depressed state of the world economy, caution on the part of potential investors, and the inherent slowness of economic transformation were, however, conditioning factors (see Table 1).

Table 1
JAMAICA: MAIN ECONOMIC INDICATORS

	1979	1980	1981	1982
A. Basic economic indicators				
GDP at purchasers' prices (million 1974 dollars)	1 941 ^F	1 838 ^F	1 898 ^F	1 901 ^P
Population (thousands)	2 150	2 173	2 204	2 237
Per capita GDP (dollars at 1974 prices)	903	846	861	850
Growth rates				
B. Short-run economic indicators				
Gross domestic product	-1.4	-5.3	3.3	0.2
Per capita GDP	-2.7	-6.4	1.8	-1.3
Curr. val. of exports of goods and services	31.1	17.5	5.2	-7.5
Curr. val. of imports of goods and services	39.8	18.4	21.8	-0.5
Consumer price index				
Dec-Dec	19.7	29.1	4.0	7.1
Var. between annual avgs.	28.8	27.2	11.6	7.4
Money	9.4	19.6	6.1	6.1
Wages + sal. (curr. dollars)	12.5	12.2	13.6	...
Rate of unemployment (%)	27.7	27.3	25.9	27.4
Curr. income of Govt.	7.3	15.7	26.7	17.6 ¹
Total expenditure of Govt.	-4.2	35.2	3.4	15.0 ¹
Fiscal deficit/total expend. of Government (%)	39.0	41.9	36.5	48.6 ¹
Millions of dollars				
C. External sector				
Trade bal. (goods + services)	-67.6	-99.1	-524.3	-973.8
Bal. on current account ²	-200.8	-271.5	-638.9	-762.4
Bal. on capital account ²	-10.4	128.6	68.2	272.8
Var. in net internat'l reserves ²	-140.9	-26.7	-269.5	-153.6
External debt (net)	1 291	1 545	1 892	2 540

Source: ECLA on the basis of official data.

¹April to December 1982 compared to April/December 1981

²Million US\$

2. Trends in economic activity

(a) **Global trends.** The pronounced trend in the 1970's for consumption, more so public consumption, as a share of GDP to rise and for investment to decline, was halted somewhat in 1981, if only by restraint on public sector consumption which in real terms hardly increased. However, the anticipated economic recovery to be brought about by the freeing of resources for capital formation, output and

export growth, and ultimately the closing of the global resource gap, has not in the past two years shown itself at all strongly. Whereas from its deep trough investment demand grew strongly in 1981, and again in 1982, export demand did not nearly match consumption growth and actually fell in 1982. Aggregate demand grew in these two years only because the foreign resource gap widened from 2.1% in 1980 to 9.9% in 1981 and 16.9% in 1982 (see Table 2).

Table 2
JAMAICA: TOTAL SUPPLY AND DEMAND

	\$million current prices		Percentage breakdown			Growth rates	
	1981	1982 ¹	1970	1980	1982 ¹	1981	1982 ¹
Total supply	8 727.2	9 145.2	137.4	153.1	160.2	15.2	10.1
GDP at market prices	5 236.2	5 672.2	100.0	100.0	100.0	10.5	8.3
Imports of goods and services	3 491.0	3 473.0	37.4	53.1	60.2	21.8	-0.5
Total demand	8 502.1	9 163.8	137.4	153.1	160.2	15.2	10.1
Domestic demand	5 834.1	6 696.8	104.2	102.1	116.9	20.1	15.5
Gross domestic investment	1 120.8	1 437.3	31.6	15.4	24.9	52.7	28.2
Gross fixed investment	948.0	1 200.0	31.4	14.5	21.5	37.4	26.6
Changes in stock	172.8	197.3	0.2	0.9	3.4	294.5	14.2
Total consumption	4 413.3	5 299.5	72.6	86.7	92.0	14.3	12.4
General Government	1 140.9	1 299.6	11.7	21.3	22.6	12.6	13.9
Private	3 572.4	3 999.9	60.9	65.4	69.4	14.9	12.0
Exports of goods and services	2 668.0	2 467.0	33.2	51.0	43.3	5.2	-7.5

Source: Jamaica, Department of Statistics, National Income and Product 1981 and National Planning Agency, Economic and Social Survey, January-September 1982

¹Based on National Planning Agency projections. The GDP trade and investment data have been revised but without access to other revised data, total demand could not be reconciled with total supply.

While true that exogenous demand for Jamaica's principal exports fell sharply in 1982 after wavering in 1981, such overall growth as was experienced (3.3% real in 1981 and 10.5% nominal compared to 0.2% real and 8.3% nominal in 1982) was only possible because of the inflow of foreign resources, mostly official funds. No firm judgement can at this stage be formed on the economic performance in 1982 since world demand remained depressed, business confidence hesitant and structural adjustment has a long gestation period. But it would seem that even though by comparison with the negative growth recorded between 1974 and 1980 the growth of 1981 and 1982 represent considerable advance, the foundation of such growth remains to be assessed.

The structure of the economy seems to have been fundamentally

JAMAICA

altered to a pronounced service orientation (see Table 3). Compared to 1970 the share of goods in GDP, particularly manufacturing and construction fell sharply, while Government services more than doubled. To the extent that a manufactures-led export strategy is the one chosen for pursuit considerable effort would seem to be required to turn the economy around and in this regard the dynamics of foreign investment, technology flows, trends to world protectionism and market access through trade agreements such as the Caribbean Basin Initiative carefully weighed.

Table 3
JAMAICA: GROSS DOMESTIC PRODUCT, BY ECONOMIC
ACTIVITY, AT PURCHASERS' VALUES

	1980	1981	1982	Percentage breakdown			Growth rates		
				1970	1980	1982	1980	1981	1982
Total GDP	1 838	1 898	1 901	100	100	100	-5.4	3.3	0.2
Goods	700	712	679	45.3	37.6	36.7	-9.6	1.7	-4.6
Agric. forestry and fishing	151	156	146	7.5	8.5	8.3	-6.2	3.9	-6.0
Mining + quarrying	163	165	117	7.0	8.8	6.4	9.2	1.3	-29.0
Manufacturing	288	291	303	17.6	15.1	15.1	-9.7	1.3	4.2
Const. + install'n	98	100	113	13.2	5.3	6.8	-28.5	1.6	12.7
Basic services	148	150	155	6.3	7.8	7.9	-3.4	1.4	3.3
Elect. + water	24	24	24	0.8	1.3	1.3	1.4	1.2	-0.1
Trans. storage + communication	124	126	131	5.5	6.7	6.7	-4.2	0.9	4.1
Other services	990	1 036	1 067	48.4	54.6	55.4	-2.6	4.6	3.0
Dist. trade	273	288	304	21.4	15.1	15.7	-7.0	5.4	5.8
Fin. + insurance	99	108	100	4.0	5.4	6.5	8.6	9.9	-8.0
Real estate + bus. services	215	223	234	9.8	11.6	12.1	-0.3	3.4	4.9
Govt. services	359	370	371	9.1	19.8	19.6	-0.6	3.1	0.4
Misc. household and imputed	44	47	58	-	-	-	-	-	-

Source: Jamaica, Department of Statistics, National Income and Product 1981 and National Planning Agency: Economic and Social Survey 1982

(b) Evolution of the main sectors

(i) Agriculture. After the very encouraging sign of a 4% recovery in agricultural output in 1981 following two consecutive years of decline, the sector performed badly in 1982 and is estimated to have declined by almost 6%. The main area of decline was domestic agriculture which is estimated to have experienced a 12% fall in output. Reports are that extremely bad weather during the planting season, shortage of planting material and fertilizers, competition from imports, and volatile farm-gate prices have been contributory factors. Over the same period egg production is estimated to have declined some 11.6%, and meat production was about unchanged though poultry production fell substantially, ostensibly because of

competition from cheaper imports.

By contrast, earnings from export agriculture increased about 5%, rising from \$148 million in 1981 to \$155 million in 1982. There was a turnaround in banana production following its secular decline and the trough in production in 1981, the sequel of Hurricane Allen in 1980. Positive contributions also came from copra, ginger and coffee. Sugar cane milled held steady in 1982 and declines occurred in cocoa (see Table 4). Markets for citrus are reported to have been particularly difficult. During 1982 the sugar industry was hit by

Table 4
JAMAICA: INDICATORS OF AGRICULTURAL PRODUCTION

	1980	1981	1982	Growth rates			
				1979	1980	1981	1982 ^P
1970 = 100							
Index of agric'l							
forestry + fishing	106.2	110.7	103.4	-9.7	-7.4	4.2	-6.6
Agriculture	110.2	114.4	...	-12.6	-8.4	3.9	
Export	60.0	62.9	...	-19.5	-12.3	4.8	-1.6
Domestic	149.8	155.1	...	-10.4	-7.1	3.6	-11.7
Livestock	109.9	113.5	...	-2.4	-1.2	3.3	-3.6
Forestry	25.7	24.9	...	-34.6	-3.3	-3.2	12.5
Fishing	90.7	100.0	...	-5.4	-17.1	10.3	11.2
Tonnes							
Production of some important export crops							
Sugar cane milled ¹	2 835	2 502	...	-18.6	-4.4	-11.7	2.8
Bananas ²	33	19	22	-8.0	-52.2	-42.4	28.6
Citrus	66	54	...	-27.5	32	-18.2	5.3
Pimento	943	3 140	2 064	-52.5	-24.8	233	-34.3
Copra	1 738	887	1 429	-4.2	-14.1	-49	61.1
Cocoa	1 393	1 845	1 457	37.9	-23.7	32.4	-25.1
Coffee	1 310	1 505	...	50.7	-42.2	14.9	4.2
Indicators of meat production							
Cattle slaughtered ('000 head)	64.4	61	61	0.5	11.0	-5.3	-
Hogs slaughtered ('000 head)	123.1	135	118	-12.7	11.8	9.8	-12.6
Poultry meat ¹	29.8	29.6	26.7	+3.3	-6.1	-1.0	-9.8
Eggs (million)	98	95	84	-4.5	-34.6	-3.1	-11.6

Source: Jamaica, Department of Statistics, Production Statistics 1980 and Statistical Review, October 1982. National Planning Agency Economic and Social Survey January-September 1982

¹Thousand tonnes.

²Exports only.

³Oranges and grapefruit only

work stoppages and output remained at about the 30-year low for production reached the year before. The susar co-operatives, whose registration was cancelled in November 1981, were in course of being wound up during 1982 and the susar cane growing lands leased to susar factories.

As part of its programme for long-term structural adjustment, the Government has instituted a number of policies towards agriculture consistent with its export-led strategy and reliance on market forces. There has been a free-up of the arrangements for export marketing, and various price incentives, such as the December 1981 increased retail price for susar and a 32% increase in the price of farmers' canes for 1982, are expected to stimulate export agriculture. A number of joint venture projects, such as for example, Japanese involvement in the coffee industry, were being implemented.

(ii) **Minins.** Mining dominates Jamaica's merchandise exports and the foreign exchange flows associated with the development of this industry in the fifties and sixties was the basis of the sustained boom of those decades. The industry experienced a massive downturn in 1982 when there was a 29% decline following just over 1% growth in 1981. Bauxite mined fell 28% and alumina produced was down by 31% (see Table 5). During 1982 gypsum production increased 4%, reflecting enhanced construction activity, but this was the only evidence of growth in the sector. Industrial action early in the year in the bauxite industry affected performance somewhat.

Table 5
JAMAICA: INDICATORS OF MINING PRODUCTION

	1980	1981	1982	Growth rates			
				1979	1980	1981	1982
Index of mining production	116.5	118.0	83.7	-1.6	9.9	1.3	-29.1
Production of princ. minerals	'000 tonnes						
Bauxite (mined)	11 978	11 606	8 447	-2.0	4.1	-3.1	-27.8
Alumina	2 456	2 556	1 761	-1.0	17.2	4.1	-31.1
Gypsum (mined)	105	180	188	-64.6	121.2	71.4	4.2

Source: Jamaica, Department of Statistics, Production Statistics and Statistical Digest February 1983

The fundamental cause of this poor state of affairs was the continued depression of the world economy. Most OECD countries experienced declines in industrial production in 1982 and their construction, housing and transport industries - which together account for 40% to 50% of aluminium consumption - were particularly hard hit. World consumption of primary aluminium in 1981 was below its 1978 level, and consumption in the Western world fell a further 5.3% in 1982. Because of the stock buildup in 1981 and the continuing economic depression, world bauxite production in 1982 is estimated to

have fallen by 17%.

Against the background of what might be the worst slump in the history of the aluminium industry, Jamaica's industry was particularly badly affected. High energy cost at US Gulf Coast smelters, to which all of Jamaica's bauxite shipments and a substantial part of its alumina go through corporate channels, resulted in a disproportionately high cutback in capacity utilization. That the industry was not harder hit was due to delivery of 1.6 million tonnes to US bauxite stockpiles.

Reduced output impacted negatively on employment and resulted in the retrenchment of some 1,400 persons, approximately 17.5% of the work force. But the financial impact on the country was less dramatic partly because there were retroactive wage and severance payments and local disbursements from surpluses built up by the companies. Thus preliminary estimates of local disbursements by the industry have been put at US\$250 million, only 12.5% below the 1981 level, with the bauxite levy accounting for about US\$134 million.

(iii) Manufacturing. During 1982 the performance of the manufacturing sector was mixed. By contrast with its strong secular growth of the sixties and the declines of the late seventies there was recovery in 1981 and a further 4% growth in 1982. The nature of manufacturing activity would seem to make dynamism dependent on favourable circumstances in the external sector since it relies heavily on imports of raw materials, equipment and other supplies, and partially on export markets. Continued foreign exchange stringency and the world recession are therefore consistent with its sluggish performance and there were reports that licensing arrangements had not worked smoothly, particularly for the smaller manufacturers.

Strong indications of positive growth in the sector have been the 43% increase in cement output, increased employment and higher electricity consumption (see Table 6). More particularly, growth in the sector has been led by increased output of chemicals, for which sales to the regional CARICOM market were particularly important. There was also some growth in traditional subsectors such as textiles and clothing. Part-year data however suggest declining output from a number of industries, and there have been reports of periodic shortages of raw materials and consequently inability of firms to maintain continuous production runs with resulting low capacity utilization rates.

The dominant policy thrust is to re-orient the manufacturing sector towards export-led growth along lines pursued in the recent past by some South-east Asian countries. To this end the Export Development Fund, established in 1979 to finance raw materials and machinery imports by exporters or their suppliers was being replenished and the Kingston Free Zone extended. A Rehabilitation Fund financed by the IDB came into being in 1982 to assist domestic manufacturers. Jamaica National Investments Promotions Limited formed in 1981 to promote private investment is giving emphasis to the manufacturing industry and is reported to have had over \$30 million of manufacturing investment about to be implemented in 1982.

JAMAICA

International competitiveness would however be crucial. A recent survey suggests that only just over one third of Jamaica's manufacturing output was internationally price competitive suggesting considerable room for improvement in cost effectiveness.

Table 6
JAMAICA: INDICATORS OF MANUFACTURING ACTIVITY

	1980	1981	1982	Growth rates			
				1979	1980	1981	1982
Index of manuf. prod.	80.1	80.4	83.7	-4.3	-9.7	1.3	4.2
Production of selected manufactures	'000 tonnes						
Sugar	231.8	205.6	195.5	-2.9	-18.1	-13.6	1.4
Flour (wheat)	48.1	47.0	54.4	-22.2	29.4	-4.5	15.8
Animal feed	206.8	205.3	193.5	-3.5	0.6	-0.8	-5.7
Rum + alcohol ¹	20.5	22.2	19.9	7.1	13.9	8.3	-10.5
Fertilizers	28.6	25.9	19.3	4.4	-7.1	-9.4	-22.4
Petroleum products ¹	1 079.3	859.6	...	16.9	-21.3	-20.4	32.3
Textile fabrics ²	4 552.8	3 580	...	-36.3	-23.4	-21.4	2.5
Indicators of manuf. prod: elect. sales to industry + comm. by public utilities ³	568.3	557.2	596.3	-7.3	-3.4	-2.0	7.0
Employment ('000)	76.7	82.2	86.9	-6.6	3.9	7.2	5.7

Source: Jamaica, Department of Statistics, Production Statistics 1980 and Statistical Digest, February 1983

¹ Million litres.

² '000 metres

³ Million kWh

(iv) Construction. The recovery in construction activity which began in 1981 continued strongly into 1982. Output and employment in the sector grew by 13% and 14% respectively and cement production was up 43%. Even so the sector was operating at barely one-half its 1970 level (see Table 7). Part-year indications are that, because of the continued foreign exchange stringency imports of construction materials were only 6% above their 1981 levels when, despite improvement over previous years, there were shortages in a number of finishing components.

Recovery in the industry was broadly based and included both commercial and industrial buildings and residential construction in metropolitan and rural areas. Worthy of note is the construction of facilities to house the Preparatory Conferences of the International Sea-bed Authority where, because of time constraints, multiple shifts were effectively utilized. In addition to private housing developments, the government's programmes include such self-help schemes as sites and services project and a build-up-own-land programme.

Table 7
JAMAICA: INDICATORS OF CONSTRUCTION ACTIVITY

	1980	1981	1982	Growth rates		
				1980	1981	1982
Index of construction output	37.6	38.5	43.8	-28.5	2.4	12.9
Prod. of selected materials						
Cement '000 tonnes	144	164	234	-36.3	13.9	42.7
Paint '000 litres	3 887	6 042	8 751	-32.8	44.8	45.0
Steel '000 tonnes	9.4	12.0	13.3	-5.1	27.7	10.8
Imports of construction materials \$m	84.1	119.4	127.1	-20.6	42.0	6.4
Employment '000	25.4	29.1	33.3	-20.4	14.6	14.4

Source: Jamaica, National Planning Agency, Economic and Social Survey, 1982.

Credit to the sector increased dramatically in 1982. Commercial banks loans and advances outstanding for construction and land development had increased 80% between December 1981 and 1982 while new mortgage loans advanced by building societies between January and September 1982 exceeded by 12% that for the entire year 1981. Of course account must be taken of inflation and land speculation and the continuing high demand for housing. Building costs for residential housing are of the order of \$85 per sq. ft. and are estimated to be escalating by 25% a year. A number of commercial banks still consider construction projects as high risk and are reported to ask for security such as for example pre-rental contracts on Office buildings. Nevertheless, the industry appears to have recovered strongly and to be experiencing a minor boom.

Tourism. After the poor performance by this industry in 1980, the recovery evident from mid-1981 continued into 1982 which was a good year. Visitor arrivals, hotel occupancy and estimated visitor expenditure all recovered strongly and on most indicators the industry surpassed the performance of the peak year 1979 (see Table 8). Cruise ship visitors was particularly buoyant.

However, the industry is faced by a number of continuing problems. Much of the tourist plant is still in need of refurbishing although a great deal was achieved in 1982. The industry is still very seasonal and average hotel occupancy rates are low because of the summer trough. The inclusion of Jamaica among destinations for tax benefits by American business companies might enable more convention business to be attracted in the future and the summer trough filled somewhat.

Table 8
JAMAICA: INDICATORS OF TOURIST ACTIVITY

	1980	1981	1982	Growth rates			
				1979	1980	1981	1982
Total visitors ('000)	543	552	670	11.4	-8.5	1.6	21.4
Long stay	384	397	457	11.7	-7.3	2.8	15.1
Short stay	11	10	11	117.5	-48.6	-10.2	8.2
Other	148	146	202	10.6	-11.6	-1.5	39.1
Hotel room occup. rate (%)	44.2	41.5	53.3	20.0	-7.9	-6.1	28.4
Average length of stay (nights)	10.2	10.1	9.8	3.5	15.9	-1.0	-3.0
Estimated expend. (J\$m)	242	290	333	31.1	24.4	20.0	14.9
Direct employment	9 527	8 403	...	13.7	-18.6	-11.8	...

Source: Bank of Jamaica: Statistical Digest, February 1983.

While recovery in this industry contributed substantially to the overall positive performance of the economy it is generally recognized that its contribution was far below its potential. This is most evident in the area of foreign exchange procurement. Between 1970 and 1980 the gross foreign exchange receipts from travel accounted for about 20% of current earnings. Estimates are however that about one-third of the foreign exchange generated by the industry does not circulate through formal channels. Thus while foreign exchange must be officially made available to the industry because of its earning potential, it remains a possible avenue for foreign exchange loss since inflows cannot be fully garnered.

(v) **Employment and unemployment.** Persistent structural unemployment is a characteristic of most Caribbean economies all of which also show extremely high labour force participation rates particularly among women. Jamaica is no exception. Despite the massive emigration of the fifties and sixties and the high growth rates associated with the boom in bauxite, construction, tourism and industrialization, open unemployment continues in excess of 25%. During the seventies, unemployment reached a trough in 1975 with the job creation associated with public sector expansion.

There was however in 1981 some improvement accompanying the recovery in manufacturing and construction and increased commercial activity. However, data for 1982 suggest that the situation in the labour market has deteriorated further. In fact, the rate of labour force absorption declined by 1.5% even though the actual number of persons employed increased by some 4,000. The number and percentage of persons unemployed both increased. Public policy has been to contain public sector employment, and while there was growth in manufacturing and construction there were job losses in agriculture, and mining (see Table 9).

Table 9
JAMAICA: EMPLOYMENT AND UNEMPLOYMENT

	1978	1979	1980	1981	April
					1982
Labour force ('000)	939.0	953.6	991.2	1 014.9	1 043.1
Employment (%)	75.5	72.3	72.7	74.1	72.5
Employed ('000)	708.5	689.0	720.4	752.4	756.6
Agriculture	257.0	232.0	263.5	273.1	263.8
Manufacturing	79.0	73.8	76.7	82.2	86.9
Construction	32.9	31.9	25.4	29.1	33.3
Commerce	93.2	90.0	91.2	102.0	102.8
Public Administration	108.8	110.1	108.7	105.5	104.5
Unemployed ('000)	230.5	264.6	270.8	262.5	286.4
Unemployed (%)	24.5	27.7	27.3	25.9	27.4

Source: The Labour Force, Department of Statistics, Kingston, Jamaica. Annual data are averages for April and October.

The data must of course be interpreted with care since the estimates are based on a sample survey and might contain sampling errors larger than the change indicated. More important, however, is the well documented peculiarity of the labour market for participation rates to vary directly with perceptions of economic buoyancy. It is to be noted that in the Jamaica survey, persons are treated as being in the labour force if they stated that they wanted work even though they did not actively seek work, an approach which tends to raise the rate of measured unemployment compared to countries where active search is necessary for labour force membership.

In an attempt to address the concentration of unemployment among youthful members of the labour force the Human Employment and Resources Training Trust was launched during 1982. The purpose is to train youth and so enhance their employability.

3. The external sector

The extent to which crisis in the Jamaican economy has ameliorated may be judged from the performance of the external sector. This is in light of the openness of the economy and the stated policy thrust to make the economy more outward looking and internationally competitive. Against the background of continued lack of dynamism in the world economy where according to GATT, the volume of world trade in 1982 declined 2% to about its 1979 level and value fell 6%, export-led growth was particularly difficult to achieve.

On the contrary, there was a 26% reduction in merchandise exports compared to 1981 where growth was a mere 2%. The leading export sectors aluminium and bauxite were particularly hard hit by developments in the world economy, and although sugar and bananas rallied and non-traditional exports, mainly manufactures, experienced

JAMAICA

growth for the second consecutive year, this was insufficient to prevent the largest drop in merchandise exports recorded in post-war years (see Table 10).

Table 10
JAMAICA: EXPORTS OF GOODS, FOB
(Jamaica dollars million)

				Percentage breakdown			Growth rates		
	1980	1981	1982	1970	1980	1982	1980	1981	1982
Total	1 718	1 747	1 294	100	100	100	17.3	1.7	-25.9
Main traditional exports	1 479	1 503	1 022	87	89	83	22.7	1.6	-32.0
Of which:									
Bauxite	354	306	231	27	21	20	-6.2	-13.3	-24.5
Alumina	957	1 048	632	40	57	50	47.0	9.4	-39.7
Sugar	97	83	85	11	6	8	-3.0	-15.0	2.4
Bananas	19	7	14	4	1	1	-41.9	-59.4	75.0
Main non-tradit'l exports	184	207	...	13	11	17	-13.2	13.6	7.6 ¹
Of which:									
manufactures	126	137	...	8	8	11	18.7	8.7	6.3 ¹

Source: Jamaica, Department of Statistics, External Trade 1981 and National Planning Agency: Economic and Social Survey 1982

¹Based on January to October data

Merchandise imports too declined in 1982, the consequence of foreign exchange shortages. Consumer goods grew strongly and capital goods, except construction materials, moderately. But raw materials experienced severe decline. In particular, the volume of petroleum products imported declined and, because the average cost remained about stable for the first time in some five years, their value for the year declined by about 7% compared to 1981. The sharp fall in alumina output, one of the major fuel users, was partly responsible for the reduced volume of fuel imports. The complicated administrative arrangements for licensing and funding of imports which continued into 1982 would seem to have favoured the import of consumption and capital goods rather than raw materials for industry and throughout 1982 manufactures complained of shortages (see Table 11).

Preliminary balance of payments data for 1982 suggest that the payments position had deteriorated further. It is to be recalled that since April 1981, Jamaica has been pursuing an Economic Recovery Programme with access to IMF funding under an Extended Fund Facility and that there have been considerable inflows of official capital from this source, from other multilateral institutions such as the IBRD and IDB, and from private sources. During 1982, the merchandise trade gap widened by an estimated US\$154 million and the current account balance by US\$90 million. The considerably improved gap on services, caused

largely by improved performance of the tourist industry, served to keep the sharp decline in exports receipts from the bauxite industry from having an even more calamitous impact on the payments position (see Table 12 below). Because of the fall in bauxite earnings during 1982 resort was also made to the IMF's Compensatory Financing Facility.

Table 11
JAMAICA: IMPORTS OF GOODS, CIF

	Millions of dollars		Percentage breakdown			Growth rates	
	1981	1982	1970	1980	1982	1981	1982
Total	2 623	2 400	100	100	100	25.0	-8.5
Consumer goods	344	417	30	11	17	46.4	21.2
Food	187	220	12	6	9	43.8	17.6
Other non-durables	76	85	9	3	3	34.0	11.8
Durables	81	112	9	2	5	66.7	38.3
Raw materials	1 771	1 402	32	72	59	18.2	-20.8
Fuel	889	663	6	38	28	11.8	-25.4
Other	883	739	26	34	31	25.6	-16.3
Capital goods	529	581	38	17	23	45.7	9.8
Construction material	119	127	7	4	5	41.3	6.7
Transport + equipment	116	128	5	3	5	87.1	10.3
Other machinery + equip.	271	282	25	9	12	44.8	4.0
Other capital goods	24	43	1	1	1	20.0	79.2

Source: Department of Statistics, Jamaica External Trade 1980, and National Planning Agency Economic and Social Survey, 1982.

There seemed to have been a turnaround in the capital account during 1982 with net capital inflow amounting to US\$273 million. More particularly, whereas in the recent past there were large private capital outflows matched by larger official inflows, during 1982 the position changed and there were substantial private inflows. The overall payments deficit was US\$154 million compared to US\$259 million in 1981, but net foreign indebtedness at December 1982 increased by 32% to an estimated J\$2.5 billion.

