

**ECONOMIC COMMISSION FOR LATIN AMERICA
AND THE CARIBBEAN**

**ECONOMIC SURVEY
OF LATIN AMERICA
AND THE CARIBBEAN
1982**



UNITED NATIONS

SANTIAGO, CHILE, 1984

LC/G.1320/Add.1
September 1984

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

UNITED NATIONS PUBLICATION

Sales No. E.84.II.G.1

CONTENT

Part One

TRENDS IN THE CARIBBEAN ECONOMIES IN 1982

I. INTRODUCTION	1
II. THE INTERNATIONAL SETTING	1
III. THE CARIBBEAN ECONOMIES: LEVELS AND MAIN TRENDS	5

Part Two

THE ECONOMIC EVOLUTION OF THE INDIVIDUAL COUNTRIES

Antigua and Barbuda	21
Bahamas	29
Barbados	41
Belize	53
Dominica	81
Grenada	97
Jamaica	107
Montserrat	121
Netherlands Antilles	127
Saint Lucia	143
Saint Vincent and the Grenadines	155
Saint Christopher and Nevis	165
Trinidad and Tobago	173

Notes and explanation of symbols

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

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

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

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

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

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

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

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

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

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

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

PART ONE
TRENDS IN THE 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 be carried out in any of a number of alternative analytical frameworks. The approach chosen here of first reviewing *export performance* and then *domestic-oriented activity* has been selected because *a priori* it appears to fit the Caribbean reality more closely.

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, thus 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, although this may also be induced by consumption. Government activities are financed by revenues generated from these basic activities and from the growth of secondary activities as the spread effects of money and finance unfurl, generating additional employment and income.

Domestic-oriented activity —broadly, production using almost exclusively domestic primary and intermediate inputs and know-how for domestic consumption, and generating little income which has a 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, including the bulk of the food and culturally determined services. An intricate relationship exists between the export and domestic-oriented sectors, which compete with or complement each other in the complex process of provisioning the society. The interest in the domestic-oriented sector derives from the tendency of the export sector to lag in labour absorption, thus leaving a critical role to domestic-oriented activity in cushioning trends and cyclical shocks in the labour market.

II. THE INTERNATIONAL SETTING*

Because such sizeable proportions of the productive resources of Caribbean countries are in industries which produce for world markets —in 1982 the median ratio of exports of goods to Gross Domestic Product (GDP) was 35% with the extremes ranging from 6% to 73%— the state of the international economy is critical to their well-being. Most of these markets for goods, and increasingly also for non-factor services such as tourism and offshore finance, are concentrated in the United States, Canada and the EEC. In view of this, the performance of the OECD countries as regards output, income and employment, and the results in the related areas of trade, payments and prices, which are reported in 1982 to have been the worst since World War II, would likewise be reflected in poor performance in the 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 1970s and the first petroleum shock of 1973-1974, recovered strongly in 1976-1978, when the growth of real output exceeded 4% per year and was experienced alike in the centrally planned, developed market economy and underdeveloped countries. Subsequently, the impact of the second round of petroleum price rises in 1979-1980, when the average price of petroleum products increased by 140%, triggered a new deceleration of growth beginning in 1979. This continued into

*Some of the figures given in this section differ from those appearing in the corresponding section of document E/CEPAL/G.1280, "The economy of Latin America in 1982", because different sources were used in the two cases.

1982 when the industrial countries as a group experienced an absolute decline (see table 1). Japan still managed to grow by 3%, but some major industrial countries declined in absolute terms, including Canada (-4.8%), United States (-1.7%), and the Federal Republic of Germany (-1.1%).

Restrictive monetary policies aimed at curbing inflationary expectations in the central countries and the contradictory policy of deficit budgeting, which put severe upward pressure on interest rates, combined to delay the recovery which—according to past historical patterns—should have started in 1982. Instead the depression deepened further. The international banks, which by recycling the petrodollars 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 financially embarrassed countries in the periphery became increasingly scarce and exceedingly costly.

b) *Aggregate demand employment*

The slowdown in economic activity resulted in 1982 in reduced demand for goods and labour in the industrial countries, with consequent negative spread effects to trade and tourist-dependent economies. Real total domestic demand in the industrial countries, which increased by 3% to 4% each year between 1977 and 1979, fell in absolute terms in 1982 (see table 2). The main components whose behaviour contributed 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%). Once again, Canada (-6.9%), the Federal Republic of Germany (-2.1%) and the United States (-1.1%) were the worst affected, while Japan, France and the United Kingdom actually showed increases.

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%. However, 1982 was also marked by unprecedentedly high rates of unemployment in the United States (7.9%), Italy (9.1%) and France (8.6%), although Japan was again an exception (2.4%). To the extent that in the downturn employment is reduced less than proportionately to output, while it lags behind output growth in the recovery, unemployment is expected to continue to grow even after recovery has begun to be felt.

Table 1

EVOLUTION OF THE REAL GNP

	1978	1979	1980	1981	1982 ^a
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 exporting developing countries	6.3	5.0	4.8	2.5	1.4

Source: IMF, *World Economic Outlook*, 1983 - (Occasional Paper 21).

^aPreliminary figures.

Table 2

GROWTH RATES: INDUSTRIAL COUNTRIES

	1978	1979	1980	1981	1982 ^a
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 (average level)	5.2	5.0	5.7	6.4	8.1

Source: IMF, *World Economic Outlook*, 1983.

^aPreliminary figures.

Table 3
EVOLUTION OF WORLD TRADE
(Percentages)

	1978	1979	1980	1981	1982 ^a
Volume	5.5	6.5	2.0	0.5	-2.5
Unit value (US dollars)	10.1	18.5	20.0	-1.0	-4.0

Source: IMF, *World Economic Outlook*, 1983.

^aPreliminary figures.

Table 4
CHANGES IN THE TERMS OF TRADE AND COMMODITY PRICES

	1978	1979	1980	1981	1982 ^a
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 exporting developing countries	-3.7	-0.3	-6.2	-3.9	-2.7
World trade prices					
Manufactures	14.7	15.3	10.5	-5.1	-2.0
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.

^aPreliminary figures.

c) *World trade*

The impulses from the economic motor in the industrial countries are spread through the world by trade, but in 1982 this decelerated markedly. Merchandise trade, at US\$ 2 000 billion in 1980, thus grew in that year by about 20%, compared to 25% growth in 1979. Whereas volume had grown about 6% in 1979, however, indications are that it grew only about 2% in 1980, suggesting that price increases were the main factor in the growth 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 approximately 2% in 1982 to about its 1979 level, while the decline in value was about 6%. 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 although this was partly due to declines in the case of a number of metals such as steel and aluminium, the brunt of the decline was borne by petroleum (see table 3). Furthermore, the growing trend to protectionism worsened in 1982. 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. Although manufactures and oil have both suffered declines, the prices of non-oil primary commodities have fallen fastest (see table 4).

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 an orderly return to acceptable levels of investment and 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 United States (96.2%) and the United Kingdom (8.5%) after three years of double-digit inflation, with continued moderate price increases in Japan and the Federal Republic of Germany. Oil-exporting countries also showed more moderate 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 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 unprecedentedly 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.

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 marked in the case of the industrial countries as a group. While the non-oil-exporting developing countries managed to prevent their current accounts from worsening still more in 1982, they nevertheless remained deeply in deficit (see table 6).

Not unexpectedly, the external debt position of the non-oil-exporting developing countries worsened, rising 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 lending in 1981, and net capital inflows into the non-oil-exporting 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, this being the result of higher debt, lower exports, shorter average maturities and only a slight lowering of interest rates.

Table 5
INFLATION RATES

	1978	1979	1980	1981	1982 ^a
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 exporting developing countries					
Consumer prices	19.8	24.6	31.8	31.0	32.8

Source: IMF, *World Economic Outlook*, 1983.

^aPreliminary figures.

Table 6
BALANCE OF PAYMENTS CURRENT ACCOUNT
(Billions of US dollars)

	1978	1979	1980	1981	1982 ^b
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 exporting developing countries	-41.3	-61.0	-89.0	-107.7	-86.8

Source: IMF, *World Economic Outlook*, 1983.

^bPreliminary figures.

f) *Exchange rate appreciation*

The United States dollar is the intervention currency in all the Caribbean countries considered here, and fixed parities exist between it and the various national currencies. Between 1970 and 1980 the dollar depreciated steadily, and by the latter year had lost 20% of its purchasing power, but this trend was dramatically reversed in 1981 as the result of tight monetary policy and high interest rates, and the dollar appreciated by about 11%. This trend continued strongly into 1982, and by October 1982 the dollar 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. THE CARIBBEAN ECONOMIES. LEVELS AND MAIN TRENDS

a) *Summary*

The most striking features of the performance of Caribbean economies in the 1980s have been the hesitant policy stances and declining rates of growth. In most cases 1982 was the worst of recent years. Following on the postwar commodity booms of the 1950s and the expansion of the 1960s brought about by the spread of tourism, the development of oil, bauxite and bananas as new staples, and the active pursuit of an industrialization programme (for all of which sizeable inflows of foreign capital were made available), the 1970s saw the consolidation of the integration movement, with the Lomé Convention and the Generalized System of Preferences (GSP) stabilizing 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 the Caribbean economies on an even keel.

The second oil shock of 1979-1980, the energy conservation policies of the OECD countries, and their deflationary monetary strategies created new problems for the Caribbean, all the more so because they plunged 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 on this score 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 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, however, made little if any progress against such tremendous odds (see table 7).

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

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 in table 8.

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 in all the countries there was an 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 7
GROWTH RATE OF REAL GDP

	1980	1981	1982 ^a
Antigua and Barbuda	...	...	...
Bahamas	...	...	...
Barbados ^c	27.7	11.6	5.7
Belize	4.3	2.6	-0.3
Dominica	15.6	8.2	3.3
Grenada	3.0	3.0	5.5
Guyana ^c	1.0	1.0	-7.4
Jamaica	-5.3	3.3	0.2
Montserrat	...	2.0	1.2
Netherlands Antilles ^b	6.0	4.0	2.0
St. Kitts/Nevis	4.8	3.0	-0.5
St. Lucia	-9.0	-3.0	-0.6
St. Vincent and the Grenadines	...	12.5	0.8
Suriname	2.3	-9.3	...
Trinidad and Tobago	5.3	3.7	3.9

Source: Various country reports.

^aPreliminary figures.

^bThe latest data on GDP are for 1979.

^cGrowth rate of GDP at current prices.

Table 8
INDICATORS OF STRUCTURAL IMBALANCE^a, 1982

(Percentage)

	Global resource gap ^b	Foreign payments gap ^b	Saving/investment ratio	Overall fiscal deficit ^b	Monetary gap ^c		Unemployment rate
					M_1	M_2	
Belize	13	9	42	5	-0.2	6.2	14.3 ^d
Dominica	25	34	6	26	-0.5	26.1	15.0 ^e
Guyana	23 ^f	35	38 ^f	86	31.5 ^g	26.5 ^g	...
Jamaica	19	13	26	17 ^h	5.9	32.2	27.4
Trinidad and Tobago	(8) ⁱ	9	127	19	40.0	29.5	10.4

Source: Various country reports.

^aPreliminary figures.

^bPercentage of GDP.

^cPercentage of growth of narrow money (M_1) or quasi-money (M_2) over the growth of real GDP.

^d1980.

^e1981.

^fApril-December 1982. In 1981 the full year fiscal deficit was 29 per cent higher than the April to December deficit.

^gUsing growth rate of GDP at current prices.

^hEstimate.

ⁱSurplus.

b) *Structural characteristics*

Certain unique structural facts impinge heavily on the short-term performance of Caribbean economies (see table 9). These are briefly set out below in order to give an idea of the context. Thus, 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 (in terms of 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 United States, to whose dollar their various national currencies are pegged in fixed relationships.

c) *Export performance*

Short-term export performance is the key to overall economic health in Caribbean countries: a hypothesis which is quite tenable despite the variety of activities comprising the export sector.* Thus, while St. Kitts (sugar) and Belize (sugar, bananas, citrus) are still classic plantation economies, Trinidad and Tobago (oil) is *par excellence* a mineral exporter, and Guyana and Suriname (sugar, rice, bauxite), for their part, 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 offshore 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, where minerals (bauxite), tourism and declining plantation (sugar) and small-scale (bananas, coffee, citrus) agriculture are all of importance. Attempts to develop export manufacturing based on cheap labour have not been successful anywhere in the Caribbean, as both 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 40 years, export agriculture in the Caribbean faced major structural problems. Archaic ownership and socio-cultural patterns deriving from the countries' 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 setting for economic dynamism. Capital shifted out of these industries in the organic process of economic adaptation has tended to be

*A simple test of this hypothesis on export-propelled economies 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:

$$\text{GDP} = 1.38 + 0.14 \text{ EXP} + 0.10 \text{ LEXP} + 6.03 \text{ DUM1} - 10.77 \text{ DUM2}$$

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

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

Figures in parentheses are t-values and the coefficients of EXP and DUM2 are significant at 10% only. The zero-order correlation between GDP and EXP was 0.35. When LEXP was excluded from the regression the coefficient 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

$$\text{GDP} = -4.15 + 0.06 \text{ EXP} + 0.83 \text{ LGDP} + 7.44 \text{ DUM1} - 1.29 \text{ DUM2}$$

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

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

In general terms, then, the hypothesis seems not to be in conflict with the evidence.

deployed internationally and not used to 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, it has taken place with declining capital-intensity, and there may 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 10). Were it not for the increased exports from Dominica and Jamaica,

Table 9
CARIBBEAN COUNTRIES: STRUCTURAL CHARACTERISTICS, 1980

	Area (km ²)	Popu- lation (millions)	Currency (national currency units per US dollar)	GDP (millions of national currency units)	Exports ^a	Imports ^a	Trade ^b revenue	Tourist visitors (thousands)	Tourist ^c expend- iture
Antigua and Barbuda	440	0.07	EC\$(2.7)	223	34	117	30	205	47
Bahamas ^d	13 940	0.21	Bhs\$(1.0)	1 080	16	70	70	1 735	52
Barbados	430	0.25	Bds\$(2.0)	1 520	22	69	23	526	31
Belize	22 960	0.15	Bze\$(2.0)	280	56	52	...	64	6
Dominica	750	0.08	EC\$(2.7)	148	17	86	15	25	4
Grenada	340	0.11	EC\$(2.7)	195	23	69	27	175	27
Guyana	214 970	0.79	G\$(2.55)	1 336	73	76	...	...	...
Jamaica	10 990	2.19	J\$(1.78)	4 738	35	44	4	543	9
Montserrat	100	0.01	EC\$(2.7)	28	6	143	15	21	43
Netherlands Antilles ^d	993	0.25	NAF(1.79)	2 291	8	58	12	946	21
St. Kitts/Nevis	270	0.04	EC\$(2.7)	96	66	126	22	38	...
St. Lucia	620	0.12	EC\$(2.7)	261	49	113	41	140	...
St. Vincent and the Grenadines	340	0.10	EC\$(2.7)	127	31	121	31	92	...
Suriname	163 270	0.39	Sf(1.78)	3 044	30	29	...	...	...
Trinidad and Tobago	5 130	1.20	TT\$(2.4)	15 327	63	31	8	...	...

Source: Various country reports.

^aEstimated tourist expenditure as a percentage of GDP.

^bMerchandise trade as a percentage of GDP.

^cImport and export duties as a percentage of total current revenue.

^dData relate to 1979. Full data for 1980 not available.

Table 10
MAJOR EXPORT STAPLE PRODUCTION^a

	Sugar production		Banana exports	
	1981	1982 ^a	1981	1982 ^a
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.

^aThousands of tons.

^bPreliminary figures.

Table 11
BAUXITE AND ALUMINA PRODUCTION^a

	1981	1982 ^b
Guyana		
Dried bauxite	971	764
Calcined bauxite	513	392
Alumina	170	73
Jamaica		
Bauxite	11 606	8 447
Alumina	2 556	1 761
Suriname		
Bauxite	4 125	...
Alumina	1 248	...

Source: Various country reports.

^aThousands of tons.

^bPreliminary figures.

in both of which production had been at rock bottom because 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 either sold under negotiated price and quota agreements, such as the Lomé Convention between ACP countries and the EEC, or else gain entry to the United States 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. Quantities and prices apart, however, the most common cause of reduced earnings from agricultural exports in 1982 has been the substantial appreciation of the United States dollar. Most Caribbean countries have pegged their currency to the United States dollar, sell agricultural products for quotations in EUA's or pounds 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 were not worse only because of the sale of 1.6 million tons of bauxite to United States 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 may 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 crisis (see table 11).

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 up by 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 widespread earner of foreign exchange and, except in Guyana and Suriname, the industry is everywhere being actively promoted. In 1981, because of the negative impact of the 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, however, 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 began to be seriously affected for the first time late in 1982, when difficulties began to show themselves in Venezuela, its principal market. The industry is highly income-elastic and consequently 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 12).

iv) *Other services.* Because of its very favourable geographical location, the Caribbean has developed the export of a number of offshore 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 (flags of convenience), finance, banking and insurance.

Not unexpectedly, the rationalization of offshore petroleum product supply lines consequent on United States energy conservation and strategic policies had a negative impact on Caribbean offshore 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 and 13% lower than in 1981, so that 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 was short of markets. Plans to build a refinery in St. Lucia as a complement 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 as a result of the enormous slackening of international trade, surplus shipping capacity and the logical deferment of ship maintenance. Offshore banking and finance in the Bahamas and Netherlands Antilles, the principal Caribbean

Table 12
INDICATORS OF TOURIST ACTIVITY

	Visitor arrivals (thousands)			Estimated expenditure (millions of US dollars)		
	1980	1981	1982 ^a	1980	1981	1982 ^a
Antigua and Barbuda	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	25	23	23	3	3	4
Grenada ^b	175	103	85	54	47	47
Guyana	...	...	...	...	...	...
Jamaica	543	552	670	136	163	187
Montserrat	20	21	25	4	5	6
Netherlands Antilles ^c	946	897	...	328	366	...
St. Kitts/Nevis ^b	38	46	47	...	...	...
St. Lucia	140	90	106	40	38	39
St. Vincent and the Grenadines	92	83	80	...	...	26
Suriname	...	...	...	...	...	...
Trinidad and Tobago	...	...	...	...	...	...

Source: Various country reports.

^aPreliminary figures.

^bStopover plus cruise-ship visitors.

^cEstimated expenditure on cash basis.

Table 13

EVOLUTION OF MANUFACTURING VALUE ADDED

(Percentages)

	1980	1981	1982 ^a
Antigua and Barbuda	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 and the Grenadines	...	20.3	12.5
Suriname	47.9	-44.6	...
Trinidad and Tobago	7.1	-2.3	-2.0

Source: Various country reports.

^aPreliminary figures.

centres, seem not to have been adversely affected in 1982, but the shaky state of international finance and the emerging new United States policy towards offshore 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., the Netherlands Antilles, where on account of low rainfall and rocky terrain agricultural potential is poor, and St. Kitts/Nevis, where plantation agriculture dominates) *domestic-oriented 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— a considerable proportion of the basic supplies of food is nevertheless domestically or regionally produced.

Performance of this sector of the regional economy was very mixed in 1982, with Jamaica (-12%) turning in very poor results. Indicative of the mixed performance was the increased rice production in Guyana (10%) contrasting with 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, as for example in the cases of 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, together with 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 the production of sugar for home consumption, and St. Vincent's first crop of 1 776 tons was encouraging.

ii) *Manufacturing*. Tremendous effort has been expended in the last 25 years on the 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 is generally buoyant, since they require net flows of foreign exchange for intermediate inputs, plant and royalties. Thus as a whole, their performance after 1980 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 13).

iii) *Construction.* The construction sector is yet another area where economic buoyancy generates domestic incomes and employment. However, on account of its sizeable import content (for components and equipment), foreign funding (e.g., for 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 than as a classic domestic-oriented activity. The contribution of this sector in 1982, on a regional basis, was 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 activities connected with infrastructure development, expansion of tourist facilities and housing were pursued.

iv) *Other services.* A wide range of basic (transportation, electricity and water) and support (commerce, finance, community) services are induced by basic export and domestic-oriented economic activity. With the tendency towards increased tertiarization of the Caribbean economies there has generally been expansion of these services. Guyana was perhaps the only exception in 1982, as basic services declined there by 5.6% and distribution by 15%. At the other end of the spectrum, Trinidad and Tobago recorded more than 20% growth in services during 1982.

e) *The public sector*

The historical origins of the Caribbean countries, which placed economic power firmly in the hands of post-colonial elites, the political independence after 1962, and the postwar ideology of economic development combined to make active government a central feature of their economic structure. The State not only performs its classic liberal functions of maintaining law and order and acting as arbiter in the economic ring. In most countries, it is also 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 publicly-owned industrial sector, while Grenada and Suriname are in the course of increasing State participation although in Jamaica the opposite is occurring.

Judged by the trends in public revenues and expenditures (see tables 14 and 15), in 1982 the public sector further enhanced its position in the economy of most Caribbean countries, though there

Table 14

PUBLIC FINANCES: EVOLUTION OF CURRENT REVENUE AND EXPENDITURE

	Current revenue			Current expenditure		
	1980	1981	1982 ^a	1980	1981	1982 ^a
Antigua and Barbuda	...	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 ^b	...	26.1	2.4	...	18.0	17.0
Dominica ^c	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 ^b	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 ^a	...	...	58.3	...	...	41.9
St. Vincent and the Grenadines ^c	...	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.

^aPreliminary figures.

^bFiscal year April-March.

^cFiscal year July-June.

Table 15

**PUBLIC FINANCES: FISCAL DEFICIT [SURPLUS]
AND PUBLIC DEBT**

	Fiscal deficit ^a			Public debt ^c		
	1980	1981	1982 ^b	1980	1981	1982 ^b
Antigua and Barbuda	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 ^d	8.9	19.7	15.4	...	...	...
Dominica ^e	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 ^d	41.9	36.5	48.5 ^f	4 038	4 900	5 900
Montserrat	2.9	4.5	...	...	...	...
Netherlands Antilles	[6.0]	...	...	298 ^g	...	...
St. Kitts/Nevis	19.8	26.6	39.1	...	...	...
St. Lucia ^e	...	14.8	15.5	...	...	...
St. Vincent and the Grenadines ^e	32.7	25.6	...	...	...	...
Suriname	16.6	...	...	...	...	...
Trinidad and Tobago	[16.9]	[2.6]	32.7	1 710	1 714	...

Source: Various country reports.

^a As percentage of total government expenditure. Surplus shown in square brackets.

^b Preliminary figures.

^c Millions of units of national currency.

^d Fiscal year April-March.

^e Fiscal year July-June.

^f April-December 1982.

^g Public debt to the Netherlands (millions of US dollars).

was a slowing down in its 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, with the exception of the Bahamas and Montserrat, and until 1981 Trinidad and Tobago. This trend led inevitably to increased national debt.

f) Trade, payments and the external debt

Depressed world trade and sluggish performance of staple commodity output were reflected in negative export growth in most Caribbean countries in 1981 and 1982. The performance of tiny Montserrat, Dominica's recovery from the devastating hurricanes of 1979 and 1980, and St. Vincent's from volcanic eruptions in 1979, were atypical exceptions to 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 16).

Deteriorating terms of trade, especially for the non-oil exporters, were 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 carried out in the present case. If attention is focussed on merchandise only, however, then the picture which emerges is that of serious income losses in most cases because of currency appreciation and the pattern of trade. 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 terms of trade. For other countries such as Belize, Grenada and Jamaica, however, the net 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.

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 area have been the area-wide import substitution programme and the intra-area trade flows created thereby. After much success in the early 1970s —intra-Caribbean trade grew 23% per annum

between 1973 and 1979— problems began to develop towards the end of the decade which culminated 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 17).

A striking feature of the current balance-of-payments accounts for the Caribbean countries is that, with the exception of Trinidad and Tobago, they are everywhere negative. Because of private long-term capital flows to the Bahamas and official flows to such countries as Jamaica, the 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,

Table 16

TRENDS IN EXPORTS AND IMPORTS

(Percentage growth rates)

	Exports			Imports		
	1980	1981	1982 ^a	1980	1981	1982 ^a
Antigua and Barbuda ^b	17.2	...	...	54.5	...	...
Bahamas	21.8	-0.3	1.8	30.2	3.0	-0.2
Barbados	29.6	-3.5	13.4	25.9	10.6	-1.3
Belize	32.1	3.2	-18.9	13.8	6.8	-19.4
Dominica ^b	3.2	97.9	27.6	114.8	4.2	-4.4
Grenada	-13.7	-2.9	-4.0	15.8	16.3	15.7
Guyana ^b	32.8	-10.9	-20.3	33.8	3.4	-19.9
Jamaica	16.6	3.0	-11.1	15.7	21.4	-4.7
Montserrat ^b	114.8	9.0	107.8	37.8	14.6	7.1
Netherlands Antilles ^b	41.4	...	...	44.9	...	...
St. Kitts/Nevis	43.2	0.1	...	39.7	0.6	...
St. Lucia ^b	...	-11.6	-0.3	...	...	-8.4
St. Vincent and the Grenadines	18.0	18.5	-0.4	20.7	3.8	10.0
Suriname	19.3	-7.7	-9.9	28.3	6.4	-4.7
Trinidad and Tobago	53.9	-3.5	1.2	35.0	2.6	6.4

Source: Various country reports, and International Monetary Fund, *Balance of Payments Yearbook*.

^aPreliminary figures.

^bExports and imports of goods only.

Table 17

DOMESTIC EXPORTS TO CARICOM

(Millions of unit of national currency)

	1978 ^a	1980	1981	1982 ^b
Antigua and Barbuda	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 and the Grenadines	16.4	...	...	...
Trinidad and Tobago	385.5	202.8	189.3	...

Source: Various country reports.

^aMillions of East Caribbean dollars.

^bPreliminary figures.

Table 18
CURRENT ACCOUNT BALANCE AND EXTERNAL DEBT
(Millions of US dollars)

	Current balance			External debt		
	1980	1981	1982 ^a	1980	1981	1982 ^a
Antigua and Barbuda	...	...	...	...	...	...
Bahamas	-33	-85	-40	...	87	147
Barbados	-26	-113	-42	82	130	144
Belize	-12	-22	-14	47	54	72
Dominica	-27	-22	-15	18	24	33
Grenada	-13	-23	-36	12	26	26
Guyana	-126	-179	-166	357	475	...
Jamaica	-175	-338	-419	868	1 063	1 427
Montserrat	-7	...	...	...	...	...
Netherlands Antilles	-72	...	...	289 ^b	...	...
St. Kitts/Nevis	...	...	...	...	...	...
St. Lucia	...	-47	-44	15	18	24
St. Vincent and the Grenadines	-10	-5	-12	13	16	17
Suriname	-58	-119	-154	28	22	...
Trinidad and Tobago	496	407	44	437	448	637

Source: Various country reports, and International Monetary Fund, *Balance of Payments Yearbook*.

^aPreliminary figures.

^bDebt to the Netherlands.

Table 19
GROWTH IN MONETARY RESOURCES

	Money supply			Quasi-money		
	1980	1981	1982 ^a	1980	1981	1982 ^a
Antigua and Barbuda	...	...	...	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 and the Grenadines	...	...	...	...	...	...
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.

^aPreliminary figures.

debt servicing ratios are, in relation to export earnings, low by international standards. However, rising external debt can be a source of future problems if the debt incurred does not result in expanded export capacity (see table 18).

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 problems seemed rather to be 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.

g) *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 also concern that the available credit should be channelled towards productive rather than consumption uses.

Generally, the rate of growth of the narrow money supply (M_1) 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 grew by 38%, with net credit to the government and official entities absorbing 92% of the total increase. 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 that which developed in Grenada. In contrast, quasi-money grew rapidly nearly everywhere (see table 19).

h) *Prices and wages*

Without exception the rate of increase of consumer prices slowed during 1982, and in most cases it reached a single digit. In Guyana, sizeable monetary expansion and a 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 may also have abated. Thus, in the immediate future the rate of price inflation can be expected to stabilize at levels consistent with the expectations generated by import prices, wage bargaining and monetary and fiscal policies. As international prices stabilize, domestic policies will increasingly determine the rate of inflation (see table 20).

Table 20
INDICATORS OF INFLATION

	Consumer price index (percentage variation)			Nominal wage rates (percentage variation)		
	1980	1981	1982 ^a	1980	1981	1982 ^a
Antigua and Barbuda	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 ^b	...	...	...
St. Kitts/Nevis	14.2	8.3	3.2	...	...	...
St. Lucia	19.5	15.1	4.6	...	...	...
St. Vincent and the Grenadines	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 ^c

Source: Various country reports.

^aPreliminary figures.

^bSeptember 1981 - September 1982.

^cMay 1981 - May 1982.

Table 21
RATES OF UNEMPLOYMENT

	1980	1981	1982 ^a
Antigua and Barbuda	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 ^b	...	14.2 ^c
Guyana	...	...	...
Jamaica	27.3	25.9	27.4
Montserrat	6.1	...	5.0
Netherlands Antilles	...	...	15.0 ^d
St. Kitts/Nevis	...	...	30.0 ^d
St. Lucia	...	...	27.0
St. Vincent and the Grenadines	...	...	20.0 ^d
Suriname	...	...	...
Trinidad and Tobago	10.0	10.4 ^e	10.4 ^e

Source: Various country reports.

^aPreliminary figures.

^b*Ad hoc* survey October 1980.

^c*Ad hoc* survey April 1982.

^dEstimate.

^eJanuary-June.

i) *Labour absorption.*

Since the end of the war, Caribbean countries have had to cope with the politically explosive problem of high open unemployment, most of it concentrated among the 15 to 25 age-group. This structural problem derives more from lack of production dynamism than from the undoubtedly high rates of population growth or female participation.

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. Two features seem to stand out, however. Firstly, open unemployment is everywhere very high. Secondly, there was a worsening trend in 1982. Jamaica stands out as having the highest rate, partly because of the practice of including among the unemployed persons who say that they are "willing to work", even though no active search for work is 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. In contrast, the large public sector construction programmes in Dominica and Grenada seem to have reduced unemployment dramatically (see table 21).

PART TWO

**THE ECONOMIC EVOLUTION OF THE
INDIVIDUAL COUNTRIES**

ANTIGUA AND BARBUDA

1. Recent economic trends: Introduction and summary

In 1982 the GDP (at 1975 prices) is estimated to have been EC\$ 156 million, an increase of 2% with respect to 1981. Even though the economy grew in real terms, this growth rate is the lowest of the last five years (see tables 1 and 2).

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 EC\$ 12 million in 1978 to EC\$ 11.5 million during the last four years. Likewise, its contribution to total GDP decreased from 9.4% in 1978 to 7.4% in 1982 (see table 2).

Since the 1950s, the Government has pursued a policy of purchasing private estates if offered for sale. When the absentee owners of the sugar estates suspended production in the mid-1960s, the estates were purchased by the Government, which thus became the owner of 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 inshore stocks and also to periods of adverse sea conditions during 1982. Exports of fish are estimated to have decreased by 60% and those 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, but these 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 EC\$ 3.1 million for field operations and EC\$ 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 tons of cane from 41 hectares and produced 37 tons of sugar. In 1982, some 2 850 tons of cane were processed, from which 84 tons of high-grade sugar, 17 tons of low-grade sugar and 82 000 litres of molasses were produced. The factory price for sugar is EC\$ 1 870 per ton and molasses EC\$ 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 of 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 exports.

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 ginning, there is a small manufacturing sector producing mainly for the domestic and regional market. The main products, some of which are exported, are clothing, rum, locally-assembled motor vehicles, mattresses, and consumer goods and building materials (see table 3).

The manufacturing sector achieved real growth of about 28% annually from 1977 to 1980, but the growth rate fell to about 7% in 1981 and is estimated to have been 3.3% during 1982.

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

Ownership of these industries is foreign, with the investors being attracted by relatively cheap labour and attractive investment incentives. The growth of the manufacturing sector, especially up to 1980, has contributed to the creation of jobs, and by 1981 the sector was estimated to be contributing some 9% of total GDP.

Table 1
ANTIGUA AND BARBUDA: MAIN ECONOMIC INDICATORS

	1978	1979	1980	1981 ^a	1982 ^a
A. Basic economic indicators					
Gross domestic product at factor cost (millions of 1975 East Caribbean dollars)	127.1	137.7	146.6	152.8	155.9
Growth rates					
B. Short-run economic indicators					
Gross domestic product	7.9	8.3	6.4	4.2	2.0
Current value of exports of goods	...	-19.1	172.0	...	...
Current value of imports of goods	...	57.9	54.6	...	...
Consumer price index					
December-December variation	6.5	21.1	7.0	7.0	1.9
Variation between annual averages	6.1	16.3	19.0	11.5	4.6
Current revenue of government	12.1	17.3	23.1	24.1	28.5
Total expenditure of government	-3.9	...	...	38.2	...

Source: ECLA, on the basis of official data.

^aPreliminary figures.

Table 2
ANTIGUA AND BARBUDA: GROSS DOMESTIC PRODUCT,
BY ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of 1975 EC dollars			Percentage share		Growth rates	
	1980	1981	1982 ^a	1980	1982 ^a	1981	1982 ^a
Total gross domestic product	146.6	152.8	155.9	100.0	100.0	4.2	2.0
Goods	32.6	35.8	36.3	22.9	23.3	9.8	1.4
Agriculture	10.6	11.6	11.5	7.2	7.4	9.4	-0.9
Manufacturing	11.4	12.2	12.6	7.8	8.1	7.0	3.3
Construction	11.6	11.9	12.2	7.9	7.8	2.6	2.5
Basic services	28.6	30.9	31.6	19.5	20.3	8.0	2.3
Electricity and water	2.1	2.1	2.3	1.4	1.5	-	9.5
Transport and communications	26.5	28.7	29.3	18.1	18.8	8.3	2.1
Other services	84.4	86.2	87.9	57.6	56.4	2.1	2.0
Trade	17.9	18.9	19.2	12.2	12.3	5.6	1.6
Hotels and restaurants	18.0	17.6	17.9	12.3	11.5	-2.2	1.7
Government services	22.7	21.9	22.3	15.5	14.3	-3.5	1.8
Other services	25.8	27.8	28.5	17.6	18.3	7.8	2.5

Source: ECLA, on the basis of official data.

^aPreliminary figures.

Table 3

ANTIGUA AND BARBUDA: INDICATORS OF
MANUFACTURING PRODUCTION

	1979	1980	1981	Growth rates	
				1980	1981
Copra meal ^a	33	38	31	15.2	-18.4
Edible oil ^b	61	76	53	24.6	-30.3
Cottonseed meal ^a	12	14	1	16.7	-92.9
Rum ^c	181	128	162	-29.3	26.6
Garments (foundation) ^d	120	150	180	25.0	20.0
Paper products ^e	5 151	7 411	8 100	43.9	9.3
Aerated beverages ^f	338	284	224	-16.0	-21.1
Stoves ^g	6 583	6 207	6 300	-5.7	1.5
Refrigerators ^g	4 108	3 806	...	-7.4	...

Source: World Bank estimates.

^aTons.^bThousands of litres.^cThousands of gallons.^dThousands dozen.^eThousands of rolls.^fThousands of cases.^gUnits.

Table 4

ANTIGUA AND BARBUDA: SELECTED DATA ON TOURISM

	1979	1980	1981	1982 ^a	Growth rates		
					1980	1981	1982 ^a
Total visitors	169 802	204 995	198 081	153 810	20.7	-3.4	-22.3
Total air arrivals	86 459	86 571	84 724	...	0.1	-2.1	...
Total overnight visitors	99 536	97 901	84 724 ^b	87 042	-1.6	-13.5	2.7
Cruise ship visitors	70 266	107 094	113 357	66 768	52.4	5.8	-41.1
Number of cruise ship calls	120	164	177	120	36.7	7.9	-32.2
Number of yacht calls	2 040	2 707	2 527	...	32.7	-6.6	...
Number of sailing ship calls	34	72	47	36	111.8	-34.7	-23.4
Passengers on sailing ships	3 091	7 356	1 436	1 500 ^c	138.0	-80.5	4.5
Passengers on yachts	4 819	8 957	9 894	10 800 ^c	85.9	10.5	9.2
Total tourist expenditures ^c	95 000 ^d	104 000 ^d	...	...	9.5	...	...
Total visitor arrivals							
By country of origin ^e							
United States	45.0	39.8	38.0	42.2	-11.6	-4.5	11.1
Canada	10.6	10.2	9.7	10.2	-3.8	-4.9	5.2
United Kingdom	11.7	12.4	15.4	14.2	6.0	24.2	-7.8
Caribbean	22.1	23.7	37.9 ^f	...	7.2	59.9 ^f	...
Other	10.6	13.9	...	...	31.1	...	...

Source: Antigua Department of Tourism and data supplied to ECLA.

^aPreliminary figures.^bVisitors by air only.^cThousands of dollars.^dEstimates.^ePercentages.^fIncludes percentage for "other".

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.

iii) *Tourism*. The tourist sector maintained its dominant position in the economy and continued to be the main source of foreign earnings.

There has been a general downturn in Caribbean tourism, and the number of cruise ship visitors to Antigua decreased by 40.1% in 1982, although the more important overnight visitors increased by 2.7%. Estimates of earnings from the tourist industry during 1982 are not yet available (see table 4).

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 EC\$ 540 million or 198% of the 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 EC\$ 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.

iv) *Basic services*. Some improvements in public utilities were realized during 1982. Details relating to the electricity services are given in table 5.

Telephones. Prior to November 1978, there were 1 900 telephone lines of very poor quality. A new system, including 3 700 additional lines, was commissioned in 1978. It 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 EC\$ 6 million and a technical assistance grant of EC\$ 300 000 from the Government of Canada. The loan is at 4% interest with a grace period 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.

All population centres, including villages, are now linked by telephone but the residential services in some villages are 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 piped water; there are some 12 000 connections. It is estimated that domestic and household use accounts for 40%; industrial and commercial use 18% and public standpipes 42% of consumption.

Table 5

ANTIGUA AND BARBUDA: ELECTRICITY GENERATION
AND CONSUMPTION

	1980	1981	1982 ^a
Installed capacity ^b	20.3	20.3	32.3
Public	15.0	15.0	27.0
Industrial	5.3	5.3	5.3
Production ^c	53.7	57.2	59.8
Public	52.7	56.2	58.8
Industrial	1.0	1.0	1.0
Consumption (sold) ^c	37.7	42.7	44.8
Residential	17.0	19.0	19.8
Commercial	12.0	14.0	14.4
Industrial	5.0	6.0	6.1
Municipal	1.6	1.6	1.7
Government	2.1	2.7	2.8
Own use	1.2	1.3	1.6
Transmission losses	14.4	12.2	12.3

Source: Electricity Department, Public Utilities Authority, Antigua.

^aPreliminary figures.

^bThousands kW.

^cMillions of kWh.

Table 6

ANTIGUA AND BARBUDA: TOTAL VISIBLE TRADE

(Millions of EC dollars)

	1978	1979 ^a	1980 ^a	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.

^aPreliminary figures.

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 generates significant demand for transportation and other services.

Construction activity maintained real growth rates of 10.6, 13.8 and 10.3% in the period 1979-1981, at which time hotel expansion, the construction of a new parliament building, the airport terminal and the refurbishing of the oil refinery were in progress. The growth rate decreased to an estimated 2.5% during 1982, when activities were sustained mainly by the construction of private housing.

Roads. Antigua has an extensive road system serving a widely dispersed population, whereas Barbuda has only one population centre, with a poorly developed system. Recent estimates indicate that on Antigua, some 20 miles of road 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 services sector and Government. In addition to the high unemployment rate, there is no doubt that there is considerable underemployment 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 seem to be increasing numbers of young people who are no longer serious job-seekers. These trends point to important socioeconomic implications.

3. The external sector

Total visible trade for the 1978-1980 period is summarized in table 6.

Merchandise trade. Domestic exports have increased significantly during the last five years as the output from light industries, in particular garment manufactures and assembly operations, have come on stream. From a current value of EC\$ 14.6 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.

In 1980, manufactured goods 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 EC\$ 12.5 million in 1977 to EC\$ 19.5 million in 1979 and EC\$ 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 EC\$ 125 million in 1978, increased by 58% in 1979 and by 55% in 1980; preliminary estimates indicate a deceleration to 23% in 1981 and there are as yet no estimates for 1982. The main imports during 1978-1980 are summarized in table 7.

There are no quantitative limits, foreign exchange restrictions or tariff controls on imports of goods. Adjustments to consumption taxes are designed to increase revenue and not to act as a control mechanism.

4. Monetary and fiscal policy

a) *Monetary policy*

The growth rate of commercial banking activities decreased during 1982. Thus, deposits increased by 16.9% in 1981 and 12.6% in 1982 (see table 8), while loans and advances increased by 16.8% in 1981 and 16.5% in 1982 (see table 9). Foreign assets declined by 20.3% during 1982.

Table 7

ANTIGUA AND BARBUDA: VALUE OF IMPORTS, BY SITC SECTIONS

	Millions of East Caribbean dollars			Growth rates	
	1978	1979	1980	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 and vegetable oils and fats	0.5	0.3	0.3	-40.0	0.0
Chemicals	8.6	8.4	21.3	-2.3	53.6
Manufactured goods	33.8	42.7	75.1	26.3	75.9
Machinery and 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.

Table 8

ANTIGUA AND BARBUDA: COMMERCIAL BANK LIABILITIES

	Millions of East Caribbean dollars			Growth rates	
	1980	1981	1982 ^a	1981	1982 ^a
Total deposits	155.44	181.72	204.68	16.9	12.6
Demand deposits	32.36	42.37	37.46	30.9	-11.6
Time deposits	64.05	70.32	97.49	9.8	38.6
Savings deposits	59.03	69.03	69.73	16.9	1.0
Due to local banks	5.41	5.60	2.72	3.5	-50.9
Due to other ECCA banks	4.83	11.34	23.94	134.8	111.1
Foreign liabilities	11.30	9.34	13.33	-17.3	42.7
Other liabilities	24.46	28.24	32.05	15.5	13.5
Total liabilities	201.44	236.24	276.72	17.3	17.1

Source: East Caribbean Currency Authority (ECCA).

^aPreliminary figures.

Table 9

ANTIGUA AND BARBUDA: LOANS AND ADVANCES BY COMMERCIAL BANKS

	Millions of East Caribbean dollars			Growth rates	
	1980	1981	1982 ^a	1981	1982 ^a
Total	136.67	159.68	185.99	16.8	16.5
Agriculture	3.74	1.82	1.64	-51.3	-9.9
Manufacturing	6.82	9.29	13.07	36.2	40.7
Distributive trades	23.14	22.95	23.81	-0.8	3.7
Tourism and catering	3.57	4.97	9.19	39.2	84.9
Transport	3.56	5.47	5.73	53.7	4.8
Construction and land development	5.03	9.47	17.95	88.3	89.5
Government, statutory bodies and public utilities	29.33	25.19	34.39	-14.1	36.5
Professional and other services	1.17	1.52	2.96	29.9	94.7
Personal ^b	48.52	65.55	58.76	35.1	-10.4
Other	11.79	13.45	18.49	14.1	37.5

Source: East Caribbean Currency Authority (ECCA), Antigua.