4. Monetary and fiscal policy

(a) **Monetary policy.** Monetary and fiscal policy continued to be conducted against the background of the Extended Fund Facility (EFF) negotiated with the IMF in April 1981. This had set ceilings on banking system credit to the public sector and on foreign borrowings, and had established targets for net international reserves of the Bank of Jamaica. In March 1982, the end of the first year of the programme, all performance tests were passed and a new base established for drawings in 1982/83.

Table 12
JAMAICA: BALANCE OF PAYMENTS
 (US dollars million)

	1970	1975	1980	1981	1982 ^P
Exp. of goods + services	499.3	1 050.7	1 358.9	1 400.3	1 386.6
Goods f.o.b.	341.4	808.6	962.7	974.0	726.4
Services	157.9	242.1	396.2	426.3	660.2
Transport + insurance	27.6	74.4	113.8	97.6	104.1
Travel	95.5	128.5	240.7	284.4	357.0
Imp. of goods + services	590.0	1 284.9	1 386.0	1 682.0	1 950.5
Goods f.o.b.	449.0	969.6	1 038.2	1 296.7	1 202.7
Services	141.0	315.3	347.8	385.2	747.8
Transport + insurance	87.8	193.4	216.7	246.4	323.7
Travel	15.5	52.2	11.7	13.5	29.0
Merchandise balance	107.6	-161.0	-75.5	-322.7	-476.3
Trade balance	-90.7	-234.2	-27.1	-281.7	-563.9
Factor services	-84.7	-76.2	-229.6	-179.5	...
Profits	-103.9	-59.1	-111.9	-2.9	...
Interest received	15.2	21.6	11.5	14.7	...
Interest paid	-9.5	-65.2	-151.1	-213.3	...
Others	13.5	26.5	22.0	22.1	...
Unreq. priv. trans. payments	26.9	22.7	81.7	123.3	125.0
Balance on curr. account	-148.5	-287.8	-175.1	-337.8	-426.4
Unreq. off. trans. payments	-4.4	5.0	9.0	0.9	12.5
Long-term capital	160.7	227.9	235.2	58.0	...
Direct investment	161.4	-1.8	27.7	-11.6	...
Portfolio investment	-6.4	-4.1	0.0	0.0	...
Other long-term capital	5.7	233.8	207.5	69.6	...
Official sector	2.0	153.7	221.0	75.2	...
Loans received	9.4	159.4	337.7	333.5	...
Amort. payments	-3.1	-4.0	-93.8	-258.4	...
Other sectors	3.7	80.1	-13.5	-5.7	...
Loans received	0.0	115.1	80.4	72.6	...
Amort. payments	0.0	-20.9	-80.4	-78.3	...
Basic balance	7.8	-54.9	69.1	-278.9	...
Short-term capital	-0.4	94.8	52.3	-70.4	...
Official sector	2.4	25.6	85.6	-57.5	...
Commercial banks	0.0	2.3	-11.6	5.5	...
Other sectors	-2.8	66.9	-21.7	-18.4	...
Errors + omissions (net)	7.3	-83.0	-82.4	131.5	...
Balance on cap. account	163.3	244.5	214.2	120.2	...
Global balance	14.8	-43.2	39.2	-217.7	...
Total var. in reserves (- sign indicates increase)	-24.9	39.0	-80.8	188.3	153.6
Special drawing rights	-6.4	1.2	0.5	-1.3	...
IMF reserve position	-0.2	0.0	0.0	-2.8	...
Foreign exchange assets	-14.6	63.6	-41.6	23.8	...
Other assets	-3.7	-25.0	2.5	8.1	...
Use made of IMF credit	0.0	-0.7	-42.5	160.4	...

Source: International Monetary Fund **Balance of Payments Yearbook** and Bank of Jamaica.

In its efforts to protect the balance of payments from undue pressure, the Bank of Jamaica pursued a policy of credit restraint, using as its main instrument a voluntary minimum of 40% for the liquid-assets-ratio of commercial banks. For most of the year, a comfortable margin was maintained with excess liquidity attaining a peak of 4.5% in May. However, towards the end of the year a liquidity squeeze had developed and at year end the ratio was 2% below the required level.

Money supply expanded at a moderate 6%, about the same rate as it did in 1981, and the growth of credit to the public sector was contained. Private sector credit grew strongly. The policy change introduced from July 1981 to exempt interest on bank deposits from income tax, taken together with the higher rates on time deposits, served to bring about strong growth in quasi-money (see Table 13). The financial system again drew heavily on external resources. Despite substantial growth in domestic credit compared to 1981, the dampening effect of the decline in net foreign assets on monetary expansion was noticeable and monetary resources grew moderately.

Table 13
JAMAICA: MONETARY BALANCE
(Jamaica dollars million)

	Balance at end of				Growth rates		
	1979	1980	1981	1982	1980	1981	1982
Money	541	647	687	729	19.6	6.2	6.1
Currency outside banks	219	257	281	313	17.4	9.3	11.4
Demand deposits	322	390	406	416	21.1	4.1	2.5
Factors of expansion	1 758	2 436	2 072	2 532	38.6	-15.1	22.2
Foreign assets (net)	-794	-821	-1 380	-1 676	-3.4	-68.1	-21.4
Domestic credit (net)	2 552	3 257	3 452	4 208	27.6	6.0	21.9
Govt. (incl. official entities)	1 250	1 692	2 381	2 724	35.4	40.7	14.4
Private sector	1 302	1 566	1 071	1 484	20.3	-31.6	38.6
Factors of absorption							
Quasi-money (savings and time deposits)	653	1 292	1 231	1 630	35.6	-4.7	32.4

Source: Bank of Jamaica

The distribution of commercial banks loans and advances to these various sectors of the economy showed a healthy shift towards productive activity. Of the sectors relying heavily on commercial bank financing, loans for personal use actually declined while the growth to the distribution sector was a modest 3%. By contrast, credit to agriculture, manufacturing and construction and land development all increased substantially with construction setting 80% more credit in 1982 following an increase of over 40% in 1981. These changes reflect the reported shift in credit allocation desired by the monetary authorities (see Table 14).

Table 14
JAMAICA: COMMERCIAL BANKS, LOANS AND ADVANCES
 (Jamaica dollars million)

	1979	1980	1981	1982	Growth rates		
					1980	1981	1982
Loans + advances outstanding	901 1 088	1 495	1 093	20.8	37.4	31.3	
Agriculture	93	118	193	231	26.9	63.6	19.7
Manufacturing	164	213	317	397	29.9	48.8	25.2
Constr.+ land devel't	126	127	181	326	0.8	42.5	80.1
Central + local Govt	28	24	24	31	-17.5	2.6	28.2
Personal	167	188	193	166	12.6	2.7	-14.0
Distribution	80	90	122	126	12.5	35.6	3.3

Source: Bank of Jamaica

Interest rates in 1982 were generally higher than in 1981 in part reflecting the tightening liquidity situation, but also partly reflecting public policy to encourage savings. While the statutory minimum savings rate remained unchanged at 9%, by year end time deposits were attracting 12% to 14%, almost two percentage points above their 1981 level, and the overall weighted average commercial banks loan rate was in every month of 1982 higher than the corresponding months of 1981. One of the objectives of monetary policy was to allow market forces freely to determine interest rates and so optimise the use of financial resources.

An interesting development in the financial sector was the resumption from January 1982 of trading on the stock exchange for two days each week compared to one day a week since 1977. Active trading had resumed in 1981. During 1982 there were \$16.7 million of new issues compared to \$3.2 million in 1981 and \$1 million in 1980.

(b) Fiscal policy. Part-year indications are that the strong fiscal performance of 1981, consistent with the objectives of the Economic Recovery Programme, might not have been sustained in 1982. This current revenue in 1982 grew about 18% compared to 27% with the economic turnaround in 1981. Whereas in 1981 current expenditure was kept to a modest 7% growth, this increased to 14% in 1982, and capital expenditure which fell in fiscal 1981 grew by 16% in the period April-December 1982 compared to the similar period in 1981. Total public sector expenditure and the deficit both increased thereby increasing the need for financing (see Table 15 below).

Consistent with the tenets of supply side economics, the 1982/83 Budget had introduced no new taxes so as not to discourage effort. Instead, reliance was placed on efficiency in administration to contain costs, and on strict tax compliance and economic recovery to generate additional revenues. A measure of wage restraint in the public sector and success with tax administration both made positive contributions. However, revenues were not as buoyant as they were in

1981 because of the sluggish economic conditions especially for bauxite.

Table 15
JAMAICA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE
(Jamaica dollars million)

	1980 ¹	1981 ²	April-Dec		Growth rates	
			1981	1982	1981	1982
Current revenue	965	1 223	809	952	26.7	17.6
Current expenditure	1 552	1 655	1 216	1 392	6.6	14.5
Current surplus/deficit	-587	-432	-407	-440	26.3	-8.3
Capital revenue	...	...	...	...	...	...
Capital expenditure	813	792	528	614	-2.7	16.2
Total revenues	1 375	1 555	1 054	1 034	13.0	-2.0
Total expenditures	2 365	2 447	1 744	2 005	3.4	15.0
Overall surplus/deficit	-990	-892	-689	-972	9.9	-41.0
Financing						
Domestic ³	624	651	287	613	4.3	-113.6
Foreign	334	343	164	395	2.7	140.9

Source: Bank of Jamaica

¹Fiscal year 1980/81

²Fiscal year 1981/82

³Million US dollars

Compared to the similar period in 1981, there was need for substantially more financing in the period April to December 1982. In consequence, the net national debt at December 1982 increased 18% to \$5.9 billion but consistent with the policy of limiting public sector crowding out effects, external debt growth at 32% was considerably faster than internal debt growth.

(c) Domestic Prices

Domestic inflation abated considerably in 1982 and reached single digit. This is consistent with the slow down in world inflation particularly oil prices and a stable external value of the currency. However, domestic factors were also important. Modest money supply growth and wage moderation on the demand side reinforced the increased supply of goods and reduced black marketing to dampen inflationary expectations (see Table 16 below).

Table 16
JAMAICA: EVOLUTION OF DOMESTIC PRICES

	Weight	1978	1979	1980	1981	1982 ^F
January 1975 = 100						
Total	100.00	167.4	227.2	289.1	322.7	346.7
Food and drink	53.28	176.7	235.8	314.5	347.0	368.2
Housins	8.87	151.5	172.4	192.5	223.1	245.4
Clothings + accessories	8.18	178.5	225.0	270.7	323.2	334.1
Personal expenses	8.43	167.4	209.9	255.0	314.5	338.6
Variation between annual averages						
Total	100.00	25.0	28.8	27.2	11.6	7.4
Food and drink	53.28	36.8	33.4	33.4	10.3	6.1
Housins	8.87	14.2	13.8	11.7	15.9	10.1
Clothings + accessories	8.18	40.3	25.4	20.3	19.4	3.4
Personal expenses	8.43	36.4	25.9	21.5	23.3	7.7
Change December-December						
Total	100.00	49.4	19.7	29.1	4.0	7.1
Food and drink	53.28	54.1	24.5	33.7	1.3	7.5
Housins	8.87	18.9	13.3	8.6	16.2	8.7
Clothings + accessories	8.18	52.4	15.6	25.5	7.3	3.4
Personal expenses	8.43	52.7	9.7	32.5	12.9	6.0

Source: Jamaica, Department of Statistics.

PART VII

MONTSERRAT

COUNTRY NOTES

MONTSERRAT

1. Recent economic trends: Introduction and summary

The island of Montserrat is 104 square kilometres an area with a population of some 12,000 people. The resident population has increased by 0.13% per year during the last decade. Although there is a national increase of approximately 7% per year, there is high outward migration.

The economy of Montserrat has shown real growth of 2.0% and 1.2% during 1981 and 1982. The most important sectors of the economy are Government services, wholesaling and retailing, construction and enclave type industries. Agriculture, which was previously the mainstay of the economy, has declined sharply and now accounts for only 5% of Gross Domestic Product (GDP) (see Table 1).

Table 1
MONTSERRAT: GROSS DOMESTIC PRODUCT, BY ECONOMIC
ACTIVITY, AT FACTOR COST

	Millions of EC\$ at 1977 prices		Percentage breakdown		Growth rates	
	1981	1982 ^P	1981	1982	1981	1982 ^P
Total GDP	41.1	41.6	100	100	2.0	1.2
Goods	(9.7)	(9.6)	(23.5)	(23.0)	(5.4)	(-1.0)
Agriculture, fish + forestry	1.5	1.5	3.6	3.6	7.1	0.0
Livestock	0.6	0.6	1.5	1.4	20.0	0.0
Mining	0.3	0.3	0.7	0.7	0.0	0.0
Manufacturing	3.5	3.4	8.5	8.2	12.9	-2.9
Construction	3.8	3.8	9.2	9.1	-2.6	0.0
Basic services	(3.0)	(3.0)	(7.3)	(7.2)	(3.4)	(0.0)
Electricity + water	1.1	1.1	2.7	2.6	0.0	0.0
Trans. + communication	1.9	1.9	4.6	4.6	5.6	0.0
Other services	(28.4)	(29.0)	(69.1)	(69.7)	(-0.4)	2.1
Wholesale + retail trade	7.0	7.1	17.0	17.1	4.5	1.4
Hotels + restaurants	1.1	1.1	2.7	2.6	-15.4	0.0
Government services	7.9	8.3	19.2	20.0	-3.7	5.1
Others	12.4	12.5	30.2	30.0	0.8	0.8

Source: Department of Statistics, Office of the Chief Minister, Plymouth, Montserrat.

2. Trends in economic activity

(a) Growth of the main sectors

(i) **Agriculture.** In real terms, agriculture remained virtually static. The volume of output has changed little, and the prices have increased less rapidly relative to other commodities. The fisheries and livestock sectors remain very small and although their output has increased slightly their contribution to GDP remained almost static.

There is virtually no organized production for export. Small volumes of surplus vegetables and food crops are exported to neighbouring islands. Efforts are being made to establish a small-scale hot pepper production capability for export and to plant approximately 65 hectares of sea island cotton each year as the primary component of an integrated sea island cotton industry.

(ii) **Basic services.** Utilities are fairly well developed and distributed throughout the island. Most of the water is obtained from wells; in some areas, yield during the dry season is critical and care must be exercised to avoid incursions of saline water into some aquifers.

All municipal water services are metered. The total number of connections have increased from 2,950 in 1976 to 3,500 in 1982 but the total sales of water have remained at approximately 1.14 million litres per year. This reflects the importance of water storages attached to most houses for conservation of run off from house roofs.

There is one electrical facility serving the island. Both total and per capita consumption increased during the period 1977 to 1980, but declined during 1982 (see Table 2)

Both domestic and external telecommunication are managed by the multinational Cable and Wireless. The domestic service is of a high standard; external links are efficient and provide worldwide connections.

Table 2
MONTSERRAT: INSTALLED CAPACITY, PRODUCTION AND
CONSUMPTION OF ELECTRICITY

Year	Capacity kWh $\times 10^3$	Production kWh $\times 10^6$	Consumption kWh $\times 10^6$	Per capita Consumption kWh
1977	3.8	9.4	7.9	680
1978	3.6	10.0	8.6	740
1979	3.6	10.2	8.8	760
1980	3.6	11.7	9.9	860
1981	3.6	12.0	9.9	860
1982	3.6	12.0	9.6	820

Source: Montserrat Electric Company.

MONTERRAT

(iii) **Tourism.** Tourist facilities are relatively under-developed, in particular hotel facilities. However, there is a trend toward villas and condominiums. The number of tourists has remained at about 10,000 each year during the last three years. North America is the most important tourist market although European and intra-Caribbean tourism have shown steady growth.

Earnings from tourism increased from approximately EC\$11.6 million in 1980 to EC\$14.6 million in 1981 and EC\$15.7 million in 1982 (see Table 3).

Table 3
MONTERRAT: SELECTED TOURIST INDICATORS

	Growth rates						
	1980	1981	1982	1979	1980	1981	1982
Total visitors ¹	20.5	21.4	24.9	9.7	12.1	4.4	16.4
Stopover visitors ¹	15.5	15.6	15.0	12.9	18.3	0.6	-3.8
Cruise-ship visitors ¹	4.1	5.2	9.1	-6.6	3.2	26.8	75.0
Air excursionists	849	697	776	31.0	24.1	-17.9	11.3
Hotelststuesthoyse beds	184	184	176	-8.4	-6.1	0.0	-4.3
Occupancy rate ²	44	48	36	28.6	22.2	9.1	-25.0
Avg. length of stay ³	8.0	7.5	8.0	-1.3	2.6	-6.2	6.7
Est. tourist expend. ⁴	11.6	14.6	15.7	25.0	16.0	25.9	7.5

Source: Tourism Report 1981 and 1982 update, Statistical Office, Government Headquarters, Plymouth, Montserrat.

¹Thousands

²Percent

³Number of nights

⁴Millions of EC\$ - current values

3. The external sector

(a) Merchandise trade

(i) **Exports.** Traditional exports are agricultural products but in recent years light manufactures from enclave and assembly-type operations form the bulk of exports. Re-exports comprise a significant part of the total exports. In 1981 and 1982, re-exports accounted for approximately 40% of the total exports.

It is noticeable that although total exports have shown rapid growth in money terms, the performance of the various contributing sectors has been erratic (see Table 4). During 1981, some 66% of exports were sold to other member states of the Caribbean Common Market; of this, 46% went to the member states of the Organization of East Caribbean States and 20% between Barbados and Trinidad and Tobago. Other Caribbean islands accounted for 6%, the United Kingdom 16% and North America 12%.

Table 4
MONTERRAT: EXPORT OF GOODS

	Millions of EC\$				Percentage breakdown		Growth rates	
	1979	1980	1981	1982	1981	1982	1981	1982
Total exports	1,489	3,198	3,487	7,246	100	100	9.0	107.8
Food, bev. + tobacco	660	229	415	391	11.9	5.4	81.2	-5.8
Crude materials	191	247	353	411	10.1	5.7	42.9	16.4
Manufactured goods	33	419	179	1,418	5.1	19.6	-57.3	69.2
Machinery	393	652	350	938	10.1	12.9	-46.4	16.0
Misc. manuf. goods	210	1,319	2,188	2,166	62.7	29.9	65.9	-1.0
Misc. trans. + commod.	2	332	2	1,922	0.1	26.5	-	-

Source: Statistics Office, Government of Montserrat.

(ii) **Imports.** The value of total imports at current prices increased by 7.1% during 1982, the lowest rate since 1975. Imports of food, beverages and tobacco increased only marginally, but still accounted for some 25% of the total 20% import bill (see Table 5). Machinery and transport equipment which account for about 20% of total

Table 5
MONTERRAT: IMPORTATION OF GOODS

	Millions of EC\$				Percentage breakdown		Growth rates	
	1979	1980	1981	1982	1981	1982	1981	1982
Total imports	32.3	44.5	51.0	54.6	100	100	14.6	7.1
Food, bev. + tobacco	8.9	12.1	12.9	13.9	25.3	25.5	6.6	0.9
Raw materials	1.6	1.3	1.6	1.6	3.1	2.9	23.1	-
Fuel	3.0	4.8	6.2	5.9	12.2	10.8	29.2	-11.5
Manufactured goods	6.4	7.0	8.1	9.6	15.9	17.6	15.7	10.7
Machinery + trans. equip.	6.5	11.0	9.7	12.3	19.0	22.5	-11.8	18.4
Other	5.9	8.3	12.5	11.3	24.5	20.7	50.6	-15.5

Source: Statistics Office, Government of Montserrat.

imports is dominated by the importation of motor cars. Construction materials and petroleum products are also major import items, the latter representing 12% of total imports.

Nearly all commodities, including much of the food consumed are imported. Although the value of exports as a percentage of imports increased from 6.5 in 1979 to 13.2 in 1982, the deficit balance in current values increased by 57% in 1982 (see Table 6).

Table 6
MONTSERRAT: BALANCE OF VISIBLE TRADE 1975-1982
('000 of EC\$)

Year	Total exports	Total imports	Balance of trade	Export as % of imports
1975	1 019	16,544	-15,525	6.2
1976	1,122	20,803	-19,681	5.4
1977	1,643	18,993	-17,350	8.7
1978	3,711	26,927	-23,216	13.8
1979	2,094	32,323	-30,229	6.5
1980	3,199	44,549	-41,350	7.2
1981	5,965	51,019	-45,054	11.7
1982	7,247	54,600	-47,400	13.2

Source: Statistics Department, Government of Montserrat.

(b) **Balance of Payments.** The balance of payments account has been managed to achieve a balanced inflow and outflow during 1980 and 1981 (see Table 7). Data are not yet available for 1982. Receipts from tourism and remittances are the most important sources of inward money flows. The removal of any one of these sources would result in a significant adverse balance of payments.

Table 7
MONTSERRAT: BALANCE OF PAYMENTS 1980+1981
(Millions of EC dollars)

	1980	1981 ^F
Inward flows		
Loans	2	2
Public sector grants and gifts	7	7
Investment funds	5	5
Miscellaneous transfers	4	4
Tourism receipts	13	15
Receipts from exports	3	7
Remittances from abroad	10	14
Total	44	54
Outward flow		
Imports	44	55

Source: Data supplied ECLA.

4. Monetary and Fiscal Policy

(a) Government revenues and expenditures

Government revenues increased by 10% in 1982 (see Table 8). The tax system is well developed and now accounts for approximately 80% of

Table 8
MONTSERRAT: GOVERNMENT INCOME AND EXPENDITURE
 (Current Prices)

	Millions of EC\$			Growth rates		
	1980	1981	1982 ^e	1980	1981	1982
1. Current income	15.8	18.0	19.8	33.9	13.9	10.0
Tax revenue	12.8	15.4	15.9	42.2	20.3	3.2
Direct	4.9	5.6	6.5	32.4	14.3	16.1
Indirect	7.9	9.8	9.4	49.1	24.0	-4.1
Budgetary aid	1.1	-	-	-15.4	-100.0	-
Other current revenue	1.9	2.6	3.9	26.7	36.8	50.0
2. Current expenditure	13.5	15.7	18.0	23.9	16.3	14.6
3. Savings on curr. acc. (1-2)	2.3	2.3	1.8	155.6	-	-21.7
4. Capital income	5.8	9.8	14.9	141.7	69.0	...
Grants	5.4	5.8	14.4	134.8	7.4	...
Loans	0.4	4.0	0.5	185.7	900.0	...
5. Capital expenditure	7.5	10.9	...	87.5	45.3	...
6. Total income	21.6	27.8	34.7	52.1	28.7	...
7. Total expenditure (2+5)	21.0	26.6	...	40.9	26.7	...
8. Govt. surplus/deficit	0.6	1.2	...	...	...	...

Source: Statistics Department, Government of Montserrat.

Government's current income. Direct taxes contribute 41% of the total tax revenue and indirect taxes 59%. In addition to taxes, Government derives revenues from various departments mainly the hire of public equipment, from licenses, stamp duties, philatelic sales and interest on various financial transactions.

Government policy is to balance its budgeted annual recurrent revenue and expenditure. Since grant-in-aid from the British Government ceased in 1980, tax collection has been given added priority.

The economy of Montserrat is unable to realize the capital formation that is required to fund development and infrastructure needs. Such activities are funded by aid donors. The British Government and the European Economic Community are the most important donors accounting for some 75% of the \$14.9 million development fund, for 1982. Loans account for only 2.8% of the development fund.

Infrastructural projects were allocated 81% of the fund during 1982, priority being given to road development, port equipment, airport services, municipal water supplies, the development of small farms agricultural and industrial plant for an integrated sea island cotton industry. Social services were allocated 15% and natural resources 3% of the development fund.

Employment. The 1980 census indicated a total labour force of 4,872 persons of which 1,881 were males and 1,991 females. The unemployment rate of 6.1% in 1980 is estimated to have fallen to just

MONTserrat

over 5% in 1982. Although this is a low rate of unemployment, two important factors emerge: some 60% of the unemployed are youths under age twenty and there is considerable under-employment with over 25% of the workers being employed for less than 10 months in the year.

During the last decade, the public sector and the service sector such as finance, social and personnel services, and trading have employed increasing numbers of workers. The construction sector is also important, employing some 20 to 25% of the male work force. Agriculture accounts for about 9% but most of these workers are part-time or experience severe under-employment.

(b) Prices. Changes in domestic prices are conditioned by external factors, mainly the cost of imported goods. The rate of price increases decreased considerably during 1981 and 1982. However, a large increase was recorded in the cost of utilities in response to the cost of materials (see Table 9). It is noteworthy that housing and services, determined by local factors either remained unchanged or increased only marginally.

Table 9
MONTserrat: EVOLUTION OF DOMESTIC PRICES

	Annual average change			Variation Dec-Dec		
	1980	1981	1982	1978	1981	1982
Consumer - Price index	29.8	10.6	6.3	17.8		8.4
Food and beverages	23.8	5.3	4.9	6.6		2.3
Alcohol and tobacco	15.3	9.2	5.8	5.4		2.3
Housing	39.1	-4.3	0.0	31.3		0.0
Utilities	52.3	9.9	20.9	47.7		25.0
Clothing	15.4	16.7	8.0	8.1		17.8
Misc. household goods	26.3	15.5	16.0	21.4		9.0
Others, incl. services	22.9	21.1	1.2	13.0		2.9

Source: Statistics Office, Government of Montserrat.

PART VIII

NETHERLANDS ANTILLES

COUNTRY NOTES

NETHERLANDS ANTILLES¹

1. Background and overview

The Netherlands Antilles comprises six islands physically separated into two groups, the Leeward consisting of Aruba, Bonaire and Curacao, and the Windwards six hundred miles to the north-east comprising St. Maarten, St. Eustatius and Saba. Of the six, two islands, Curacao, the site of the capital and Aruba having populations of 161,000 and 63,000 respectively, account for over 90% of the total population.

While legally and administratively a unified state, conceptually the islands may be considered as six small economies. The fact of significant geographic separation of the islands has resulted in each island having its own harbour, airport, electricity plant, and other major elements of infrastructure. The small size of the domestic markets has also precluded the establishment of a large number of domestically oriented industrial establishments.

Although no recent National Accounts data are available, indications are that the rate of economic growth has been declining over the last four or five years up to 1982. Indicators suggest nevertheless, that real National Income increased in 1982. The recession in the world economy, and the decline in oil production and consumption, as well as changes in petroleum policy of major consuming countries have thrown into sharp focus the vulnerable nature of the economy to events in the rest of the world.

The Netherlands Antilles depends to a great extent on the refining of oil, and on tourism for its economic viability. Petroleum refining has been of paramount importance since World War I. The two refineries, one in Aruba and the other on Curacao have processed crude oil for exports to the U.S.A. and accounts for a significant portion of Gross Domestic Product (GDP). Refining declined since 1973 partly because of the U.S. policy change that resulted in increased protection of refineries in the U.S.A. and the U.S. Virgin Islands, and partly because of a reduction in consumption generally in that market. Production fell in 1981 to 88% of the 1978 level and has shown a declining trend since 1973. Crude oil transshipment has developed significantly since the mid 1970's, but the contribution of this activity to the economy is still small.