^aPreliminary figures.

^bIncludes loans for purchase of land and personal dwellings.

Table 10

ANTIGUA AND BARBUDA: GOVERNMENT RECURRENT AND CAPITAL FINANCES

	Millions of East Caribbean dollars		
	1980	1981	1982 ^a
Recurrent revenue	62.2	77.2	99.2
Capital revenue	11.0	12.2	...
Total revenue	73.2	89.4	...
Recurrent expenditure	57.2	93.3	106.3
Capital expenditure	23.7	18.5	...
Total expenditure	80.9	111.8	...
Debt servicing	15.6	16.2	19.4

Source: Ministry of Finance, Antigua.

^aPreliminary figures.

b) *Fiscal policy*

Deficit budgeting has traditionally 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 borrowing to finance capital expenditure. Summaries of the Government's recurrent and capital finances for the period 1981-1983 are given in table 10.

External indebtedness. The external debt increased by 4.6% in 1980 and 27% in 1981 (see table 11), being equal to 46% of GDP in the latter year. Some 70.4% of the accumulated external debt up to 1981 had 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.

5. Wages and 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.

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

It is worth noting that the price index has a base of 1 January 1969, so that it is desirable that a revision be made in order to represent more fully recent purchasing patterns (see table 12).

Table 11
ANTIGUA AND BARBUDA: EXTERNAL DEBT

	Millions of East Caribbean dollars		
	1979	1980	1981
Outstanding at 1 January	84.55	88.44	112.30
Total drawings	5.19	27.27	46.08
Amortization	-1.30	-3.12	-0.31
Net drawings	3.89	24.12	45.77
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.

Table 12
ANTIGUA AND BARBUDA: CONSUMER PRICE INDEX

(1 January 1969 = 100)

	1980	1981	1982 ^a
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 and 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 and miscellaneous	12.9	12.9	3.6
Variation between annual averages			
All items consumer price index	19.0	11.5	4.6
Food and beverages	17.1	12.7	3.6
Alcoholic beverages and 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 and miscellaneous	16.2	13.7	9.9

Source: Statistics Division, Ministry of Finance, Antigua.

^aPreliminary figures.

BAHAMAS

1. Recent economic trends: Introduction and summary

Following an estimated overall decline of 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 (see table 1).

While this cannot be accurately quantified in the absence of systematic GDP estimates, 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% after their 12% fall in 1981. The volume of oil imported for domestic consumption rose slightly due to 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 current account deficit (US\$ 85 million in 1981) was almost eliminated. 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 US\$ 36 million to US\$ 12 million, and together with excess expenditure of US\$ 40 million this gave rise to an increased overall deficit. This was financed largely from foreign borrowing, with the result that the foreign debt rose from US\$ 87 million in 1981 to US\$ 147 million in 1982: approximately 13% 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 3 000 households engaged in farming, while the Department of Fisheries estimates that in 1980 some 2 500 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 in 1981. While the overall volume, as measured by landings at New Providence (see table 2), was up by barely 1%, the volume of the highly valued crawfish increased 45%. All other types of fish declined, but only slightly. The average price of fish landed at Nassau remained more or less steady in most cases but 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 came to US\$ 11.5 million, with the principal variety, viz., crawfish, valued at US\$ 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 in 1981.

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

Table 1

BAHAMAS: MAIN ECONOMIC INDICATORS

	1977	1979	1980	1981	1982 ^a
A. Basic economic indicators					
Gross domestic product at current factor cost (millions of Bahamas dollars) ^b	851	1 074	...	...	...
Population (thousands)	217	224	210 ^c	214	218
Per capita GDP (current Bahamas dollars)	3 927	4 795	...	...	...
Growth rates					
B. Short-run 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	2.7	13.5	21.8	-0.3	1.7
Current value of imports of goods and services	4.8	22.2	30.2	3.0	-0.2
Consumer price index ^d					
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 and services)	164.4	155.9	124.4	90.0	111.6
Balance on current account	61.1	3.9	-33.1	-85.4	-40.7
Variation in net international reserves (- indicates increase)	-19.6	-19.4	-14.5	-8.3	-13.4
Total international reserves (minus gold)	67.1	77.5	92.1	100.2	129.4

Source: ECLA, on the basis of official data.

^aPreliminary figures.

^bThe Bahamian dollar is equivalent to the United States dollar.

^cCensus at 12 May. Estimates after 1980 do not include net migration.

^dNew Providence Island only.

^ePercentage.

Table 2

BAHAMAS: VOLUME OF MARINE PRODUCTS LANDED^a

	Metric tons					Growth rates			
	1978	1979	1980	1981	1982 ^b	1979	1980	1981	1982 ^b
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 to ECLA.

^aNew Providence.

^bPreliminary figures.

With the completion in early 1983 of the US\$ 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 should also 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 US\$ 2.6 million in 1982 between 40% and 45% went to fishing, principally for boat and engine purchase.

The estimated value of farm production in 1982 was US\$ 23 million, a fall of 15% compared to 1981 (see table 3). This was largely due to a sharp decline in poultry production, reportedly facing severe competition from United States supplies, and to the closure of the dairy in Eleuthera. Production of meat and eggs remained approximately at the 1981 levels.

Fruit and vegetables had a good year in 1982 and showed the only sizeable gains in all agricultural activities. With the exception of declines in the output of tomatoes (-36%), sweet potatoes (-27%) and pigeon peas (-23%), all other items showed sizeable increases, giving an overall 17% value increase. The large tourist trade and proximity to the United States, 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 marketing facilities: a necessary pre-condition for sustained agricultural production.

Table 3

BAHAMAS: ESTIMATED VALUE OF FARM PRODUCTION

	Millions of dollars				Growth rates		
	1979	1980	1981	1982 ^a	1980	1981	1982 ^a
Fruit and vegetables	3.3	3.9	6.0	7.0	17.3	55.0	16.7
Dairy produce	0.4	0.5	0.6	- ^b	9.3	17.0	-
Meat (beef and 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 to ECLA.

^aPreliminary figures.

^bLocal dairy ceased production.

Table 4

BAHAMAS: SELECTED TOURISM INDICATORS

	1980	1981	1982 ^a	Growth rates	
				1981	1982 ^a
Total number of visitors ^b	1 872	1 752	1 947 ^c	-6.8	10.5
Stopover visitors ^b	1 181	1 031	...	-12.8	0.3 ^d
Cruise ship visitors ^b	578	597	720	3.3	20.6
Average length of stay of stopover visitors (nights)	7.1	7.3	...	2.8	-3.9 ^d
Total expenditure ^e	596	640	688	7.3	7.5
Stopover visitors	564	608	650	7.8	6.9
Expenditure per day ^f	63	77	...	22.2	...
Expenditure per visit	435	530	...	21.8	...
Cruise ship visitors ^e	32	31	38	-3.1	22.6
Expenditure per visit ^f	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 to ECLA.

^aPreliminary figures.

^bThousands.

^cIncludes passengers in transit. The comparable figure in 1981 was 1 763 and in 1980, 1 904.

^dJanuary-June 1982 compared to the same period in 1981.

^eMillions of dollars.

^fDollars.

There continues to be 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. 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 US\$ 5.4 million, some 16% below their 1981 level.

ii) *Tourism*. The tourist sector, which provided 50% of the 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, so that after the decline of 1981 the 1982 recovery formed the basis for the modest overall growth recorded by the economy (see table 4).

The depressed state of the world economy continued to have a negative impact on tourist travel, and the further appreciation of the United States 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 general economic performance 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.

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 up to June at 59.6%. Confidence in the future of the industry is clearly indicated, however, by the construction by the government of a 735-room hotel estimated to cost US\$ 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 tourism facilities and the further development of the physical and social infrastructure.

iii) *Construction*. Informed opinion is that, compared to 1981, construction activity was generally higher in 1982. The hotel construction work at Paradise Island begun in 1981 was completed in 1982 and the government-financed Cable Beach project was fully underway in the latter year. Public sector construction work on 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 bank loans and advances to the building and construction sector were down 21% at end of 1982 compared to 1981 (the second consecutive year of decline) and real estate loans dropped dramatically from US\$ 46.8 million to US\$ 14.3 million, suggesting possibly that the recently introduced changes in land ownership policy reflected in the Immovable Property Act might have reduced activity in the latter market (see table 12).

By contrast, data on building permits issued and on building starts and completions all suggest that the 1982 level of construction activity was substantially higher than in 1981 (see table 5). Data reported are for New Providence, and in this respect are therefore only a partial indicator, but 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 their value by 114% with the only ambiguity arising from the lower overall value of commercial and industrial building starts. It must however be recalled that these latter tend to be few in number but high in value, and it is known that there was a bunching of large hotel starts in 1981, work on which continued into 1982 or beyond.

Since 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 lower domestic financing to the industry. Moreover, residential construction which showed growth in 1982 in both the number and value of starts, is partly financed through especially designed public sector loan especially facilities.

Table 5

BAHAMAS: CONSTRUCTION INDICATORS

	1980	1981	1981 ^a	1982 ^{ab}	Growth rates		
					1980	1981	1982 ^{ab}
Building permits issued							
Number	2 332	2 581	1 047	2 061	8.4	10.7	96.8
Value	232	144	99	188	94.9	-37.9	89.9
Building starts							
Number	1 120	1 228	1 046	1 206	1.2	9.6	15.3
Residential building starts							
Number	913	1 035	921	1 089	1.4	13.4	18.2
Value	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
Building 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 to ECLA.

^aNew Providence only.

^bPreliminary figures.

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 materials 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), it can be reliably estimated that output increased some 25% in 1982. This change was mainly due to 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 entrusted with executive responsibility in this field. 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 metric 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 the recent average is believed to have taken place.

v) *Energy.* Imported oil is used to satisfy 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 slowdown, combined with energy conservation awareness, led to a reduction in these imports in 1981 and 1982, and the latter year, for the first time since the "oil crisis", domestic commodity exports about matched oil imports for local consumption (see tables 6 and 7).

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 oil in the Family Islands. It should 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, with high octane gasoline, diesel oil and LPG all showing significant reductions.

3. The external sector

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

By contrast, the value of commodity imports is typically between three and four times that of commodity exports, thus leaving a sizeable visible trade balance (estimated at US\$ 520 million in 1982) which is affordable only because of the large current surplus on travel, transport and insurance (see table 9). The possibility of maintaining 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 physical and climatic resources. Such specialization for international economic participation might well be the only basis on which small economies like this can attain high levels of income.

Table 6

BAHAMAS: OIL IMPORTS FOR LOCAL CONSUMPTION

	Thousands of barrels and millions of dollars			Growth rates		
	1980	1981	1982 ^a	1980	1981	1982 ^a
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.

^aPreliminary figures.

Table 7

BAHAMAS: RATIO OF SELECTED AGGREGATES

	1978	1979	1980	1981	1982 ^a
Petroleum imports ^b /total imports	0.35	0.32	0.36	0.33	0.28
Petroleum imports ^b /domestic exports	1.11	1.03	1.49	0.57	1.00
Petroleum imports ^b /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.

^aPreliminary figures.

^bPetroleum imports for local consumption.

Table 8

BAHAMAS: INSTALLED CAPACITY AND PRODUCTION OF ELECTRICITY^a

Year	Public	Industrial ^b	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 ^c	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: Data supplied to ECLA by the Bahamas Ministry of Works and Utilities.

^aOnly thermal electricity generated.

^bIncludes foreign government bases.

^cCement plant out of operation for most of year.

Banking and financial services are the main other export services, but the captive insurance business which flourished in the 1960s is being sought after anew, and amendments are being made to the shipping regulations to help 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 a gross tonnage of 58 000 tons in 1977.

The balance of payments has been in surplus in recent years (except 1978), and this has permitted some addition to the international reserves. In particular 1982 witnessed a 26% increase in commodity exports, while commodity imports were down by approximately 6% (measured to include cost, insurance and freight), consequently giving a substantially narrower trade gap. The balance on current account, favourable up to 1979, was unfavourable in 1982 although substantially better than in 1981. In both 1981 and 1982 there were sizeable inflows of long-term capital, both private and official, associated with offshore hotel and industrial development and with the government's development activities. Payments for non-factor services have been consistently high and, as might be expected, have shown an upward trend consistent with sustained past inflows of long-term capital.

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 this slackening of rises, which was quite general for the second consecutive year (see table 10).

Table 9

BAHAMAS: BALANCE OF PAYMENTS

(Millions of dollars)

	1977	1978	1979	1980	1981	1982
Exports of goods and services	705.7	829.3	941.6	1 147.1	1 143.6	1 163.6
Goods FOB	135.9	146.4	170.5	200.5	176.2	221.5
Services ^a	569.8	683.0	770.9	946.6	967.3	942.0
Transport and insurance	81.3	99.8	113.2	207.7	186.5	132.0
Travel	412.4	494.7	561.7	595.5	639.2	670.1
Imports of goods and services	541.3	643.0	785.8	1 022.8	1 053.5	1 051.9
Goods FOB	387.5	468.0	597.6	801.0	787.5	740.2
Services ^a	153.9	175.3	198.2	221.9	266.1	311.6
Transport and insurance	46.0	58.8	74.0	76.2	82.9	88.0
Travel	54.3	60.7	53.6	70.6	91.1	104.2
Merchandise balance	-251.6	-321.7	-427.1	-600.5	-611.2	-518.8
Trade balance	164.4	186.3	155.9	124.4	90.0	111.6
Factor services	-84.8	-130.1	-136.1	-137.6	-161.6	-134.5
Profits	0.0	0.0	0.0	0.0	0.0	0.0
Interest received	4.0	7.0	11.1	13.0	17.0	23.7
Interest paid	-78.1	-119.1	-134.3	-126.7	-155.9	-138.7
Others	-10.7	-18.0	-12.9	-24.0	-22.7	-19.6
Unrequited private transfer payments	-18.6	-22.2	-15.8	-19.8	-13.9	-17.8
Balance on current account	61.1	34.0	3.9	-33.1	-85.4	-40.7
Unrequited official transfer payments	5.4	7.4	11.9	17.8	11.1	21.5
Long-term capital	39.4	-25.1	4.1	10.1	141.4	72.5
Direct investment	31.1	-1.2	9.6	4.0	34.4	2.8
Portfolio investment	6.9	-2.3	-3.2	-3.0	-3.1	0.0
Other long-term capital	1.4	-21.6	2.3	9.1	110.1	69.7
Official sector ^b	1.5	-3.2	-4.7	-4.7	34.3	46.4
Loans received	6.4	1.3	0.5	0.0	38.2	51.8
Amortization payments	-4.9	-4.5	-5.2	-4.7	-3.8	-5.2
Commercial banks ^b	0.0	0.0	0.0	0.0	0.0	0.0
Loans received	0.0	0.0	0.0	0.0	0.0	0.0
Amortization payments	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors ^b	-0.1	-18.4	2.4	13.7	75.8	23.3
Loans received	21.4	10.6	23.7	51.8	99.9	43.6
Amortization payments	-21.5	-29.1	-21.3	-38.0	-24.2	-20.3
Commercial balance	105.8	16.4	19.9	-5.2	67.1	53.3
Short-term capital	10.5	0.3	-19.4	-5.0	17.6	-3.7
Official sector	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	10.5	0.3	-19.4	-5.0	17.6	-3.7
Other sectors	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions (net)	-96.4	-26.0	14.3	20.7	-79.1	-38.7
Balance on capital account	-41.5	-43.0	11.0	43.9	92.0	51.6
Global balance ^c	19.6	-9.0	14.9	10.8	5.5	10.9
Total variation in reserves (minus sign indicates an increase)	-19.6	8.8	-19.4	-14.5	-8.3	-13.4
Monetary gold	0.0	-0.1	0.0	0.0	0.0	0.0
Special Drawing Rights	0.0	0.0	-4.5	1.0	-3.7	0.7
IMF reserve position	-0.3	-0.2	0.1	-5.0	3.5	0.3
Foreign exchange assets	-19.4	9.1	-14.9	-10.5	-8.1	-14.4
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
Use made of IMF credit	0.0	0.0	0.0	0.0	0.0	0.0

^aIncludes other non-factor services.^bIncludes net loans granted and other assets and liabilities.^cEquals total variation in reserves (of opposite sign) plus counterpart items: monetization or demonetizations of gold, allocation or settlement of Special Drawing Rights, and variation due to revaluation of other reserves.

Table 10

BAHAMAS: EVOLUTION OF DOMESTIC PRICES^a

(November/December 1971 = 100)

	1978	1979	1980	1981	1982 ^b
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
Variation between annual averages					
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 to ECLA.^aNew Providence Island only, where 60% of the Bahamian population live.^bPreliminary figures.

5. Monetary and fiscal policy

i) *Monetary policy.* The task of monetary management in the Bahamas is twofold. As a large offshore banking centre (at December 1982 there were 346 such banks and trust companies registered in the country), compliance with the law must be ensured. Secondly, the 18 domestic commercial savings and loan institutions must direct their efforts in ways consistent with the main objectives of Bahamian monetary policy, which 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, together with various rules and statutory liquid asset ratios.

Only moderate monetary expansion was experienced in 1982, whether judged by growth in the money supply in its narrow sense (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 had to foreign financing, while credit to the private sector grew at a faster rate than it did in 1981 (see table 11).

Loans and advances of commercial banks stood at US\$ 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 US\$ 161 million to US\$ 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.

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

Table 11

BAHAMAS: MONETARY BALANCE

	Millions of dollars				Growth rates		
	1978	1980	1981	1982 ^a	1980	1981	1982 ^a
Money (M ₁)	106	143	149	158	5.6	4.3	6.1
Currency 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 financial institutions	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 to 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 to ECLA.

^aPreliminary figures.

Table 12

BAHAMAS: LOANS AND ADVANCES OF COMMERCIAL BANKS

	Millions of dollars at year end				Growth rates		
	1979	1980	1981	1982 ^a	1980	1981	1982 ^a
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 and 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.

^aPreliminary figures.

The financial position of the government was extremely tight in 1982, so much so that the Treasury Bill limit was raised from US\$ 24 million to US\$ 40 million. Because no bond issue was made in 1982, capital expenditure was financed directly from current income flows. During 1982, further drawings were made on the foreign bank consortium loan of US\$ 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 the imposition of additional taxes and the raising of licences and fees in the 1983 Budget. There are no direct taxes on income.

Table 13

BAHAMAS: CENTRAL GOVERNMENT REVENUE AND EXPENDITURE

	Millions of dollars				Growth rates		
	1979	1980	1981	1982 ^a	1980	1981	1982 ^a
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. Saving 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.

^aPreliminary figures.

BARBADOS

1. Recent economic trends: Introduction and summary

Estimates of GDP at current factor cost put the 1982 figures at B\$ 1 804 million,¹ a nominal increase of barely 6% over the 1981 performance (see table 1).

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. The near 8% increase in the gross domestic product of the manufacturing sector reflected to a great extent a general price increase rather than an increased physical output. Construction activity also recorded a slowdown as a result of declining credit to the household sector and reduced government demand.

Overall, the goods-producing sectors accounted for nearly 27% of total GDP, while the production of services other than basic contributed 63%, mirroring the importance of the tourist sector in the economy (see table 2). Activity in this sector, however, declined by over 12% in 1982, as the recession in North America and Europe led to a 14% drop in tourist arrivals. Likewise, sugar output amounted to barely 88 000 tons, the lowest in 34 years.

These poor performances in the tourism and sugar sectors contributed to a deterioration in the country's current account position. In spite of a narrowing in the merchandise trade gap, weak external demand caused a depression in foreign exchange earnings, in the face of which the Government secured US\$ 54 million in medium-term balance-of-payments financing from the International Monetary Fund (IMF). In spite of experiencing great pressure in 1982, the balance of payments thus showed a small surplus of US\$ 7 million.

The Central Bank, pursuing a policy aimed at containing domestic expenditure, tightened monetary restrictions, and the Government lowered its planned level of activity, reducing its 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 net borrowing from the commercial banking system. The money supply was at the end of the year 1.3% lower than one year earlier. This, together with the recession in North America and Europe, induced a slowdown in the rate of inflation, as the annual variation in the Consumer Price Index declined from 15% to 10%.

A smaller fiscal deficit reduced public sector borrowing needs in 1982, while the proportion of foreign financing fell sharply, placing the burden of financing on the domestic economy. For its part, the national debt rose to B\$ 760 million in 1982: an increase of 11.2% over the 1981 level.

2. Trends in economic activity

a) *Evolution of the main sectors*

i) *Agriculture.* Estimates put the agricultural product, at current prices, at B\$ 124 million: a 4% drop compared to the 1981 figure. The sector's share in GDP thus declined for the second consecutive year and amounted to only 6.8%, barely half of the figure recorded in 1975 (see table 2). Production of sugar and molasses declined for the second year in succession and sugar output amounted to 88 000 tons in 1982, the lowest production since 1948. The increase in unplanned cane fires, a shortened growing season, and poor cultivation practices explained this performance. Sugar cane yields per hectare fell by some 15%, but the amount of sugar extracted from each ton of cane increased by 9% (see table 3).

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

Costs of production increased, as the average cost per ton of sugar reached a figure of B\$ 1 300. Sugar prices did not show any significant increase in 1982, and the country sustained a revenue loss of some B\$ 4 million because of the exchange depreciation of the pound sterling.