Apart from oil refining, the Manufacturing sector is still at an early stage of development. Its major activity is ship repair, which by its very nature, is externally oriented. A variety of vessels, including oil tankers and ore carriers are repaired in the dry dock. Towards the end of 1982, it had become apparent that ship-repair activity would decline, adding to the unemployment problem.

¹The Netherlands Antilles guilder (NA.f) exchanged in 1982 at the rate of US\$ = NA.f 1.79.

NETHERLANDS ANTILLES

Tourism has grown rapidly since the 1960's and today, apart from the Government sector, is the largest employer. As an earner of foreign exchange, the sector is second only to oil refining. It is a diversified product with the various islands offering different attractions and drawing tourists from varying sources. A slight contraction in tourism earnings was registered in 1982.

Next to the above activities is a substantial off-shore sector the main importance of which lies in its contribution to tax and foreign exchange receipts. Companies engaged as financial subsidiaries or investment companies, banking, shipping and trading institutions, and holders of real estate and patents comprise the main elements of the off-shore activity. Changes in tax legislation currently being negotiated with the United States have cast some uncertainty on the future of this sector.

Given this orientation, the Trade sector becomes a major employer in the islands, and performs a distribution function for both households and the tourist sector. Free zones have been created in both Aruba and Curacao. The capacity of these is being expanded.

The Agricultural sector, so far relatively small, is now recognized as having a more important role to perform in the economy. Several projects proposed for funding bear testimony to this fact.

Unemployment is distributed unevenly among the various islands, ranging from virtually full employment on St. Maarten to a rate of unemployment of some 20% on Curacao. This is related to the fact that industry, which tends not to be as great an employer of labour as the tourist or other service-oriented sectors, is concentrated on Curacao, while tourism is also of great importance on Aruba and St. Maarten.

International inflation and exchange rate movements are major determinants of domestic prices. This fact derives from the open nature of the economy. The currency being tied to the US dollar, any movement of the US dollar exerts an impact on import prices. As a consequence, the internal rate of inflation which is largely influenced by the rate of inflation in the developed economies, fell to nearly 6% in 1982.

Despite the generally inauspicious economic environment and the apparent vulnerability of these islands, growth has remained positive. The foreign exchange reserves increased in 1981 by about 20%. However, the level of international reserves was estimated to have fallen in 1982 in response to the movement of several items of the balance of payments account although figures available for the first three quarters of 1982 initially showed increased reserves. However, the deterioration in foreign earnings from the major sectors and the increased money supply during this period give cause for some concern for 1983.

Public policy has so far recognized that openness provides benefits as well as risk, and has sought to maximize the benefits rather than to forego them in an effort to eliminate risk.

NETHERLANDS ANTILLES

Table 1
NETHERLANDS ANTILLES: MAIN ECONOMIC INDICATORS

	1978	1979	1980	1981	1982
A. Basic economic indicators					
GNP at market prices (US\$m) ¹	...	1,280.6	...	...	...
Population (thousands)	251	252	253	...	...
GNP per capita (US\$) ¹	...	5,156	...	...	...
GDP per capita (US\$est.) ¹	(332.0)	...	...	...	...
Growth rates					
B. Short-term economic indicators					
Current value of exports of goods	-0.8	43.4	41.1	...	...
Current value of imports of goods	0.7	33.6	45.2	...	...
Consumer price index Dec-Dec	9.7	12.2	16.0	8.6	5.6 ²
Var. between annual averages	...	...	...	12.2	5.7
Money supply	12.6	3.3	12.6	18.1	20.3
Curr. income of Government	...	8.4	(3.6)	(16.2)	(12.1)
Total expenditure of Government			-1.1	...	...
Overall deficit (Central Govt.)					...
Millions of Antillean Guilders					
C. External sector					
Trade balance (merchandise)	-895.3	-667.6	-1,290.3	...	...
Bal. on curr. acc. transactions	-47.0	34.5	-7.8	...	...
Var. in net international reserves (- indicates increase)					
Total international reserves (minus gold)	139.8	152.4	204.6	300.7	...

Source: ECLA on the basis of official data and Central Bank Quarterly Bulletin, Vol. 9.3 - 9.4.

¹ Appropriate conversion rate not available at time of writing.

² October to October.

2. Trends in economic activity

a. Growth of the main sectors

Despite the natural drawbacks to Agriculture in the Netherlands Antilles, recent indications are that the sector is receiving more official support than it received in the past. The Distribution sector, in the absence of a well developed Manufacturing sector, continued to influence economic activity and the Balance of payments.

NETHERLANDS ANTILLES

Table 2
NETHERLANDS ANTILLES: PRODUCTION, INCOME AND SECTORAL
CONTRIBUTIONS - 1979

	NA.f'000	Percentage
GDP at market prices	3 155,397	100
of which:		
Agric.,mining,fishing, + industry ¹	1 195,492	37.9
Utilities	40,671	1.3
Construction	115,628	3.7
Trade and tourism	753,416	23.9
Storage,transport + communication	370,938	11.8
Services	339,174	10.8
Public sector	340,078	10.8
Gross National Income (at market prices)	2 303,297	
Net National Income (at market prices)	2 068,059	

Source: National Accounts 1979

¹Mainly industry (oil refining).

i) Agriculture. The Agricultural sector has never been a major component of the economy of the Netherlands Antilles. Indications are, however, that in the past, the sector made a greater contribution to the economy than it does today. The main bottlenecks in agriculture continue to be the following:

- Climate
- Lack of knowledge and experience
- Lack of financing
- Lack of market structure

The few farmers were the recipients over the years, of limited assistance from the island Governments. The rapid development of the oil industry was another explanatory factor behind the drift out of agriculture. At present, 0.7% of the labour force of the Netherlands Antilles consists of full-time agricultural workers. No comparative figure in respect of an earlier date is available. In view of the fact that conditions are not propitious for agriculture, an estimated 95% of the agricultural products locally consumed are imported. Both quantum and average unit value indexes of imports of food and beverage products outstrip the composite indexes of which they are subsets.

Agriculture in the Netherlands Antilles is narrowly circumscribed by a number of drawbacks deriving from the physical, commercial, technical, legal, administrative and financial environments. Water is not available in sufficient quantities for agricultural purposes. The runoff rate of water is high, and can be remedied only by the construction of catchment areas. The groundwater is affected by a high salt content, and cannot be used extensively without detriment to the soil and the crops. The wind adversely affects crops, and it is estimated that adequate protection against it could improve the production of some vegetables by 50 percent.

NETHERLANDS ANTILLES

At the level of distribution, the absorptive capacity of the Netherlands Antilles market for agricultural products is high. Local food production could find more organized local markets if greater planning and marketing were done. Greater planning and production can swing the purchasing pattern in favour of fresh products, as opposed to frozen, packed and canned products.

The Netherlands Antilles could benefit from the transfer of technology that would combat the physical problems that confront agriculture.

At the legal and administrative level, there is at present no control over the use of ground water and it is feared that if restrictions are not imposed on its use, soil quality will deteriorate. The general pattern of ownership of land is in favour of private ownership, which has tended to be a brake on the allocation of land for agricultural purposes. An analysis of land ownership by broad type is as follows:

Table 3
NETHERLANDS ANTILLES: PERCENTAGE DISTRIBUTION
OF LAND OWNERSHIP - PUBLIC AND PRIVATE

Island	Public	Private
Aruba	83.9	16.1
Bonaire	55.2	44.8
Curacao	37.7	62.3
St. Eustatius	39.8	60.2
St. Maarten	11.5	88.5
Saba	5.0	95.0

Source: Data supplied ECLA.

In the past, credit to the Agricultural sector was restrictive, but since 1975, some improvements in the planning, management and financing of the sector have occurred.

In the area of the supply of water, there are approximately 4,000 dams on the island of Curacao. Most of these dams are in poor condition. If financing from the island Government for purposes of rehabilitation of some of those dams is forthcoming, the supply of water for agricultural purposes would be increased. Feasibility tests on the use of a water purification plant for agricultural purposes are being conducted. Greenhouses are being installed and used to overcome the problem of wind damage. Some hydroponic farms have already been established in Curacao and Aruba. A re-forestation programme in the Leeward islands will replant 2,000 hectares. This should contribute to a better physical environment by halting the erosion, increasing water reserves and reducing the destruction due to the wind.

In the area of marketing, the island Governments must make efforts to promote the healthy aspects of fresh fruit and vegetable

NETHERLANDS ANTILLES

production. The island Governments can do much to identify possibilities for establishing agro-industries after the problem of production is settled. Official action in the areas of technology, research, extension and administration would boost agriculture in the islands.

At present, comprehensive statistics on agricultural production are not available. The statistical system should be so organized as to collect the required information from the islands.

As a result of recent developments in the assessment of the role of Agriculture, production estimates for 1982 are available.

Table 4
NETHERLANDS ANTILLES: AGRICULTURAL PRODUCTION
1982 - (NA.f)

Items	Curacao	Bonaire	Windward Islands
Fruits + vegetables	2,600,000	...	250,000
Pork	1,250,000	...	...
Goat	425,000	...	130,000
Chicken	450,000	...	2,000
Eggs	3,600,000	263,000	...
Fish	5,100,000	1,100,000	4,800,000

Source: DEZ-LVV.

A number of projects involving the island Governments and private enterprise have been inaugurated or planned. These projects will boost local production of agricultural commodities. The list of projects is as follows:

Table 5
NETHERLANDS ANTILLES: PROJECTS SPONSORED BY THE
PUBLIC SECTOR - (NA.f)

Activity	Location	Amt. of Financing required (est.)	Starting date
Pig breeding project	Curacao	1,000,000	Jan. 1983
Conch project	Bonaire	60,000	1981
Fishery project	St. Eustatius	500,000	1983
Slaughter house	Curacao	4,000,000	1983
Distribution centre for vegetables	Curacao	...	...
Slaughter house	Bonaire	1,000,000	1983
Slaughter house	St. Eustatius	...	1983
Open market (BELINAH)	St. Maarten	...	...
Agricultural centre	Saba	...	1980

Source: DEZ.

NETHERLANDS ANTILLES

Table 6
NETHERLANDS ANTILLES: PROJECTS SPONSORED BY THE
PRIVATE SECTOR - (NA.f)

Activity	Location	Amt. of financins required (est.)	Startins date
Chicken laying project	Curacao	40,000	1983
Chicken hatchery	Curacao	130,000	1983
Horticultural projects	Curacao	200,000	1983
Hydroponic project	Curacao	5,000,000	1983
Hydroponic project	Bonaire	2,000,000	1983
Shrimp project	Bonaire	...	1983
Horticultural project	St.Maarten	40,000	1983
Fruit tree project	St.Eustatius	50,000	1983
Fish project	St.Maarten	80,000	1983
Water tanks	Saba	31,500	1983

Source: DEZ.

In the area of hydroponics, the main problem is the supply of water. Whereas organization is feasible though expensive, the real problem is to extract the salt from the water. A re-cycling plant is providing water for the project, but the cost of production of this water is at present high. A number of crops are produced by the hydroponics method. These include tomatoes, beans, cucumber, sherkins, melons and lettuce.

With the recent resurgence of support for the Agricultural sector, production is expected to increase, and the sector should contribute more to total GDP.

ii) Manufacturing and Oil refining. Oil refining capacity in the Netherlands Antilles is approximately 800,000 b/d and comprises two refineries, Shell Curacao N.V. with a capacity of 360,000 b/d and Lago Aruba (EXXON) 440,000 b/d. The output of both refineries is oriented to provide products, mainly heavy fuel oil, to the Eastern United States using heavy crudes from Venezuela, although the Shell Curacao facility has the capacity to process a variety of crudes and products and this versatility is being increased. Given the international economic environment as well as the shifting demand pattern for petroleum products in the United States, output of these refineries has been declining.

Refining throughput in the Netherlands Antilles peaked in the early 1970's at 90% of rated capacity. By 1979 throughput had fallen to 62% of the 1973 level as a result of energy conservation measures and policies designed to increase domestic production and refining in the United States. Since 1979, the economic recession has further depressed demand and shifted it to favour those refineries capable of producing lighter products and distillates, factors which have been detrimental to Antillean refineries. For the longer term, market pressures are forcing refineries to be located in closer proximity to the consumer, while political pressures are being brought to bear to

locate them closer to the source of crude petroleum. In either scenario, intermediate refineries such as those in the Antilles are being placed under pressure.

In the early 1950's the oil sector provided employment for over 21,000 workers and contributed 40% of GDP. Since that time, as a result of rationalization and changing technology, employment has fallen to just over 4,000 and the contribution to GDP has fallen to less than one half of the previous figure.

In an attempt to set a better picture of the contribution of this sector to the balance of payments, a breakdown of the balance and a production index are set out at Table 7.

Table 7
NETHERLANDS ANTILLES: IMPORTS, EXPORTS AND
NET OIL BALANCE
(NA.f millions)

	1978	1979	1980	1981
Oil exports	5,187.7	7,533.4	10,672.4	10,346.3 ¹
Oil imports	5,057.6	7,063.1	10,559.6	10,131.2
Net oil balance	130.1	470.3	112.8	215.1
Production index (1975 = 100)	100	92	91	88

Source: Central Bank Quarterly Bulletin, Vol. 9.3-9.4.

¹Figures for 1981 measured on a cash flow basis.

The table does not, however, show the value of petroleum imports used for local transportation or electricity generation. Neither does it show the amounts used for bunkering. Moreover, unless analyzed in conjunction with the production index it is also not clear whether a change in the net balance is caused by a change in prices or in output.

The production index records a steady decline since 1973 when it stood at 149. Between 1975 and 1978 it remained relatively stable but has registered a steady decline since that time.

Seismic exploration surveys are currently underway around the islands of Curacao, Aruba and Bonaire. Exploration is also being conducted around the Saba bank. Any petroleum which might be found will be distributed on a production sharing basis with a 50:50 split between the company and the Government for wells with an output of up to 24,999 b/d and an 80:20 split in favour of the Government for wells with a production capacity in excess of that figure.

iii) Tourism. Tourism is a major economic activity in the Antilles. It is estimated by the Central Bank that tourism and its related activities contributed about 20% to both employment and domestic product in 1981. Preliminary indications are that earnings from this sector have contracted slightly for 1982.

NETHERLANDS ANTILLES

Due to the wide geographic spread of the Antilles, the tourism product offered is diversified, catering to the needs of different types of tourist and drawing its clients from various parts of the world (see Table 8).

Whereas Curacao provides mainly for shoppers, the sister island of Aruba combines shopping with beach resort facilities. Bonaire, on the other hand caters mainly to scuba divers and provides an altogether less 'commercial' resort for its visitors. St. Maarten being separated by 600 miles from the Southern islands mentioned, has a different character and will be considered by the traveller as an alternative destination to Puerto Rico, or the Virgin Islands rather than to its sister Antilles.

Table 8
NETHERLANDS ANTILLES: STAYOVER TOURISTS, 1981

Visitors by origin/ destination	Curacao	Aruba	St. Maarten	Bonaire	Total	%
U.S.A.	29,101	124,031	122,922	9,885	285,939	27
Venezuela	78,149	66,299	4,569	3,281	152,298	25
La.Am. + Caribbean	40,189	16,905	19,839	6,206	83,139	14
Netherlands	8,865	5,590	2,561	2,143	19,159	3
Other Europe	5,000	2,633	24,040	270	31,943	5
Rest of World	4,925	5,867	16,522	4,166	31,480	5
Total	166,229	221,325	190,453	25,951	603,958	
(%)	(27.5)	(36.6)	(31.5)	(4.3)		

Source: Central Bank van de Nederlandse Antillen, 1981.

Table 8 gives a breakdown of the numbers of visitors to the Netherlands Antilles by origin and destination for the year 1981, the last year for which complete data are available. It will be noted that each of the three main resort islands receive between 27-37% of the stay-over tourists. The figure fluctuates from year to year, for example, in 1979 St. Maarten received 36% of the arrivals whereas in 1981 it received 31.5%, the decline being accounted for by the summer closure of its largest hotel due to financial difficulties. Preliminary figures for 1982, however, indicate a growth of 13% over 1981, with a larger number of stay over guests than the other islands being recorded. Bonaire is a smaller resort accounting for only 4% of the total, although rapid growth between 1979 and 1981 has been recorded at 15% and 13% respectively.

In broad aggregates, the U.S.A. is the country of origin for 47% of all tourists to the Antilles in 1981. Venezuela contributes 25% and the rest of Latin America and the Caribbean account for 14%. The origin of visitors, however, differs between the islands.

The U.S. contributes 64% of the tourists to St. Maarten, 56% to Aruba but only 17.5% to Curacao. Venezuela contributes only 2.4% of tourists to St. Maarten but 30% to Aruba and 47% to Curacao. It is interesting to note that Latin America and the Caribbean combined

NETHERLANDS ANTILLES

contribute 71% of the tourists to Curacao. This is due of course partly to close geographic proximity but also because Curacao functions as an international bazaar for the region.

Tourism in the region has in general been severely affected by the international recession. The Netherlands Antilles has, however, managed to contain these effects well in so far as the number of stop-over visitors actually increased by 1% from 1979-1981. Preliminary figures for 1982 show a decrease of 0.5% for Aruba but an increase of 13.2% for St. Maarten (Table 9). Figures available for Curacao (January to September 1982) show a decrease of 8.5% in the number of stay-over visitors compared with the same period in 1981. During the

Table 9
NETHERLANDS ANTILLES: SELECTED TOURISM STATISTICS

	1980	1981	1982	Annual growth rate %		
				1980	1981	1982
Stay-over visitors ('000)	595	603.9	...	-0.6	1.5	...
Aruba	188.9	221.3	220.2	2.0	17.2	-0.5
Curacao	178.6	166.2	...	0.2	-6.9	...
Bonaire	22.8	25.9	...	15.7	13.6	...
St. Maarten	204.7	190.5	258.1	-4.7	-6.9	13.2
Cruise ship visitors ('000)	350.8	293.1	...	-10.4	-16.4	...
Aruba	73.4	54.7	51.1	-23.2	-25.1	-7.0
Curacao	169.0	128.4	110.0	-2.9	-24.0	-14.3
Bonaire	2.9	12.0	...	-42.0	313.8	...
St. Maarten	105.5	106.0	...	-10.0	0.5	...
Cruise ship calls						
Aruba	110	79	84	-25.1	-28.2	6.3
Curacao	253	195	183	2.8	-22.9	-6.2
Bonaire	5	23	...	16.6	360.0	...
St. Maarten	213	148	...	9.8	-30.5	...
Avg. length of stay (nights)						
Aruba	6.2	6.2	6.2	-6.0	-	-
Curacao	4.8	4.2	...	-4.0	-12.5	...
Bonaire	4.7	4.6	...	-4.0	-2.1	...
St. Maarten	...	...	...	...	...	...
Hotel occupancy rate (%)						
Aruba	77.4	86.2	...	...	...	...
Curacao	70.6	72.6	...	...	...	...
Bonaire						
St. Maarten	...	58.2	...	...	...	...
Est. tourist expend ¹ (NA.f millions)	578.8	655.2	486.2 ²	21.6	13.1	-5.4 ²

Source: Central Bank Quarterly Bulletin: Vol. 9.3-9.4; Central Government of the Netherlands Antilles; and data supplied by ECLA.

¹Contribution to Balance of Payments measured on a cash flow basis.

²Figures for January-September.

Note: The negative growth rate of 5.4% observed in 1982 was the result of the comparison of January-September figures for 1981+1982.

period, the average length of stay for all islands registered a small decrease from 6.6 to 6.2 days.

Cruise ship visitors have declined in numbers by 25% over the period 1979-1981. The trend is expected to continue in 1982 because the location of Curacao and Aruba, away from other major tourist destinations makes this no longer attractive due to the high cost of fuel. This argument should, however, work in favour of St. Maarten which has increased cruise ship arrivals between 1980-1981.

For the period 1980-1981 estimated tourist expenditure rose in nominal figures by 37.8%. The rate of inflation for the period was computed at 25.9%.

iv) **Construction.** Construction activity accounts for over 5,000 members of the total number employed. At present most of the construction firms comprise small establishments which lack the expertise and capacity to undertake larger-size projects. Because of the nature of construction, the sector is subject to large fluctuations in numbers employed and value of construction put into place. A dated estimate of the sector's percentage contribution to GDP puts the figure at 4% of total GDP at Market Prices in 1979.

v) **Public Utilities.** The transport and distribution of water and electricity on the island of Curacao is effected by a Curacao island Government-owned company, KODELA. Prior to 1 July 1977, this company was privately owned by an enterprise in Rotterdam. The island Government of Curacao purchased it in July 1977 and continued operations. Electricity is purchased by the company from another which produces electricity and water. KODELA buys and in turn sells to customers. In addition, it gave a management contract to another company to manage KODELA. This arrangement lasted until July 1982.

The OGEM company controls the distribution of electricity on Aruba, and is a private company. The island Government is responsible for the production of electricity and water, and for the distribution of water. In Bonaire, the distribution of water is effected by the Island Government. In Saba and St. Eustatius, because of high rainfall, the abundant surface water is caught in cisterns. The water stored is sufficient for the relatively small population.

Electricity rates for all the islands are fixed by the Minister of Economic Affairs of the Central Government. Water rates are set by the island Governments. Overall, less than 1% of the population of the Netherlands Antilles is without electricity. In the islands of Aruba, Bonaire and Curacao, about 99% of the households are supplied with running water.

3. The external sector

The Netherlands Antilles, not being richly endowed with indigenous raw materials nor having a developed manufacturing sector, in addition faces on the main islands a severe shortage of water which has constrained agricultural development. The end result of these

NETHERLANDS ANTILLES

circumstances is that the islands have had to use their ingenuity to develop a wide range of service industries to generate the foreign exchange necessary to meet their needs. Whereas external dependence is a common characteristic of the Caribbean economies, it is all the more heightened in the Netherlands Antilles.

Table 10
NETHERLANDS ANTILLES: ARUBA AND CURACAO:
IMPORTS AND EXPORTS BY SITC SECTIONS
(excluding oil and oil products)
(NA.f Million)

SITC Sections	Imports		Exports	
	1976	1977	1976	1977
0. Food	199	222	52.4	50.7
1. Beverages + tobacco	15	18	0.1	0.1
2. Crude mat., inedible, except fuels	7	10	16.6	13.8
4. Animal + vegetable oils and fats	2	3	...	...
5. Chemical products	78	113	87.3	60.9
6. Manufactured goods	134	153	4.1	4.4
7. Machinery + transp. equip.	170	228	21.9	19.9
8/9 Misc. + other articles	198	205	9.1	9.0
Total	804	953		158.8

Source: Statistical Yearbook of the Netherlands Antilles, 1981, Central Bureau of Statistics, Curacao.

i) **External trade.** In 1980, the last year for which complete data are available, the islands had a deficit on merchandise trade of NA.f 1,290.3 million. Non-oil merchandise exports earned NA.f 224.3 million or enough to cover only 14% of non-oil imports while net earnings on the services account were NA.f 1,207.9 million or equivalent to approximately 74% of the non-oil imports.

Estimates for 1981 show a slight decline of the deficit by 2% compared with 1980, but for 1982 (based on figures for the first three quarters) it grew by 10% over the same period in 1981. The earnings from the services sector increased by 9.6% in 1981 over 1980 but for the period January-September 1982, registered a small decline of 0.5% over the corresponding period in 1981.

Primary earners on the service account are bunkering and tourism with ship maintenance and repair, revenues from off-shore finance companies and storage fees all adding significant sums to the sector.

ii) **Balance of Payments.** In the Netherlands Antilles there is a close interconnection between monetary policy, public finance and the balance of payments. This degree of interconnection derives from the small and open nature of the economy and the narrowness of its resource base.

NETHERLANDS ANTILLES

The Balance of Payments account for these islands is characterized by large transactions of the oil sector, a high value of goods imported, low export earnings, net inflows on the services account which results from travel and transportation receipts, and net capital inflows.

A decline in international reserves accompanied the balance of payments deficits of 1978 and 1979, as can be inferred from a statement of the balance of payments on a cash basis. Large outflows of capital took place, while at the same time the inflow of foreign loans and grants decreased.

Table 11
NETHERLANDS ANTILLES: BALANCE OF PAYMENTS:
CASH BASIS
(As at end of December)

	1980	1981
Oil exports	10 663.3	10 346.3
Oil imports	10 557.9	10 131.2
Net	105.4	215.1
Non-oil exports	225.0	254.2
Non-oil imports	1 645.9	1,711.0
Net	-1 420.9	-1 456.8
Trade balance	-1 315.5	-1 241.7
Transportation	1 010.5	944.3
Bunker	587.4	564.5
Storage fee	173.9	188.4
Other	249.2	191.4
Tourism	578.8	655.2
Investment income	-422.6	377.2
Government n.i.e.	115.8	146.4
Private remittances	-21.8	-43.0
Other services	13.4	70.8
Services balance	1 274.1	1,396.5
Unrequited transfers	73.0	7.7
Private	-45.3	-50.4
Government	118.3	58.1
Current account	31.6	156.5
Private capital	49.4	-136.0
Securities	-17.7	-56.2
Real estate	2.6	-0.3
Loans	33.4	-6.1
Commercial bank's foreign borrowings	13.9	4.6
Short-term capital	6.2	-78.0
Government capital	31.9	53.1
Loans	46.0	38.9
Other	14.1	14.2
Capital account	-17.5	-82.9
Errors and omissions	38.1	22.5
Changes in international reserves ¹	-52.1	-96.1

Source: Central Bank of Netherlands Antilles.

¹Increase: - sign.

NETHERLANDS ANTILLES

The cash flow approach to the measurement of the balance of payments does not include all the payments of the two oil refineries, 'Shell' and 'Laso'. The statement includes only the amounts transferred by these companies from their bank accounts abroad to Antillean banks. To this extent, the Merchandise Trade Account does not include the sale and purchase of oil and oil products effected through the intermediary of Shell or Laso. The cash flow has the added disadvantage that it does not afford a proper comparison of the balance of payments in different years.

The balance of payments account is also presented on a transaction basis. This approach differs from the cash basis, but on the transactions that have actually taken place. The most important differences are found in the merchandise account and investment income.

Another method of presentation of the balance of payments is the fundamental balance of payments account. This gives a better insight into the relevant developments in the economic relations of the Netherlands Antilles with other countries.

Indications are that the level of international reserves deteriorated in 1982.

iii) **Off-shore financial institutions.** The Netherlands Antilles has developed a comprehensive range of financial institutions to service clients in other areas of the world, particularly the U.S.A., the EEC and Venezuela. These so-called off-shore services comprise banking, finance companies, subsidiaries of international companies, insurance and re-insurance, and investment funds. In addition, a variety of holding, royalty and copyright and patent holding companies have also been incorporated. A constellation of professionals such as lawyers, accountants and the employees of trust companies which undertake the incorporation, maintenance and operation of legal entities, has tended to cluster around these activities. It is estimated that these off-shore activities employ over 1,000 high income professionals.