The sugar industry was thus heavily in the red, with the deficit on the 1982 crop alone being estimated at some B\$ 30 million. This was exacerbated by a significant debt arising from capital expansion and losses on the 1981 crop. The Government sought to improve the cash flow problem by guaranteeing a support price of B\$ 925 per ton of sugar produced. Additionally, the Government guaranteed a B\$ 17.5 million bond issue by the Barbados Sugar Factories Ltd., and a B\$ 15 million Eurodollar 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 data indicate a higher production of cabbage, carrots and sweet peppers, with consequent decreases in the retail prices of those commodities (see table 4). Chicken production grew substantially, but fish landings were 14% lower than the previous year.

ii) *Manufacturing*. The sector's contribution to the GDP at current factor cost grew to B\$ 219 million in 1982 — a near 8% increase over the 1981 figure. The index of industrial production, however, shows a 1% decline in 1982 below the figure of the previous year.

Table 1

BARBADOS: MAIN ECONOMIC INDICATORS

	1980	1981	1982 ^a
A. Basic economic indicators			
Gross domestic product at factor cost (millions of current Barbados dollars)	1 530	1 707	1 804
Population (thousands of inhabitants)	249	250	251
Per capita gross domestic product			
Current Barbados dollars	6 145	6 815	7 206
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
Variation between annual averages	6.9	14.6	10.3
Money supply	11.4	5.6	-1.3
Wages and salaries ^b	26.1	8.4	12.5
Rate of unemployment ^c	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 of government	11.4	28.9	15.8
Millions of dollars			
C. External sector			
Trade balance (goods and services)	-46	-128	-48
Balance on current account	-26	-113	-42
Variation in net international reserves	-21	-25	-7
External debt	82	130	144

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.

^aPreliminary figures.

^bData relate to approximate average annual percentage increase.

^cPer cent.

Table 2

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

	Millions of Barbados dollars		Percentage breakdown		Growth rates	
	1981	1982 ^a	1975	1982 ^a	1981	1982 ^a
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 and 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 and water	39	45	1.5	2.5	16.4	15.9
Transport, storage and communications	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 and 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 and 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.

^aPreliminary figures.

Table 3

BARBADOS: SUGAR PRODUCTION - AREAS AND AVERAGE YIELDS

Year	Hectares reaped	Cane milled (thousands of tons)	Cane/ hectare (tons per hectare) (1/2)	Average yield of sugar (tons per hectare) (1/5)	Sugar output (thousands of tons) (5)
	(1)	(2)	(3)	(4)	(5)
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 ^a	15 490	804	51.9	5.7	88.0

Source: Barbados Sugar Producers' Association and data supplied to ECLA.

^aPreliminary figures.

The recession adversely affected manufacturing activity, with production in the quarrying and chemicals subsectors falling by some 18% and 13%, respectively. Activity in the food sector declined by some 6%. Output of petroleum products recorded a slight decrease, while relatively small increases in production were observed in the wearing apparel and electricity and gas subsectors. The foreign-owned electronic components subsector is estimated to have registered significant growth, and to have created about four hundred new jobs in 1982. The production of most manufactured products went down in 1982. Especially important were the decreases in the output of margarine, lard and rum, which declined by 31%, 32% and 18%, respectively (see table 5).

iii) *Energy.* Oil production recovered somewhat from its slump of 1981, mainly as a result of the re-emphasis on shallow drilling. Output of crude petroleum rose to 41 100 cubic metres — a 22% increase over the 1981 figure, but still some 15% below the output of 1980. Natural gas produced in association with crude petroleum increased by about 4% to a total of 10.3 million cubic metres, still 41% below the 1980 figure but sufficient to satisfy 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 activity in the goods producing sectors.

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

iv) *Construction.* Growth in the construction sector was a mere 2.4%. This slowdown resulted from cutbacks in expenditure on the Government's capital works programme, and from the weak demand for housing. High mortgage interest rates acted as a further deterrent. Several significant projects were completed during the year, but the only new government project set in motion was the cement plant, embarked on as a joint venture with the Government of Trinidad and Tobago. For its part, the output of quarry products declined by 17%.

b) *Employment*

The number of persons in the labour force rose to 115 100 in 1982. However, as a consequence of the fall-off in economic activity, the number of employed decreased by some 2 500. Not all new entrants into the labour market found jobs, and as a result an estimated 900 job seekers immediately joined the unemployed, whose number rose by some 3 400 during the same period, yielding an unemployment rate of 13.6% (see table 6).

Table 4
BARBADOS: INDICATORS OF AGRICULTURAL PRODUCTION

	(Tons)			Growth rates		
	1980	1981	1982 ^a	1980	1981	1982
Production of main crops						
Sugar cane ^b	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						
Beef	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.

^aPreliminary figures.

^bThousands of tons.

Table 5

BARBADOS: INDICATORS OF INDUSTRIAL PRODUCTION

	1980	1981	1982 ^a	Growth rates	
				1981	1982
Production of some Manufactured goods					
Sugar ^b	132	94	88	-28.8	-6.4
Rum ^c	8 467	5 719	4 690	-32.5	-18.0
Beer ^c	8 578	9 220	8 815	7.5	-4.4
Margarine ^d	2 238	3 796	2 625	69.6	-30.8
Lard ^b	1 453	2 206	1 510	51.8	-31.6
Malt beverages ^c	3 300	3 691	3 605	11.8	-2.3
Non-alcoholic beverages ^c	18 916	17 934	17 411	-5.2	-2.9
Animal feeds ^b	39	45	50	15.4	11.1
Milk products ^{d,e}	10 000	9 300	8 500	-7.0	-8.6
Cigarettes ^d	224	260	271	16.1	4.2
Crude petroleum ^f	48.6	33.6	41.1	-30.9	22.3
Natural gas ^f	17 500	9 900	10 300	-43.4	4.0
Gasoline ^f	55.1	58.4	56.4	6.0	-3.4
Diesel oil ^f	49.7	50.3	48.6	1.2	-3.4
Fuel oil ^f	96.4	99.1	106.3	2.8	7.3
Other indicators					
Electricity generated ^g	310	327	331	5.5	1.2

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

^a Preliminary figures.

^b Thousands of tons.

^c Thousands of litres.

^d Tons.

^e Converted to the fresh milk equivalent.

^f Thousands of cubic metres.

^g Millions of kWh.

Table 6

BARBADOS: SELECTED DATA ON EMPLOYMENT AND UNEMPLOYMENT

(Thousands of persons)

	1979	1980	1981	1982 ^a
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 to ECLA.

^a Preliminary figures.

Table 7

BARBADOS: DOMESTIC EXPORTS OF GOODS, FOB

	Millions of dollars		January-October		Percentage breakdown		Growth rates ^a	
	1980	1981	1981	1982	1977	1981	1981	1982 ^b
Total exports^c	168.	148.5	105.6	146.8	100.0	100.0	-11.9	39.0
Main traditional exports	65.3	34.2	31.9	29.8	34.7	23.0	-47.6	-6.9
Sugar	54.7	25.7	25.7	23.7	25.0	17.3	-52.9	-8.2
Molasses	5.9	4.1	3.1	3.0	3.6	2.8	-30.3	-1.6
Rum	1.7	2.1	1.5	1.9	3.2	1.4	17.1	27.6
Lard and margarine	3.0	2.3	1.6	1.2	2.9	1.5	-26.2	-28.1
Non-traditional exports	56.5	65.1	41.6	57.9	41.8	43.8	15.1	39.0
Clothing	24.5	26.1	16.0	19.9	21.6	17.6	6.3	24.1
Electronic components	31.7	38.7	25.3	37.7	20.2	26.0	22.1	48.8
Petroleum products	0.3	0.3	0.3	0.3	-	0.2	-	-
Other exports	46.9	49.2	32.1	59.1	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.

^aRates may not agree exactly with figures because of rounding.

^bBased on January-August comparison.

^cTotal domestic exports. Excludes re-exports.

Table 8

BARBADOS: RETAINED IMPORTS OF GOODS

	Millions of dollars		January-August		Percentage breakdown		Growth rates ^a	
	1980	1981	1981	1982	1977	1981	1981	1982 ^b
Consumer goods	171.2	186.4	112.5	105.4	40.6	35.3	8.9	-12.1
Food and beverages	81.8	89.6	57.2	55.3	20.6	17.0	9.6	-3.3
Other non-durables	42.2	46.1	29.0	25.7	10.1	8.7	9.5	-11.2
Durables	19.4	25.2	10.3	9.9	4.9	4.8	30.4	-4.4
Other manufactured goods	27.8	25.5	16.0	14.5	4.9	4.8	-9.0	-9.7
Intermediate goods	162.1	184.9	123.0	85.0	33.8	35.0	14.2	-30.9
Fuels	54.2	71.9	49.7	19.4	9.4	13.6	32.4	-61.1
Textiles	19.7	21.8	12.8	12.2	4.8	4.1	10.7	-4.3
Other	88.2	91.2	60.5	53.4	19.6	17.2	3.3	-11.8
Capital goods	133.9	156.0	97.5	118.1	22.4	29.5	16.5	21.1
Machinery	93.7	113.5	66.9	94.9	15.3	21.5	21.1	41.8
Construction materials	40.2	42.5	30.6	23.2	7.2	8.1	6.0	-24.2
Unclassified goods	1.3	1.4	2.1	2.2	3.2	0.3	8.0	7.1
Total retained imports	468.5	528.7	335.1	310.7	100.0	100.0	13.5	-7.3
Total imports	524.6	575.6	335.4	367.9	-	-	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.

^aRates may not agree exactly with figures because of rounding.

^bBased on January-August comparison.

3. The external sector

a) *Merchandise trade*

i) *Exports.* January to October data indicate that exports rose in 1982 by 39% over the previous year, to a value of US\$ 146.8 million, as compared with US\$ 105.6 million for the corresponding period of the previous year. This increase was primarily due to the good performance of exports of manufactures. Exports of clothing, electrical components, furniture and chemicals grew appreciably, whereas exports of processed foods, beverages and tobacco fell below the level of 1981. Export earnings from sugar fell to US\$ 51 million —the lowest figure in 34 years. Some 51 000 tons of sugar were exported to the EEC at a price of US\$ 346 per ton, while 18 000 tons exported to the United States were sold at a price of US\$ 420 per ton (see table 7).

The main export markets for Barbadian products continued to be the United States, the CARICOM countries and the United Kingdom. Within the CARICOM group, Trinidad and Tobago was the most important export market; total sales to that country at the end of July amounted to US\$ 22 million, of which US\$ 19 million were domestic exports.

ii) *Imports.* The total value of imports increased by almost 10% in the period January to August 1982. Total retained imports decreased in value by 7%, with both consumer and intermediate goods registering drops of 12% and 31%, respectively. The value of capital goods purchased increased by 21%, partly reflecting preparation for the construction of a cement plant (a joint venture with the Government of Trinidad and Tobago), and expansion by the Barbados Light and Power Company (see table 8). Credit control helped to depress imports of consumer durables, while the slower growth in personal disposable income, and possibly the decline in tourism, explained much of the decrease in demand for food and other non-durables. Imports of intermediate goods 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 61% below the figure of the previous year.

b) *Services trade*

Tourism remained the main earner of foreign exchange, but once again it was adversely affected by the recession in the major tourist markets. The sharp drop in tourist arrivals influenced significantly the overall results of the Barbadian economy in 1982 (see table 9).

Table 9

BARBADOS: SELECTED TOURISM INDICATORS

	1979	1980	1981	1982 ^a	Growth rates	
					1981	1982 ^a
Total visitors ^b	481.0	526.5	488.4	408.3	-7.2	-15.1
Stopover visitors ^b	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 ^b	110.1	156.5	135.8	104.5	-13.2	-23.0
Hotel and guest-house beds ^b	11.8	13.4	14.1	14.4	5.2	2.1
Average length of stay of stopover visitors ^c	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 ^d	200.4	249.6	260.4	249.7	4.3	-4.1
Hotel and restaurant tax ^d	5.5	7.3	7.2	...	-0.7	...

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

^aPreliminary figures.

^bThousands.

^cDays.

^dMillions of US dollars.

Tourist arrivals (excluding cruise-ship passengers) fell by nearly 14% in 1982, to a total of some 304 000. Tourists from CARICOM countries accounted for the greatest number of arrivals, followed by tourists from the United States and Canada, in that order.

Arrivals from the United Kingdom declined, partly because of the rise in costs affecting these tourists as a result of the depreciation of the pound sterling. Other factors contributing to this poor performance were the cessation of important air services from Europe and Canada, and the bankruptcy of key tour operators.

Table 10

BARBADOS: BALANCE OF PAYMENTS

(Millions of dollars)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Exports of goods and services	94.9	104.9	118.7	140.4	179.8	208.5	200.0	252.1	317.8	425.8	552.0	532.9	604.3
Goods FOB	35.8	33.3	37.7	47.9	67.3	94.5	76.1	85.3	110.9	131.5	180.8	162.7	208.2
Services ^a	59.1	71.6	81.0	92.5	112.6	114.0	123.8	166.7	206.8	294.3	371.2	370.1	396.1
Transport and insurance	7.5	11.0	10.3	10.1	22.9	22.7	19.3	27.0	33.1	41.1	67.7	48.5	71.0
Travel	40.1	52.0	62.5	69.9	76.2	77.2	83.2	111.1	137.7	206.7	252.4	262.7	253.4
Imports of goods and services	141.6	143.1	165.1	196.8	232.2	253.2	278.4	315.1	364.0	474.8	597.9	661.0	652.1
Goods FOB	106.9	112.1	128.0	152.6	185.6	197.1	219.1	250.2	288.1	378.4	479.0	521.4	501.1
Services ^a	34.7	31.0	37.0	44.2	46.8	56.1	59.2	64.9	75.9	96.4	118.8	139.5	151.0
Transport and insurance	16.5	17.6	19.2	22.4	25.7	31.7	30.7	32.6	41.3	51.4	64.9	73.0	74.0
Travel	3.5	4.2	4.8	6.1	5.9	6.9	8.2	9.2	9.9	12.9	19.0	22.1	26.1
Merchandise balance	-71.1	-78.8	-90.3	-104.7	-118.2	-102.6	-143.0	-164.9	-177.2	-246.9	-298.2	-358.7	-292.9
Trade balance	-46.7	-38.2	-46.5	-56.1	-52.1	-44.7	-78.4	-63.0	-46.2	-49.0	-45.9	-128.2	-47.8
Factor services	-0.3	-2.3	-3.4	-3.2	-2.4	-4.0	1.6	-4.3	-1.8	-7.2	-1.2	-8.5	-11.0
Profits	-4.2	-4.3	-6.4	-6.1	-5.2	-8.0	-3.9	-4.6	-5.1	-5.6	-5.3	-8.3	-6.3
Interest received	3.6	3.2	3.0	3.5	3.6	4.4	3.1	2.5	5.5	8.0	9.9	9.2	10.7
Interest paid	-2.6	-3.6	-3.4	-4.6	-6.1	-6.6	-3.6	-6.5	-5.9	-14.0	-13.0	-18.0	-23.1
Others	2.8	2.4	3.4	4.1	5.4	6.2	5.9	4.3	3.8	4.3	7.2	8.7	7.4
Unrequited private transfer payments	3.9	3.8	4.5	5.7	6.4	6.8	10.9	12.7	14.5	16.9	21.5	24.1	17.1
Balance on current account	-43.1	-36.7	-45.3	-53.9	-48.5	-41.9	-65.9	-54.5	-33.4	-39.3	-25.6	-112.5	-41.7
Unrequited official transfer payments	1.3	1.5	2.1	1.5	0.6	0.5	1.8	3.2	2.1	4.9	0.0	-6.1	6.1
Long-term capital	12.3	16.3	19.8	24.7	11.2	24.3	23.9	35.4	21.8	-16.5	15.5	81.6	11.3
Direct investment	8.5	14.7	17.4	4.8	9.9	22.1	6.2	4.7	9.3	5.0	0.9	7.1	4.4
Portfolio investment	-0.6	0.5	0.5	0.0	-0.2	0.1	0.1	0.6	2.0	-2.6	21.0	1.7	-0.8
Other long-term capital	4.4	1.1	1.8	19.9	1.6	2.1	17.5	30.1	10.5	-19.0	-6.4	72.9	7.6
Official sector ^b	0.9	-0.2	2.1	20.7	-3.2	-0.5	2.7	14.6	12.5	2.1	3.8	51.1	10.2
Loans disbursed	1.1	0.4	2.9	21.5	2.3	0.8	4.8	18.1	13.5	8.4	7.5	52.2	16.6
Amortization payments	0.0	0.0	0.0	0.0	-5.2	-0.8	-1.5	-2.8	-0.5	-5.7	-3.3	-0.5	-3.4
Commercial banks ^b	0.0	0.0	0.0	1.1	4.3	-0.7	1.7	6.2	2.4	-6.5	-3.6	1.7	3.2
Loans disbursed	0.0	0.0	0.0	1.1	4.3	0.0	1.7	6.2	2.4	0.0	0.0	1.7	3.2
Amortization payments	0.0	0.0	0.0	0.0	0.0	-0.7	0.0	0.0	0.0	-6.5	-3.6	0.0	0.0
Other sectors ^b	3.5	1.3	-0.2	-1.9	0.5	3.3	13.2	9.3	-4.4	-14.6	-6.5	20.2	-5.7
Loans disbursed	0.0	0.0	0.0	0.4	0.0	0.0	11.3	6.2	0.0	0.0	8.1	42.2	15.8
Amortization payments	0.0	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	-5.0	-0.8	0.0	0.0	0.0
Basic balance	-29.5	-18.9	-23.5	-27.7	-36.7	-17.1	-40.2	-16.0	-9.5	-50.9	-10.2	-37.0	-24.4
Short-term capital	0.2	6.9	3.1	9.7	-14.8	-4.2	4.4	2.0	10.0	29.7	34.6	62.8	9.8
Official sector	-0.1	1.2	-0.4	-3.9	0.5	-0.1	0.1	-0.7	-0.6	0.8	0.7	45.0	-2.9
Commercial banks	-0.9	4.8	5.0	12.5	-15.0	-7.5	2.1	-3.2	-5.3	8.8	9.6	15.0	-3.8
Other sectors	1.2	0.9	-1.4	1.1	-0.2	3.4	2.2	5.8	15.9	20.2	25.6	2.8	16.4
Errors and omissions (net)	23.6	22.4	23.6	17.5	44.7	29.9	24.0	15.8	20.7	25.7	-6.8	-37.7	21.5
Balance on capital account	37.3	47.0	48.3	53.4	41.7	50.6	53.9	56.2	54.5	44.1	43.3	100.7	48.7
Global balance ^c	-5.8	10.3	3.0	-0.5	-6.7	8.7	-12.0	1.6	21.0	4.8	17.7	-11.8	7.0
Total variation in reserves (minus sign indicates an increase)	4.6	-7.6	-10.9	-1.2	2.5	-0.3	10.1	1.1	-22.6	-6.0	-20.5	-24.7	...
Monetary gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-1.4	-1.5	1.5
Special Drawing Rights	0.0	-1.5	-1.5	-0.3	-0.1	0.2	0.0	-0.0	0.0	-1.9	3.1	0.4	...
IMF reserve position	-2.0	-0.2	0.0	-0.2	-0.0	-1.4	0.0	-0.2	0.1	0.1	-2.6	-0.6	...
Foreign exchange assets	-2.1	-0.6	-7.6	-3.9	-6.6	0.8	11.6	-8.8	-23.0	-4.4	-13.4	-22.5	...
Other assets	8.7	-5.3	-1.7	3.2	9.3	0.2	-1.6	2.2	-0.1	0.3	-0.7	0.5	-1.0
Use made of IMF credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.9	0.6	0.1	-5.6	-2.1	...

^aIncludes other non-factor services.

^bIncludes net loans granted and other assets and liabilities.

^cEquals total variation in reserves (of opposite sign), plus counterpart items: monetization or demonetizations of gold, allocation or settlement of Special Drawing Rights, and variation due to revaluation of other reserves.

Additionally, the average length of stay of stopover passengers declined, while the number of cruise-ship visitors decreased by 23%.

c) *Balance of payments*

The balance of payments registered a small surplus of US\$ 7 million in 1982. In the merchandise trade account, the value of exports increased while that of imports fell, thereby narrowing the deficit significantly (see table 10). There were substantial inflows of investment and short-term funds, mostly absorbed by the private sector. Long-term capital inflows contracted in 1982 in response to the heavier dependence of the Government on domestic borrowing, but as in 1981, the Central Bank engaged in foreign borrowing to maintain foreign exchange liquidity, and US\$ 5.2 million of long-term funds were obtained from the CARICOM and Venezuelan Oil Facilities. A stand-by arrangement and compensatory financing from the IMF helped to increase international reserves by US\$ 7 million in 1982.

4. Wages and prices

a) *Wages*

Wage increases varied from some 30% in the private sector to 7% in the public sector. Wage restraint helped to curb inflationary pressures during 1982, as personal disposable income did not increase to such an extent as to fuel domestically-originated inflation.

b) *Prices*

The rate of inflation, as measured by the Retail Price Index, declined somewhat from the 1981 rate of 14.6% to an annual average of 10.3% in 1982 (see table 11). 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 housing, transportation, medical and personal care, and alcoholic beverages and tobacco. Because of its weighting, food was the major contributor to the increase in the All Items Index, with housing next in significance. The December to December variation declined even more sharply, from 12.3% to a bare 6.9%, indicating a significant deceleration in the inflation rate.