While not a tax haven in its strictest sense, the Antilles do provide a preferential tax rate of 2.4% on the first NA.f 100,000 of net profit and 3% on the remainder, as an incentive to attract off-shore business. This compares with a rate of between 31-39% on similar enterprises engaging in local operations. Liberal foreign exchange regulations, favourable banking regulations, good telecommunications links, and a stable political environment complete this package of incentives. Off-shore operators may also benefit from appropriate tax treaties agreed between the Netherlands Antilles and the U.S., U.K. and the Netherlands. These treaties have however, especially in the case of the U.S., created an element of uncertainty. Tax legislation in the U.S. has been subjected to considerable change in recent years in order to close those loopholes which made it worthwhile for U.S. enterprises to register abroad. More recently the U.S. has been negotiating its double taxation treaties to include companies which do not have at least 75% ownership by locals. The efforts by the U.S. to obtain easy access to information on clients

NETHERLANDS ANTILLES

of off-shore business, whether they are U.S. nationals or not, is also a source of some concern to the Antilles authorities. At present, there is no specific Antillean law governing banking secrecy although the practice in the banking community has been to provide information to the local authorities only when the courts indicate that there is a strong suspicion of criminal activity, and to the Central Bank. The general practice of the industry has been to treat information on clients with the strictest confidentiality and to oppose any demands which erode this principle.

By its nature, it is difficult to arrive at precise figures as to the size of the sector or its contribution to the local economy. Some indication of its growth may, however, be derived from Table 12 which shows an increase of tax revenues received from the off-shore sector as a whole, of approximately 80% for the period 1978-1981.

Table 12
NETHERLANDS ANTILLES: TAX REVENUE OFF-SHORE
(NA.f millions)

1978	1979	1980	1981
77	62.4	100.5	137.0

Source: Central Bank Quarterly Bulletin, Vol.9.3-9.4.

The off-shore banking sector performs a full range of banking services to non-Antillean clients. It is dominated by Dutch Banks with strong representation from Venezuelan, U.S. and Canadian Banks. U.K., Swiss Arab and Brazilian concerns are also represented.

A balance sheet total for 44 off-shore banks, and the off-shore portion of the 5 domestic deposit banks engaging in such transactions, is set out below (see Table 13). It gives some indication of the growth of business conducted by the banking institutions for the period 1978-1981, which registered an increase of 229 percent.

Table 13
NETHERLANDS ANTILLES: TOTAL ASSETS/LIABILITIES
(Off-shore banks)
(NA.f millions)

1978	1979	1980	1981
4,108.5	6,458.8	8,565.4	13,523.3

Source: Central Bank Quarterly Bulletin, Vol.9.3-9.4.

The year 1982 is expected to have followed these trends.

iv) Transportation and ship repair. These activities cover a range of services including the transport of persons and goods, with the exception of imports whose value is measured c.i.f.. They also

NETHERLANDS ANTILLES

include bunkering, maintenance and repair of foreign aircraft and ships, as well as charges for the storage of goods. The accounts of the National Airline, ALM, and the Curacao Dry Dock Company are also included as are harbour dues and pilotage fees.

The Balance of Payments table separates the cost of bunker fuel from the other services. It will be noted that the earnings from bunkering fluctuate widely showing a reduction of 10% in 1978 but positive growth of 80% and 5% respectively for 1979 and 1980. Preliminary figures for 1981 show an increase of less than 1%. The changes in earnings in 1979 are more likely to reflect a change in profit margins on the sale of bunker fuel in the very volatile petroleum market than in a proportionate increase in volumes sold.

The heading ship repair and transportation which covers all the items in the major heading except bunkering shows a more stable trend with increases of 13% and 18% for 1979 and 1980 respectively. Preliminary figures for 1981 indicate a reduction of 6.5% against 1980.

Ship repairing is an important earner of foreign exchange for the Antilles and an important employer of labour in Curacao. In 1981, the shipyard employed 1,200 highly skilled persons at relatively high wages with part-time employment for 400 less skilled labourers. They have the capacity to repair a variety of vessels including oil tankers and ore carriers of up to 130,000 dead weight tons.

Earnings from ship repairs have increased steadily up to 1980 when they stood at NA.f 103 million. A significant decline has taken place since that time, estimated to be over 20% for 1981 and the decline has increased in 1982. A reduction in international trade and the resulting competition in the shipping industry means that fewer ships are employed; those that are will defer maintenance for as long as possible and those needing maintenance are seeking the most price competitive shipyards. All these elements are currently affecting Curacao. As a result of high wage rates, the productivity of Curacao shipyards will need to be increased if it is to remain competitive.

Significant quantities of foreign exchange are earned by the fees derived from storing goods which are either imported, exported or in transit. The bulk of the earnings under this item are derived from the oil storage facilities in Aruba, Bonaire and Curacao and more recently in St. Eustatius. Crude oil purchased in the Middle East, Africa and the North Sea is transhipped from large transatlantic tankers to smaller vessels bound for the United States since the East Coast of the U.S. has until now been linked to vessels of 60,000 DWT. Competing facilities are however being established, particularly the Louisiana off-shore Oil Port (LOOP) which became operational in early 1981, and now permits vessels of up to 500,000 DWT to discharge their cargoes. This facility is expected to reduce the throughput of Antillean facilities which in 1980 were already operating at less than 50% of installed capacity. A general reduction in the demand for oil in the U.S. and a switching of sources of supply to Mexico cast further doubt for the future on this sector which employs about 400 people. In 1980, earnings from storage were NA.f 214.8 million and

for 1981 they are estimated to have increased by 8 percent.

v) **Distribution.** The lack of a developed manufacturing sector, coupled with an extensive and well-developed tourism sector have paved the way for a vibrant commercial sector. The trade balance has been negative, and increasing over time, as imports are relied on to provide for the tourist sector as well as the domestic economy. The unavailability of production data prevents firm conclusions on the level of manufacturing activity. Overseas trade data, however, can be used to gain insights into the structure of manufacturing activity vis a vis wholesale and retail trade activities.

Further, an examination of the dated National Accounts figures of 1979 reveals that the wholesale and Retail trade accounts for some 22% of total GDP. Employment data indicate that this sector, coupled with the Hotels and Restaurants activities, absorbs the largest group of workers in the labour force. The trade sector in Aruba and Curacao includes free-zone activity which consists of transit trade to Latin American importers. Capacity of these free zones is being increased.

4. Prices, wages and employment

Prices

As an open economy with a large proportion of its consumption goods originating abroad, price movements will reflect even more than is normally the case in the Caribbean, the rates of inflation prevailing in its major trading partners. The other important determinant for domestic prices is of course the value of the U.S. dollar (to which the local currency is pegged) relative to the currencies of the major sources of supply, particularly the EEC countries which provide almost 30% of imports. The major trading partner is the U.S. which supplies almost 44% of imports.

The consumer price index for the period 1980 to October 1982 is presented in Table 14. This index does not include St. Maarten for which a separate index is compiled (average annual variations for St. Maarten for 1980-1981 are in brackets). It shows an average rate of increase of all prices of 12.2% in 1981 over 1980 but a reduction to 5.7% on average for the 10 months January to October 1982. A new index was started in October 1982 with that date being designated as the base period. Price changes for the remainder of the year were, however, minimal in the various categories, the total index remaining at 100 by year end. St. Maarten shows a smaller rate of price increase in 1981 at 8.8 percent.

For all islands, the largest price increases for the two year period are shown by medical care and household supplies. Clothing and footwear, and food showed lower increases which were nevertheless still above the average. Housing prices showed above average growth in 1981, but almost no increase for 1982. The rate of increase in this item was much more moderate in St. Maarten in 1981. For 1981, price increases in St. Maarten, while showing a similar pattern, were more moderate overall than in the Leeward islands.

NETHERLANDS ANTILLES

Table 14
NETHERLANDS ANTILLES: EVOLUTION OF CONSUMER PRICE INDEX
Leeward Islands
(April 1975 = 100)

	Weight	1980	1981	1982 ¹
Annual Averages				
Total	10,000	155.0	173.0	183.9
Food and beverages	3,024	163.6	182.8	195.1
Clothing and footwear	843	138.3	155.6	168.2
Housing	1,814	158.5	181.1	182.1
Household supplies	805	172.0	195.7	213.7
Medical care	384	158.0	185.9	210.0
Transport + communications	1,268	149.7	167.4	177.8
Recreation, entertainment + cultural goods + services	696	139.2	151.5	156.1
Education	113	114.2	118.0	122.8
Miscellaneous	1,053	143.6	157.7	167.6
% Variation December to December				
Total		14.0	6.1	5.6²
Food and beverages		15.9	8.0	6.2
Clothing and footwear		11.7	-30.3	7.7
Housing		25.7	6.6	-42.8
Household supplies		15.2	11.2	9.7
Medical care		11.3	22.7	5.2
Transport + communications		13.2	7.9	12.0
Recreation, entertainment + cultural goods + services		-18.9	3.6	2.6
Education		13.5	7.6	6.0
Miscellaneous		16.0	8.6	-39.5
Annual average variations				
Total	...	12.2	(8.8)³	5.7
Food and beverages	...	11.7	(10.6)	6.7
Clothing and footwear	...	12.5	(4.6)	8.1
Housing	...	14.3	(2.9)	0.5
Household supplies	...	13.8	(9.5)	9.2
Medical care	...	17.7	(23.5)	12.9
Transport + communications	...	11.8	(14.3)	6.2
Recreation, entertainment + cultural goods + services	...	8.8	(8.0)	3.0
Education	...	3.3	(1.4)	4.1
Miscellaneous	...	9.8	(9.6)	6.3

Source: Data supplied ECLA.

¹ Average for January to October 1982.

² October to October.

³ Figures for St. Maarten 1981.

NETHERLANDS ANTILLES

The year 1982 saw a decline in the rate of inflation in line with international trends. To a lesser extent, it also reflected the appreciation in the rate of exchange of the U.S. dollar vis a vis European currencies.

The Netherlands Antilles has comprehensive minimum wage legislation which covers all workers over 21 years old. Proposals to cover youth between 16, the minimum age at which persons can be employed, and 21, have been inhibited by the fear that it will restrict employment in this age group, where a high rate of unemployment prevails. Four categories of minimum wage are considered, as set out at Table 15 and generally relate to Industry, Service Enterprises, Retail Commerce and Domestic Servants.

Table 15
NETHERLANDS ANTILLES: MINIMUM WAGES
(NA.F per month)

	1979	1980	1981	1982
Category (1)	633.30	712.46	817.20	921
Category (2)	455.20	512.10	587.40	655
Category (3)	382.05	429.81	493.00	546
Category (4)	182.80	205.65	235.90	280

Source: Bank of Netherlands Antilles, Annual Report 1980; data provided Netherlands Antilles.

- (1) Manufacturing industry, excluding electronics, textiles and clothing, plus construction.
- (2) Banks, insurance companies, transportation, hotels, restaurants and recreation.
- (3) Agriculture, trade, electronics, textiles, clothing, laundry, etc.
- (4) Household personnel.

The minimum wage is adjusted at the beginning of each calendar year to reflect the increase in cost of living for a previous 12 month period. Due to difficulty in collecting data, there is a lag of about 5 months in the period used. Despite this system of indexation, employees in the more aggressive unions are better paid within each sector than non-unionized employees since they are usually able to negotiate rates appreciably above the minimum.

Whereas the consumer price index shows an average price increase of 18.6% for the two year period 1980-1982, the minimum wage figures averaged a 30% increase, the greatest jump being recorded in category (4) at 36%. In this time period, one must conclude that wages have significantly exceeded prices, and barring any increases in productivity, are themselves contributors to inflation.

NETHERLANDS ANTILLES

Table 16
NETHERLANDS ANTILLES: BREAKDOWN OF POPULATION
AND LABOUR FORCE (1978)

Island	Population	Labour force	%	Employed	Unemployed	% of Labour force
Aruba	63,000	24,000	100	22,500	1,500	6
Bonaire	9,000	3,000	3	2,500	500	16
Curacao	161,000	58,000	64	47,000	11,400	20
Saba	1,000	300		240	60	20
St. Eustatius	1,400	450	1	380	70	17
St. Maarten	16,000	5,600	6	5,600		0
Total	251,400	91,350	100	78,220	13,530	15

Source: Central Bank of Netherlands Antilles.

Table 16 gives a breakdown of the population of the respective islands at the end of 1978. Because of the age profile of the population, the labour market is estimated to grow at between 3% - 4% per annum. Despite the fact that the number of persons employed in Curacao and Aruba grew by 3.6% and 2% in 1979 and 1980 respectively, and that employment increases have been steady and sustained in St. Maarten, the numbers unemployed, particularly in Curacao, are increasing. For the period 1980-1982 gains in employment are not expected to be significant and unemployment in Curacao at the end of 1982 was estimated at 25% of the labour force. This is an increase from 20% in 1978. The other islands with the exception of Bonaire were regarded as fully employed in 1982, St. Maarten, moreover, absorbing workers from adjacent islands and from Curacao.

In those areas of high unemployment, however, the quest by labour to secure stable employment through comprehensive procedures governing dismissal might have inhibited the growth of new and casual employment.

Table 17 gives an estimate of the proportions of the economically active population employed by sector, for 1981. It will be noted that the largest proportion, over 20% of the labour force, is employed in the public sector which has grown rapidly in recent years in response to the perceived need to reduce unemployment. The wholesale and retail trades account for 14% of the economically active population but must be seen in conjunction with tourism which employs 9% of the labour force directly, since a significant portion of the visitors to the Antilles go to shop. Manufacturing, which includes the petroleum sector and ship repairs, is estimated to absorb 12% of the labour force. Finance, insurance and other business services employ approximately 10% of the labour force. This category incorporates the activities of the off-shore sector. Finally, the unemployed constitute 15% of the economically active population.

Table 17
NETHERLANDS ANTILLES: STRUCTURE OF
ECONOMICALLY ACTIVE POPULATION
1981

	%
Agriculture and fishing	0.7
Minings	0.4
Manufacturing	12.0
Electricity, gas + water	1.4
Construction	5.4
Wholesale + retail trade	14.1
Restaurants + hotels	8.9
Transport, storage + communications	4.3
Finance, insurance, real estate + business services	9.8
Public administration	20.7
n.e.s.	6.6
Unemployed	15.0
Total	100.0

Source: Economist Intelligence Unit, 1981.

5. Monetary and fiscal policy

(a) Monetary policy

The data on money supply indicate that the money supply increased by 18% and 20% in the years 1981 and 1982 respectively. Taking into

Table 18
NETHERLANDS ANTILLES: INDEX OF THE MONEY SUPPLY
(1975 = 100) AND LIQUIDITY CREATION
(NA.f million at 31 December)

	1976	1977	1978	1979	1980	1981	1982
Money supply	112.3	127.9	144.0	148.8	167.5	197.8	237.9
Liquidity creation							
Domestic	6.3	93.2	176.6	31.6	78.3	99.7	118.1
Foreign	66.1	-1.8	-82.1	1.1	26.2	77.2	123.9
Total	72.4	91.4	94.5	32.7	104.5	176.9	242.0

Source: Central Bank.

account the respective rates of inflation of 12.2% and 5.7%, an increase, in real terms, of the money supply was observed. A large part of the monetary expansion can be explained by inflows of foreign exchange, while the domestic growth of the money supply has exceeded the growth of production in real terms in 1981.

NETHERLANDS ANTILLES

Loans outstanding to the private sector increased by some 20% in 1981. Loans outstanding to the Central and island Governments decreased in 1981, partly because of increased receipts of development aid, and more so because of the increase in tax payments by the oil refinery in Aruba. By late 1982, claims on the public sector rose by some 26%, as a result of a deteriorating cash position of the Central Government.

(b) Fiscal policy

The main problem in public finance in the Netherlands Antilles was the structurally larger growth of Government current expenditures over current revenues since 1974. Indications are that increases in revenue were followed by an expenditure programme, the personnel element of which tended to be difficult to contract. In the last three or four years, another related issue is the fact of revenue-sharing since the island Governments have tended to withhold tax revenues collected, rather than turn them over to the Central Government. This ploy has permitted the island Governments to increase their expenditures substantially, thus depriving the Central Government of a major source of income. The Central Government was therefore forced to increase its issues of bonds and treasury paper to meet inescapable commitments.

Table 19
NETHERLANDS ANTILLES: CENTRAL GOVERNMENT
INCOME AND EXPENDITURE
(NA.f. million)

	1979	1980	1981	1982	Annual growth rate		
					1980	1981	1982
Current revenue	246.6	255.9	297.3	333.2	3.6	16.2	12.1
Direct taxes	71.6	30.0	36.0	36.5	-58.1	20.0	1.4
Indirect taxes	128.6	...	107.5	211.0	...	...	96.3
Current expenditure	255.9	259.6	296.9	363.9	1.4	14.4	23.2
Wages and salaries	...	...	148.0	199.0	...	...	34.5
Other	...	...	149.0	165.0	...	...	10.7
Deficit/surplus	-9.4	-3.7	0.4	-30.7	60.6	89.2	...
Capital expenditure	19.7	13.1	...	...	-33.5	...	...
Total expenditure	275.6	272.7	...	...	-1.1	...	...
Fiscal deficit	-29.0	-16.8	...	...	42.1	...	...

Source: Data supplied ECLA.

The major reasons for Government's spending in excess of income are the growth in personnel emoluments, the interest payments on domestic Government debt, and the high and growing budgetary deficits of the four smaller islands of the constellation. These are financed by the Central Government.

PART IX

ST. KITTS/NEVIS

COUNTRY NOTES

ST. KITTS/NEVIS

1. Recent economic trends: introduction and summary

The economy of St. Kitts/Nevis grew at about 3% in real terms in 1981. For 1982 estimates suggest negative real growth of about half a percentage point. The per capita Gross Domestic Product (GDP) for 1982 reached EC\$2,523.

Sugar exports are still the backbone of the economy. Their value accounted for about 38% of gross domestic product in 1981. Despite increased volume, this share dropped to around 28% in 1982, largely because of the decline in sugar earnings due to the depreciation of the pound sterling. The diversification efforts both in agriculture and manufacturing show mixed results. 1982 food imports still ran up a bill of EC\$28 million - almost reaching the estimated value of sugar revenue for the 1982 harvest. The light industry sector was hampered in its development by the worldwide recession. The tourist sector, however, was able to retain and even slightly increase the number of visitors to the island state.

Table 1
ST. KITTS/NEVIS: MAIN ECONOMIC INDICATORS

	1979	1980	1981	1982
A: Basic economic indicators				
GDP at factor cost (millions of current EC\$)	80.9	95.9	106.6	109.5
Population ('000 inhabitants)	43.4	43.3	43.3	43.4
Per capita GDP (curr. EC\$)	1 864	2 215	2 462	2 523
Growth rates				
B. Short-term economic indicators				
GDP (in current values)	15.7	18.5	11.2	2.6
Per capita GDP	15.7	18.3	11.1	0.3
Current value of exports of goods and services	0.1	43.2	0.1	...
Current value of imports of goods and services	32.6	39.7	0.6	...
Consumer price index Dec/Dec	14.4	13.7	8.3	3.0
Money	20.5	15.1	10.3	18.3
Percentages				
C. External sector				
Fiscal deficit as a % of total Gov't expenditure	19.0	19.8	26.6	39.1
Deficit in the balance of visible trade as a % of GDP	50.9	52.5	59.4	...

Source: ECLA on the basis of official and provisional data.

The rate of unemployment is estimated at 30%. The balance on visible trade shows large and growing deficits which exceeded EC\$63 million in 1981. Supplementary data of the external sector are insufficient to provide a full account of the balance of payment. In 1981 Government employees incomes rose between 40% and 50%. For the rest of the economy in 1981, wages seem to have followed the inflation rate which fell from 8.3 in 1981 to 3% in 1982.

The fiscal deficit has worsened at an increasing rate over the 1981/1982 period. It is projected, however, that some of the large capital expenditures incurred will form the basis for economic recovery and renewed expansion.

2. Trends in economic activity

(a) Growth of the main sectors

(i) **Agriculture and agricultural production.** Sugar cane is the main crop on the island and the state administered sugar industry is the main employer, giving work to about 30% of the employed labour force. Sugar cane output declined by 4% in 1981 and rose by 3.5% in 1982. The corresponding production of sugar fell by 7% in 1981 to 32,000 tonnes but rose by 12.5% in 1982 to 36,000 tonnes. For 1983, the output is expected to fall. As in previous years, under the Lomé II Agreement 15,000 tons of sugar will be sold to EEC countries. The U.S.A. have agreed to accept the same quota as the EEC in 1983 so that most of the 1983 harvest will be sold under such agreements. Molasses output declined in 1981 by 31% but rose in 1982 by 42% to 2.16 million gallons. Financial losses in the sugar industry will continue to be heavy and are estimated to reach \$13 million in 1983. Productivity in this industry has not increased over the last decade and production costs have more than doubled since 1975.

The effort to diversify shows mixed results. Peanut output declined from 214 tonnes in 1980 to 200 tonnes in 1981 and then drastically to 134 tonnes in 1982. Copra output increased by 30% from 1980 to 1981 and figures for 1982 are not yet available. The production of cotton (on Nevis) was successfully revived in 1981, but in 1982 output declined by about one-third. Other agricultural output did not show substantial progress over the two-year period.

Table 2
ST. KITTS/NEVIS:
OUTPUT OF SELECTED AGRICULTURAL COMMODITIES

Commodities	Metric Tonnes				
	1978	1979	1980	1981	1982
Sugar cane	362 400	384 000	352 000	338 000	350 000
Cotton (lint)	6	1	0	11	7
Copra	101	115	132	170	...
Unshelled peanuts	...	113	214	201	134

Source: Data supplied by Statistical Office, St. Kitts/Nevis.

ST. KITTS/NEVIS

A number of projects on agricultural diversification - mostly through technical assistance - are underway. They are primarily aimed to foster substitution of the food imports. At about \$28 million the import bill for food in 1982 was roughly equal to the estimated total revenue from sugar sales in the same year.

(ii) **Tourism.** In 1981, the total number of visitors increased by about 20% as compared to the previous year. This was mainly due to an almost 90% increase of cruise ship visitors. Preliminary figures for 1982 show that despite the recessionary tendencies in this industry for the overall region, St. Kitts/Nevis was able to attract a slightly greater number of visitors. Stopover visitors stayed on the average for almost one week. The room occupancy rates of around 29% for St. Kitts reflect the fact that some well-managed hotels have high year-round occupancy rates while others do very badly and that tourism drops off considerably during the summer and fall periods.

Table 3
ST. KITTS/NEVIS: SELECTED TOURISM STATISTICS

	1978	1979	1980	1981	1982 ^P
Stop-over visitors	20 234	32 980	32 585	35 484	35 538
Cruise ship visitors	2 092	2 993	5 782	10 850	11 146
Total	22 326	35 973	38 367	46 334	46 684
Average length of stay of stop-over visitors (days)	6	5.5	5.5	6	6
Room occupancy rate % (St. Kitts only)	22	27	29	29	29
Number of hotel beds	860	881	900	887	901

Source: Statistical Office, St. Kitts/Nevis.

(iii) **Manufacturing and construction.** Manufacturing is mainly export-oriented. The major activities of about 27 enterprises include the assembly of electrical appliances, production of clothing,

Table 4
ST. KITTS/NEVIS: MANUFACTURING PRODUCTION

	Unit	1978	1979	1980	1981	1982
Electrical appliances ¹	\$'000	...	3 920	5 338	4 308	3 781 ^P
Clothing ¹	\$'000	...	4 026	4 864	4 597	...
Footwear ¹	\$'000	...	2 047	2 455	1 851	...
Beer	\$'000	391	389	309	267	367
Aerated water	\$'000	146	298	266	460	547
Electricity generated	'000	22 969	24 809	27 612	30 572	...
Electricity sold	kWh	20 217	21 301	25 816	28 775	...

Source: Statistical Office, St. Kitts/Nevis.

¹Only export data available.

footwear, beer, aerated water, food processing and data processing.

Viewed over the period for which data are available, the value of output of electrical appliances, clothing and footwear peaked in 1980 while the value of beer and soft drinks shows a trough in this year. Information from the Ministry of Trade and Development indicates that over the 1981/1982 period six companies started operations and two closed down (clothing, footwear). The above table shows a decline of manufacturing output of about 13% in 1981. Although complete data are not available, Government officials suggest a rise of this output by about 2% in 1982. The Labour Office estimates that unemployment in this sector decreased in 1981 but increased slightly in 1982.

Due to both increased private sector construction activity in tourism related projects and increased public investment in this area, construction is said to have grown around 10% in each of these years and to have more than absorbed the overall drop in employment in the manufacturing sector.

As in the year before, electricity output increased by about 11% in 1981 with a higher figure expected for 1982 due to the installation of additional generating capacity.

(b) Employment and unemployment

The Labour department indicates that the total population figure of 43,309 of the 1980 census has not undergone major changes. The size of the total labour force is given as 17,000 persons of which 10,500 are male and 6,500 are females. The unemployment rate is approximately 30% which does not take account of seasonal unemployment in the sugar industry.

2. The external sector

(a) The trade balance

The balance on visible trade continued to show mounting deficits. From 1980 to 1981 the value of total exports rose by less than half a percentage point, while the value of imports increased by 6%. The deficit of the balance on visible trade increased by 13% and total exports now account for only half the value of imports. Data for 1982 are not yet available but preliminary estimates suggest that this general situation persists.

In 1980 and 1981, sugar accounted for about 60% of the total export value. The data available for 1982 show a 25% decline in the value of sugar exports but due to the lack of total export data its relative share for 1982 cannot be determined. The group of exported manufacturing products is second in its importance for exports and in 1980 and 1981 showed relative total export value shares of 20% and 17.5%. The rest is taken up by the export of other agricultural products, fish and live animals.

Table 5
ST. KITTS/NEVIS:
EXPORTS, IMPORTS AND BALANCE ON VISIBLE TRADE
(EC\$'000)

Year	Domestic Exports	Total Exports	Imports C.i.f.	Trade Balance
1978	42 637	45 211	65 366	-20 155
1979	43 940	45 474	86 659	-41 185
1980	63 580	65 131	121 069	-55 938
1981	60 482	65 506	128 829	-63 323

Source: Statistical Office, St. Kitts/Nevis.

Table 6
ST. KITTS/NEVIS: SELECTED EXPORTS BY VALUE
(EC\$'000)

	1978	1979	1980	1981	1982 ^P
Sugar	32 000	30 521	38 974	39 766	29 921
Electrical appliances	...	3 920	5 338	4 308	3 781
Clothing	...	4 026	4 864	4 597	...
Footwear	...	2 047	2 455	1 851	...
Beer	391	389	309	267	367
Aerated waters	146	298	266	460	547
Molasses	436	876	1 269	880	1 429
Copra	108	144	154	220	...
Fish (incl. lobster and conch)	484	346	408	356	...
Live animals	158	157	241	289	...

Source: Statistical Office, St. Kitts/Nevis.

The main import items according to their value are food, manufactured goods and machinery and transport equipment with an approximate share in total imports of 20% each (in 1981). Miscellaneous manufactured articles, fuels and chemicals are other major imports which furthermore seem to exhibit a stronger growth pattern than the other items in the import list.

(b) The Balance of Payments

Both in 1980 and 1981, about 55% of the deficit on visible trade was covered by the positive balance of foreign exchange transactions by commercial banks (see Table 8). The breakdown of the latter shows that personal remittances were almost twice as high as net receipts from foreign travel.

External grants and loans and foreign investment in manufacturing contributed to financing the deficit in the current account. But, as data on short and long-term capital flows are not available, the balance of payments cannot be determined.