Table 11
BARBADOS: EVOLUTION OF DOMESTIC PRICES

	1980	1981	1982
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
Housing	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
Variation between annual averages			
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
Housing	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 the 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 borrowing from the commercial banking system. An analysis of loans outstanding suggests a cutback in credit to the private sector; in contrast, credit to the public sector remained relatively high, amounting to some B\$ 47.6 million at the end of 1982 —some 16.1% higher than the level of government borrowing of a year earlier. The total amount of public sector borrowing was however contained in 1982, as the Government incurred a B\$ 91 million fiscal deficit. The effect of 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.

Credit to the household sector declined by some 6% in 1982 to a year-end level of B\$ 131 million. The fall-off in construction activity in 1982 was reflected in a 28.7% reduction in loans outstanding to the sector, while the decline of 44% in credit to the mining and quarrying sector was in part due to the re-emphasis on shallow drilling and the absence of significant exploration activity (see table 12).

The low level of economic activity dampened the growth in commercial bank liabilities during 1982. Demand deposits declined slowly, while savings deposits showed only a weak increase. However, time deposits grew by 22.3% —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 (see table 13).

Interest rates remained at their 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%, while the minimum rate on deposits fell to 6%. For its part, 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.

Loans from the International Monetary Fund (IMF) under the Compensatory Financing Facility and a stand-by arrangement boosted the foreign reserves position. The Compensatory Financing Facility compensates Barbados for part of the fall in tourism and sugar receipts. Under the terms of

Table 12

BARBADOS: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

(Millions of Barbados dollars)

	At end of year			Growth rates		
	1980	1981	1982 ^a	1980	1981	1982 ^a
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
Mining 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.

^a Preliminary figures.

Table 13

BARBADOS: COMMERCIAL BANKS' LIABILITIES AT 31 DECEMBER

(Millions of Barbados dollars)

	1980	1981	1982 ^a	Growth rates		
				1980	1981	1982 ^a
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
Saving 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*.^aPreliminary figures.

Table 14

BARBADOS: MONETARY BALANCE

(Millions of Barbados dollars)

	1980	1981	1982 ^b	Growth rates ^a		
				1980	1981	1982 ^b
Money	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*.^aRates may not agree exactly with figures because of rounding.^bPreliminary figures.

the stand-by arrangement, the country is provided with quarterly installments 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 (see table 14).

b) *Fiscal policy*

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

Current revenue rose to B\$ 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 more efficient collection of arrears of direct taxes, revenue from which increased by B\$ 31 million. Hotels and restaurant taxes fell by a reported 15.3% in 1982 as a result of the drop in tourist arrivals (see table 15).

Current expenditure rose by B\$ 20 million to a figure of B\$ 462 million. Factors contributing to this increase were the higher interest payments and wage and salary rates. Nonetheless, 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 partly offset this growth.

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 B\$ 148 million, in which the Government of Trinidad and Tobago will hold a 49% interest. Expenditure on this project during 1982 was B\$ 9.2 million.

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 B\$ 91 million, nearly half the size of that of the previous year, was financed by heavy domestic borrowing and a drawdown of B\$ 28 million under the IMF's Compensatory Financing Facility.

The national debt rose in 1982 to B\$ 760 million—an increase of some B\$ 76.6 million over the 1981 level. Local indebtedness rose by B\$ 49.1 million to B\$ 473.1 million.

Table 15

BARBADOS: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of Barbados dollars			Growth rates		
	1980	1981	1982 ^a	1980	1981	1982 ^a
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
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.

^aPreliminary figures.

BELIZE

1. Recent economic trends: Introduction and summary

In 1982 output dipped by 0.3%, for the second time in the last four years, as gains in the sugar cane subsector, manufacturing and government were outweighed by the declines in construction, commerce, other agriculture and finance. Particularly noteworthy was the almost 8% rise in the production of the sugar cane industry, obtained thanks to an expansion of both area and yields, and the 21.5% depression of construction activity, as a result principally of the completion of several large public sector projects.

The per capita product declined almost 3% in 1982, and was thus about 6% lower than it had been in 1978 (see table 1).

While the deterioration in the terms of trade pushed gross domestic income down some 6%, an upturn in private unilateral transfers limited the net decrease in national income to less than 4%. In per capita terms both of these measures of income nevertheless remained considerably above their respective 1978 levels, thanks to the sustained improvement in external relative prices between 1978 and 1981.

At market prices, domestic expenditure diminished almost 8% in 1982, mainly because investment spending dropped close to 17%. The extent of this cutback virtually mirrored that experienced by the quantum of imports of goods and non-factor services. Consumption went down much less, as government maintained and in fact increased its consumption, in spite of the fall in domestic income.

In contrast to the contraction in investment, gross domestic savings rebounded from the extremely low level registered the year before to those prevailing in 1979 and 1980. As a proportion of the product, domestic savings rose from 6.8% in 1981 to 10% in 1982 and financed about 43% of the (reduced) capital formation in 1982, *vis-à-vis* less than 25% in 1981. Net unilateral private transfers financed 38% of domestic investment in 1982, against less than 27% in 1981.

In 1980, the last year for which data are available, the number of unemployed reached 14.3% of the labour force. With the slowdown in economic growth in 1981, and the decline in GDP in 1982, it is probable that the rate of unemployment has increased since then. However, the strong recovery of sugar production in 1982 may have compensated partially for the negative employment effects of the downturn in the rest of the economy.

The rate of increase of consumer prices slowed marginally from 10.3% in 1981 to 9.3% in 1982, according to the results of the interpolation of data from surveys conducted in 1980 and in February 1983. On the basis of annual averages, prices rose 9.6% in 1982, *vis-à-vis* 11.4% in 1981. Whatever the precise movement of consumer prices really was in 1981 and in 1982, it can be affirmed that the average rate of inflation in Belize between 1980 and 1982 exceeded by a considerable margin the one prevailing in the prices of goods and services that the country traded. In fact, the implicit price index of the imports of goods and non-factor services diminished more than 1% between 1980 and 1982, while that of exports decreased somewhat more than 4%.

Between 1980 and 1982 real wages appear to have increased in the neighbourhood of 3% to 4% in spite of the fact that both gross output and income per worker probably declined. In 1981 wages hikes took place as a result of legislated increases for government workers and collective bargaining agreements in the private sector. In 1982 wage rates for government employees did not vary, but wage agreements in the private sector provided for increases of between 10% and 20%.

In 1982 the quantum of exports of goods and services dropped 10%. This decline, combined with the negative evolution of external prices, led to a plunge of 17% in the purchasing power of exports. The total capacity to import likewise fell by 17%, as the increase in remittances from abroad was neutralized by the decrease in the real net imports of capital.

The quantum of imports of goods and non-factor services went down by more than 15% in 1982. While this cutback was large enough to curtail the trade deficit in spite of the decrease in the export quantum and the deterioration in the terms of trade, it was insufficient to stem the loss of international reserves. Moreover, in relation to imports gross international reserves remained at about the same precariously low amount observed in each of the preceding three years, when import quantum was much greater.

As a proportion of gross domestic product, the trade deficit declined from 23% in 1981 to 19% in 1982, while the current account deficit was lowered from 18% to 11% of GDP, which was the smallest proportion in the last five years. However, the notable downturn in net capital inflows offset most of this reduction, so that the overall balance of payments remained in deficit, albeit by a much smaller amount than the year before (see table 1).

In 1982 the relatively small external debt rose 38% in constant prices and thus stood at twice the level of 1978. In relation to GDP the gross external public debt rose to close to 58% in 1982, from less than 42% in 1981 and only 30% in 1978. Inasmuch as exports are similar to the product, however, the potential burden of the external public debt is considerably less than the comparison which GDP suggests.

Table 1

BELIZE: PRINCIPAL ECONOMIC INDICATORS

	1978	1979	1980	1981	1982 ^a
A. Basic economic indicators					
Gross domestic product at factor cost (millions of 1980 Belize dollars)	239.0	235.8	245.8	252.3	251.6
Population (thousands of inhabitants)	135.7	140.0	145.4	148.3	152.0
Gross domestic product per capita (1980 Belize dollars)	1 761	1 684	1 691	1 701	1 655
Growth rates					
B. Short-term economic indicators					
Gross domestic product	...	-1.3	4.3	2.6	-0.3
Gross domestic product per capita	...	-4.4	0.4	0.6	-2.7
Gross domestic income	...	6.9	18.4	5.2	-5.6
Gross national income	...	6.4	13.3	2.0	-3.8
Terms of trade, goods and non-factor services	...	6.6	12.1	2.3	-5.2
Current value of exports of goods and non-factor services	...	11.5	32.1	3.2	-18.9
Current value of imports of goods and non-factor services	...	21.7	13.8	6.8	-19.4
Prices					
Consumer prices (average variation)	...	...	...	11.4	9.4
Implicit GDP price deflator	...	18.0	16.3	6.8	-5.8
Money (end of year)					
M ₁	45.7	2.5	13.0	-5.0	-0.5
M ₂	26.6	3.2	12.8	8.9	6.2
Central government					
Current income	...	...	26.1	2.4	3.8
Current expenditures	...	...	18.0	17.0	1.7
Saving/current income ^b	...	16.7	21.6	10.5	12.3
Total expenditure	...	...	16.9	16.1	0.4
Overall balance/total expenditure ^b	...	-13.7	-8.9	-19.7	-15.4
Millions of US dollars					
C. Trade balance					
Current account balance	-23.0	-37.9	-23.4	-30.1	-23.5
Overall balance of payments	-11.1	-24.5	-12.2	-22.2	-14.0
Gross international reserves	4.1	-2.1	2.5	-2.1	-0.5
Gross external public debt ^c	14.0	10.5	12.7	10.3	9.8
	30.2	38.9	47.3	54.5	71.6

^aPreliminary figures. The income and expenditure of the central government are budgeted amounts.

^bPer cent.

^cContracted and disbursed. Includes the debt of the central government and the public sector financial institutions.

The uneven but on the whole negative performance of the economy in 1982 is clearly attributable in large part to the unfavourable conditions prevailing in the international economy. In this connection, the virtual collapse of the international price of sugar and the radical cutback in Belize's quota in the United States sugar market stand out. High interest rates and the rise of the United States dollar also prejudiced the economy.

In 1982 the world price of sugar tumbled to a level that in real terms was comparable only to that obtaining in the Great Depression. This occurred in part because the United States markedly reduced external access to its protected market. For Belize the cutback was from 67 000 long tons to 26 800 long tons annually. The country was thus obliged to get rid of some 20% of its total sugar exports at a price equivalent to a mere 37% of that obtained in subsidized EEC and United States markets. As a result, the average price it obtained in 1982 was 29% below that received in 1981. The extent of the damage can be gauged by reference to the fact that in 1980 value added in the sugar cane subsector accounted for almost 25% of Belize's GDP and more than 57% of its domestic merchandise exports.

Notwithstanding the foregoing, local factors —including in particular domestic economic policy— were partly responsible for the unsatisfactory performance of the economy.

In principle, fiscal and monetary policies are subordinated to exchange rate policy, the aim of which is to maintain Belize's monetary accounts fixed in terms of United States dollars. However, in recent years and particularly in 1982, government finances have deteriorated markedly, resulting in excessive growth of domestic financial assets, inflation rates above those prevailing in the international economy, declines in the real exchange rate, and reserve losses. Between 1980 and 1982 Central Bank credit to the central government climbed 183% and accounted for 197% of the 42% expansion in the monetary base, while total domestic bank credit to the central government rose 171% and was responsible for 38% of the 55% expansion in overall domestic credit.

As far as exchange rate policy itself is concerned, whether or not Belize could modify its real effective exchange rate by manipulating its nominal one is open to question. However, the linkage of its monetary accounts to a single, unstable foreign currency in circumstances in which trade is conducted in various currencies necessarily exposes Belize's effective exchange rate to instability. Between 1980 and 1982 the country's real effective exchange rate declined 15% for exports and more than 17% for imports, partly as a result of the divergence of domestic from international inflation and partly due to the linkage with the United States dollar.

Finally, attention may be drawn to the inflationary effects of the increase of some 25% in wages between 1980 and 1982. Wages are conditioned to some extent by the government's wage policies for its own employees and by its participation on the Wages Council, which sets minimum wages for a limited number of job categories, but it appears that the evolution of wages depends mainly on collective bargaining agreements reached in the private sector.

While the expansive fiscal and monetary policies may have cushioned to some extent the repercussions of the international recession on domestic output and employment, the potential costs that such a policy course can have in an economy as small and open as Belize are high.

2. Trends in economic activity

a) *Product and income*

In 1982 the gross domestic product, whether at factor cost or in market prices, declined 0.3%. The extent of the decrease in the gross national product was virtually the same. Gross domestic income, however, fell much more sharply, by 5.6%, due to the marked downturn in the international price of sugar, the country's main export, as well as to the big cutback in Belize's quota in the United States market. On the other hand, a notable upturn in net private transfers offset the adverse effect of the drop in the terms of trade sufficiently to limit the net decrease in national income to 3.8%. Nevertheless, gross domestic expenditure was slashed almost 8%, as the severe deterioration in the terms of trade and the decrease in export quantum forced consumer incomes down and drove interest rates up throughout most of the year (see table 2).

b) *Supply and demand*

With domestic economic activity stagnant the pronounced cutback in imports of goods and non-factor services pushed total supply down by 8%. The relative magnitude of the curtailment of

domestic demand was somewhat less, as the sustainment of government consumption expenditures mitigated the depressive impact of the almost 17% plunge in investment expenditures. The relatively much smaller reduction of private consumption likewise blunted the effects of the marked contraction in capital formation on domestic demand (see table 3).

The counterpart of the rise in domestic demand with respect to total supply was of course a reduction in the quantum of exports which exceeded the cutback in total demand. However, the magnitude of the decline of external sales in constant prices was appreciably less than that of imports. This was explained in part by the deterioration of relative international prices.

Table 2
BELIZE: SUMMARY NATIONAL ACCOUNTS STATISTICS

	Millions of Belize dollars at 1980 prices				Growth rates			
	1979	1980	1981	1982	1979	1980	1981	1982
Gross domestic product at factor cost	235.8	245.8	252.3	251.6	-1.4	4.3	2.6	-0.3
Gross domestic product at market prices	288.1	300.5	308.4	307.6	-1.3	4.3	2.6	-0.3
Net imports of goods and non-factor services	54.4	47.0	64.2	40.1	428.0	-13.6	36.6	-1.9
Net private transfers	34.1	29.8	22.8	26.7	-6.8	-12.6	-23.5	17.1
Net factor payments to the rest of the world	4.9	7.2	7.6	7.6	-41.0	46.9	5.6	-
Terms-of-trade effect	-28.2	-	6.3	-7.4				
Gross domestic expenditure	290.1	292.8	316.5	291.7	16.4	0.9	8.1	-7.8
Gross national product	230.8	238.6	244.7	244.1	-	3.4	2.6	-0.2
Gross domestic income	207.6	245.8	258.7	244.2	6.9	18.4	5.2	-5.6
Gross national income	236.8	268.4	273.8	263.3	6.4	13.3	2.0	-3.8

Source: ECLA, on the basis of national accounts data provided by the World Bank.

Table 3
BELIZE: SUPPLY AND DEMAND

	Millions of Belize dollars at 1980 prices				Growth rates			
	1979	1980	1981	1982 ^a	1979	1980	1981	1982 ^a
Total supply	603.9	630.1	647.1	594.6	4.6	4.3	2.7	-8.1
Gross domestic product at market prices	288.1	300.5	308.4	307.6	-1.3	4.3	2.6	-0.3
Imports of goods and non-factor services	315.8	329.8	338.8	287.0	10.8	4.4	2.7	-15.3
Total demand	603.9	630.1	647.1	594.6	4.6	4.3	2.7	-8.1
Domestic demand	342.5	347.4	372.6	347.7	13.3	1.4	7.3	-6.7
Gross fixed investment	84.0	83.8	85.2	71.0	11.1	-0.2	1.7	-16.7
Consumption	258.5	263.7	287.4	276.7	14.0	2.0	9.0	-3.7
Private	199.4	205.5	223.1	211.5	12.3	2.9	8.6	-5.2
General government	59.0	58.1	64.3	65.2	19.7	-1.5	10.7	1.4
Exports of goods and non-factor services	261.4	282.7	274.5	246.9	-4.8	8.1	2.9	-10.1
Terms-of-trade effect	-28.2	-	6.3	-7.4				

Source: ECLA, on the basis of national accounts data provided by the World Bank.

^aPreliminary figures.

^bIncludes inventories.

Table 4
BELIZE: STRUCTURE OF SUPPLY AND DEMAND^a

	(Percentages)				
	1978	1979	1980	1981	1982
Total supply	197.6	209.6	209.7	209.8	193.3
Gross domestic product at market prices	100.0	100.0	100.0	100.0	100.0
Imports of goods and non-factor services	97.6	109.6	109.7	109.8	93.3
Total demand	197.6	209.6	209.7	209.8	193.3
Domestic demand	103.5	118.9	115.6	120.8	113.0
Gross fixed investment	25.9	29.2	27.9	27.6	23.1
Consumption	77.6	89.7	87.8	93.2	90.0
Private	60.8	69.2	68.4	72.3	68.8
General government	16.9	20.5	19.3	20.8	21.2
Exports of goods and non-factor services	94.0	90.7	94.1	89.0	80.3
Terms-of-trade effect	-15.3	-9.8	-	2.0	-2.4

Source: ECLA, on the basis of national accounts data provided by the World Bank.

^a1980 prices.

Table 5
BELIZE: SAVINGS AND INVESTMENT

	(As a percentage of gross domestic product) ^a				
	1978	1979	1980	1981	1982
Gross fixed investment	25.9	29.2	27.9	27.6	23.1
Gross domestic savings	22.4	10.3	12.2	6.8	10.0
Net factor payments to the rest of the world	2.8	1.7	2.4	2.5	2.4
Net private transfers	12.5	11.8	9.9	7.4	8.7
Terms-of-trade effect	-15.3	-9.8	-	2.1	-2.4
Gross national savings	16.8	10.6	19.8	13.8	13.9
Public sector					
Private sector					
Foreign savings	9.1	18.6	8.1	13.8	9.2

Source: ECLA, on the basis of national accounts data provided by the World Bank.

^aAt 1980 market prices

The modifications of the structure of supply and demand consequent on the above movements may be observed in table 4. Perhaps the most noteworthy feature was the big decline in the participation of the external sector in the economy. As a percentage of the product, imports dropped from 109.8% in 1981 to 93.3% in 1982, and exports decreased from 89% to 80.3%. While the share of imports in the product in 1982 was not much different, however, from that obtaining in 1978, before a big improvement in the terms of trade took place, the share of exports observed in 1982 signified an even larger cutback *vis-à-vis* 1978 than in relation to 1981.

c) *Savings and investment*

While investment plunged in 1982, domestic savings rose sharply in terms of constant prices, thereby returning close to the level of 1979/1980, although remaining far below that of 1978. Thus, as a proportion of the product gross domestic savings rose from 6.8% in 1981 to 10% in 1982. However, in 1978 gross domestic savings had amounted to more than 22% of the product, before dropping to between 10% and 12% in 1979 and 1980 (see table 5). In contrast, gross national saving as a fraction of the product was virtually unchanged in 1982, since the expansion in private transfer was neutralized by the deterioration in the terms of trade. On the other hand, it was still considerably below the five-year high of almost 20% of GDP recorded in 1980. For its part, foreign saving declined

from 13.8% to 9.2% of the product between 1981 and 1982. As a result, the share of external saving in the financing of domestic investment dropped from 50% to 40%. During the last five years, its share had been as high as 63.7% in 1979 and as low as 29% in 1980. Domestic savings financed 43% of domestic capital formation in 1982, *vis-à-vis* less than 25% in 1981. Net private transfers reached an amount equivalent to almost 38% of domestic investment expenditures in 1982, in comparison to somewhat less than 27% in 1981. In an economy as small, open and as heavily dependent on one crop as is Belize, such wide swings in savings are inevitable. However, thanks to the relative stability of private transfers and foreign capital inflows, the country has been able to maintain investment expenditures at a high and much more stable level.

d) *The sectoral evolution of the product*

Notwithstanding the strong performance turned in by the key sugar cane industry, the overall gross domestic product declined slightly in 1982. In effect, the depression of construction activity, coupled with the large fall in the value added by commerce, restaurants and hotels, more than offset the almost 8% rise in the product of the sugar cane subsector. Furthermore, output also declined in agriculture other than sugar cane, and in finance. On the other hand, in both government and manufacturing it rose by 5%, thanks in the latter case to the increase in the processing branch of the sugar industry, while in both basic services and other non-basic services value added expanded by some 2% (see table 6).

That the direction of change of the gross national product was opposite to the product of the sugar cane industry for the second consecutive year is accounted for partly by the fact that international sugar cane prices have in the last two years varied inversely to the production of sugar cane in Belize.

Table 6
BELIZE: GROSS DOMESTIC PRODUCT BY SECTOR OF ORIGIN

(At factor cost)

	Millions of Belize dollars at 1980 prices				Sectoral distribution		Growth rates			
	1979	1980	1981	1982 ^a	1978	1982 ^a	1979	1980	1981	1982 ^a
Gross domestic product	235.8	245.8	252.3	251.6	100.0	100.0	-1.3	4.3	2.6	-0.3
Goods	141.9	149.2	153.8	153.7	62.6	61.1	-5.7	5.1	3.1	-
Agriculture	108.6	113.9	117.0	119.3	48.9	47.4	-7.0	4.9	2.7	2.0
Sugar cane	57.3	60.7	58.0	62.5	27.2	24.8	-12.0	6.0	-4.4	7.8
Other crops and livestock	36.0	41.8	43.0	42.1	16.4	16.7	-8.4	16.0	3.0	-2.1
Forestry	7.5	4.4	4.8	4.3	2.1	1.7	42.3	-41.0	8.1	10.5
Fishing	7.9	7.0	11.2	10.4	3.1	4.1	6.8	-11.1	59.5	-6.9
Mining and quarrying	.8	.8	.8	.7	0.3	0.3	-	0.8	-	-
Industry	32.5	34.6	36.0	33.7	13.8	13.4	-1.2	6.5	4.0	-6.4
Manufacturing	18.6	20.6	20.3	21.3	8.4	8.5	-7.1	10.7	-1.4	5.0
Construction	13.9	14.0	15.7	12.3	5.4	4.9	7.7	0.5	12.5	-21.5
Basic services	13.2	13.6	14.5	14.8	5.0	5.9	9.5	3.0	6.6	2.1
Electricity and water	3.9	3.9	3.9	4.0	1.5	1.6	10.7	0.6	-0.5	2.7
Transportation, storage and communications	9.3	9.7	10.6	10.9	3.6	4.3	8.4	4.4	9.6	2.0
Non-basic services	80.7	83.0	84.0	83.2	32.0	33.1	5.6	2.9	1.2	-1.0
Commerce, restaurants and hotels	26.7	28.7	28.4	25.6	11.3	10.2	-1.1	7.8	-1.2	-10.0
Finance and insurance	3.0	3.0	3.0	2.9	1.2	1.7	7.3	-0.3	-1.8	-0.7
Ownership of dwellings	13.7	14.2	14.8	15.1	5.2	6.0	10.8	3.7	3.7	2.0
Government	31.2	30.9	31.6	33.2	11.9	13.2	10.0	-1.2	2.5	5.0
Other	5.9	6.1	6.2	6.4	2.5	2.5	4.1	1.2	1.5	2.2

Source: ECLA, on the basis of national accounts data provided by the World Bank.
^aPreliminary figures.

Table 7

BELIZE: INDICATORS OF AGRICULTURAL PRODUCTION

	Thousands of long tons				Growth rates			
	1979	1980	1981	1982	1979	1980	1981	1982
Production of main crops								
Sugar cane	989.2	1 013.5	970.1	1 095.5	-11.9	2.5	-4.3	12.9
Bananas	16.1	15.0	10.5	10.0	62.1	-6.8	-30.0	-4.6
Oranges	23.2	45.4	43.5	43.6	-17.2	95.3	4.1	0.2
Grapefruit	6.8	14.9	21.3	25.6	-32.0	117.7	43.5	20.0
Rice (paddy)	6.7	8.6	10.9	8.0	5.0	29.3	25.8	-26.8
Corn	15.5	18.6	21.4	21.4	-20.9	20.6	14.6	-
Red kidney beans	1.0	1.4	1.7	1.8	3.7	37.2	23.7	2.6
Production of livestock								
Beef	1.2	1.1	1.0	0.9	-0.6	-9.9	-4.1	-9.7
Poultry	2.0	2.1	2.2	2.3	41.0	3.3	3.2	4.2
Pork	0.3	0.2	0.2	0.2	-13.7	-26.1	-25.1	-4.1
Production of other agricultural commodities								
Timber ^a	8.2	9.3	8.1	7.3	30.2	14.1	-13.0	-10.0
Fish	0.5	0.5	0.6	0.6	...	-5.2	33.4	-11.1
Honey	0.2	0.2	0.2	0.2	18.5	1.8	-8.6	8.9

Source: ECLA, on the basis of data provided by the Ministry of Finance and Economic Development, Central Statistical Office.
^aThousands of board feet.

i) *Agriculture.* Thanks to the turnaround in the production performance of sugar cane, overall agricultural output rose by 2% in 1982, in spite of the decrease in value added by other crops and by livestock, fishing and forestry (see table 6).

Total sugar cane output climbed to 1 095 000 long tons following the 4% downturn registered the year before, so that this branch not only recovered the 1980 level of production but registered the second largest harvest on record. The production of grapefruit expanded by an appreciable margin for the third straight year, while the output of red kidney beans likewise continued to rise, but at a much slower pace. On the other hand, the rice harvest plunged almost 27%, while the output of bananas dipped close to 5%. The production of both oranges and corn was more or less unchanged (see table 7).

In the livestock subsector the output of beef and pork declined by almost 10% and a little over 4%, respectively, while that of poultry remained relatively buoyant. Timber production was down by 10% in 1982, while the tonnage of the fish catch dropped 11%.

After peaking in 1978 at some 1 123 000 long tons (very near the maximum capacity of the refineries at the prevailing levels of sugar content) the output of sugar cane declined considerably over the next three years before experiencing a 13% upturn in 1982. The 1979-1981 downturn was mainly the consequence of the damage inflicted by frog hopper infestation as well as by smut and rust disease. Inclement weather also played a role. The resulting fall of over 17% in gross yields was only partially offset by the less than 5% rise in the area harvested. Since 1979 some 5 260 hectares (21% of the total 1982 area) have been replanted with smut-resistant varieties of cane, while aerial spraying of tracts plagued by the frog hopper has taken place. These efforts finally bore fruit in 1982. However, gross yields still remained substantially below the 1978 level, due in part to the fact that smut-resistant cane is initially less productive than traditional varieties (see table 8).

While the gross yield went up in 1982 the net yield—as measured by the sugar content of the cane—was down about 4%. On the other hand, the molasses content rose more than 4% and this increase together with the strong recuperation of the cane harvest, produced the largest output of molasses in the industry's history.

In contrast to the good production performance turned in by the industry in Belize, the price situation in the international market became untenable for even the most efficient producers in 1982, as prices plunged to levels that in real terms were even below those recorded in the Great Depression.

This occurred partly because in May 1982 the United States slashed export quotas in its protected market. For Belize the reduction was from 67 000 long tons to 26 800 long tons annually. Needless to say, this was a heavy blow, as the country was forced to get rid of some 19 000 long tons at a price equivalent to only 37% of that prevailing in the regulated and subsidized EEC and United States markets and to only 40% of the estimated breakeven price for efficient domestic producers.

While the persistent and marked contraction of sugar prices has yet to result in a retrenchment in Belize —indeed, it is estimated that the 1982/1983 crop may well exceed the 1977/1978 record harvest— Belize Sugar Industries (BSI), the majority of the stock of which is foreign owned, has made it known that in order to avoid a radical cutback in the production of sugar to a quantity similar to the 67 800 long tons reserved for Belize in the subsidized United States and EEC markets, the Government will have to introduce compensatory adjustments in taxation, production levies and domestic prices. At the same time, cane farmers must be prepared to accept a reduction in their share of the industry's revenue from the current 65% to 60%.

Such a drastic retrenchment would devastate the country, inasmuch as it would involve the shutdown of the 40 000 ton capacity La Libertad refinery, a reduction of some 37% in the industry's output, and a direct loss of more than 12% of overall GDP and 9% of the economy's jobs. The direct effects of such a move on the balance of payments, domestic expenditure and the Government's budget would likewise be intolerably severe, to say nothing of the indirect costs it would also engender.

In these circumstances it seems surprising that a feasibility study effected by a United States consulting firm for the transnational owner of BSI recommended at about the same time that refining capacity be doubled. In the process it was envisioned that the transnational would reduce its holdings of BSI stock from 90% to 15% of the total.

ii) *Industry.* As a result almost exclusively of the sizeable increase in the output of sugar and molasses, overall manufacturing activity rose 5% in 1982. Also contributing to this growth was the appreciable upturn in the output of flour following two years of big declines, and the continued expansion of the manufacture of batteries. However, the production of all the other main items declined more or less sharply. Thus, the output of beer and stout dipped 8%; that of metal products dropped 12%; that of fertilizer slid more than 16%; that of cigarettes fell 18%; and that of clothing plunged 52% (see table 9).

The downturn in consumer non-durables such as beer and cigarettes reflected the cutback in private consumption expenditures consequent on the fall in income and the rise in interest rates. The decline in the production of metal products, mainly roofing and nails, was induced by the depression of construction activity. The marked falling off in the production of wearing apparel went hand-in-hand with the shrinkage of the external market, which absorbs the bulk of the industry's output.

Table 8

BELIZE: AREA, PRODUCTION AND YIELDS IN THE SUGAR INDUSTRY

	1978	1979	1980	1981	1982	Growth rates				
						1978	1979	1980	1981	1982
Production^a										
Sugar cane	1 123.1	989.2	1 013.5	970.1	1 095.5	20.0	-11.9	2.5	-4.3	12.9
Sugar	113.6	98.6	103.3	97.7	106.0	23.6	-13.2	4.8	-5.2	8.5
Molasses	37.1	33.0	32.3	32.0	37.7	25.3	-11.1	-2.1	-0.9	17.8
Area harvested ^b	23.6	24.2	24.7	24.7	25.1	8.3	2.5	2.1	-	1.6
Yields										
Sugar cane ^c	47.6	40.9	41.0	39.3	43.6	11.0	-14.1	0.2	-3.9	10.9
Sugar ^d	101.1	99.7	101.9	100.7	96.8	3.0	-1.4	2.2	-1.2	-3.9
Molasses ^d	33.0	33.4	31.9	33.0	34.4	4.4	0.1	-4.5	3.4	4.2

Source: ECLA, on the bases of data from the Ministry of Finance and Economic Development, Central Statistical Office, *Quarterly Bulletin*, March 1983, No. 3.

^aThousands of long tons.

^bThousands of hectares.

^cLong tons per hectare.

^dLong tons per 100 long tons of sugar cane.

Table 9

BELIZE: INDICATORS OF MANUFACTURING PRODUCTION

	Thousands of tons ^a				Growth rates			
	1979	1980	1981	1982	1979	1980	1981	1982
Sugar	98.6	103.3	97.7	106.0	-11.9	2.5	-4.3	12.9
Molasses	33.0	32.3	32.0	37.7	-11.1	-2.1	-0.9	17.8
Flour	7.2	6.6	4.1	5.0	4.4	-8.0	-37.5	19.8
Beer and stout ^b	73.1	68.9	88.9	81.8	13.9	-5.7	29.0	-8.0
Cigarettes ^c	62.8	63.4	68.3	56.0	8.7	1.0	7.7	-18.0
Clothing ^d	1 400.0	1 600.0	1 200.0	577.0	13.1	14.3	-25.0	-51.9
Fertilizers ^e	3 210.0	3 002.0	4 300.0	3 600.0	-2.0	-6.5	43.2	-16.3
Metal products ^e	501.0	400.0	427.0	375.0	2.7	-20.3	6.9	-12.2
Batteries ^f	3 431.0	4 100.0	4 500.0	4 836.0	8.7	19.5	9.8	7.5

Source: ECLA, on the basis of data provided by the Ministry of Finance and Economic Development, Central Statistical Office.

^aUnless otherwise indicated.

^bThousands of gallons.

^cMillions.

^dThousands of pieces.

^eTons.

^fUnits.

iii) *Construction*. Value added in construction contracted 21.5% in 1982, due primarily to the completion of several large public sector projects and the deceleration in the pace of work on several others. The latter development stemmed from the campaign to pare-back expenditures that was introduced when it became evident early in the fiscal year that the recession would push revenue collection considerably below the projected levels. Private construction was also very sluggish, as a result of the high rates of interest prevailing in the domestic banking system.

iv) *Tourism*. For the second consecutive year the total number of tourists visiting Belize declined, according to preliminary figures. The drop in 1982 amounted to 4.4%, *vis-à-vis* one of 2.3% the year before. As only very moderate growth was experienced in 1979/1980, the total number of tourists in 1982 was below that of 1978 (see table 10).

Notwithstanding the decline in the number of visitors, preliminary figures show that tourist expenditures remained at the level of 1981. Thus, while the total number of arrivals was down some 2% between 1978 and 1982, total expenditures were up almost 67%.

The growth in the economy's capacity to accommodate tourists tailed-off notably in 1982, as the rate of expansion was limited to 2% for hotel rooms and 3% for hotel beds in comparison to average rates of 16.6% and 13%, respectively, in the 1978-1981 period. From the data on tourists and hotel capacity it seems likely that the average rate of occupancy was down again in 1982. Between 1978 and 1981, it fell from 110.4% to 70.7% for rooms, and from 61.9% to 43.6% for beds. Nevertheless, the current rates of occupancy are high enough to permit further expansion, particularly in view of the expected upturn in tourist arrivals. In this connection it may be noted that several hotels are at present under construction, including the first one of international category, to be located in Belmopan.

The decline in tourism in the past two years reflects to a large extent the international recession. This was aggravated in 1982 by the Mexican payments crisis, which not only curtailed radically the number of tourist arrivals from that country, but may well have diverted potential visitors from third countries. It is also plausible that the decline in the effective real exchange rate has pushed down the number of arrivals. On the other hand, those who have arrived have spent more.

To date Belize has only marginally tapped the very sizeable earnings it could derive from tourism. The country offers varied types of scenic beauty, including the Pine Mountain Range, numerous lakes, some 400 islands and keys, and the largest barrier reef in the Western Hemisphere. The beaches, as well as the quality of diving and fishing, are comparable to those of the most popular tourist destinations in the Caribbean. Moreover, Belize contains imposing and numerous archaeological relics. Finally the country is located close to the principal source of tourists in the

world, and is likewise very accessible, by air or overland. Notwithstanding all these powerful considerations Belize is one of the least visited of all the Caribbean basin countries. At present the main obstacles to the exploitation of this potential would appear to be the dearth of facilities sufficient for handling much larger numbers of tourists, and the virtual non-existence of a marketing campaign to tap the big tourist markets. Clearly, these factors are explained largely by decisions made prior to Belize's independence. However, the extent to which tourism is to be promoted has yet to be determined by the new authorities, owing in part to concerns over the effects of a much larger tourist industry on such a small population. In this connection it may be noted that while the overall number of tourist arrivals is modest, in relation to the population it is already relatively high compared to the rest of the Caribbean.

v) *Employment and unemployment.* Notwithstanding the moderate rate of growth of the population on the one hand and the relatively high rate of growth of output on the other, the rate of unemployment shot up from 5.7% of the labour force in 1970 to 14.3% in 1980. With the decline in the growth of economic activity in 1981 and the drop in GDP in 1982, it is probable that unemployment has continued to rise. However, the strong recovery in 1982 of the sugar industry, which employs up to 25% of the labour force during the harvest, may have compensated to some extent the negative employment effects of the downturn on the rest of the economy.

Between 1970 and 1980, the average natural rate of increase of the population was —at 3.4%— quite high, but heavy emigration (mainly to the United States) kept net population growth down to 1.95% per annum.¹ However, the working-age population rose 2.55% per year because net emigration was skewed in favour of the dependent population. Moreover, the growth rate of the economically active population (3.35% per annum) was almost as fast as the natural rate of increase, due to the surge in the rate of participation of the working-age population in the labour force from 60% to 65%. This phenomenon was in turn exclusively the result of the sharp upturn in the female labour force participation rate from 21.6% to 30.3%. In these circumstances, despite the 2.4% annual increase in employment there was a more than three-fold increase in the number of unemployed.

The rate of unemployment for males went up from 6.8% to 11.3%, while the female unemployment rate soared from 0.5% to 24.5%. In 1980 teenage unemployment stood at 40%, while the rate of unemployment in Belize City was 21.8%. Fully 65% of the unemployed in 1980 were thus aged 15 to 19 and almost half lived in Belize City.² In contrast, the rate of unemployment at prime working age (24-59) was 4.8% overall and 4.2% for males. Outside of Belize City the unemployment rate was 10.7%. Finally, it should be observed that the high incidence of unemployment among females, teenagers and residents of Belize City exists side by side with a large number of unfilled jobs in agriculture. To a certain extent the emigration of Belizeans is motivated by a lack of desired job opportunities in Belize City, while immigration from neighbouring countries is encouraged by job opportunities in the rural sector. Indeed, the large rise in the overall rate of unemployment was, in contrast to virtually all other experiences, accompanied by a *decline* in urbanization, which dropped from 52.5% to 50% of the population between 1970 and 1980.

With respect to the distribution of the labour force by kind of economic activity, no substantial changes were observed between 1970 and 1980. In the latter year, 37.1% of the labour force was engaged in agriculture (including forestry and fishing); 14.9% in industry (manufacturing and construction); 5.9% in basic services, and 42.1% in non-basic services. The Government employed 11.7% of the labour force.³

¹In this connection it may be noted that while large numbers of inhabitants emigrated, significant numbers of immigrants, mainly from neighbouring countries, settled in Belize. As a result, the racial and cultural composition of the nation underwent notable changes. For example, by 1980 the proportion of the population which spoke Spanish as a first language had climbed to almost 32%, while that which spoke English as the mother tongue had dropped to less than 51%. Indications are that in recent years the pace of immigration from neighbouring countries has stepped-up considerable.

²In 1980 12% of the economically active population was in the 15-19 age bracket, while 32.5% of said population resided in Belize City.

³The preliminary results of the 1980 population census have been published recently by the Statistical Office of the Ministry of Finance and Economic Development: *Belize 1980 Population Census*, "Population, Race, Religion, Language, Marital Status" (Bulletin 1, May 1982); "Employment, Industrial and Occupational Groups" (Bulletin 2, July 1982); and "Housing, Education and Training, Migration" (Bulletin 3, January 1983).

Table 10

BELIZE: TOURISM INDICATORS

	1978	1979	1980	1981	1982	Growth rates				
						1978	1979	1980	1981	1982
Total visitors	60 587	61 712	63 735	62 262	59 500 ^a	10.00	1.9	3.3	-2.3	-4.4
Short stay ^b	18 954	27 270	22 207	21 294	...	-0.2	43.9	18.6	-4.1	...
Long stay ^c	40 957	34 442	41 528	40 568	...	17.7	-15.1	20.6	-2.3	...
Cruise ship passengers	676	-	-	-	...					
Origin										
United States	19 823	20 172	19 187	18 057	...	8.6	1.8	-4.9	-5.9	...
Europe	8 448	5 186	3 985	5 172	...	55.8	-38.6	-23.2	29.8	...
Canada	3 346	2 990	2 249	2 046	...	14.9	-10.6	-24.8	-10.0	...
United Kingdom	1 693	1 524	2 421	1 496	...	18.2	-10.0	59.1	-38.2	...
Others	26 601	31 842	35 893	35 491	...	-	19.7	12.7	-1.1	...
Arrival										
By sea	1 624	862	766	536	...	25.7	-46.9	11.1	-30.0	...
By air	31 056	20 749	19 625	17 421	...	10.4	-33.2	-5.4	-11.2	...
Overland	27 907	40 103	43 344	44 305	...	8.8	43.7	8.1	2.2	...
Average stay (nights)	5.7	5.2	5.6	5.6	...	1.7	-8.8	7.7	-	...
Hotel capacity										
Rooms	854	1 076	1 166	1 352	1 377	...	26.0	8.4	16.0	1.8
Beds	1 524	1 851	1 990	2 192	2 256	...	21.5	7.5	10.2	2.9
Average rate of occupancy										
Rooms	110.4	82.2	84.0	70.7	...	...	-25.5	2.2	-15.8	...
Beds	61.9	47.8	49.2	43.6	...	...	-22.8	2.9	-11.4	...
Total receipts from tourism^d	4.5	6.7	7.0	7.5	7.5	16.9	48.9	4.5	7.1	...

Source: ECLA, on the basis of data provided by the Tourist Board and the World Bank.

^aEstimated.

^bLess than three nights.

^cThree or more nights.

^dMillions of US dollars.

3. The external sector

a) Introduction

In 1981 the quantum of exports of goods and non-factor services was no higher than it had been in 1978, and in 1982 it plunged by 10%. This contraction, combined with a considerable deterioration in the terms of trade, led to a 17% drop in the purchasing power of exports. The overall capacity to import likewise fell by 17% as the rise in real private transfers was offset by a decrease in real net imports of capital. Total import capacity was thus some 5% below the level it had attained in 1978, due to the stagnation in the purchasing power of exports and the appreciable downturn in both real private transfers and real net imports of capital between that year and 1982 (see table 11).

The quantum of imports of goods and non-factor services shrank by more than 15% in 1982, thus falling to a level similar to the one recorded in 1978. While this reduction was large enough to permit a curtailment of the trade deficit in spite of the drop in the export quantum and the deterioration in the terms of trade, it was insufficient to prevent the international reserves from declining for the second consecutive year. Moreover, in terms of imports, the international reserves remained at about the same precariously low level observed in each of the previous three years, when the import quantum was much greater because the real supply of imports had still not been slashed to the full extent that the decrease in the total capacity to import would have dictated.

As a proportion of the product, the deficit on the trade account was lowered from 23% to 19% between 1981 and 1982. The upturn in real private transfers enabled the current account deficit to be reduced from somewhat less than 18% to 11% of GDP, which was the smallest negative balance in the last five years. However, the large downturn in real net capital inflows offset most of this gain, so that the overall balance of payments remained in deficit, albeit by a much smaller amount (see table 11).

In 1982 the relatively small external debt rose sharply, as in real gross terms it climbed more than 38% to about twice as much as in 1978. In relation to the product the gross external debt rose from 41.6% in 1981 to 57.6% in 1982; in 1978 the corresponding proportion was 30.3%. Inasmuch as exports are similar to the gross domestic product, the real burden of the external debt is considerably less than what the comparison with GDP would suggest.