Table 7
ST. KITTS/NEVIS: IMPORTS BY SITC SECTIONS
(EC\$'000)

	1978	1979	1980	1981
Food	16 039	18 191	23 082	25 127
Beverages and tobacco	1 700	1 940	2 735	3 323
Crude materials (except fuels)	1 415	1 138	2 574	2 204
Mineral fuels, lubricants + related materials	5 455	7 313	13 135	14 104
Animal + vegetable oils + fats	440	511	492	846
Chemicals	5 949	6 711	9 911	11 436
Manufactured goods	12 446	20 748	28 003	25 982
Machinery + transport equip.	14 661	19 201	25 774	26 449
Misc. manufactured articles	6 922	9 733	14 681	18 646
Comm. + transactions (n.e.c.)	339	492	677	802
Total	65 366	85 972	121 064	128 829

Source: Statistical Office, St. Kitts/Nevis.

Table 8
ST. KITTS/NEVIS:
FOREIGN EXCHANGE TRANSACTIONS BY COMMERCIAL BANKS
(EC\$'000)

	1979	1980	1981
Balance of travel account	7 134	14 390	12 700
Foreign travel purchases	10 819	18 037	19 265
Foreign travel sales	3 685	3 647	6 565
Balance of personal remittances account	18 587	16 070	22 564
Personal remittances purchases	21 968	20 381	27 724
Personal remittances sales	3 381	4 311	5 160
Balance on foreign exchange transactions	25 721	30 460	35 265

Source: East Caribbean Currency Authority (ECCA).

4. Wages and Prices

(a) Wages

In 1981, sugar workers received a 10% increase on their base wage plus a bonus of 15% on their annual wage income. Government employees received raises of 50% and 40% for higher ranking officials and employees respectively. In 1982 wage increases for sugar workers were only 3% reflecting the financial problems of the industry. For the first time since the state-owned National Agricultural Corporation (NACO) took over cane-field operations in 1975, no special bonus ("soat water") was paid. Moreover than wages in the public sector, private sector wages seem to be patterned after the change in the cost of living.

(b) Prices

The all items index of consumer prices shows inflation of 8.3% for the year 1981 followed by an inflation rate of 3.3% in 1982. In 1981 the price hikes were most marked for clothings, household goods, alcohol and tobacco and transport, while in 1982 fuel, transport, alcohol and tobacco and the miscellaneous items contributed over-proportionately to the price rise.

Table 9
ST. KITTS/NEVIS: CONSUMER PRICE INDEX
(January 1978 = 100)

Group	% Weight	End of period			
		1979	1980	1981	1982
All items	100	127	145	157	162
Food	50	124	141	152	154
Alcohol + tobacco	5.6	126	140	159	172
Housins	7.6	120	122	126	129
Fuel + light	7.6	127	158	163	177
Clothings + footwear	7.5	130	133	161	158
Household goods	9.4	136	156	182	187
Transport	4.3	125	177	190	205
Miscellaneous	9.0	122	152	160	182

December to December variations

All items	14.4	14.2	8.3	3.3
Food	11.7	13.7	7.8	1.3
Alcohol + tobacco	15.6	11.1	13.6	8.2
Housins	2.5	1.7	3.3	2.4
Fuel + light	13.4	24.4	3.2	8.6
Clothing + footwear	25.0	2.3	2.1	-1.9
Household goods	20.4	14.7	16.7	2.7
Transport	12.6	41.6	13.0	7.9
Miscellaneous	14.0	24.6	5.3	13.8

Source: Data supplied to ECLA.

5. Fiscal and Monetary Policies

(a) Fiscal Policy

While attaining surplus positions in previous years, in 1981 the Government's current account closed with a deficit of EC\$3.3 million. To a large extent, this was due to the substantial increase in emoluments to civil servants and pensioners. Despite the drop in capital expenditures by 23% from the previous year, the fiscal deficit increased by 49%. Estimates of the Ministry of Finance show a further deterioration in the financial position of the central government in 1982. The shortfall on current account is estimated at EC\$7.2 million, more than double that of the previous year.

In 1981, capital expenditures went for airport and deep-water port

improvements, factory shells construction, expansion of livestock and a sugar replanting programme. In 1982, capital expenditures were made on factory shells, equipment for the airport and deep-water port, fisheries development and beef/milk production. The main sources of financing are heavy borrowing from commercial banks (see Table 12) and development grant and loans.

When capital expenditure is taken into account, the overall fiscal deficit is estimated to have risen from \$20 million to \$34 million - an increase of 70%.

Table 10
ST. KITTS/NEVIS:
CENTRAL GOVERNMENT REVENUE AND EXPENDITURE
(EC\$ Million)

	1978	1979	1980	1981	1982
1. Current revenue	34.6	40.3	54.7	55.4	53.3
Import duties	4.7	5.5	7.6	10.5	...
Export duties	.4	.4	.4	.3	...
Consumption tax	5.9	6.4	8.3	9.6	...
Income tax	8.4	7.0	7.2	4.5	...
Other taxes	7.4	10.9	14.5	14.7	...
Other local receipts	7.8	10.1	16.7	15.9	...
2. Current expenditure	32.5	38.4	46.2	58.7	60.5
3. Savings on current account (1-2)	2.1	1.9	8.5	-3.3	-7.2
4. Capital expenditure	7.9	12.7	22.0	16.8	27.0
5. Total expenditure (2+4)	40.4	51.1	68.2	75.5	87.5
6. Fiscal deficit (1-5)	-5.8	-9.7	-13.5	-20.1	-34.2

Source: Statistical Office and Ministry of Finance, St. Kitts/Nevis.

(b) Monetary policy

St. Kitts/Nevis falls within the constituency of the East Caribbean Currency Authority (ECCA) which has its headquarters in St. Kitts. Since ECCA has only limited functions - it is expected to reach full central bank status sometime in 1983 - the institutional framework for monetary policy in its full sense was not yet established during the reporting period.

In 1981, total money supply increased by 8% with an increase in quasi-money of 9% and an increase in M_1 of 6%. For 1982, the corresponding figures are 12%, 14% and 6%¹ respectively. Behind this general situation it is notable that while there has been only a moderate increase in demand deposits, there has been substantial reduction in savings deposits, and at the same time, a marked expansion in time deposits.

Table 11
ST. KITTS/NEVIS: MONEY SUPPLY
(EC\$ Million)

	Dec. 1978	Dec. 1979	Dec. 1980	Dec. 1981	Dec. 1982
Money					
Currency outside banks	8.6	10.4	12.6	14.9	16.2
Demand deposits	10.1	13.7	19.5	19.0	19.7
Total (M.)	18.7	24.1	32.1	33.9	35.9
Quasi-money					
Time deposits	31.2	34.6	41.5	41.3	77.0
Savings deposits	52.9	65.3	71.3	81.4	63.1
Total quasi-money	84.1	99.9	112.8	122.7	140.1
Total money supply	102.8	124.0	144.9	156.6	176.0

Source: East Caribbean Currency Authority (ECCA).

A look at the sectoral distribution of commercial bank loans shows the Government as the biggest borrower. In 1981 the value of bank loans to the Government was about twice as large as loans to private persons (who were second to the government in borrowing). In 1982 Government borrowed about 80% more than the private sector. In 1981 and 1982 the increases of loan volume over the previous year were for Government 78% and 5%, for Construction 11% and 3%, and for Tourism 47% and 16% respectively. Loans to the manufacturing sector increased by 104% in 1981 but declined by 7% over the following year. Loans to the transport sector on the other hand had fallen by 66% in 1981 but increased by 25% in 1982. Commercial credit to the agricultural sector remained at less than 1% of total credits disbursed.

Table 12
ST. KITTS/NEVIS:
SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT
(EC\$ Million, end of year data)

	1980	1981	1982	Percentage distribution	
				1981	1982
Agriculture	.4	.3	.8	.27	.68
Manufacturing	2.8	5.7	5.3	5.4	4.5
Distribution	12.0	10.7	12.2	10.2	10.4
Tourism	4.7	6.9	8.0	6.5	6.8
Transport	15.3	5.1	6.4	4.9	5.5
Construction	8.9	9.9	10.2	9.4	8.7
Government	22.7	40.5	42.4	38.6	36.2
Personal	..	18.7	23.7	17.8	20.3
Other	5.6	7.2	8.6	6.7	7.4
Total	92.36	105.0	117.6	100	100

Source: East Caribbean Currency Authority (ECCA).

FART X

ST. LUCIA

COUNTRY NOTES

ST. LUCIA

1. Recent economic trends: Introduction and summary

The St. Lucian economy experienced a slight decline in real terms in 1982. Estimates of Gross Domestic Product (GDP) at factor cost (1977 prices) indicated a fall of 0.6%. GDP at current factor cost, however, rose by 5%.

Table 1
ST. LUCIA: MAIN ECONOMIC INDICATORS

	1979	1980	1981	1982
A. Basic economic indicators				
Gross domestic product at factor cost (millions of current E.C. dollars)	238	263	295	310
Per capita gross domestic product (current prices)	2 013	2 190	2 416	2 499
Population (thousands)	118	120	122	124
Growth rates				
B. Short-run economic indicators				
Gross domestic product at factor cost	...	10.5	12.1	5.2
Per capita gross domestic product	...	8.8	10.3	3.4
Current value of exports of goods	...	...	-11.6	-0.3
Current value of imports of goods	...	...	...	-8.4
Consumer price index (Dec-Dec)	15.4	21.1	9.5	0.6
Annual average variation	9.4	19.5	15.1	4.6
Millions of dollars				
C. External sector				
Trade balance (goods and services)	...	...	-166.3	-141.5
Balance on current account	...	...	-126.1	-119.9
Variation in net international reserves	...	...	-	+0.8
External debt	...	40.9	48.1	66.1
Exchange rate EC\$ to US\$	2.7	2.7	2.7	2.7

Source: Various tables and data supplied to ECLA.

In terms of real growth in the sectors, the highest rate was observed in the Manufacturing sector - about 13% growth. Agriculture, with a growth rate of 9% in 1982, improved its percentage contribution to total GDP at constant 1977 prices, moving from 13.0% in 1980 to 14% in 1982. The greatest sectoral declines were observed in Mining and Quarrying and in Construction where output declined as a consequence of slackening of activity as some major projects came to an end. Measured at current prices, the highest sectoral rate of growth was recorded by Electricity, gas and water.

Exports of bananas continued to be the major earner of foreign exchange. Though prices began to fall towards the end of the year, an overall increase in prices was observed during 1982. The depreciation of the pound sterling relative to the US dollar to which the EC dollar is tied, denied the receipt of a greater amount of foreign exchange.

A slight improvement in the terms of trade was noted for the second successive year, as the average unit value of exports drew at a faster rate than that of imports.

Tourism continued to contribute heavily to the economic life of the country. An 18% increase in visitor arrivals contributed to a 3% increase in Gross earnings from Tourism, and helped to create a positive net services balance in the balance of payments account. Private Direct Investment fell significantly in 1982, as a major private sector project came to an end.

Government successfully moved to minimize the extent of the current account deficit as predicted by the IMF. Employment cutbacks, a more efficient tax-collection exercise, and an improvement in the level of financial reporting and administration helped contain the deficit to \$1.86 million.

2. Trends in economic activity

(a) Growth of the main sectors

(i) **Agriculture.** The agricultural contribution to GDP at current prices in 1982 was estimated at EC\$45.3 million - a 6% increase over the figure of the previous year. The sector's share of total GDP at current prices stood at 14.6% in 1982, showing no relative change from the 1980 position. GDP figures at 1977 constant prices indicate real growth of 9.4% in the sector in 1982.

Banana production increased by less than 1% over the level of the previous year, registering a total of 58,896 tonnes in 1982. This performance fell short of the targeted production of 67,200 tonnes, and is accounted for by prolonged drought, and inadequate supplies of inputs. Floodings in major banana producing areas at harvest time also adversely affected the 1982 crop. The increased activity of packing banana boxes in the field has led to a higher quality of fruit exported. Field-packed fruit of an accepted standard now attract a premium of 4 cents per pound.

Exports of bananas continued to be the major earner of foreign exchange. The green market price fluctuated between 312.95 pounds per ton¹ and 394.23 pounds per ton during the first half of 1982. Prices began to slide downwards in the latter part of 1982 in response to a

¹The price of bananas is quoted in pounds sterling, and the reference weight is the long ton which is equal to 2240 lbs. This is equivalent to about 1.018 tonnes.

Table 2
 ST. LUCIA: GROSS DOMESTIC PRODUCT, BY ECONOMIC
 ACTIVITY, AT FACTOR COST
 (Current Prices)

	Millions of EC dollars			Percentage breakdown		Growth rates	
	1980	1981	1982	1980	1982	1981	1982
Gross domestic product	262.8	294.7	309.9	100.0	100.0	12.1	5.2
Goods	105.4	114.3	110.5	40.1	35.6	0.4	-3.3
Agriculture	38.3	42.6	45.3	14.6	14.6	11.2	6.3
Mining and quarrying	4.5	4.7	5.0	1.7	1.6	4.4	6.4
Manufacturing	23.4	24.4	26.0	8.9	8.4	4.3	6.6
Construction	39.2	42.6	34.2	14.9	11.0	8.7	-19.7
Basic services	33.0	38.2	39.3	12.6	12.6	15.8	2.9
Electricity, gas + water	5.5	7.9	11.3	2.1	3.6	43.6	43.0
Transport, storage + communication	27.5	30.3	28.0	10.5	9.0	10.2	-7.6
Other services	124.4	142.2	160.1	47.2	51.8	14.3	12.6
Wholesale and retail trade	38.2	40.4	43.0	14.5	13.9	5.8	6.4
Hotels and Restaurants	18.0	16.4	19.2	6.8	6.2	-8.9	17.1
Finance, insurance, real estate + business services	18.7	21.7	22.5	7.1	7.3	16.0	3.7
General services	10.9	12.1	12.9	4.1	4.2	11.0	6.6
Government services	38.6	51.6	62.5	14.7	20.2	33.7	21.1

Source: Statistical Department, St. Lucia.

fall in consumption in the United Kingdom at the onset of winter, reflecting the normal seasonal pattern. By year end, the green market price stood at 355.62 pounds per ton. The basic price paid to growers fluctuated with the green market price, between 13.5 cents per pound and 21 cents per pound in the first half of the year. Despite the overall increase in prices in 1982, export earnings did not rise proportionately because of a 20% reduction from the 1981 exchange parity of the pound sterling vis-a-vis the EC dollar.

The British Government continued its programme of assistance to the banana industry, with \$750,000 being administered under the Banana Development Programme. The Banana Growers' Association cash flow problems prevented the procurement of its supply requirements of fertilizer and pesticides. To this end, the British Development Division provided inputs to the value of \$1.75 million for sale to growers.

The outlook for 1983 is an increase in the volume of exports of

Table 3
**ST. LUCIA: GROSS DOMESTIC PRODUCT, BY ECONOMIC
 ACTIVITY, AT FACTOR COST**
 (Constant 1977 Prices)

	Millions of EC dollars			Percentage breakdown		Growth rates	
	1980	1981	1982	1980	1982	1981	1982
Gross Domestic Product	186.4	187.0	185.9	100.0	100.0	0.3	-0.6
Goods							
Agriculture	24.1	24.4	26.7	12.9	14.4	1.2	9.4
Mining and quarrying	3.8	4.0	2.7	2.0	1.5	5.3	-32.5
Manufacturing	19.2	19.1	21.6	10.3	11.6	-0.5	13.1
Construction	21.0	22.1	15.5	11.3	8.3	5.2	-29.9
Basic services							
Electricity, gas, water	5.7	5.8	6.1	3.1	3.3	1.8	5.2
Trans. storage + communication	22.9	21.9	21.9	12.3	11.8	-4.4	-
Other services							
Wholesale + retail trade	26.3	26.3	26.3	14.1	14.1	-	-
Hotels + restaurants	13.5	11.7	12.0	7.2	6.5	-13.3	2.6
Finance, insurance, real estate + business services	14.7	15.3	15.9	7.9	8.6	4.1	3.9
General services	6.6	6.9	7.1	3.5	3.8	4.5	2.9
Government services	28.6	29.5	30.1	15.3	16.2	3.1	2.0

Source: Statistical Department, St. Lucia.

bananas close to 61,000 tonnes. It is believed, however, that an increase in production would be possible only if growers are able to realise a decent profit margin. As banana prices are quoted in pounds sterling, and as the pound has been declining in value vis-à-vis the US dollar to which the EC dollar is aligned, WINBAN¹ and the Government of St. Lucia have taken steps to protect the industry. To this end, discussions with the British Government are taking place. A committee has been formed to review contractual arrangements governing the sale of Windward Islands bananas on the British market with a view to obtaining some immediate relief for growers.

A re-planting scheme is expected to replant some 2000 acres of bananas, leading to an estimated increase in yield.

Coconuts: As a result of the hurricane of 1980, production of copra fell from 6500 tons to 2300 tons. To date there has been no

¹Windward Islands Banana Association.

large scale re-habilitation of the coconut industry. The effects of the re-habilitation actions of individual farmers have been seen in the increase of production. The Government of St. Lucia is seeking

Table 4
ST. LUCIA: INDICATORS OF AGRICULTURAL PRODUCTION
(Tonnes)

	1980	1981	1982	Growth rates	
				1981	1982
Production of main crops:					
Bananas - Total	46 308.2	58 351.3	58 895.7	26.0	0.9
of which					
Bananas - Export	34 731.2	43 763.5	44 171.8	26.0	0.9
Coconuts (copra)	6 545.5	2 527.6	3 759.7	-61.4	48.7
Cocoa	72.0	48.4	50.2	-32.8	3.7
Root crops:					
Sweet potatoes	269.7	293.2	295.2	8.7	0.7
Yams	573.1	863.6	647.7	50.7	-25.0
Tannia	200.2	225.0	232.1	12.4	3.2
Ginger	113.7	176.1	114.7	54.9	-34.9
Dasheen	261.6	272.7	296.2	4.2	8.6
Vegetables:					
Avocado	9.3	9.3	9.5	-	2.2
Cabbage	142.1	166.4	174.6	17.1	4.9
Carrot	50.3	72.8	76.7	44.7	5.4
Cucumber	68.0	79.9	88.9	17.5	11.3
Lettuce	23.3	26.8	28.0	15.0	4.5
Melon	8.9	8.6	9.0	-3.4	4.7
Ochro	6.6	9.1	9.3	37.9	2.2
Plantain	1 259.1	1 496.2	1 542.1	18.8	3.1
Pumpkin	17.1	19.7	20.5	15.2	4.1
Sweet pepper	8.6	9.1	9.8	5.8	7.7
Tomato	173.0	292.4	301.1	69.0	3.0
Citrus:					
Grapefruit	248.0	255.0	268.6	2.8	5.3
Limes	141.3	208.3	213.5	47.4	2.5
Oranges	217.8	256.0	301.5	17.5	17.8

Source: Ministry of Finance, Planning and Statistics, *Economic Review*, 1982.

funding for the re-habilitation of the coconut industry. Included in this project will be a sheep rearing activity that would utilize the pasture under the coconut trees. In 1982, production of copra increased by nearly 49% to 3.8 thousand tonnes.

Cocoa: Production suffered a setback from the hurricane of 1979 and 1980. From a production level of 100 tonnes in 1979, production of cocoa beans fell to 72 tonnes in 1980, and 50 tonnes in 1982.

Cocoa exports in 1982 were the lowest recorded since 1979 and stood at 2863 kg. The price of cocoa on the foreign market fell from 1730 pounds sterling per tonne in 1980 to 900 pounds sterling per tonne in 1982. This posed a problem of cash flow to the growers. The country has been offered a guaranteed minimum price for cocoa beans, in excess of the world market price. Under this agreement, the grower will receive approximately EC\$3.00 per pound as compared with the 1982 price of EC\$1.92 per pound.

Other Agriculture: There was a general increase in the production of root crops and vegetables. This was in part due to better weather conditions in 1982. Government is paying attention to the diversification of the agricultural base. Impetus has been provided by the agricultural diversification programme funded by the B.D.D. since 1980. The planting of exotic crops is receiving attention, as lucrative markets have been identified.

Government has acquired some derelict estates and engaged in production, with a view to the diversification of agriculture.

(ii) **Manufacturing:** This activity consists mainly of food processing, the manufacture of beverages, a garment industry and the production of cardboard boxes. Manufacturing output contributed some 11.6% of GDP at constant 1977 prices in 1982. The index of manufacturing products revealed a near 13% increase over the 1981 level when the All industry index stood at 158.9. Significant increases were observed in Food manufacturing, wearing apparel, and Electrical Appliances. Generally, exports of manufactured products moved more quickly in the second half of the year than in the first.

Table 5
ST. LUCIA: INDEX OF MANUFACTURING PRODUCTION
(Base year = 1975)

Industry	1979	1980	1981	1982	Growth rates		
					1980	1981	1982
All Industry	136.1	160.1	158.9	179.4	17.6	-0.7	12.9
Food manufacturing	93.7	96.2	45.4	68.4	2.7	-52.8	50.7
Beverage manufacturing	327.4	334.9	308.6	231.0	2.3	-7.9	-25.1
Tobacco products	122.4	111.2	106.5	103.6	-9.2	-4.2	-2.7
Wearing apparel	276.1	611.8	837.4	1 228.0	121.6	36.9	46.6
Furniture	228.2	108.8	104.0	...	-52.3	-4.4	...
Paper and paperboard	89.9	99.9	146.4	160.4	11.1	46.5	9.6
Electrical appliances	132.4	224.1	244.5	316.7	69.3	9.1	29.5
Other	181.5	204.5	204.0	198.8	12.7	-0.2	-2.5

Source: Statistical Department, St. Lucia.

The manufacture of cardboard boxes continued to be a major activity, with nearly eleven million boxes having been manufactured in 1982, with a value of production of more than EC\$22 million.

Table 6
ST. LUCIA: INDICATORS OF INDUSTRIAL PRODUCTION

	1980	1981	1982	Growth rates	
				1981	1982
Production of some manufactures					
Copra ¹	6 511.3	2 477.2	3 760.1	-62.0	51.8
Coconut oil-raw ²	3 211.0	1 516.2	2 337.0	-52.8	54.1
Coconut oil-refined ²	1 550.4	919.6	1 406.0	-40.7	52.9
Cocnut meal ¹	1 895.9	868.6	1 285.5	-54.2	84.0
Rum	187.0	155.0	132.0	-17.1	-14.8
Non-alcoholic beverages ²	3 948.2	1 485.8	938.6	-62.4	-36.8
Clothings ⁴	261.0	389.0	556.0	49.0	42.9
Laundry soap ¹	446.3	411.4	488.6	-7.8	18.8

Source: Statistical Department, St. Lucia.

¹Tonnes.

²000 litres.

³Thousand proof gallons.

⁴Thousand dozen.

The production of food and beverages in 1982 was valued at EC\$20 million, and contributed 22.5% to the Total Value of production in 1982.

(iii) **Construction.** After experiencing growth in real terms, of 5.2% in 1981, the sector declined by almost 30% in real terms, in 1982. A fall-off in activity followed the completion of the oil trans-shipment and storage terminal. Reduced activity in the reconstruction of roads and buildings damaged by hurricane Allen in 1979, contributed to the observed decline in the sector. Partially offsetting the decline in construction activity was activity in the area of school buildings and other public sector works. Although the number of building plans approved increased in 1982, the number of building starts declined, as credit from the banking sector became tighter.

(iv) **Energy and natural resources.** St. Lucia is dependent on imported fossil fuels for its energy requirements. Energy consumption in the form of gasoline, kerosene and diesel was of the order of 9.8 million gallons in 1982, an increase of 5% over the previous year. A drop in the price of kerosene from \$4.39 per gallon in 1981 to \$4.36 per gallon in 1982 was followed by greater consumption. No comprehensive government policy on energy aimed at minimizing the country's dependence on imported fuels has been developed. A small increase in electricity consumed in 1982 over the level of 1981 was recorded. Losses due to transmission and distribution continued to be high, maintaining a level of 23%. Government is looking forward to the re-habilitation of the Soufriere hydro-power station and the Geo-thermal Project to lower the cost of electricity.

Table 7
ST. LUCIA: ELECTRICITY PRODUCTION AND CONSUMPTION

Type of Use	Growth rates		
	1981	1982	1982
Domestic use			
Number of consumers	13 885	14 316	3.1
kW (000) hrs.	13 511	14 298	5.8
Commercial use			
Number of consumers	1 596	1 726	8.2
kW (000) hrs.	23 762	24 376	2.6
Industrial use			
Number of consumers	72	88	22.2
kW (000) hrs.	7 551	6 133	-18.8
Street lighting			
kW (000) hrs.	1 026	1 033	0.7
Loss in transmission			
kW (000) hrs.	13 082	14 732	12.6
Internal use			
kW (000) hrs.	3 027	3 282	8.4
Total generated kW(000) hrs.	61 958	63 852	3.1
Total consumed kW (000) hrs.	48 877	49 122	0.5

Source: Ministry of Finance, Planning and Statistics,
Economic Review 1982.

b) Population and employment

The population of St. Lucia was estimated to have been of the order of 124,000 in 1982. The labour force increased by 4.6% over that of 1979. Estimates indicate that the agricultural sector accounted for 34% of total employment in 1982. The corresponding figure for 1979 was 33%. The mining and manufacturing sector remained unchanged in its absorption of the labour force, employing 12%. Construction remained an employer of 10% of the labour force; electricity and commerce accounted for 14% of the labour force in both 1979 and 1982, while transport and other services maintained a 29% share of the labour force. The June 1982 assessment of the unemployment rate was 27%.

3. The external sector

(a) The external sector

(i) **Exports.** A slight drop in the value of Exports was noted in 1982 as the downward trend in export earnings continued. An increased production and export of bananas could not outweigh the loss of foreign exchange due to the depreciation of the pound sterling in which banana prices are quoted.

Table 8
St. Lucia: Exports of goods F.O.B.

	Millions of EC dollars			Percentage breakdown		Growth rates	
	1980	1981	1982	1980	1982	1981	1982
Total	127.1	112.3	112.0	100.0	100.0	-11.6	-0.3
SITC Section 0	38.5	48.3	48.5	30.3	43.3	25.5	0.4
1	8.5	9.4	9.7	6.7	8.7	10.6	3.2
2	0.8	1.2	0.8	0.6	0.7	50.0	-33.3
3	0.1	0.04	0.4	0.1	0.4	-96.0	900.0
4	7.9	7.7	10.9	6.2	9.7	-2.5	41.6
5	1.3	1.6	1.2	1.0	1.1	23.1	-25.0
6	21.6	17.8	16.3	17.0	14.6	-17.6	-8.4
7	29.3	13.2	11.4	23.1	10.4	-54.9	-11.4
8	19.0	12.9	12.5	14.9	11.2	-32.1	-3.1
9	0.1	0.2	0.01	0.1	0	100.0	-95.0

Source: Ministry of Finance, Planning and Statistics,
Economic Review 1982.

Exports of food, along with Drink and Tobacco (Sections 0 and 1 of the SITC) accounted for 52% of total exports.

Non-traditional exports have increased, as new markets have been developed in North America and Europe for exotic fruit. Most manufactured goods are sold on the CARICOM market which has become a major export market.

(ii) Imports. The value of total imports decreased by 8.4% to a level of \$318.7 million in 1982, as economic activity fell slightly in real terms. Consumer goods accounted for 58% of total imports, with capital and intermediate goods accounting for the rest. The USA was in 1982 the main source of imports into St. Lucia.

(iii) Terms of trade. A modest improvement in the terms of trade was noted for the second year in succession in 1982, as the average unit value index for exports grew at a faster rate than that of imports.

(b) Services trade

Tourism continues to play an important part in the economic life of St. Lucia. As an earner of foreign exchange, it ranks second to merchandise trade. Visitor arrival statistics indicate an 18% increase in arrivals in 1982, marking the start of a recovery after the 1981 low figure of 89,608 arrivals. Gross earnings from tourism in 1982 were estimated to have grown by 3% to a total of US\$39.1 million in 1982, after a 6% decline in 1981 from the 1980 figure.

Table 9
ST. LUCIA: IMPORTS OF GOODS C.I.F.

	Millions of EC dollars		Percentage breakdown	Growth rates
	1981	1982	1982	1982
Total	348.0	318.7	100.0	-8.4
Consumer goods	199.8	185.8	58.2	-7.0
Food, beverages + tobacco	80.9	79.5	24.0	-5.4
Manufactured goods, including durables	118.9	109.3	34.3	-8.1
Intermediate goods	78.9	78.3	24.6	-0.8
Mineral fuels, lubricants and related materials	34.0	37.3	11.7	9.7
Animal + vegetable oils + fats	3.9	3.0	0.9	-23.1
Chemicals	33.9	31.2	9.8	-8.0
Crude materials	7.1	6.8	2.1	-4.2
Capital goods	69.3	54.6	17.1	-21.2
Machinery + transport equipment	69.2	54.6	17.1	-21.1
Miscellaneous items	0.1	-	-	-

Source: Ministry of Finance, Planning and Statistics.
Economic Review 1982.

Table 10
ST. LUCIA: MAIN FOREIGN TRADE INDICATORS
(1975 = 100)

	1978	1979	1980	1981	1982
Volume Index - Exports	152.1	139.7	113.5	141.6	129.8
Volume Index - Imports	138.0	142.0	158.5	162.0	145.0
Average unit value Index - Exports	119.3	138.8	159.6	171.4	186.2
Average unit value Index - Imports	154.6	177.7	247.5	252.0	257.2
Terms of trade	77.2	78.1	64.5	68.0	72.4

Source: Ministry of Finance, Planning and Statistics.
Economic Review 1982.

Nearly 40% of total visitor arrivals came from the USA and Canada, while arrivals from the UK stood at 20% of the total. Promotion efforts have been directed within recent times to South America, with encouraging results. The Tourism Board is seeking increased flights into St. Lucia so as to facilitate increased tourism.

About 25 hotels, apartment hotels and guest houses comprise the tourist plant. Accommodation of up to 1910 rooms is afforded. Hotel occupancy rates have been low enough to cause concern about the viability of some of the accommodation establishments.

Table 11
ST. LUCIA: SELECTED TOURISM STATISTICS

	Growth rates				
	1980	1981	1982	1981	1982
Total visitors (000)	140	90	106	-36.1	18.4
Total expenditure ¹	40.5	38.0	39.1	-6.2	2.8
Cruise ship visitors	1.2	0.4	0.8	-66.7	100.0
Other visitors	39.3	37.6	38.3	-4.3	1.8
Average daily expenditure per stay-over visitor -US\$	90.9	70.0	67.0	14.0	-4.3
Average length of stay of stay-over visitors - days	8.6	8.6	8.6	-	-
Hotel occupancy rate - %	63.8	52.3	52.5	-18.0	-0.4
No. of beds	3 103	3 191	3 421	2.8	7.2

Source: Ministry of Finance, Planning and Statistics,
Economic Review 1982.

¹US\$ million.

(c) The balance of payments

The overall balance of payments position of St. Lucia has been deteriorating over the last six years. From a state of virtual equilibrium in 1977, the balance of payments moved to a deficit of \$14.3 million in 1981, and improved to a deficit of \$4.6 million in 1982.

In the years 1981 and 1982, the value of exports remained virtually unchanged at \$112 million, while the value of imports dropped from \$347 million in 1981 to \$318 million in 1982. The current account deficit which reached an unprecedented high level of \$126.1 million in 1981, fell slightly to \$120 million in 1982. A positive net services balance partly offset the deficit on the Merchandise trade balance, and reflected the strength of the tourism sector. This figure fell to \$65 million in 1982 after the previous year's figure of \$69 million.

The Capital account balance fell from \$121.5 million in 1981 to \$91.5 million in 1982 as Private Direct Investment fell significantly in 1982, due to a slowdown in construction activity.

4. Wages and prices

(a) Wages

In an attempt to compensate for the erosion of the purchasing power of the dollar due to inflation, trade union pressure resulted in several wage settlements in 1982 which ranged from 25% to 50% over a three-year period. Public servants secured an increase of some 37% in wages and salaries.

Table 12
ST. LUCIA: BALANCE OF PAYMENTS
 (Millions of EC dollars)

	1981	1982
I Current Account Balance	-126.1	-119.9
Merchandise trade balance (net)	-234.9	-206.0
Exports	112.3	112.3
Imports	-347.2	-318.3
Services balance (net)	68.6	64.5
Travel (net)	81.5	80.2
Receipts	102.6	105.6
Payments	-21.1	-25.4
Interest (net)	-1.9	-2.2
Receipts ¹	.5	.5
Payments ¹	-2.4	-2.7
Other factor services	-11.1	-13.5
Net private transfers	40.2	21.6
II Capital Account Balance	121.5	91.5
Official transfers	18.9	21.6
Official capital	7.6	19.2
Private Direct Investment	103.1	54.0
Commercial banks	-8.1	-3.3
Errors and omissions	11.1	23.8
Balance for official financing	14.3	4.6
Reserve movement (- increase; + decrease)	-	+0.8
Allocations of SDR's	1.4	-
IMF lending	9.5	-4.0

Source: Ministry of Finance, Planning and Statistics,
 Economic Review 1982.

¹For Government and Government guaranteed loans.

(b) Prices

The rate of inflation as measured by the Index of Retail Prices, generally followed events in the International economy, rising by 9.7% in 1976 over the 1975 level, decelerating slightly in terms of rate of increase in 1977, rising by 10.9% in 1978, experiencing a 9.4% rate of increase in 1979. In 1980, the rate of increase was almost 20%, slackening somewhat to 15.1% in 1981, and slackening even further in 1982 to record a rate of increase of 4.6% - the lowest annual rate of growth recorded for the period 1976 to 1982.

The annual rate of price increase in the Food Section of the Index fluctuated between 1976 and 1981, with a general upward trend, but slackened in 1982 to a recorded rate of increase of 3% over the 1981 level. The heavy weight of the Food Section of the Index (56.6% of the total weight) was a major determinant of the overall 4.6% increase in the general level of prices in 1982.

The household and miscellaneous items section of the Index registered the highest rate of price increase of all of the Sections,

with a 21% increase. The small weight of this section (5% of total weight), however, dampened its effect on the All Items Index.

Table 13
ST. LUCIA: EVOLUTION OF DOMESTIC PRICES
(April 1964 = 100)

	1980	1981	1982

Annual averages			
All items retail price index	482.4	554.8	580.4
Food	507.0	603.4	621.5
Alcoholic beverages and tobacco	423.9	439.6	480.4
Housing	450.8	506.9	550.5
Fuel and light	594.2	642.4	658.9
Household and Miscellaneous items	488.5	578.1	699.4
Clothing and footwear	395.4	410.8	422.9
Services	390.1	436.9	439.3
December to December variations			
All items retail price index	21.1	9.5	0.6
Food	21.9	10.6	-1.4
Alcoholic beverages and tobacco	9.6	6.3	5.1
Housing	19.6	11.4	-
Fuel and light	31.4	-0.2	3.4
Household and Miscellaneous items	7.8	29.0	10.1
Clothing and footwear	24.5	1.8	4.4
Services	26.5	1.1	1.0
Annual average variation			
All items retail price index	19.5	15.1	4.6
Food	17.3	19.0	3.0
Alcoholic beverages and tobacco	29.0	3.7	9.3
Housing	9.3	12.4	8.6
Fuel and light	52.7	8.1	2.6
Household and Miscellaneous items	13.9	8.4	21.0
Clothing and footwear	26.9	3.9	2.9
Services	17.6	9.4	0.5

Source: Statistical Department, St. Lucia.

5. Monetary and fiscal policy

(a) Monetary policy

St. Lucia is, along with six other territories, a member of the East Caribbean Currency Authority which performs some of the functions of a Central Bank.

Both the Central Government and the Statutory Bodies continued to

be faced with the problem of cash flow. Government resolved to monitor on a daily basis, its cash balances and overdraft with the Commercial Banks.

Total liabilities of the commercial banks rose by 8% in December 1982, after a 9% increase at the end of the previous year. Both demand and time deposits increased, while savings deposits dropped slightly. At year end 1982, total deposits in commercial banks stood at \$219.4 million.

Cash stood at \$5.9 million at year end 1982. This represented a 44% increase over the amount of the previous year. Loans and advances outstanding amounted to \$216.2, reflecting a slower rate of growth in 1982 than in the previous year. The tightening of credit to individuals was reflected in a reduced rate of growth in the 'Other Personal' loans sub-category.

The banking system was slightly more liquid in 1982 than in 1981. Loans, while expanding less rapidly than in 1981, exceeded deposits by some 2%. Interest rates seemed to have been sensitive to liquidity. Slight increases in the rates offered on interest-bearing deposits were observed. Prime lending rates ranged from 11.5% to 13% - an increase of some 3.5% over the 1981 rates at the lower end of the scale.

Table 14 (a)
COMMERCIAL BANKS' ASSETS
(In EC dollars millions)

Assets	December	December	December	Growth rates	
	1980	1981	1982	1981	1982
Cash	4.1	4.1	5.9	-13	44
Deposits with ECCA	4.2	0.4	0.8	-90	100
Claims on other local banks	20.9	23.7	20.3	13	-14
Claims on other ECCA area banks	10.5	0.4	3.4	-96	750
Loans and advances	178.6	203.3	216.2	14	6
Treasury bills	4	0.2	0.9	-50	350
Securities	3.2	2.8	4.5	-13	61
Foreign assets	12.7	15.2	16.4	20	8
Other assets	16.7	24.7	28.5	48	15
Total assets	251.9	274.8	296.9	9	8

Source: Ministry of Finance, Planning and Statistics,
Economic Review 1982.

Table 14 (b)
COMMERCIAL BANKS' LIABILITIES
(In EC dollars millions)

Liabilities	December			Growth rates	
	1980	1981	1982	1981	1982
Demand deposits	33.9	33.7	40.8	-0.6	21
Time deposits	64.6	80.9	94.8	25	17
Savings deposits	73.7	84.1	83.8	14	-0.4
Total deposits	172.2	198.7	219.4	15	10
Balances due to ECCA	8	-	0.3	-	-
Balances due to other local banks	25.6	26.2	22.9	2	-13
Balance due to other ECCA banks	8.9	3.7	5.7	-58	54
Foreign liabilities	17.6	12.3	10.6	-30	-14
Other liabilities	26.8	33.9	38.0	26	12
Total liabilities	251.9	274.8	296.9	9	8

Source: Ministry of Finance, Planning and Statistics.
Economic Review 1982.

The St. Lucia Development Bank began operations in July 1982, geared to providing credit primarily in the area of low-income housing. Applications, approvals and disbursements for the financial year April 1982 to March 1983 appear in Table 15 below.

Table 15
ST. LUCIA DEVELOPMENT BANK:
APPLICATIONS, APPROVALS AND DISBURSEMENTS
(April 1982 - March 1983)

	Applications		Approvals		Disbursements	
	No	Value - \$	No	Value - \$	No	Value - \$
Agriculture	71	1 748 746	36	242 757		43 581
Housing	238	3 611 401	133	1 924 139		1 011 823
Industry + tourism	39	4 701 736	6	795 000		136 598
Manpower training (student loans)	119	986 509	87	694 087		427 802
Total	667	11 048 392	262	3 655 983		1 619 805

Source: Ministry of Finance, Planning and Statistics.
Economic Review 1982.

(b) Fiscal policy

The IMF forecast predicted a deficit on recurrent budget of \$23

ST. LUCIA

million for fiscal year 1981/1982. Measures introduced by the Ministry of Finance in November 1981 resulted in Government restricting the current account deficit to \$1.86 million, through a cut-back in employment and more vigorous revenue-collecting activity. The effort to contain the current account deficit has resulted in an improvement in the level of financial reporting and administration.

A 10% increase in the rate of growth of recurrent revenue during 1982/1983 was noted. This was due in part to a near 16% increase in the collection of income taxes. Import duties together with stamp duties, represent the main source of revenue, having accounted for 56% of recurrent revenue in 1981 and 1982. Income tax receipts constitute

Table 16
ST. LUCIA: CENTRAL GOVERNMENT OPERATIONS
(In EC dollars million)

	Budget		Estimated
	1981/82	1982/83	out-turn 1982/83
Total revenue	99.12	170.56	117.06
Current revenue	89.46	141.58	103.05
Current grants	2.07	0.16	0.16
Capital grants	7.59	28.82	13.85
Total expenditure	116.10	200.27	138.49
Current expenditure	91.32	129.58	113.73
Capital expenditure	24.78	70.69	24.76
of which: foreign financed projects	(14.18)	(...)	(17.50)
Current deficit (excluding grants) (-)	-1.86	10.98	-10.68
Overall deficit (excluding grants) (-)	-26.64	-58.69	-35.44
Overall deficit (including grants) (-)	-16.98	-29.71	-21.43
Financing:			
Foreign assets	-0.11	-	-0.24
Net borrowings from ECCA (including counterpart of purchases from IMF)	9.91	-	2.97
CDB	2.09	5.72	0.81
Other net foreign borrowings	-0.03	23.99	10.89
Net local bank borrowings	-2.10	-	1.60
Increase in payment arrears	6.36	-	2.52
Other net domestic borrowings	0.23	-	4.80
Unidentified	0.63	-	4.02

Source: Ministry of Finance, Planning and Statistics.

the second major source of revenue, and have accounted for some 31% of recurrent revenue over the past three fiscal years.

Estimates for the 1982/1983 fiscal year indicate an increase of 24% in recurrent expenditure over the previous year. A major determinant of this increase was the 37% increase in salaries to public servants. A forward estimate to fiscal year end 1982/83

ST. LUCIA

indicates that the ratio of wages and salaries to GDP would have been of the order of 22%, indicating an increase of 7% over a similar ratio in respect of the previous year.

Government has resolved to introduce new taxes as well as to increase others in an attempt to increase revenue. A National Savings Committee was launched towards the end of the fiscal year 1981/1982. A bond issue of \$3.5 million was made available for purchase by the general public.

The Government's capital programme took the form of Road Development, Airport Development, a Water Expansion Programme and the School Buildings Programme.

The Central Government's direct guaranteed external debt increased by 37.6% over the 1981 level. This was largely due to borrowings from foreign Governments to the extent of \$7 million, most of which was used to repay the IMF under the Compensatory Financing Facility. At the end of 1982, the Public external debt stood at \$66.2 million - approximately 22% of GDP at current factor cost.

PART XI

ST. VINCENT AND THE GRENADINES

COUNTRY NOTES

ST. VINCENT AND THE GRENADINES

1. Recent economic trends: Introduction and summary

An estimated 8% increase in the Gross Domestic Product (GDP) at current factor cost described the overall performance of the economy of St. Vincent and the Grenadines in 1982. Adjusting for the rate of inflation as measured by the Retail Price Index, the GDP appears to have grown in real terms by 0.8%. The Government Sector, followed by the Agricultural, Transport, storage and communication and Construction Sectors in that order, were the major determinants of growth in the economy.

TABLE 1
ST. VINCENT AND THE GRENADINES:
MAIN ECONOMIC INDICATORS

	1979	1980	1981	1982
A. Basic economic indicators				
GDP at factor cost (Millions of current E.C. dollars)	116	127	160	173
Per capita GDP (curr. prices)- \$EC	1 074	1 165	1 441	1 531
Population (thousands)	108	109	111	113
Growth rates				
B. Short-run economic indicators				
GDP at factor cost	...	9.5	25.5	8.0
Per capita gross domestic product	...	8.5	23.7	6.2
Curr. val. of exports of goods	...	4.7	34.8	-3.5
Curr. val. of imports of goods	...	23.5	1.9	9.5
Consumer price index (Dec-Dec)				4.8 ¹
Annual average variation	...	...	13.0	7.2 ¹
Millions of dollars				
C. External sector				
Trade bal. (goods + services)	-40.5	-51.6	-36.2	-54.3
Balance on current account	-19.2	-27.3	-13.8	-32.1
Var. in net internat'l reserves	0.3	1.1	-	-
Ext. debt (US\$ m at end of fiscal yr.)	7.8	12.6	16.4	17.0
Exchange rate \$EC to \$US	2.7	2.7	2.7	2.7

Source: Data collected and presented in various tables.

¹Based on new index (Jan 1981 = 100)

An improved performance in agriculture after the setbacks of 1979 and 1980 saw a reasonably high level of production of bananas in 1982. The deterioration of the exchange rate of the pound sterling in which currency banana prices are quoted, vis-a-vis the US dollar to which

ST. VINCENT AND THE GRENADINES

currency the EC dollar is pegged, resulted in lower foreign exchange earnings from the crop. A fall in the demand for arrowroot occasioned by a shift on the part of the purchaser, to a substitute product, led to an over supply of the commodity in 1982, and provoked an examination of possible alternative uses of the product.

Tourism declined in 1982 as a result of the worldwide economic recession and poor tourism infrastructure in the state. The Tourist Board has undertaken a series of activities aimed at improving the services to the tourists who visit the islands.

The current Account deficit worsened in 1982 as a result of the drop in tourism and a trade deficit that worsened because of an increased value of imports and a fall in the value of exports.

Government engaged in borrowing to refurbish the sugar factory (which in 1982 operated at relatively high cost), and at the same time, gave attention to the re-focussing of industrial policy to export-oriented activities associated with high value-added. This, and other Government external borrowing raised the level of the external debt to \$US17 million at the end of Fiscal Year 1981/1982.

Table 2
ST. VINCENT AND THE GRENADINES: GROSS DOMESTIC PRODUCT,
BY ECONOMIC ACTIVITY, AT CURRENT FACTOR COST

	Millions of dollars		Percentage breakdown		Growth rates	
	1981	1982	1977	1982	1981	1982
Gross Domestic Product	159.7	172.5	100.0	100.0	25.5	8.0
Goods						
Agriculture	28.5	29.4	16.8	17.0	71.7	3.2
Mining and quarrying	0.5	0.6	0.4	0.3	25.0	20.0
Manufacturing	18.4	20.7	7.4	12.0	20.3	12.5
Construction	20.1	21.6	12.6	12.5	19.6	7.5
Basic services						
Electricity, gas + water	3.2	3.6	3.0	2.1	14.3	12.5
Trans., storage + comm.	23.1	24.9	14.5	14.4	23.5	7.8
Other services						
Wholesale + retail trade	14.9	16.4	13.1	9.5	8.0	10.1
Hotels and restaurants	2.9	3.7	1.8	2.1	7.4	27.6
Finance, ins., real estate and business services	13.1	14.1	7.7	8.2	7.4	7.6
General services	4.7	5.1	3.3	3.0	11.9	8.5
Government services	29.8	32.4	19.4	18.8	25.2	8.7

Source: OECS Secretariat and World Bank mission estimates.

2. Trends in economic activity

(a) Growth of the main sectors

ST. VINCENT AND THE GRENADINES

(i) **Agriculture.** The Agricultural sector recovered in 1982 from the setbacks caused by national disasters of 1979 and 1980. Estimates of GDP at current factor cost put the sector's contribution at \$EC29.4 million in 1982 - 17% of total GDP. The production of bananas increased in 1981 to 33,000 tonnes - the highest level of production in many years. The major determinant of this performance was a massive rehabilitation effort in the wake of Hurricane Allen, made possible by funding from the British Development Division (BDD) and the United States Agency for International Development (USAID).

A 4.4% drop in production of bananas was estimated to have occurred in 1982. The high level of output of 1981, as well as the 1982 output, did not even earn a *pari passu* increase in foreign exchange because of the deterioration in the exchange rate of the pound sterling. The effect of the exchange rate was a fall in the price to the grower from 20 cents per lb. in May to 12 cents per lb. in September 1981. Despite moves to diversify the agricultural sector, bananas continue to contribute 60% of the country's total export earnings. St. Vincent bananas enjoy preferential treatment in the U.K. and are bought at a price well above the world market price for the commodity. The future of the industry will, however, depend on its ability to be cost competitive with other ACP and Central and South American producers.

An estimated 691 tonnes of arrowroot starch were produced in 1982, representing a 2.5% increase over the previous year's production. A factory for processing the rhizomes began grinding operations in January 1981. Funding is being sought for an integrated arrowroot development programme that would seek to improve yields and increase acres devoted to the crop. In 1981, the country suffered decline in the demand for arrowroot. The computer industry which had hitherto been a major user of arrowroot starch benefited from the lower prices of a synthetic competitive product. This has resulted in a relative over-supply of the product. At present, a study is being conducted on the use of arrowroot hittle as an alternative source of energy.

The sugar factory was refurbished and re-instated in 1981, to mark the effective return to sugar on the island. Of the 1 700 acres (680 hectares) under sugar cane, some 1 300 acres (520 hectares) were reared during the 1982 sugar crop. Unscheduled fires were the major determinant of the shortfall in the amount of canes reaching the factory. At the end of the crop, some 1 776 tonnes of sugar and 855 000 litres of molasses were produced. Government is moving to upgrade the variety of sugar cane cultivated on the island in favour of a variety more suited to local conditions. Considerable reductions in costs of production are expected to be realized as a result.

Coconuts constitute an important export item in St. Vincent and the Grenadines. Production fell after the ravages of the volcanic eruption of 1979 and the hurricane of 1980, and as a consequence of diseases affecting the trees. Since 1980, an uneven performance has been noted. This trend can be reversed only if production of nuts is boosted. Government is actively seeking support for a coconut development programme that would achieve re-planting with varieties

ST. VINCENT AND THE GRENADINES

resistant to both red-rings and coconut mite diseases.

Tobacco which began to be produced on a commercial basis in 1978, reached a level of output of 86 tonnes in 1980 and rose to an estimated 99 tonnes in 1982. The crop occupies a very small acreage (some 220 acres or 88 hectares having been harvested in 1981); but is a potentially very profitable proposition for farmers.

Ground provisions. Production has declined to a level of 1,700 tonnes in 1977, but recovered to a level of an estimated 32 000 tonnes in 1980. A significant amount of trade in these commodities is carried on with CARICOM countries.

Table 3
ST. VINCENT AND THE GRENADINES:
INDICATORS OF AGRICULTURAL PRODUCTION
(Tonnes)

	1980	1981	1982 ^e	Growth rates		
				1980	1981	1982
Production of main crops						
Arrowroot starch	703	675	691	4.6	3.5	2.4
Bananas	20 765	32 958	31 500	-26.8	58.4	-4.4
Coconuts (000 nuts)	10 738	9 924	10 000	-24.9	-7.6	0.8
Eddoes	1 814	2 713	...	22.2	49.6	...
Ginger	540	900	...	-54.5	66.7	...
Mangoes	571	1 715	1 801	-66.7	200.2	5.0
Peanuts	45	180	180	-1.0	300.0	-
Plantains	1 454	5 040	4 500	34.0	246.6	-10.7
Sweet potatoes	2 093	1 357	...	45.4	-35.2	...
Tannias	675	675	675	-	-	-
Tobacco	86	98	99	18.0	14.7	1.0
Yams	450	450	450	-	-	-

Source: Central Statistical Unit, Ministry of Finance, and Ministry of Agriculture.

^eECLA estimates.

Government has identified three major constraints to the further development of Agriculture. Marketing has posed a problem because of deficiencies in market information, storage, packaging and processing. Apart from bananas and arrowroot whose marketing and exports are handled by specific organizations, the bulk of marketing of the rest of export crops is done by the St. Vincent Marketing Corporation. The remainder of the export trade is handled, not with the rigour of the Marketing Corporation, by individual traders. The granting of licences allowing hucksters to export ground provisions led to the inability of the Marketing Corporation to supply its quota allocation. The low selling price of this produce by the hucksters upon arrival in Trinidad caused a shift in purchases away from the Marketing Agency in that country, and a cessation of orders for produce from the St.

ST. VINCENT AND THE GRENADINES

Vincent Marketing Corporation. The 190 tonnes of sweet potatoes shipped to Trinidad by the Marketing Agency in 1982 is equivalent to one month's export to Trinidad under normal conditions. There is need for a systematic monitoring of production trade in Agricultural products, so as to be able to set realistic quota levels under the CARICOM Agricultural Marketing Protocol.

Extension and Research Services constitute the second major constraint to the Development of Agriculture. An increased service in this area is key to the development of the service extended to the 10,000 farmers on the island. As a means of improving the quality and quantum of technical extension services over the longer term, in-service trainings will be utilized to a greater extent than previously.

Credit has been identified as being the third major constraint. Agricultural credit facilities have not operated efficiently prior to 1982. With the merger between the Agricultural and Co-operative Bank and the Development Corporation (DEVCO) in 1982, there is the expectation that credit to farmers will be facilitated. There is need for a scheme that would quickly make available small loans to farmers who do not possess the qualifications for a bank loan under normal commercial banking criteria. In order to achieve this objective, DEVCO would need to be expanded in terms of staffing.

(ii) Manufacturing. This sector continues to be relatively small but growing, contributing an estimated 12% to total GDP at current factor cost in 1982. The small size of the domestic market and the limited volume of agricultural output suitable for processing have tended to constrain growth of the sector. Apart from a number of small food-processing establishments, manufacturing activity encompasses the making of garments, the corrugation of iron and plastics, glove manufacture and electronics. An estimated 1,000 new jobs were created in the industry sector grouping of the economy between mid-1980 and mid-1981. The Caribbean Development Bank (CDB) has made funds available for the construction of factory space, the shortage of which has acted as a disincentive to attracting foreign manufacturing companies to the island.

The Development Corporation (DEVCO) is at present seeking to re-focus industrial policy into export-oriented areas associated with high value-added.

(iii) Energy. The near total dependence of the country on petroleum and petroleum products as a source of energy is matter of concern, as it affects the Balance of Payments directly, and the cost of living through the level and system of relative prices. Government has moved to introduce energy planning which is fundamental to Government's macro-planning process.

(iv) Construction. Accounting for a slightly higher percentage of total GDP than Manufacturing, the construction sector grew by an estimated 7.5% in 1982 as a consequence of the expansion of the manufacturing and tourism sectors, and by increased government investment. Public sector activity in this sector predominates, as it encompasses the following activities:

- Housing and land Development
- Water and land Development
- Public Works

The private sector is relatively small and cannot handle large projects, partly because of the lack of sufficient construction equipment, and partly because of the inadequacy of technical manpower. The emigration of skilled and semi-skilled construction workers has further contributed to the shortage of trained personnel in this area.