The uneven but on the whole negative performance of the external sector in the last few years is clearly attributable largely to the mostly adverse conditions obtaining in the international economy. However, domestic economic policy cannot escape some blame for the deterioration of the external accounts. Its role shows up on two fronts. First, since 1980, if not before, the real effective exchange rate has been allowed to undergo a large decline —15% for exports and more than 17% for imports— thus discouraging exports of goods and services and imports of capital and encouraging imports of goods and services and exports of capital (see table 12). Clearly, such a development is one that an economy as tiny and open as Belize's can ill afford. Whether or not Belize can influence its real

Table 11

BELIZE: SUMMARY INDICATORS OF THE EXTERNAL SECTOR

	1978	1979	1980	1981	1982 ^a
Indexes (1980 = 100)					
Quantum of exports of goods and non-factor services	97.2	92.5	100.0	97.1	87.3
Purchasing power of exports of goods and non-factor services	81.4	82.5	100.0	99.4	82.5
Purchasing power of factor service receipts ^b	127.2	130.4	100.0	67.9	85.7
Purchasing power of net imports of capital	125.5	168.2	100.0	133.1	94.5
Total capacity to import	88.2	93.1	100.0	100.1	83.2
Quantum of imports of goods and non-factor services	86.5	95.8	100.0	102.8	87.1
Gross international reserves index ^c	131.9	89.8	100.0	78.3	78.3
Months of imports ^d	1.4	0.9	0.9	0.7	0.8
Gross disbursed external debt ^e	76.4	89.6	100.0	110.9	153.3
In terms of gross domestic product (= 100)^e					
Quantum of exports of goods and non-factor services	115.0	110.9	115.0	108.8	98.1
Terms-of-trade effect	-18.7	-12.0	-	2.5	-2.8
Net factor services payments to the rest of the world	3.4	2.1	2.9	3.0	3.0
Net private transfers	15.3	14.5	12.1	9.0	10.6
Purchasing power of net imports of capital	15.2	20.7	11.8	15.3	10.9
Total capacity to import	123.4	131.9	136.0	132.6	110.5
Quantum of imports of goods and non-factor services	119.3	133.9	134.1	134.3	119.9
Balance on trade account	-23.1	-35.0	-19.0	-22.9	-18.9
Balance on current account	-15.3	-14.5	-12.0	-17.6	-11.1
Overall balance of payments	4.1	-1.9	1.9	-1.6	-0.4
Gross international reserves	14.0	9.7	10.3	7.9	10.9
Gross disbursed external debt	30.3	35.9	38.5	41.6	57.6

Source: ECLA, on the basis of data provided by the World Bank, the Ministry of Finance and Economic Development (Central Statistical Office), the Central Bank, and the International Monetary Fund.

^aPreliminary figures.

^bIncludes net private transfers.

^cDeflated by the index of prices of imports of goods and non-factor services.

^dGross international reserves and imports of goods and non-factor services of each year; end of year gross international reserves.

^eAt factor cost, 1980 prices, at the official exchange rate.

Table 12

**BELIZE: EVOLUTION OF THE REAL EFFECTIVE EXCHANGE
RATE INDEXES FOR EXPORTS AND IMPORTS**

(1980 = 100)^a

Annual and quarterly averages	Exports	Imports
1980	100.0	100.0
1981	95.5	95.3
1982	88.1	85.9
I	91.6	90.6
II	89.5	87.7
III	87.4	84.8
IV	85.0	82.8

Source: ECLA, on the basis of data from the Statistical Office of Belize and the International Monetary Fund, *International Financial Statistics*.

^aThese indexes are prepared by adding together the real exchange rate indexes with respect to each country, weighted according to the geographical composition of exports and imports, taking into account Belize's main trade flows. The exchange rate index with respect to a particular country is obtained by dividing the exchange rate index as between the currencies of Belize and the country in question by the consumer price index of Belize and the corresponding price index of that country, preferably the wholesale price index. The numbers of countries covered by the estimates were 4 for exports and 7 for imports, representing 82.5% and 89% respectively of Belize's external trade in the period 1980-1981. For more details on the methodology used, see Part Three of the *Economic Survey of Latin America, 1981*.

effective exchange rate by manipulating its nominal one is certainly open to question. On the other hand, the linking of its monetary accounts to a single, unstable foreign currency, in circumstances in which trade is conducted with several countries, has necessarily exposed Belize's effective exchange rate to instability. Furthermore, it seems evident that the excess of domestic over international inflation must be traced to local factors, including economic policy. Second, domestic demand was not deflated to a level compatible with sustainable balances in the external accounts. As a result, the quantum of imports further depleted the already low gross holdings of external assets and made necessary a sizeable increase in the external debt. Nevertheless, economic policy could be defended in so far as domestic demand also helped limit the decline of GDP and employment in the long run. With such a low initial external debt outstanding on the one hand, and with international sugar prices likely to improve on the other, the reluctance to deflate domestic demand to the full extent required to maintain the external accounts at sustainable levels may well turn out to have been justified, on this occasion.

b) *Trade*

i) *Exports of goods FOB*. In 1982 the current FOB value of domestic merchandise exports dropped by 19% after having declined by 10% in 1981 (see table 13). These figures do not include re-exports of goods. Overall, the current FOB value of merchandise exports fell by 21% in 1982, against a rise of 3.3% in 1981. The proportionally larger contraction of re-exports in 1982 was a consequence of the severity of the external payments crisis in Mexico, which absorbs the lion's share of these exports.

The depression of domestic exports in the last two years can be explained almost exclusively by the marked contraction in the current value of foreign sugar sales, since if there had not been a change between 1981 and 1982 in revenues from sugar exports, overall domestic exports would have remained virtually unchanged, even though another major export, garments, also performed poorly in each of the last two years, plunging 23% in 1981 and more than 42% in 1982. Indeed, with the exception of citrus concentrates and sawn wood, all domestic exports declined in current value in 1982. Overall, the current value of traditional exports was down 17.5% in 1982, after having diminished by 10.3% in 1981, while that of non-traditional exports dropped by 25.4% in 1982 and 6% in 1981 (see table 13).

While declines in volume mainly determined the 1981 downturn in the current value of domestic exports, the 1982 contraction was caused primarily by unfavourable price trends, as may be seen from table 14. The average unit value of sugar exports tumbled 29%, while that of molasses plunged 42%. The prices of sawn wood, citrus concentrates and fish products were all some 10% lower in 1982 than in 1981. To make matters worse, the overall quantum of domestic exports also decreased in 1982, due to the enormous reduction in the volume of garment exports.

As occurred in the case of sugar, protective measures adopted by the major import markets severely prejudiced the fortunes of the garment industry. Unlike the sugar producers, however, garment manufactures were forced to cut back production rather than sell at reduced prices. A possible reason for this may be that at the current exchange rate Belize's garment industry is not competitive outside its traditional market outlet in Britain.

Table 13

BELIZE: MERCHANDISE EXPORTS^a

	Millions of US dollars				Composition		Growth rates			
	1979	1980	1981	1982	1978	1982	1979	1980	1981	1982
Traditional exports	39.6	57.4	51.5	42.5	70.9	71.1	1.0	44.9	-10.3	-17.5
Sugar	31.5	47.7	42.6	32.8	59.7	54.8	-4.5	51.4	-10.7	-23.0
Citrus concentrates	4.5	6.4	6.5	7.0	7.6	11.7	7.1	42.2	1.6	7.7
Sawn wood	1.6	1.1	1.2	1.8	1.6	3.0	77.8	-31.2	9.1	50.0
Molasses	2.0	2.2	1.2	0.9	2.0	1.5	81.8	10.0	-45.5	-25.0
Non-traditional exports	21.1	24.7	23.2	17.3	29.1	28.9	31.1	17.1	-6.1	-25.4
Garments	10.8	14.4	11.1	6.4	17.0	10.7	14.9	33.3	-22.9	-42.3
Fish products	4.4	4.1	7.2	6.3	3.3	10.5	144.4	-6.8	75.6	-12.5
Bananas	3.4	3.5	2.2	2.1	3.1	3.5	100.0	2.9	-37.1	-4.5
Others	2.5	2.7	2.7	2.5	5.8	4.2	-21.9	8.0	-	-7.4
Total	60.7	82.1	74.7	59.8	100.0	100.0	9.8	35.3	-10.0	-19.1

Source: ECLA, on the basis of data provided by the Ministry of Finance and Economic Development, Central Statistical Office.

^aExcludes re-exports.

Table 14

BELIZE: PRICE AND VOLUME OF THE PRINCIPAL DOMESTIC MERCHANDISE EXPORTS

	Index (1980 = 100)				Growth rates			
	1979	1980	1981	1982	1979	1980	1981	1982
Price								
Sugar	70.0	100.0	96.0	68.1	16.2	42.9	-4.0	-29.1
Molasses	95.5	100.0	66.7	38.6	132.9	4.7	-33.3	-42.1
Sawn wood	93.6	100.0	126.4	113.6	3.9	6.8	26.4	-10.1
Citrus concentrates	100.6	100.0	79.8	72.6	9.7	-0.6	-20.2	-10.0
Bananas	90.0	100.0	87.9	90.3	20.6	11.1	-12.1	2.7
Fish products	97.5	100.0	130.0	116.2	170.1	2.6	30.0	-10.6
Garments	85.8	100.0	122.7	141.2	1.1	16.6	22.7	15.1
Volume								
Sugar	94.3	100.0	93.1	101.0	-17.8	6.0	-6.9	8.5
Molasses	102.8	100.0	90.9	116.1	-13.5	-2.7	-9.1	27.7
Sawn wood	157.7	100.0	88.4	148.7	69.8	-63.4	-11.6	68.2
Citrus concentrates	69.5	100.0	128.3	207.0	-2.1	43.9	28.3	61.3
Bananas	107.3	100.0	70.2	66.6	61.8	-6.8	-29.8	-5.2
Fish products	110.6	100.0	136.6	133.7	-10.2	-9.6	36.6	-2.1
Garments	87.5	100.0	62.5	31.3	13.0	14.3	-37.5	-49.9

Source: ECLA, on the basis of data provided by the Ministry of Finance and Economic Development, Central Statistical Office.

Table 15

BELIZE: MERCHANDISE IMPORTS FOR DOMESTIC CONSUMPTION, CIF^a

	Millions of US dollars			Composition		Growth rates		
	1980	1981	1982	1979	1982	1980	1981	1982
Food	27.7	31.5	29.8	25.1	30.6	8.4	13.5	-5.1
Beverages and tobacco	2.4	2.7	2.3	2.5	2.4	6.1	12.2	-15.0
Crude materials	0.8	0.7	0.6	0.8	0.7	10.8	-5.7	-10.0
Fuels	24.1	22.0	21.5	13.9	22.0	70.6	-8.7	-2.4
Animal and vegetable oils	0.3	0.2	0.1	0.2	0.1	36.9	-50.2	-10.1
Chemicals	8.0	9.6	0.7	8.2	7.1	-4.6	20.7	-27.9
Manufactured goods	19.0	17.7	13.2	16.2	13.5	15.1	-7.0	-25.5
Machinery	24.4	22.9	15.1	22.1	15.5	8.6	-6.1	-33.9
Miscellaneous manufactured goods	13.6	12.2	7.8	10.7	8.0	25.1	-10.3	-35.9
Miscellaneous	0.7	-3.4	0.2	0.6	0.2	252.0		
Total	121.0	117.7	97.5	100.0	100.0	18.9	-2.7	-17.1

Source: ECLA, on the basis of data provided by the Ministry of Finance and Economic Development, Central Statistical Office.

^aExcludes imports that are re-exported.

Table 16

BELIZE: MERCHANDISE IMPORTS, CIF^a

	Millions of US dollars				Composition		Growth rates			
	1979	1980	1981	1982	1978	1982	1979	1980	1981	1982
Food	32.3	32.8	39.9	36.7	24.2	27.9	25.3	1.7	21.5	-8.1
Beverages and tobacco	3.3	3.2	3.6	3.0	2.7	2.3	13.9	-2.8	10.3	-16.7
Crude materials	1.0	1.2	2.5	2.0	0.5	1.5	81.8	16.0	107.8	-19.8
Fuel	16.6	27.2	25.7	25.0	10.3	19.1	50.4	64.4	-5.8	-2.4
Animal and vegetable oils	0.3	0.7	0.5	0.4	0.2	0.3	45.7	95.8	-25.2	-19.8
Chemicals	10.3	9.7	11.4	8.3	7.1	6.3	36.2	-5.9	17.4	-27.3
Manufactured goods	19.4	20.8	19.7	14.7	17.8	11.2	2.2	7.2	-5.2	-25.4
Machinery	28.4	29.0	28.8	20.1	21.5	15.3	23.9	2.0	-0.6	-30.0
Miscellaneous manufactured goods	19.6	24.0	29.1	21.1	15.0	16.0	23.0	22.3	21.5	-27.7
Miscellaneous	0.6	1.1	0.8	0.2	0.5	0.1	1.8	98.2	-28.4	-79.3
Total imports	131.9	149.8	162.0	131.5	100.0	100.0	23.8	13.6	8.2	-18.9

Source: ECLA, on the basis of data provided by the Ministry of Finance and Economic Development, Central Statistical Office.

^aIncludes re-exports.

ii) *Imports of goods CIF.* The current CIF value of merchandise imports for domestic consumption fell 17% in 1982 (see table 15). If merchandise imports for re-export are included, the decrease amounted to almost 19% (see table 16).

As far as merchandise imports for domestic consumption are concerned, the cut back reflected downturns in all the major categories. Particularly noteworthy were the size of the reductions of foreign purchases of miscellaneous manufactured goods (36%), machinery (34%), chemicals (28%), and manufactured goods (25.5%).

iii) *The terms of trade.* In 1982 the terms of trade for goods and non-factor services worsened for the first time in four years (see table 17). The deterioration amounted to somewhat more than 5%, as the 10% drop in average export prices was partially compensated by a 4% decline in import prices.

c) *The current account*

The current account deficit was slashed from US\$ 22.2 million in 1981 to US\$ 14 million in 1982, mainly as a result of the big cut back in imports of goods and non-factor services. The improvement in the merchandise balance accounted for about 40% of the reduction while the

turnaround in the balance of non-factor services brought about fully 50% of the improvement, the remainder being provided by the upturn in net private unilateral transfers. Attention may also be drawn to the fact that net factor service payments have remained very modest, notwithstanding the big rise in the cost of capital in international financial markets (see table 18).

d) *The capital account and the global balance of payments*

Capital inflows were down sharply in 1982, and that undoubtedly played an important role in the decline in imports, via the depressive effects of higher interest rates on domestic expenditure. The reduction in the net inflow of capital occurred in spite of the fact that net public sector borrowing was virtually double the 1981 figure, and that net official unilateral transfers were up by almost a third on the 1981 amount, because the private sector exported US\$ 8 million worth of capital. This was the first deficit on record and compares with a US\$ 7.4 million surplus the year before. This turnaround largely reflected the direction of the flows generated by the non-bank private sector, although the commercial banks also switched from a surplus to a deficit position. In the absence of other information it would seem plausible to link this reversal to expectations about the future course of the exchange rate.

At all events, the overall deficit on the balance of payments was pared down to US\$ 0.5 million from US\$ 2.1 million the year before, thanks again to the very sizeable cut back in imports of goods and non-factor services and stepped-up public sector borrowing and in spite of the adverse performance of the export quantum, unfavourable price trends and private sector capital outflows. This was the third deficit in the last four years and left gross international reserves at a level that continued to expose the economy to a high degree of vulnerability to external shocks. Moreover, with the large reduction effected in the quantum of imports, the room for manoeuvring to cope with any such future shocks was greatly reduced.

e) *The external debt*

The year 1982 witnessed another large rise in the gross external public debt which climbed to US\$ 71.6 million: almost twice the amount outstanding at the end of 1979 and 3.6 times that registered at the end of 1977. The increase in the net external public debt was somewhat more pronounced, as the net external assets held by the public sector registered a slight decline. Thus, between 1979 and 1982 the net external public debt more than doubled and between 1977 and 1982 it multiplied six times, although it is true that it started from a very small amount (see table 19).

In money terms the expansion of the gross foreign debt exceeded 31% in 1982, which was similar to the rate of increase experienced in the 1977-1981 period, albeit starting from a much larger base. Deflated by import prices the debt climbed 38% in 1982; deflated by export prices the rise was almost 46%.

Table 17

**BELIZE: TERMS OF TRADE, VALUE AND QUANTUM OF EXPORTS
AND IMPORTS OF GOODS AND NON-FACTOR SERVICES**

	Indexes (1980 = 100)				Growth rates			
	1979	1980	1981	1982	1979	1980	1981	1982 ^a
Exports of goods and non-factor services								
Value	75.7	100.0	103.2	83.7	11.5	32.1	3.2	-18.9
Quantum	92.5	100.0	97.1	87.3	-4.8	8.1	-2.9	-10.1
Unit value	81.9	100.0	106.3	95.8	17.2	22.1	6.3	-9.9
Imports of goods and non-factor services								
Value	87.9	100.0	106.8	86.0	21.7	13.8	6.8	-19.4
Quantum	95.8	100.0	102.8	87.1	10.8	4.4	2.8	-15.3
Unit value	91.8	100.0	103.9	98.8	9.9	8.9	3.9	-4.1
Terms of trade	89.2	100.0	102.3	97.0	6.6	12.1	2.3	-5.2

Source: ECLA, on the basis of data provided by the World Bank.

^aPreliminary figures.

Table 18

BELIZE: BALANCE OF PAYMENTS

(Millions of US dollars)

	1975	1976	1977	1978	1979	1980	1981	1982 ^a
Exports of goods and non-factor services	68.5	55.5	75.6	96.0	107.1	141.4	145.9	118.3
Goods, FOB	60.2	47.0	66.6	85.2	97.2	131.1	135.4	107.1
Services	8.3	8.5	9.0	10.8	9.9	10.3	10.5	11.1
Imports of goods and non-factor services	87.0	88.2	97.9	119.0	145.0	164.8	176.0	141.8
Goods, FOB	79.6	80.7	90.1	106.5	131.9	149.8	162.0	131.4
Services	7.4	7.5	7.8	12.5	13.1	15.0	14.0	10.4
Merchandise balance	-19.6	-33.7	-23.5	-21.4	-35.7	-18.7	-27.6	-24.3
Trade balance	-18.5	-32.7	-22.3	-23.0	-37.9	-23.4	-30.1	-23.5
Net factor income	-1.7	-1.7	-1.7	-3.4	-2.3	-3.6	-3.9	-3.7
Net private unilateral transfers	15.0	15.0	15.2	15.3	15.7	14.8	11.8	13.2
Balance on current account	-5.2	-19.4	-8.8	-11.1	-24.5	-12.2	-22.2	-14.0
Net official unilateral transfers	4.0	4.1	4.1	3.8	5.5	2.9	5.7	7.5
Long-term capital	5.1	13.0	6.8	11.4	16.9	11.6	14.4	8.0
Public sector	2.1	3.4	4.4	10.5	8.4	7.2	7.0	13.9
Loan disbursements	3.5	4.4	5.4	11.0	9.4	9.1	8.5	15.6
Amortizations	-1.3	-1.0	-1.0	-0.5	-1.0	-1.9	-1.5	-1.7
Private sector	3.0	9.6	2.4	0.9	8.5	4.4	7.4	-7.9
Commercial banks	-1.2	6.7	-2.1	-4.1	2.2	-2.3	2.1	-1.4
Others ^c	4.2	2.9	4.5	5.0	6.3	6.7	5.3	-6.5
Balance on capital account	9.2	17.1	10.9	15.2	22.4	14.5	20.1	13.5
Global balance	4.0	-2.3	2.1	4.1	-2.1	2.3	-2.1	-0.5
Change in gross international reserves (- sign indicates an increase)	-4.0	2.3	-2.1	-4.1	2.1	-2.3	2.1	0.5

Source: ECLA, on the basis of balance of payments data provided by the World Bank, the International Monetary Fund, the Central Bank and the Ministry of Finance and Economic Development, Central Statistical Office.

^aPreliminary figures.

^bIncludes unrecorded exports.

^cIncludes errors and omissions.

As a percentage of the gross domestic product at current prices, the gross external debt rose to almost 59% in 1982, compared with 44.2% in 1981 and 34.5% in 1978. The net external debt stood at about 51% of GDP in 1982, *vis-à-vis* 33.6% in 1981 and some 20% in 1978.

In relation to exports of goods and non-factor services, the corresponding figures for the gross debt were 60.5%, 37.4% and 31.5%, respectively, while for the net debt they were 52.3%, 30.4% and 18.0%, respectively (see table 19).

The foreign debt of Belize thus remains relatively low, in spite of the very large increases of the last few years. On the other hand, if those rates of growth were to continue unchecked, in a few short years the magnitude of the debt would overwhelm the size of the economy. In this connection it should be borne in mind that Belize has benefitted in the past from relatively large grants from abroad, but now that it is an independent country, this type of aid may not be forthcoming in such large amounts.

In any case, at present the burden of the service payments is very much lower than what the stock of debt would suggest, partly because until very recently virtually all loans were obtained on concessionary terms, and partly due to the degree of openness of the economy. Thus, in 1982 debt service payments were equivalent to a mere 2.7% of the value of exports of goods and non-factor services. While this was double the proportion registered the year before, it was barely greater than the one experienced in 1977.

In late 1981 and during the course of 1982, however, the Government contracted a number of United States dollar loans from the local branches of foreign banks on commercial terms, in order to solve cash flow problems derived from its own revenue short-falls and those of several public enterprises. This avenue of financing was tapped for a number of reasons. On several occasions the

Government had practically exhausted its borrowing facilities with the Central Bank, which are limited by law. In other instances this type of financing was resorted to because of the urgency of the cash needs, as occurred when the country's oil supply was placed in jeopardy (because payments had been allowed to fall eight months behind schedule). In addition, these foreign currency loans helped to shore-up, at least temporarily, the balance of payments, and were obtained at rates of interest below those prevailing in the domestic capital market (i.e., for loans denominated in Belize dollars). Another factor in resorting to them was the lack of experience in preparing projects capable of attracting financing at concessionary rates. In the future, debt service payments will rise considerably because of these commercial bank loans.