3. The external sector

(a) Balance of payments

At the time of writing, no official external trade or balance of payments statistics for 1982 are available. IMF staff estimates, however, place the current account deficit at \$EC32.1 million in 1982, as compared with a deficit of \$EC13.8 million in 1981. The worsened current account deficit was mainly accounted for by a slight drop in the value of exports, and an increased value of imports of merchandise, as export prices and volumes and tourism declined. The ratio of the current account deficit to GDP was of the order of 15% while the comparable figure for 1981 was some 7%. Inflows of capital to the public sector financed some 75% of the 1982 current account deficit. Borrowing from the Banking system to the extent of \$EC8.9 million helped to make up for the current account deficit.

Table 4
ST. VINCENT AND THE GRENADINES: BALANCE OF PAYMENTS
(Millions of EC dollars)

	1979	1980	1981	1982 ^e
Merchandise trade + non-factor services-exports	100.4	118.5	140.4	139.9
Exports of goods	51.3	53.7	72.4	69.9
Exports of non-factor services	49.1	64.8	68.0	69.9
Merchandise trade + non-factor services-imports	140.9	170.1	176.6	194.2
Imports of goods	125.0	154.4	157.4	172.3
Imports of non-factor services	15.9	15.7	19.2	21.9
Balance on goods and services	-40.5	-51.6	-36.2	-54.3
Net transfer payments	21.1	24.0	21.9	21.6
Balance on current account	-19.2	-27.3	-13.8	-32.1

Source: ECLA Office based on IMF mission estimates.
^eEstimates.

(b) Services trade

ST. VINCENT AND THE GRENADINES

Tourism, with a contribution to GDP at factor cost of \$3.7 million in 1982, accounted for 2% of total GDP, as measured by the hotels and restaurants sector. The low contribution of the sector to total GDP is indicative of the relative lack of development of tourism infrastructure on the main island. The Tourist Board noted a decline in tourism deriving from a reduction in visitor arrivals in 1982, and has ascribed these happenings to:

- the worldwide economic recession
- a tourist product in need of improvement
- inadequate air services to St. Vincent and the Grenadines

However, a substantial increase in tourist expenditure was noted in 1982 when compared with the figure in respect of 1978. Tourist arrival statistics collected at the major airport reveal that the Caribbean and North America were the best tourist markets in 1982.

Table 5
ST. VINCENT AND THE GRENADINES:
SELECTED TOURISM INDICATORS

	1979	1980	1981	1982	Growth rates	
					1981	1982
Total visitors	63 440	92 233	83 283	80 159	-9.7	-3.8
Stopover visitors in hotels	10 438	13 387	44 732	37 456	234.1	-16.3
Cruise-ship visitors	20 726	42 479	33 451	29 870	-21.3	-10.7
Hotel + guest house beds	775	983	1 106	1 120	12.5	1.3
Average length of stay of stopover visitors (days)	7	7	9	8	28.6	-11.1
Hotel bed occupancy rate (%)	...	...	...	50	...	...
No. of cruise-ship calls	19	25	72	69	188.0	-4.2
No. employed in hotels	...	...	...	499	...	...
Estimated tourist expend. ¹	...	...	...	70	...	...

Source: Tourist Board.

¹EC dollars million.

4. Wages, employment and prices

(a) Wages

Wage levels in St. Vincent and the Grenadines are low relative to most other Caribbean countries. This fact has in turn, contributed to

ST. VINCENT AND THE GRENADINES

a shortage of skilled labour, especially in the Construction sector, because of the migration of skilled workers to other Caribbean

Table 6
ST. VINCENT AND THE GRENADINES:
EVOLUTION OF DOMESTIC PRICES
(January 1981 = 100)

	Weight	1981	1982
Annual averages			
All items consumer price index	1000	106.6	114.3
Food	597.9	105.6	110.6
Alcoholic drinks and tobacco	27.9	105.8	118.2
Clothing and footwear	77.2	105.1	119.8
Housing	62.8	106.4	108.0
Fuel and light	62.3	113.4	118.3
Furniture, furnishings and domestic appliances	31.9	102.3	110.7
Household supplies	34.3	113.8	138.8
Transport and communication	37.2	108.5	119.9
Other	68.5	109.3	128.3
December to December variation			
All items consumer price index			4.8
Food		...	4.0
Alcoholic drinks and tobacco		...	5.7
Clothing and footwear		...	4.3
Housing		...	0.1
Fuel and light		...	3.8
Furniture, furnishings and domestic appliances		...	10.9
Household supplies		...	9.5
Transport and communication		...	2.3
Other		...	13.8
Annual average variation			
All items consumer price index		...	7.2
Food		...	4.7
Alcoholic drinks and tobacco		...	11.7
Clothing and footwear		...	14.0
Housing		...	1.5
Fuel and light		...	4.3
Furniture, furnishings and domestic appliances		...	8.2
Household supplies		...	22.0
Transport and communication		...	10.5
Other		...	17.4

Source: Central Statistical Unit, Ministry of Finance.

ST. VINCENT AND THE GRENADINES

countries. There are no official wage indexes compiled for the country. Inferring, however, from partial data, some assessment of the direction and slope of the wage curve can be made. A three-year wage agreement with public servants was struck in July 1981. This provided for a 30% increase in wages and salaries in the first year, retroactive to January 1981, with 10% increases in 1982 and 1983.

(b) Employment

No reliable data on employment are available. However, the increase in economic activity in 1981 appears to have been accompanied by an increase in the numbers employed. An estimate of the unemployment rate puts the figure at 20% to 25% of the labour force.

(c) Prices

The rate of inflation, as measured by the consumer price index declined from an estimated 13% in 1981 to 7.2% in 1982. The deceleration in the price increases of imports has been a major factor contributing to the behaviour of the domestic prices.

Highest relative increases were observed in household supplies, clothing and footwear and alcoholic drinks and tobacco. Food, because of its weight in the index, contributed most to the recorded 7.2% increase in the All Items Index.

5. Monetary and fiscal policy

(a) Monetary policy

A 28% increase in net domestic credit of the commercial banks at the end of October 1982 was observed. Commercial banks' liabilities to the private sector increased by 11%, as savings deposits and demand deposits decelerated somewhat. A substantial increase in public sector borrowing was the main explanation for the increase in net domestic credit.

The commercial banks raised their prime lending rate by one percent point to 10% in the early part of 1982, and raised deposit rates to some 4.5% for savings and 5.5% for time deposits. This was done in order to encourage savings. Government in reviewing the structure of bank interest in the ECCA countries, and is examining the adequacy of the level of the peg of the East Caribbean dollar to the US dollar.

(b) Fiscal policy

Government remained committed to reducing the burden of direct taxation on the individual. Following on increases in personal allowances in 1980, further increases were granted in the budget of 1981/82. The need to earn revenue to pay increased salaries put an end to the tax increased relief activities of Government in 1982. Several tax measures were introduced in order to earn revenue. The

ST. VINCENT AND THE GRENADINES

Table 7
ST. VINCENT AND THE GRENADINES:
SECTORAL DISTRIBUTION OF CREDIT
As at December
Thousands of dollars

	1980	1981	Sept.		1981	1982 ¹
			1981	1982		
Total	85.1	99.1	92.4	123.2	16.5	33.3
Agriculture	7.7	6.1	5.2	8.9	-20.8	71.2
Manufacturing	10.2	14.4	15.0	21.2	41.2	41.3
Distribution	15.3	16.9	13.4	20.1	10.5	50.0
Construction	5.7	6.0	4.9	7.1	5.3	44.9
Tourism (incl. entertainment)	2.7	3.5	3.6	2.5	29.6	-30.6
Transport	3.6	4.7	4.1	5.8	30.6	41.5
Government	7.8	9.2	9.3	12.9	17.9	38.7
Public utilities	4.8	3.9	3.8	5.6	-18.8	47.4
Other services	0.6	0.5	0.5	0.5	-16.7	-
Personal	20.0	25.6	23.7	26.4	28.0	11.4
Other n.e.c.	6.7	8.2	8.0	12.2	22.4	52.5

Source: East Caribbean Currency Authority; Commercial Bankings Statistics.

¹Based on Jan-Sept data.

Table 8
ST. VINCENT AND THE GRENADINES:
COMMERCIAL BANKS' ASSETS
At end of December
(\$EC million)

	1980	1981	Sept.	
			1981	1982
Claims on Monetary Authority				
Cash	4.2	3.9	2.8	3.2
Deposits	7.0	9.3	12.5	5.0
Claims on				
Other local banks	2.8	4.0	2.5	4.0
Other ECCA Area Banks	11.0	16.7	16.4	17.1
Loans and advances	85.1	99.1	92.4	123.2
Investments				
Treasury bills	-	0.5	-	1.0
Securities	0.7	1.1	0.7	0.6
Foreign assets	11.8	10.8	8.7	11.8
Other assets	10.8	21.2	21.3	21.1
Total assets	133.5	166.5	157.2	186.8

Source: East Caribbean Currency Authority; Commercial Bankings Statistics.

ST. VINCENT AND THE GRENADINES

tax measures are the following:

- An increase in Airport Landings Fees
- An increase in Harbour Dues
- Increased postage charges
- Increases in the trader's tax and increased rental costs to traders operating in the Airport terminal

Table 9
ST. VINCENT AND THE GRENADINES:
CENTRAL GOVERNMENT CURRENT REVENUE
1977/78 - 1982/83¹
(\$EC million)

	1979/80	1980/81	1981/82
Current receipts	42.9	45.7	60.2
Direct taxes	10.7	12.6	16.1
Income taxes	10.5	12.0	15.3
Property taxes	0.2	0.6	0.8
Indirect taxes	25.2	25.6	33.4
Consumption tax	4.0	3.8	6.4
Import duties	10.6	10.6	11.1
Export duties	0.6	0.5	1.0
Stamp duty	4.2	4.2	6.0
Other taxes	5.8	6.5	8.9
Non-tax revenue	7.0	7.5	10.7
Interest and rent	0.2	0.2	0.2
Current Profits (ECCA Profit)	1.0	1.3	2.3
Government department + public enterprises	1.4	1.5	1.5
Other (fees, fines, etc.)	4.4	4.5	6.7

Source: Ministry of Finance and mission estimates.

¹Relates to fiscal year ending June 30.

Current revenue rose by 31.7% in 1981/82 as the progressive system of taxation impacted on increased wages and salaries, and as indirect taxes were increased or introduced. Most of the indirect taxes collected derive from international trade. Capital Revenue and grants increased by 54% in 1981/82 after an increase of 11% in the previous period.

Current expenditure increased by 31.6% in 1981/82 in order to meet the higher operating expenses as brought on by increased labour and material costs. Capital expenditure was estimated to have been \$17.2 million in 1981/82, as much construction work was undertaken on Government Office Buildings, Schools, Hospitals and Clinics. The overall deficit of \$20.7 million was financed by Capital Grants, Domestic financing, Foreign borrowings, and borrowing from ECCA.

ST. VINCENT AND THE GRENADINES

Table 10
ST. VINCENT AND THE GRENADINES:
ABSTRACT OF REVENUE - RECURRENT
(Dollars million)

	1980/81	1981/82	1982/83
Revenue raised			
Import duties	10.0	12.5	12.5
Export duties	0.9	1.2	1.4
Excise duties	0.8	2.9	1.2
Income tax	10.8	12.0	15.7
Other taxes	12.5	24.0	30.5
Licences	1.5	2.3	2.1
Fees	5.7	8.1	2.8
Interest	1.6	3.1	2.6
Rent	0.1	0.2	0.2
Loan repayment	0.1	0.0	0.0
Revenue earned			
Harbour receipts	0.4	0.4	0.6
Port receipts	0.3	0.3	-
Airport	0.7	0.7	0.8
Post office	1.0	1.3	1.5
Govt. undertakings	2.0	2.0	2.0
Total	48.2	70.9	79.8

Source: Data supplied to ECLA.

Table 11
ST. VINCENT AND THE GRENADINES:
CENTRAL GOVERNMENT OPERATIONS
1977/78 - 1981/82¹
(\$EC million)

	1979/80	1980/81	1981/82
Current revenue	42.9	45.7	60.2
Current expenditure	43.0	48.4	63.7
Current account surplus/deficit	-0.1	-2.7	-3.5
Budgetary grants (current)	3.4	-	-
Current balance	3.3	-2.7	-3.5
Capital expenditure + net lending	19.0	19.5	17.2
Overall deficit	-15.7	-22.2	-20.7
Financings	15.7	22.2	20.7
Capital grants	5.9	8.3	12.8
Net foreign borrowings	10.4	9.1	2.0
Net ECCA borrowings	-	-	1.0
Foreign currency holdings (-increase)	-0.7	0.4	-
Net IMF	0.6	6.4	-
Net domestic financings	-1.6	-2.0	3.9
Residual	1.1	-	1.0

Source: Ministry of Finance and IMF mission estimates.

¹Relates to fiscal year ending June 30.

ST. VINCENT AND THE GRENADINES

The effect of Government's recourse to external financing was an increase in the external debt at the end of the 1981/82 fiscal year to approximately US\$17 million.

Table 12
ST. VINCENT AND THE GRENADINES:
SUMMARY OF EXTERNAL PUBLIC AND PUBLICLY
GUARANTEED DEBT OPERATIONS
1977/78 - 1981/82
(US dollars thousands)

	1977/78	1978/79	1979/80	1980/81	1981/82
Outstanding debt at end of period	5 540	7 775	12 616	16 435	16 993
Outstanding and disbursed					
Debt at beginning of period	5 553	5 540	7 775	12 616	16 435
Plus: net disbursements	-13	2 235	4 520	4 686	1 140
(disbursements)	(876)	(2 311)	(4 670)	(4 890)	(1 923)
(Amortization)	(-889)	(-76)	(-150)	(-204)	(-783)
Valuation adjustment	-	-	321	-867	-582
Debt service payment	1 095	313	490	652	1 523
Amortization	889	76	150	204	783
Interest ¹	206	237	340	448	740

Source: Ministry of Finance, CDB and IMF mission estimates.
¹Relates to fiscal year ending June 30.

PART XII

TRINIDAD AND TOBAGO

COUNTRY NOTES

TRINIDAD AND TOBAGO

1. Recent economic trends: Introduction and summary

During 1982 the Trinidad and Tobago economy grew at just about the same rate as it did the year before. The dominant petroleum sector had engendered fairly strong growth in 1979 and 1980, not so much because output increased - in fact output had peaked in 1978 - but because the second round of petroleum price increases had led to sizeable growth in export receipts, Government revenues and foreign reserves. World oil prices which rose 49 and 62% in 1979 and 1980 respectively, and by 11% in 1981 actually fell by 3% in 1982, the consequence of energy conservation measures and world recession. This external market situation together with a 6% fall in crude oil output and a 13% reduction in refinery throughput was enough to lead to a decline in Gross Domestic Product (GDP) from the goods producing sector. The result inevitably was for export earnings to fall by an estimated 10%, Government revenues to decline, and for deficits to develop on Government account and in foreign payments. Fiscal balances accumulated over the years were partly used up, external assets declined, while external debt, still modest by international standards, increased 42% (see Table 1).

Preliminary estimates based on part-year data suggest some real and almost 6% nominal growth. Most of this must be attributed to services for which nominal growth is estimated to have been over 20% and real growth between 6 and 8% (see Table 2). Manufacturing and construction also rallied, shored up on the demand side by vastly increased injections into the income stream by an approximately 100% increase in Government's domestic budgetary deficit. The consequence of this was that Government accounts went into deficit to the extent of 18% of GDP and its cash reserves declined precipitously. Export agriculture declined yet again.

During the year, in spite of a 44% increase in money supply, inflation abated somewhat, and unemployment remained about its 1981 level. It is widely believed that the boom years of the seventies have all but ended and that unless the new export thrust in energy-based steel, fertilizer and methanol industries can take the place being rapidly vacated by petroleum difficult years may lie ahead. During 1982 fertilizer exports increased 100% but markets for steel were difficult and production drastically curtailed. (see Table 2a).

2. Trends in economic activities

(i) **Agriculture.** In 1982 agriculture accounted for just under 3% of gross output but employed nearly 10% of the labour force (ref. table 2). Output was about its 1970 level, with the secular decline in traditional staple export agriculture just about counter-balanced by increased output for the home market. The recent oil boom which

TRINIDAD AND TOBAGO

severely turned the internal terms of trade against agriculture,

Table 1
TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS

	1979	1980	1981 ^P	1982 ^P
A. Basic economic indicators				
GDP at factor cost (million 1970 dollars)	2 484	2 616	2 714	2 821
Population (million)	1.08	1.10	1.14 ¹	1.16 ¹
Per capita GDP (1970 dollars)	2 300	2 378	2 381	2 432
Growth rates				
B. Short-run economic indicators				
GDP (1970 prices)	6.2	5.3	3.7	3.9
Per capita GDP	5.3	3.4	0.1	2.1
Terms of trade	16.7	6.4	0.7	...
Curr. val. of exports of goods and services	32.2	53.8	-5.0	-10.2 ^B
Curr. val. of imports of goods and services	28.0	33.7	2.5	17.6
Consumer price index				
Dec - Dec variation	19.6	16.6	11.6	10.8
Variation between annual coverages	14.7	17.5	14.3	11.4
Money supply	27.9	24.5	16.1	43.9
Rate of unemployment (%)	11	10	10.4 ²	10.4 ²
Current revenue of Govt.	31.6	58.3	7.1	-0.5
Total expenditure of Govt.	44.9	30.4	22.1	51.1
Millions of dollars				
C. External sector				
Trade bal. (goods + services)	22	1 102	969	-367
Balance on current account	-87	945	751	-536
Variation in net international reserves	879	1 472	1 343	49
External debt	898	1 048	1 075	1 528
Exchange rate (TT\$ per US\$)				2.4

Source: On the basis of official data.

¹ Estimated from non-institutional population.

² C.S.S.P. data January-June.

contributed to the rapidity of its decline. But historically, unchanged technology, absence of new investments, continued specialization in declining staples and consequently falling factor productivity have all combined to make for severe industry losses. These structural deficiencies continue to nullify injections of public funds for subsidies and institutional support, leaving the industry in a state of crisis.

TRINIDAD AND TOBAGO

Table 2
TRINIDAD AND TOBAGO: GROSS DOMESTIC PRODUCT
BY ECONOMIC ACTIVITY AT FACTOR COST

	Million current dollars		Percentage shares		Growth rates	
	1981 ^P	1982 ^E	1980	1982	1981	1982
Total GDP	16 908	17 832	100.0	100.0	10.0	5.5
Goods	9 253	8 751	57.8	49.1	4.1	-5.4
Agriculture	398	466	2.4	2.6	7.0	17.1
Petroleum	6 302	5 474	42.0	30.7	-2.3	-13.1
Manufacturing (excluding petroleum)	1 041	1 169	6.1	6.6	11.9	12.3
Construction	1 512	1 642	7.4	9.2	33.2	8.6
Basic services	2 268	2 453	13.3	13.8	11.2	8.2
Electricity and water	272	282	1.3	1.6	34.7	3.7
Trans. storage + comm.	1 996	2 171	12.0	12.2	8.6	8.8
Other services	5 387	6 627	28.9	37.2	21.3	23.0
Commerce, rest. and hotels	1 800	...	10.2	...	15.2	...
Fin. ins. + real estate	1 274	1 538	6.8	8.6	22.7	20.7
Government	1 508	...	7.6	...	28.7	...
Educ. cult. + comm. services	458	...	2.5	...	20.5	...
Personal services	347	...	1.9	...	20.5	...

Source: Central Statistical Office and Central Bank.

Table 2a
TRINIDAD AND TOBAGO: GROSS DOMESTIC PRODUCT
BY ECONOMIC ACTIVITY AT CONSTANT PRICES

	Million 1970 dollars		Percentage shares		Growth rates	
	1981 ^P	1982 ^E	1980	1982 ^P	1981	1982 ^E
Total GDP	2 714	2 821	100	100	-3.7	3.9
Goods	950	936	37	33	-2.0	-1.5
Agriculture	82	80	3	3	1.2	-2.4
Petroleum	304	297	13	11	-12.1	-2.3
Manuf. (excl. petroleum)	293	287	11	10	-2.3	-2.0
Construction	271	272	10	9	7.5	0.4
Basic services	580	630	20	22	9.6	8.6
Electricity and water	76	84	3	3	8.6	10.5
Trans. storage + comm.	504	546	17	19	9.8	8.3
Other services	1 183	1 254	43	45	6.9	6.0
Distribution	428	445	15	16	5.9	4.0
Financial sector	333	367	12	13	7.4	10.2
Government	237	255	8	9	9.7	7.6
Other ¹	185	187	8	7	4.5	1.1

Source: Central Bank of Trinidad and Tobago - Annual Report 1982.

¹ Includes Hotels and Guest Houses, Education and Community Services.

TRINIDAD AND TOBAGO

After modest recovery in 1981, the result of good export prices and fine weather for cocoa and coffee and the stimulus of a hike in milk prices, the industry declined an estimated 3 % in 1982 (see Table 3). Poor performance was recorded by every export crop. Citrus

Table 3
TRINIDAD AND TOBAGO:
INDICATORS OF AGRICULTURAL PRODUCTION

	1980	1981	1982	Growth rates		
				1980	1981	1982 ⁴
Index of output	101.5	103.1	99.7	-7.6	1.6	-3.3
Thousands tonnes						
Sugar cane	1 499	1 299	1 201	-12.3	-13.3	-7.5
Cocoa beans	2.4	3.1	2.0 ¹	-9.4	32.1	-18.3
Coffee beans	2.2	2.4	1.8 ¹	-10.3	8.6	-25.0
Oranges	2.6	1.8	0.7	-12.8	-31.5	-63.1
Grapefruit	4.0	2.9	1.2	2.8	-27.3	-60.1
Coira	4.4	4.0 ^P	...	-35.3	-9.9	...
Meat:						
Beef and veal	2.0	1.7	0.7 ²	2.2	-13.2	-21.4
Pork	1.8	1.6	0.8 ²	-26.0	-9.9	11.4
Poultry ⁵	23.5	25.6	14.8 ²	-12.3	9.3	14.6
Fish	2.2	1.9	...	-12.5	-14.2	...
Eggs ⁶	3.5	3.4	1.2 ³	-25.5	-2.9	32.7
Milk ⁷	5.5	7.1	3.6 ²	-12.2	29.0	-12.6

Source: Central Statistical Office.

¹ January-September

² January-June

³ January-March

⁴ Compared to similar period in 1981

⁵ Live weight

⁶ Million dozen

⁷ Thousand litres

production declined by a phenomenal 60% largely the result of labour shortage for harvesting. Trinidad and Tobago, a sizeable exporter of fresh and processed citrus up to the mid-seventies, is now a net importer, domestic supplies being inadequate for the home market or to keep the processing plant operational at close to break even capacity.

The major export crop, sugar cane, failed yet again to attain the modest output target set and recorded its lowest output since 1945. While true that early onset of rains curtailed the harvesting season, the poor performance resulted mainly from organizational and managerial problems. Thus unscheduled fires destroyed 10% of available canes, labour was short during the critical harvesting period, and industrial disputes and mechanical breakdown impeded

TRINIDAD AND TOBAGO

factory operations. The economic efficiency of this state-owned industry might be judged from the fact that the estimated cost of producing a ton of sugar was approximately four times what it fetched on the EEC guaranteed market in 1982.

Production of high income elasticity items such as meat, eggs and vegetables for the domestic market has tended upwards under the stimulus of subsidies. Poultry production, as measured by part year data, was particularly buoyant in 1982. However, the fact that the country relies heavily on imports for much of its consumption of meats, milk and fish, and is almost wholly dependent on imported hatchling eggs, suggests only partial exploitation of this enormous potential. There has recently been a trend to vegetable production using capital intensive modern technology such as hydroponics.

(ii) **Minings.** The long-term trend in mining output, up since 1970 with the advent of East Coast offshore oil and increased production of natural gas, has been on the decline during the eighties. After the relatively sharp fall in 1981 when crude petroleum and natural gas output both declined, in part due to official conservation measures, and asphalt experienced a 40% reduction in output, the sector recovered somewhat in 1982 to record only a 2.5% decline compared to 12% in 1981. Mainly responsible for this slower deceleration was the reactivation of wells shut in during 1981 as the flare gas recovery programme came on stream in 1982. This also boosted gas output. Some recovery in asphalt production, used mainly in domestic road construction, also helped. Also important is that drilling activity, a determinant of long-run crude oil production, was up 6% in 1982 for the second consecutive year after reaching a ten-year trough in 1980. Although exploratory drilling accounted for only 20% of the total, some dividend has already begun to show itself in the form of discovery announced in April 1982 of a new field off the South-east coast. (see Table 4).

Table 4
TRINIDAD AND TOBAGO: INDICATORS OF MINING ACTIVITY

	1977	1980	1981	1982	Growth rates		
					1980	1981	1982
Index of output: (1970 = 100)	161.4	265.0	232.9	227.3	-2.4	-12.1	-2.4
Crude oil produced ¹	13.3	12.3	11.0	10.3	-0.8	-10.9	-6.4
Drillings activity ²	281	204	240	254	-15.5	17.2	6.1
Asphalt production ³	44	41	23	30	-27.4	-42.7	28.0
Natural gas prod. ⁴	4.2	5.6	5.5	5.8	16.6	-1.2	5.5

Source: Min. of Energy and Natural Resources and Central Statistical Office.

¹Million cubic metres. ²Thousand metres drilled.

³Thousand tonnes

⁴Thousand million cubic metres

TRINIDAD AND TOBAGO

Crude oil production which peaked in 1977/78 declined for the fourth consecutive year. Incentives for use of secondary recovery measures on land seem to have stabilized output levels somewhat, but marine output declined by 7%. The bulk of domestic crude oil continues to be exported partly on account of the corporate structure in the industry and partly on account of refinery configuration (see Table 5).

Table 5
**TRINIDAD AND TOBAGO: LOCAL CRUDE PETROLEUM
 EXPORTS AND LOCALLY REFINED CRUDE , 1975-1982**
 (Million cubic metres)

Year	Total production			Domestic crude exports	Percentage of total	Domestic Crude refined locally	Percentage of total
	Total	Land	Marine				
1975	12.5	...	...	7.7	62	4.8	38
1976	12.3	2.6	9.7	7.0	57	5.3	43
1977	13.3	2.6	10.7	7.9	59	5.4	41
1978	13.3	2.6	10.7	8.1	61	5.2	39
1979	12.4	2.7	9.7	7.0	56	5.4	44
1980	12.3	2.7	9.6	7.3	59	5.0	41
1981	11.0	2.5	8.5	6.0	55	5.0	45
1982	10.3	2.4	7.9	6.0	58	4.3	42

Source: Ministry of Energy and Natural Resources.

Following on the oil crisis of the seventies and U.S. energy conservation policies, including development of alternative energy, reduced dependence on overseas supplies and on offshore refining, Trinidad and Tobago's position as a low-cost refining centre was fundamentally altered. Throughput in 1982 was less than half its peak level in 1976 and a further 13% below 1981. Because the vast bulk of refinery output is low-priced fuel oil for which East coast U.S. markets had substantially disappeared, the weighted realized values of products was lower than crude prices, refineries were losing money and by late 1982 closure of the refineries was being suggested. As a result of cut-backs in operations at year-end throughput was only 30% of refinery capacity (see Table 6).

(iii) **Manufacturing.** Preliminary estimates suggest that in 1982 real manufacturing GDP fell by 2% compared to 1981 when there was about a similar decline (ref. table 2a). This contrasts with the steady growth recorded by the sector between 1972 and 1980. The secular decline since 1976 in sugar processing has already been noted.

When sugar and oil are excluded, part-year data suggest an 8% increase in manufacturing (see Table 7). Contributing strongly to this were the chemicals group, particularly fertilizers and cement, assembly industries and food processing, while textiles and printing

TRINIDAD AND TOBAGO

Table 6
**TRINIDAD AND TOBAGO: REFINERY THROUGHPUT,
 OUTPUT AND EXPORTS OF REFINED PRODUCTS¹**
 (Million cubic metres)

Year	Throughput	Output	Exports	Imports as Percentage throughput
1975	13.6	13.2	14.5	67.6
1976	18.7	18.2	16.5	72.2
1977	15.9	15.3	13.1	66.9
1978	13.7	13.2	11.5	65.7
1979	13.2	12.7	10.6	62.1
1980	12.4	13.1	10.7	66.9
1981	10.1	9.6	8.4	61.0
1982	8.8	8.6	7.3	42.4

Source: Ministry of Energy and Natural Resources.

¹Movements in stocks account for the apparent discrepancy in these data.

Table 7
**TRINIDAD AND TOBAGO: INDICATORS OF
 MANUFACTURING ACTIVITY**
 (1977 = 100)

	1978	1979	1980	1981	Jan - June	
					1981	1982
Index of manufacturing production - total ¹	108.4	115.0	123.3	118.7	111.2	120.5
Food processing	105.8	116.1	126.1	126.0	113.6	128.4
Drink and tobacco	96.3	93.4	110.3	104.4	102.4	108.8
Textiles, knitted goods and footwear	98.1	96.3	104.9	82.6	84.8	65.3
Printing, publishing and paper converters	97.7	116.6	122.6	135.1	132.3	120.2
Wood + related products	88.7	119.0	122.5	90.2	82.8	84.2
Chemical + non-metallic products	126.1	128.6	139.2	116.2	99.0	134.8
Assembly type + related industries	112.4	114.8	123.8	126.0	117.8	126.1
Misc. manufactures	103.8	120.9	107.2	124.6	120.7	109.2
Oil	86.3	82.6	86.8	64.1	66.6	71.0
Sugar	86.2	83.6	65.1	55.8	59.0	47.6
All industry index	99.0	101.4	107.2	95.4	91.1	97.5

Source: Central Statistical Office.

¹Excluding oil and sugar

experienced decline. However, as there were full-year declines in both sugar and oil refining (see Tables 6 and 8), the overall decline

TRINIDAD AND TOBAGO

of the sector need not be in conflict with strong part-year growth in some sectors.

Table 8
TRINIDAD AND TOBAGO: OUTPUT OF
SELECTED INDUSTRIAL PRODUCTS

				Growth rates		
	1980	1981	1982	1980	1981	1982 ⁸
Sugar ¹	113	93	82	-21.2	-17.8	-11.8
Rum ²	5.1	4.6	2.8 ⁶	53.4	-9.8	-22.2
Beer and stout ³	37.1	35.3 ⁷	23.4 ⁶	15.6	-4.9	1.7
Cigarettes ³	0.9	0.5 ⁷	...	6.8	...	...
Edible oil ³	9.2	24.0	7.2 ⁶	13.1	161	1.4
Margarine, lard + butter substitutes ⁴	4.4	6.6	4.9 ⁶	-40.6	50.4	-9.3
Soap ¹	2.7	2.9	3.3 ⁶	-22.3	5.8	...
Fertilizers ¹	687	559	940	13.6	-18.6	68.2
Assembly industries⁵						
Motor vehicles	11.9	13.4	10.8 ⁶	-21.7	12.6	9.1
Radios	8.3	8.5	6.0 ⁶	3.8	2.5	5.3
Televisions	12.8	13.3	13.9 ⁶	21.9	3.9	40.4
Gas cookers	23.4	15.3	17.1 ⁶	52.9	-34.6	72.7
Refrigerators ¹	27.5	14.9	21.5 ⁶	30.3	-44.8	85.3
Steel products¹						
Direct reduced iron	22	180	218	-	718.2	21.1
Billets	3	53	171	-	-	222.6
Wire rods	-	29	124	-	-	327.6

Source: Central Statistical Office: Annual Statistical Digest, Central Bank: Quarterly Statistical Digest, Sugar Manufacturer's Association of Trinidad and Tobago.

¹Thousand tonnes.

²Million proof gallons.

³Million litres.

⁴Tonnes.

⁵Thousand units.

⁶Jan-Sept.

⁷Jan-June.

⁸Compared to similar period in 1981

⁹Growth rate 1,766.7% from low base

Of particular interest is the coming into full production in 1982 of Trinidad and Tobago's efforts at large-scale energy-based manufacturing geared to export markets. After a poor year in 1981 when industrial unrest and unreliable supplies of natural gas resulted in almost 20% decline in fertilizer output, an all-time record 68% growth was attained in 1982, largely the result of the coming into full production of new facilities. Iron and steel production begun in late 1980, became fully operational in May 1982. Because however of weak export markets, consequent on depressed world economic conditions and protectionist policies in some countries, the performance of these industries had not in 1982 attained full potential. Construction work on plant for producing urea and methanol continued in 1982.

(iv) Construction. The boom in construction, evident during the

TRINIDAD AND TOBAGO

seventies, and which peaked in 1980 with all-out effort in a number of large-scale public sector projects, slowed considerably in 1982. Nominal sector output is estimated to have grown only 6.8% in 1982, compared to 33% in 1981 and 45% in 1980, and real output barely grew one-half percent, compared to 7% in 1981 and 23% in 1980 (ref. table 2a). The phenomenal growth in the industry over the decade is borne out by an approximately threefold increase in output, employment and local cement sales, while the shift in the structure of the industry might be inferred from the relatively slow growth in local sales of bricks and blocks and in the acceleration in commercial bank credit (see Table 9).

Table 9
TRINIDAD AND TOBAGO:
INDICATORS OF CONSTRUCTION ACTIVITY

	1975	1980	1981	1982	Growth rates		
					1980	1981	1982
Index of output	151	265	284	286	23.0	7.4	0.4
Cement - Production ¹	259	186	139	189	-14.4	-25.3	36.0
Local sales ¹	184	360	390	458	8.0	8.3	17.5
Bricks + blocks -							
Production ²	20.1	29.3	28.3	21.6 ⁶	6.9	-3.4	-6.1
Local sales ²	20.0	28.7	27.2	12.4 ⁶	18.1	-4.2	-43.1
Employment ³	...	63.1	...	...	...	...	...
Commercial bank loans + advances outstanding ⁴	33	329	445	470	32.7	35.3	5.6
Approved building plans							
Number ³	2.6	3.6	3.4	1.7 ⁷	-4.3	-5.4	-5.5
Floor area ⁵	3.9	5.9	7.1	3.2 ⁷	-6.7	20.3	-10.9

Source: Central Statistical Office.

¹Thousand tonnes. ²Million. ³Thousand. ⁴Million dollars.
⁵Million square feet. ⁶Jan-Sept. ⁷Jan-June.

The downturn in the industry evident from the continuing decline in building plan approvals from its peak in 1979, is further illustrated by the strong decline in the local sale of bricks and blocks. After many years of over-heating, with severe shortages of raw materials and skilled labour, and cost escalations put at one and a half percent per month, construction costs have begun to decelerate. The index of retail prices of building materials rose 7.4% in 1982 compared to 13.2% in 1981 and 20% in 1980. By the end of 1982 some contractors had begun to report lack of work though the anticipated shedding of labour had not shown itself.

(v) **Employment and unemployment.** The evidence at hand suggests that there was considerable improvement in the labour market during the decade of the seventies. Between census day 1970 and 1980 non-institutional population 15 years old and over grew 29%, labour force 4.4% and employment 9%, while numbers unemployed fell 28% and the

unemployment rate attained single digit (see Table 10). The continuous improvement in labour force absorption was also evident from estimates based on the continuous sample survey of the population. The decline in the participation rate between 1970 and 1980 may be attributed to larger numbers of persons pursuing tertiary level education.

Table 10
TRINIDAD AND TOBAGO: LABOUR FORCE,
EMPLOYMENT AND UNEMPLOYMENT
(Thousands)

	Census			Jan-June			
	1970	1980	1975	1977	1979	1981	1982
Non-inst'l population							
15 yrs and over	539	696	674	719	750	726	740
Labour force	366	382	391	428	446	431	443
Participation rate (%)	68	55	58	59	60	59	60
Persons with jobs	320	349	332	371	397	386	397
Unemployed	46	33	59	58	49	45	46
Percentage unemployed	12.5	8.8	15	12	11	10.4	10.4

Source: Central Statistical Office: Continuous Sample Survey of the Population, Central Bank Annual Report, 1982.

The weakening economic position which began to show itself in 1982 might however have had some impact on the performance of the labour market. Part-year data suggest increased employment and a constant unemployment rate. But for the first time since 1973 the number of persons unemployed increased, if only slightly.

Of major concern to policy-makers during 1982 was the issue of low and declining labour productivity. Following public discussion a National Productivity Council was set up to address the problem. It is, however known that falling output is usually accompanied by falling productivity (Verdoorn's Law) and that growth in tertiary economic activities presents less scope for productivity gains through mechanization. To the extent that both these trends have been evident in Trinidad and Tobago the experience is not unexpected.

3. The external sector

(i) **Merchandise trade.** Trinidad and Tobago represents an extreme case of exports concentration. Petroleum products and crude petroleum which provided 80% of exports in 1970 accounted for more than 90% in the eighties or seventies in spite of efforts to the contrary. The only other exports of sizeable proportions were petrochemicals and fertilizers with the latter showing a 100% increase in 1982 over 1981. The Export of steel products which began in 1981 and which totalled 150 thousand tons in 1982, has potential for further growth. Staple agricultural commodities now make only a small contribution to

TRINIDAD AND TOBAGO

exports and most of them are rapidly on the decline. Cement exports ceased in 1976. Part-year data suggest that overall merchandise exports were down 15% in 1982 after a 10% decline in 1981, while exports of goods and services declined 10% compared to 5% in 1981 (see Table 11). Export performance clearly peaked in 1980, the last year of strong petroleum prices.

Table 11
TRINIDAD AND TOBAGO: SELECT EXPORTS
(Millions of TT dollars)

	1981	1982 ¹	Percentage share			Growth rates	
			1970	1980	1982	1981	1982 ²
Total domestic exports	8 714	3 751	100	100	100	-10.3	-15.9
Main traditional exports							
Petroleum products	4 172)		71	53)	90	-18.4)	-15.4
Crude petroleum	3 870)		8	40)		-1.4)	
Natural asphalt	1	...	-	-	...	-66.7	
Sugar	65	30	5	1	1	-3.4	-56.5
Rum	12	7	-	-	-	-8.7	37.3
Cocoa beans	18	8	1	-	-	2.9	-39.3
Coffee beans	4	4	-	-	-	-49.3	37.5
Citrus + citrus Juices	4	2	-	-	-	-16.0	-27.6
Main non-traditional exports							
Petrochemicals	155	...	3	1	...	7.8	...
Fertilizer + ammonia	137	103	5	1	3	-9.1	106.0
Iron + steel	14	...	...	-	...	...

Source: Central Statistical Office: Quarterly Economic Report, various issues and Central Bank: Annual Report 1982.
¹ Jan-June. ² Jan-June 1982 compared to 1981.

By contrast, imports in 1982 grew an estimated 17% after only 2.5% growth in 1981 and an average 25% per year growth between 1977 and 1980. Between 1970 and 1982 the share of consumer goods in total imports excluding fuels under processing agreement (u.p.a.) remained between 35 and 40%, while the share of capital goods increased from about 20% to about 30%. Part-year import data suggest that in 1982 there was strong growth in capital goods and construction materials and that with the exception of motor car kits for assembly, imports of consumer goods grew less quickly (see Table 12). For the first year since 1974 when the oil boom brought surpluses, Trinidad and Tobago recorded a trade deficit in 1982 estimated to be of the order of \$1,500 million.

The terms of trade, unfavourable to Trinidad and Tobago since 1981, are believed to have deteriorated further in 1982. This is so because while the average unit value of major exports e.g. crude petroleum, cocoa and coffee declined, unit export values for the

TRINIDAD AND TOBAGO

Table 12
TRINIDAD AND TOBAGO:
FUNCTIONAL CLASSIFICATION OF IMPORTS
(Millions of TT dollars)

	1970	1980	1981	Jan-July	
				1981	1982
1. Consumer goods	210	1 742	1 923	943	1 202
Non-durables	106	1 067	1 221	579	709
Durables	104	675	702	364	493
2. Raw materials + inter- mediate goods	789	4 089	4 007	1 567	2 576
of which fuels (u.p.a.)	(530)	(2 694)	(2 720)	(823)	(1 592)
Construction materials	...	581	567	332	473
3. Capital goods	102	1 478	1 163	698	1 081
4. Other commodities	86	317	406	253	205
Total	1 087	7 626	7 499	3 462	5 006
Total excl. fuels (u.p.a.)	557	4 932	4 779	2 639	3 414

Source: Central Statistical Office: Quarterly Economic Report and Central Bank, Annual Report, 1982.

Principal suppliers of imports increased, if only moderately. Because of the structure of the country's trade the principal determinant of the behaviour of terms of trade indicators in recent years had been petroleum prices (see Table 13).

Table 13
TRINIDAD AND TOBAGO: FOREIGN TRADE INDICATORS

		1976	1977	1978	1979	1980	1981	1982
		Growth rates						
Exports of goods:	Value	38.9	-2.7	-7.4	28.6	57.3	-10.3	-18.7 ¹
	Volume	17.2	-6.3	-9.4	-2.5	-3.6	-10.7	...
	Unit value	15.6	9.0	0.5	31.4	59.7	10.3	...
Imports of goods:	Value	48.8	-10.1	8.8	7.0	51.0	-1.7	12.6
	Volume	37.8	-17.6	3.7	12.1	13.6	-6.6	...
	Unit value	17.9	3.0	4.4	13.3	50.1	13.0	...
Terms of trade -	Net	-2.0	5.9	-4.4	16.7	6.4	0.7	...
	Income	14.7	-0.9	-13.4	14.0	2.6	-12.1	...
Purchasing power of export of goods		18.0	-5.7	-11.4	13.5	4.8	-20.6	...

Source: Central Statistical Office: Quarterly Economic Reports, various issues.

¹Total exports; other data are for domestic exports.

(ii) **Balance of Payments.** The immediate effect of the poor performance on merchandise trade was to send the balance of payments

TRINIDAD AND TOBAGO

into deficit for the first time since 1974. Considerable improvement in the capital account, especially official flows, was reinforced by some improvement between 1981 and 1982 in the flows for services. Increased official foreign borrowing and reduced lending through the Multilateral Clearing Facility and the Oil Facility to CARICOM partners changed the net outflow in 1981 to an inflow in 1982. Despite a phenomenal increase in net travel expenditure in 1982, positive investment earnings brought about by increased interest payments on the official portfolio and reduced outflows to the petroleum sector were sufficient to counter balance the 100% increase for 'other services', largely fees for technology and non-merchandise insurance (see Table 14).

Table 14
TRINIDAD AND TOBAGO: BALANCE OF PAYMENTS
(Millions of TT dollars)

	1977	1978	1979	1980	1981	1982 ^e
1. Merchandise balance	474	83	360	1 434	1 485	-1 457
Exports of goods f.o.b.	2 821	2 932	3 957	6 205	6 257	5 083
Imports of goods c.i.f.	2 347	2 849	3 597	4 771	4 772	6 540
2. Services (net)	15	105	-337	-332	-248	-178
Transportation	338	223	317	470	305	186
Travel	95	103	44	28	-37	-220
Investment income	-440	-164	-588	-722	-316	276
Other services	24	-57	-110	-107	-200	-417
3. Unrequited transfers (net)	-75	-91	-110	-157	-218	-1 815
4. Balance on capital account	685	700	995	542	610	1 000
Private	344	433	861	378	695	721
Official	341	267	134	164	-85	279
6. Basic balance	1 099	797	908	1 487	1 629	-815
7. Allocation of SDR	...	-	26	26	26	-
8. Errors and omissions	...	-50	-47	-14	-304	290
9. Global balance (reserve movements)	1 060	747	887	1 499	1 351	-525

Source: Central Bank.

(iii) External indebtedness. Despite the change in the payments position in 1982, Trinidad and Tobago's foreign account remained in a healthy position with external assets of \$7.2 billion in December 1982, just 8.6% lower than a year earlier. External debt is very low, less than 10% of current GDP, and debt servicing less than 3% of exports in 1982. External debt grew about 42% in 1982 and such concern as has been expressed surrounds the dynamic possibility of falling export earnings and rising debt giving rise to negative expectations (see Table 15).

TRINIDAD AND TOBAGO

Table 15
TRINIDAD AND TOBAGO:
INDICATORS OF EXTERNAL INDEBTEDNESS
(Millions of TT dollars)

	1977	1978	1979	1980	1981 ^F	1982 ^P
Total external public debt	500	756	898	1 048	1 075	1 528
Debt servicing	25	59	102	492	179	198
Amortization + sinkings fund	15	14	15	408	44	45
Interest payments	10	45	87	84	135	153
Debt servicing as a % of total exports	0.5	1.4	1.9	6.0	2.1	2.8

Source: Review of the Economy 1982, Review of Fiscal Measures 1982, The Balance of Payments of Trinidad and Tobago, 1979.

4. Prices and wages

Table 16
TRINIDAD AND TOBAGO:
EVOLUTION OF CONSUMER PRICE INDEX
(September 1975 = 100)

Weight	1977	1978	1979	1980	1981	1982	
Annual averages							
Total - all items	1 000	121.5	133.9	153.6	180.5	206.4	230.0
Food	334	113.2	123.5	140.6	167.8	195.6	222.3
Drink and tobacco	64	123.3	141.8	158.2	188.8	216.4	255.7
Housing	93	119.5	138.6	166.6	196.0	226.0	227.4
Clothing	180	125.9	136.4	148.4	161.8	182.1	197.7
Transportation	111	131.1	144.5	184.0	228.2	252.3	286.4
Percentage variation December to December							
Total - all items	1 000	11.4	8.8	19.6	16.6	11.6	10.8
Food	334	11.2	6.8	22.9	17.9	12.0	12.8
Drink and tobacco	64	10.6	11.7	19.3	17.5	14.3	18.5
Housing	93	14.8	14.1	21.8	18.5	11.4	-1.7
Clothing	180	10.4	6.1	13.0	7.2	11.8	7.5
Transportation	111	...	...	24.2	26.5	8.0	13.3
Annual average variation							
Total - all items	1 000	11.8	10.2	14.7	17.5	14.3	11.4
Food	334	6.9	9.1	13.8	19.3	16.6	13.6
Drink and tobacco	64	10.5	15.0	11.6	19.3	14.6	18.2
Housing	93	12.8	16.0	20.2	17.6	15.3	0.6
Clothing	180	14.7	8.3	8.8	9.0	12.5	8.6
Transportation	111	20.0	10.2	27.3	24.0	10.6	13.5

Source: Central Statistical Office.

TRINIDAD AND TOBAGO

(i) **Prices.** There was in 1982 a further deceleration in the rate of domestic inflation as measured by the Consumer Price Index, (see Table 16 above). Principally responsible was the moderation in imported inflation. However, official policy instituted in late 1981 to control rentals on dwellings houses and apartments put a firm brake on the upward trend in the cost of housing, though the considerable expansion in money supply and in the net domestic budget deficit combined to maintain double digit inflation rates, which has been the experience since 1974.

(ii) **Wages.** Data for the first half of 1982 indicate that wage inflation might have ameliorated somewhat. Nominal wage rates for certain indicator working groups rose less steeply in 1982 than they did in 1981. However, a number of wage settlements were reached only late in the year, after some industrial action, and some wage negotiations continued into 1983. On a preliminary basis it would seem that both nominal and real wages rose more slowly in 1982 compared to 1981 and that the economic slowdown had begun to have a dampening effect on wage demands (see Table 17).

Table 17
TRINIDAD AND TOBAGO:
EVOLUTION OF WAGES AND SALARIES
(Index 1976 = 100)

	1979	1980	1981	1982 ²	Growth rates		
					1980	1981	1982 ³
Minimum wage rates¹							
Nominal	170.4	208.8	270.4	315.0	22.2	29.9	21.4
Real	120.6	125.4	142.4	...	4.0	13.6	9.5

Source: Central Statistical Office.

¹Data are averages for May and November

²May 1982

³Compared to May 1981

5. Monetary and fiscal policy

(i) **Monetary developments.** Money supply grew strongly in 1982 by an estimated 44% compared to just 16% in 1981. This rate exceeded by a wide margin that experienced even during the recent boom years. Whereas credit to the private sector grew by about its accustomed rate of 20% the financial position of the Government changed radically causing its hitherto net dampening impact on domestic credit to become expansionary (see Table 18). The net domestic budget deficit, the difference between the Governments local disbursements and its local receipts, increased almost 100% from approximately \$2.5 billion in 1981 to \$4.7 billion in 1982 thereby injecting considerable resources into the banking system.

TRINIDAD AND TOBAGO

Table 18
TRINIDAD AND TOBAGO: MONETARY BALANCE

	Dollars million at year end			Growth rates			
	1980	1981	1982	1979	1980	1981	1982
Money supply	1 478	1 717	2 470	27.9	24.5	16.1	43.9
Currency outside banks	467	533	734	39.2	13.5	14.1	37.7
Demand deposits	1 011	1 184	1 736	22.6	30.4	17.0	46.7
Factors of expansion	5 533	6 725	9 739	34.5	20.0	21.5	44.8
Foreign assets (net)	6 482	7 790	7 092	20.1	27.7	20.2	-9.0
Domestic credit (net)	-949	-1 065	2 647	...	...	...	...
Government (net)	-4 490	-5 442	-2 774	...	...	...	...
Official entities	227	321	528	55.7	87.6	41.6	64.4
Private sector	3 314	4 056	4 893	17.0	21.2	22.4	20.6
Factors of absorption	4 054	5 008	7 268	37.0	18.4	23.5	45.1
Quasi-money	3 002	3 692	4 926	34.4	10.1	23.0	33.4
Time deposits	1 648	2 089	2 655	45.9	7.2	26.7	25.7
Savings deposits	1 354	1 605	2 301	22.0	13.9	18.6	43.3
Other items	1 052	1 316	2 342	47.7	50.7	25.1	78.0

Source: Central Bank of Trinidad and Tobago.

¹Non-comparable

The liquidity position of commercial banks remained on average at about the 1981 levels but increased somewhat at year-end. The monetary authorities continued efforts at restraining monetary expansion by maintaining at 15% marginal reserve requirement in addition to a 9% statutory and 5% secondary reserve. Efforts at diverting bank credit away from personal non-business uses were not entirely successful in 1982 and the share of such loans actually increased from 35% at the end of 1981 to 37% in 1982 (see Table 19).

Table 19
TRINIDAD AND TOBAGO: COMMERCIAL BANKS -
DISTRIBUTION OF LOANS AND ADVANCES BY SECTOR
(Millions of dollars - year-end)

	1977	1978	1979	1980	1981	1982
Business loans	783	1 063	1 341	1 661	1 896	2 014
Agriculture	28	60	51	91	80	65
Manufacturing	325	417	411	499	546	614
Construction	69	100	249	329	445	470
Transportation	40	57	97	133	187	222
Distribution	250	318	389	454	540	535
Professional services	71	111	144	155	98	108
Personal loans	752	953	978	1 154	1 422	1 846
Other ¹	136	245	329	466	743	1 080
Total	1 671	2 261	2 648	3 381	4 061	4 940

Source: Central Bank of Trinidad and Tobago.

¹Includes Central Government and State Enterprises

TRINIDAD AND TOBAGO

The stock market which began open trading in October 1981 was very active in 1982. The market value of turnover was \$545 million in 1982 compared to \$140 million in 1981. The Unit Trust began active trading in November 1982 and by year-end had sold \$36 million.

(ii) **Fiscal developments.** Government finances took a dramatic turn in 1982. Total revenue declined 1% while total expenditure increased more than 50% with most of the increase taking place on current account. A new three-year wage agreement for 52,000 public servants for the triennium 1981 to 1983 was implemented in 1982 and this accounts for the 110% increase in wages and salaries. There is, however, little doubt that the fiscal position of the Government had worsened as evidenced by an overall deficit of \$3.3 billion, approximately 18% of current GDP. While the current account was roughly in balance and the deficit was less than expenditure below the line, it remains true that with the changed petroleum market situation the revenue position of the country will have seriously deteriorated while expectations and commitments continue at high levels (see Table 20). Public policy, as stated in the 1982 budget and reinforced in

Table 20
TRINIDAD AND TOBAGO:
CENTRAL GOVERNMENT REVENUE AND EXPENDITURE

	Millions of dollars			Growth rates		
	1980	1981	1982	1980	1981	1982
Recurr. revenue: of which						
Income tax	4 244	4 983	4 856	70.6	17.4	-2.5
Royalties	546	606	535	31.0	10.9	-11.7
Customs and excise	466	463	503	40.8	-0.5	8.6
Purchase tax	105	116	137	28.0	10.4	17.9
Other	1 004	741	757	42.6	-26.2	2.2
Total recurrent revenue	6 365	6 819	6 788	58.3	7.1	-0.5
Recurr. revenue: of which						
Wages and salaries	1 060	1 150	2 415	20.0	8.5	110.1
Goods and services	408	333	480	5.5	-18.4	43.9
Transfers to persons	169	200	309	11.5	18.0	54.4
Transfers to local authorities and others	869	1 110	1 874	37.4	27.7	68.9
Interest on public debt	125	179	206	-0.6	43.5	15.0
Subsidies	289	329	467	72.5	13.7	42.2
Unemployment fund	214	264	529	-2.2	23.6	100.2
Total recurr. expend.	3 135	3 565	6 280	22.1	13.7	76.2
Current surplus	3 230	3 254	508	122.0	0.7	-84.4
Capital receipts	24	32	-	...	...	...
Capital expenditure	2 331	3 110	3 808	43.6	33.4	22.4
Total expenditure	5 466	6 675	10 088	30.4	22.1	51.1
Total revenue	6 389	6 851	6 788	58.9	7.2	-1.0
Fiscal surplus (+)/deficit (-)	923	176	-3 300	...	...	...
Fiscal surplus/deficit as percentage of GDP	6.0	1.0	(18.1)	...	...	...

Source: Central Bank of Trinidad and Tobago.

TRINIDAD AND TOBAGO

the budget presentation of December 1982, aims at more effective public sector management by re-introduction of formal economic planning, by policies for containing the growth of public expenditure, e.g. requiring the public utilities to charge the economic cost of their service, and by containing subsidies.

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ANTIGUA

Ministry of Finance - :
 Statistics Division : Annual Trade Report
 : Cost of Living Index
 : National Accounts Statistics
 : Statistical Yearbook

Ministry of Finance : Estimates

BAHAMAS

Department of
 Statistics : Agricultural and Fishings Report
 : Annual Review of Prices Report
 : External Trade Statistics Report
 : Quarterly Bulletin of Construction Statistics
 : Quarterly Review

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BARBADOS

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 : Economic and Financial Statistics
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