4. Prices and wages

a) Prices

The rate of increase of consumer prices slowed down somewhat in 1982, according to the results of the interpolation of data from surveys effected in 1980 and in February 1983. This pattern is broadly consistent with the available fragmentary evidence on price movements during 1981 and 1982.

Table 19

BELIZE: EXTERNAL PUBLIC DEBT INDICATORS

	1977	1978	1979	1980	1981	1982
Millions of US dollars						
Gross external public debt ^a	19.6	30.2	38.9	47.3	54.5	71.6
Disbursements	5.5	11.2	9.6	9.1	7.9	19.0
Amortizations	1.2	0.6	0.9	0.7	0.7	1.9
Interest payments	0.8	1.2	1.1	1.2	1.3	1.3
Net external public assets	7.8	12.9	9.5	12.2	10.1	9.7
Net external public debt	9.8	17.3	29.4	35.1	44.4	61.9
Grants	4.1	3.8	5.5	2.9	5.7	7.5
Indexes (1980 = 100)						
Gross external public debt						
At current prices	41.4	63.8	82.2	100.0	115.2	151.4
Deflated by export prices	...	91.3	92.6	100.0	108.5	158.0
Deflated by import prices	...	76.4	89.6	100.0	110.9	153.2
Net external public debt						
At current prices	27.9	49.3	83.8	100.0	126.5	176.4
Deflated by export prices	...	70.4	102.3	100.0	119.1	178.6
Deflated by import prices	...	59.0	91.2	100.0	121.7	184.0
As a percentage of the gross domestic product at factor cost ^b						
Gross external public debt						
At current prices	...	34.8	39.0	38.5	41.2	58.9
Deflated by export prices	...	36.2	40.3	38.5	40.7	59.4
Deflated by import prices	...	30.3	35.9	38.5	41.6	57.6
Net external public debt						
At current prices	...	19.9	29.5	28.6	33.6	50.9
Deflated by export prices	...	20.7	30.5	28.6	33.1	49.8
Deflated by import prices	...	17.3	27.1	28.6	33.8	51.3
As a percentage of exports of goods and non-factor services						
Gross external public debt	25.9	31.5	36.3	33.5	37.4	60.5
Service payments	2.6	1.9	1.9	1.3	1.4	2.7
Amortization	1.6	0.6	0.8	0.5	0.5	1.6
Interest	1.0	1.3	1.1	0.8	0.9	1.1
Net external public debt	13.0	18.0	27.4	24.8	30.4	52.3

Source: ECLA, on the basis of data provided by the World Bank and the Ministry of Finance and Economic Development, Central Statistical Office.

^a Outstanding and disbursed. Includes the external debt of the central government and of public sector financial institutions.

^b At the official exchange rate.

Table 20

BELIZE: EVOLUTION OF PRICES

	Prices indexes				
	Consumer	Food ^a	Clothing ^b	Housing ^c	Miscellaneous ^d
1980	104.5	106.7	108.0	103.9	105.0
February	100.0	100.0	100.0	100.0	100.0
July	104.4	108.8	109.3	103.3	105.0
November	109.2	111.3	114.7	108.3	110.0
1981 ^e	116.4	115.1	121.8	116.8	112.4
February	112.0	112.8	117.5	111.6	111.0
July	116.7	115.3	122.1	117.2	112.5
November	120.4	117.3	125.8	121.6	113.8
1982 ^e	127.6	121.2	132.9	130.1	116.3
February	123.2	118.8	128.6	125.0	114.8
July	127.9	121.4	133.2	130.5	116.4
November	131.6	123.4	136.9	134.9	117.6
1983					
February	134.4	124.9	139.7	138.3	118.6
	Growth rates				
1981 ^e	11.4	7.9	12.8	12.4	7.0
February	12.0	12.8	17.5	11.6	11.0
July	11.8	6.0	11.7	13.5	7.1
November	10.3	5.4	9.7	12.3	3.5
1982 ^e	9.6	5.3	9.1	11.4	3.5
February	10.0	5.3	9.4	12.0	3.4
July	9.6	5.4	9.1	11.3	3.5
November	9.3	5.2	8.8	10.9	3.3
1983					
February	9.1	5.1	8.6	10.6	3.3

Source: ECLA, on the basis of data provided by the Ministry of Finance and Economic Development, Central Statistical Office.

^aIncludes both fresh foods and groceries.

^bIncludes footwear.

^cIncludes household goods, fuels, etc.

^dIncludes medical care and personal goods and services, and entertainment.

^eInterpolated.

Using the consumer price surveys and interpolation, prices are calculated to have risen 11.4% in 1981 and 9.6% in 1982, on an annual average basis. On a November-to-November basis, consumer prices climbed 10.3% between 1980 and 1981, and 9.3% between 1981 and 1982. The 1981 November inflation likewise represented a slowdown from the rate observed at the beginning of the year (see table 20).

These results suggest that food prices moved up 5.3% on average, in 1982, against almost 8% the year before; that clothing prices rose about 9% in 1982 versus somewhat less than 13% in 1981; that housing prices increased 11.4% in 1982, *vis-à-vis* 12.4% in 1981; and that the prices of miscellaneous goods and services such as medical care and entertainment, were up only 3.3% in 1982, following an average hike of 7% the year before.

Whatever the precise movement of consumer prices in 1981 and 1982, prices in Belize rose during those two years at an average pace (10.5%) that considerably exceeded the inflation rate observed in the prices of the goods and services that Belize traded. In fact, the implicit price index of imports of goods and non-factor services declined 1.2% between 1980 and 1982, while that of exports dropped by 4.2%.

While the direct link between export and domestic prices is not very strong, because the incidence of exported goods and services in consumer expenditures is low, fluctuations in export prices can exert important indirect effects on consumer prices unless the resulting expansion or contraction of consumer incomes is absorbed by adjusting the import volume, the stock of financial assets, and/or the government budget. In contrast, import prices have a large direct impact on

domestic consumer prices, while in addition, like export prices, they can also affect consumer prices indirectly via the effects of their fluctuations on real consumer incomes.

The considerable divergence between the behaviour of external and domestic prices in the last couple of years appears to be traceable mainly to the extraordinary enlargement of the Government's borrowing requirement and the consequent growth of the monetary base, and to the rate of wage hikes, both of which have been far in excess of the expansion of the domestic supply of goods. Thus, between 1980 and 1982 Central Bank credit to the central government soared 183% and accounted for 197% of the approximately 42% growth in the monetary base. At the same time wage increases averaged approximately 12% in 1981, and 13% in 1982, in circumstances in which the gross productivity of labour appears to have declined. In contrast, the supply of goods and services available for domestic consumption was no greater in 1982 than it had been in 1980.

Clearly, the domestic rate of inflation cannot be allowed to exceed the external one by very much or for very long without jeopardizing the exchange rate and the overall stability of the economy —particularly when export prices are so depressed. This implies more or less vigorous constraints on the size and frequency of government borrowing requirements, and the rate of wage increases. But neither of these conditions have been adhered to in the last two years.

b) *Wages*

Between 1980 and 1982 real wages appear to have increased in the neighbourhood of 3% to 4% in spite of the fact that both gross output and income per worker probably declined. In 1981 wages were propelled upward both by legislated increases for government workers and by collective bargaining agreements in the private sector. Government employees received pay hikes that fluctuated between 10% and 12.5%, while in the private sector wage raises oscillated between 10% and 15%. In 1982 wage rates for government employees, who account for 9% of the total labour force, did not vary. However, the collective bargaining agreements reached in the private sector provided for increases that ranged from 10% to 20%. In addition, at the end of the year, some of the private sector job categories covered by minimum wage legislation were granted substantial raises.

5. Fiscal and monetary policy

In principle, fiscal and monetary policies are subordinated to exchange rate policy, the aim being to keep Belize's monetary accounts steady in terms of United States dollars. However, in recent years government finances have deteriorated considerably, resulting in excessive growth of domestic financial assets, inflation rates above those prevailing in the international economy, declines in the real exchange rate, and reserve losses. On the other hand, the expansive fiscal and monetary policies, which have been supported by large inflows of foreign grants, have cushioned to some extent the repercussions of the international recession on domestic output and employment. These compensatory effects are strictly limited by the size and degree of openness of the economy, however, while the potential costs involved in such a policy course are high. In any case, it still remains to be seen whether or not the gains will outweigh the costs of such countercyclical policy.

a) *Fiscal policy*

Following the marked deterioration of the Government's financial situation in the 1981/1982 fiscal year as a result of a large shortfall in projected revenues, and given the expectation of a continuing decline of income in real terms in the short run, the Executive proposed and the Parliament approved a substantial retrenchment in real budgetary outlays for the 1982/1983 fiscal year (see table 21).

It was estimated that current revenue would rise only 3.8% in 1982/1983, which at the prevailing rate of inflation implied a real decrease of 6% to 7%. The projected increase in nominal current revenue was to be obtained from proposed hikes in the specific duties on imported alcoholic beverages other than beer, in the *ad valorem* taxes on imported beer, cigarettes and certain products derived from petroleum, and in the stamp duty on imports. With the existing tax structure it was calculated that current revenue would be no greater in 1982/1983 than it had been in 1981/1982. The rise in current expenditures was to be held to less than 2%, which would allow for an expansion in

Table 21

BELIZE: INCOME AND EXPENDITURE OF THE CENTRAL GOVERNMENT^a

	Millions of Belize dollars			As a percentage of gross domestic product ^b				Growth rates ^c		
	1980/ 1981	1981/ 1982	1982/ 1983 ^d	1979/ 1980	1980/ 1981	1981/ 1982	1982/ 1983 ^d	1980/ 1981	1981/ 1982	1982/ 1983 ^d
Current revenue	81.9	83.9	87.1	32.6	33.3	31.7	35.8	26.1	2.4	3.8
Budgetary revenue	80.6	82.8	86.1	32.0	32.8	31.3	35.4	26.5	2.7	4.0
Tax revenue	70.5	69.1	72.6	27.6	28.7	26.1	29.8	28.2	-2.0	5.1
Direct taxes	23.3	14.6	19.6	19.9	9.5	5.5	8.1	51.3	-37.3	34.2
Indirect taxes	47.2	54.5	55.0	7.7	19.2	20.6	22.6	19.2	15.5	0.9
Import taxes	30.7	31.9	31.0	13.5	12.5	12.1	12.7	18.1	3.9	-2.8
Excise taxes	4.8	6.4	6.7	1.6	2.0	2.4	2.8	50.0	33.3	4.7
Licenses	1.5	1.6	1.8	0.7	0.6	0.6	0.7	7.1	6.7	12.5
Other tax revenue	10.2	14.6	13.5	4.0	4.1	5.5	5.5	29.1	43.1	-7.5
Non-tax revenue	10.1	13.7	13.5	4.3	4.1	5.2	5.5	17.4	35.6	-1.5
Extrabudgetary revenue	1.1	1.1	1.0	0.7	0.4	0.4	0.4	-15.4	-	-9.1
Current expenditure	64.2	75.1	76.4	27.3	26.1	28.4	31.4	18.0	17.0	1.7
Budgetary expenditure	63.0	73.9	75.2	26.9	25.6	27.9	30.9	17.5	17.3	1.8
Consumption	52.8	58.0	57.6	22.8	21.4	21.9	23.7	16.3	9.8	-0.7
Wages and salaries	27.8	33.9	37.3	10.0	11.3	12.8	15.3	39.0	21.9	10.0
Goods and services	25.0	24.1	20.3	12.7	10.2	9.1	8.3	-1.6	-3.6	-15.8
Interest	3.0	4.7	5.0	1.3	1.2	1.8	2.1	15.4	56.7	-15.8
Transfers	7.2	11.2	12.6	2.9	2.9	4.2	5.2	24.1	55.6	12.5
Rest of public sector	1.9	2.0	2.3	0.8	0.8	0.8	0.9	26.7	5.3	15.0
Private sector	5.3	9.2	10.3	2.2	2.2	3.5	4.2	23.3	73.6	12.0
Extrabudgetary expenditure	1.2	1.2	1.2	0.4	0.5	0.5	0.5	50.0	-	-
Savings	17.7	8.8	10.7	5.3	7.2	3.3	4.4	67.0	-50.3	21.6
Capital revenue	1.3	1.2	2.9	0.8	0.5	0.5	1.2	-13.3	-7.7	141.7
Capital expenditure	27.1	30.9	30.0	11.9	11.0	11.7	12.3	14.3	14.0	-2.9
Total expenditure	91.3	106.0	106.4	39.2	37.1	40.1	43.7	16.9	16.1	0.4
Overall balance	-8.1	-20.9	-16.4	-5.8	-3.2	-7.9	-6.7	-30.2	158.0	-21.5
Domestic financing (net)	3.0	5.6	-2.0	1.0	1.2	2.1	0.8	-37.0	-26.8	12.2
External financing (net)	5.4	15.3	18.4	5.1	2.2	5.8	7.6	-66.7	-73.2	-112.2
Loans	-0.4	4.0	3.5	0.7	-0.2	1.5	1.4	4.9	-19.1	-21.3
Disbursements	1.4	6.0	5.5	1.1	0.6	2.3	2.3	-17.3	-28.7	-33.5
Amortizations	-1.8	-2.0	-2.0	-0.4	-0.7	-0.8	0.8	22.2	9.6	12.2
Grants	5.8	11.3	14.9	4.4	2.6	4.3	6.1	-71.6	-54.1	-90.8
Variation of assets (- sign indicates an increase)	-0.3	-	-	-0.3	0.1	-	-	3.7	-	-

Source: ECLA, on the basis of data provided by the Accountant-General, the Ministry of Finance and Economic Development, the House of Representatives: *Estimates of revenue and expenditure for the year 1982/1983, Belize, 1982, and the World Bank.*

^aBeginning in 1980 the fiscal year was switched to March/April. The data for 1979/1980 were prorated on the basis of data for January 1979-March 1980.

^bAt current factor cost.

^cFinancing is expressed as a percentage of the overall balance.

^dBudgeted amounts approved by Parliament.

savings of about one-fifth. However, in both real terms and in relation to GDP government savings would remain very much below the level achieved in 1980/1981. Capital expenditures were slated to decline almost 3% in money terms. This reduction, coupled with the projected upturn in the current account surplus and the expected rise in capital revenues, implied that internally generated funds would finance approximately 45% of the central government's capital outlays, against 32% in 1981/1982. It also left total government expenditures at about the same level as in 1981/1982. In real terms this implied a decline of some 10%, and in relation to GDP a cutback to 36.5% from the 40% registered in the previous fiscal year.⁴ At the same time the planned freeze on expenditures would

⁴The figure for 1982/1983 GDP refers to projected 1982 GDP. Note that in table 21 the actual 1982 GDP is used.

enable the central government to trim its overall deficit by more than one-fifth in money terms and from 7.9% to 5.6% of GDP. Together with the expected increase in official unilateral transfers from abroad, this would permit an absolute reduction in the allocation of domestic credit to the central government.

In this connection it should be observed that in recent fiscal years external savings have financed the lion's share of the central government's deficit spending. Moreover, the bulk of these foreign resources has been provided in the form of outright grants. In the 1981/1982 fiscal year the amount of total external financing was equivalent to 5.8% of GDP and it was envisioned that a sum equal to 6.3% of the projected GDP would be forthcoming in the 1982/1983 fiscal year. Of the former total three-fourths consisted of grants and of the latter, four-fifths. Clearly, the availability and magnitude of this type of financing has been a crucial factor so far in permitting the Government to maintain and even increase its expenditures in spite of the stagnation of its revenues, without engendering unsustainable disequilibria in the various sectorial balances. In fact, to some extent the deterioration of the Government's finances may be traceable to the size of the flow of foreign grants.

While the available data are limited, it may be concluded that the financial performance of the central government in the 1982/1983 fiscal year not only turned out to be markedly less favourable than anticipated in the budget but actually represented a substantial downturn *vis-à-vis* that of the previous fiscal year. Thus, preliminary data show that actual recurrent budgetary revenues contracted almost 4% in 1982/1983, while actual current budgetary outlays rose close to 10%. As a result, the savings position of the Government changed from a sizeable surplus to a small deficit—the first in memory. Statistics for capital spending and revenues as well as for external financing are not available, but the relevant data from the consolidated monetary accounts of the domestic banking system clearly suggest that the overall balance of central government finances likewise registered a decided deterioration. Between March 1982 and March 1983 the net credit allocated to the central government by the local banking system climbed by 19.2 million Belize dollars or 69%, in circumstances in which it had been projected that the overall level of net domestic lending to the central government would in fact be reduced. If the actual amount of external financing had been equal to that anticipated in the budget and no cash balances had been accumulated, the overall deficit would have ballooned to (a maximum of) 37.6 million Belize dollars or considerably more than twice the budget estimate (and four-fifths larger than the one recorded in 1981/1982). However, it is known that capital expenditure was held below the budgeted amount, so that the overall deficit was something less than the figure quoted above.

The recent deterioration in the central government's finances has been accompanied by a slight improvement in the negative performance traditionally turned in by the rest of the public sector. On the whole, however, the financial position of this segment of the public sector remained rather precarious and continued to exercise a number of adverse monetary effects.

As in most other developing countries, the overall public sector in Belize is much larger than the central government alone and big in relation to the economy. Suffice it to note that in the fiscal years 1980/1981 and 1981/1982 overall public sector investment outlays accounted for more than one-half of total investment expenditures in the economy and the overall public sector deficit averaged more than 13% of GDP. As has also occurred elsewhere, the management of the finances of the public sector other than the central government has been rather loose, perhaps because it is not subject to the exigencies of a consolidated budget. In any case, it may be observed that in fiscal years 1980/1981 and 1981/1982 the savings of the public sector excluding the central government equalled -0.6% and 0.2% respectively, of GDP, while the corresponding figures for its overall balance were -8.1% and -7.3%, respectively, in circumstances in which, unlike the central government, it did not have access to foreign grants. Therefore, in order to sustain its deficit spending this segment of the public sector had to mobilize net domestic credit equivalent to 2% of GDP in both 1980/1982 and 1981/1982, and net foreign credit equivalent to 6.1% of the product in the former fiscal year and to 5.3% in the latter one. Most of the marked growth observed in the external public debt in the last five years resulted from the pronounced expansion of the borrowing requirements of the public sector outside the central government.

A consolidation of the budgets of this part of the public sector shows that some deterioration was programmed for fiscal year 1982/1983: in terms of projected GDP the implied target for savings was -0.8%; for the overall deficit, 8.3%; for net domestic financing, 0.3%; and for net external

financing 7.9%. However, the monetary accounts statistics for that period reveal that the net credit extended to the public sector other than the central government by the domestic banking system was slashed by 40%. While not conclusive, this information is more consistent with an improvement, rather than a downturn, in financial performance.

b) *Monetary policy*

In Belize the room for manoeuvre in the formulation and execution of monetary policy is limited and asymmetrical. The Central Bank can attempt —and has tried with some success— to offset the expansive effects of a sudden improvement in the country's terms of trade or the adverse impact on international reserves and domestic prices of excessive levels of deficit spending. But it probably cannot compensate for the depressive effects of a plunge in the world price of sugar or a surge in external interest rates, nor indeed has it attempted to. The economy is simply too small and specialized. This asymmetry is reinforced moreover by the priority attached to the policy of maintaining Belize's exchange rate fixed (in terms of United States dollars).

The behaviour of the principal monetary aggregates is therefore determined largely by the forces that shape the balance-of-payments results. Here again the influence of domestic factors is mainly limited to the choice of exchange rate and fiscal policies. But what normally matters most is the world price of sugar and the extent of Belize's access to subsidized markets. In recent years the exceptional rise in international interest rates and the availability of foreign grants have also exercised notable effects on the evolution of the money supply.

In spite of the pressures emanating from the highly negative situation obtaining in the international economy on the one hand, and from the rapid expansion of domestic credit to the central government and decline of the real effective exchange rate on the other, the net external assets of the Central Bank declined by only 5% between the end of 1981 and the end of 1982, thanks in large part to the year-end receipt of a sizeable foreign currency loan from the United States. Inasmuch as the Bank's reserve loss was small in relation to the growth of domestic credit in this particular period, the monetary base experienced a considerable expansion. However, if one examines the evolution of these monetary aggregates over the course of the year, it will be found that the growth of net domestic credit was offset almost completely by the contraction of net external assets: in terms of averages, the monetary base was merely 1.6% larger in 1982 than in 1981, although at the end of 1982 it was close to 18% larger than at the end of 1981³ (see table 22).

In contrast to the notable increase registered in the stock of high-powered money, M_1 declined 0.5% between December 1981 and December 1982. An even more pronounced inverse relation was observed between December 1980 and December 1981, when the 21% growth of base money was accompanied by a 0.5% contraction in M_1 . On the other hand, M_2 expanded in both 1982 and 1981, albeit at rates decidedly below those of the monetary base. On average M_1 diminished more than 5% in 1982, after having increased less than 2% in 1981. The average 1982 variation was more in line with the behaviour of the monetary base, but the 1981 average change, like the December to December variation, diverged markedly from the behaviour of that base. At 14.4% and 2.4%, respectively, the average rate of change of M_2 was broadly similar to that of the monetary base in both 1981 and 1982.

At the end of 1982 the real level of M_1 was some 22% below that obtained at the end of 1980, while M_2 was 4% lower.

The successive declines experienced, on an end-of-year basis, by the M_1 money multiplier in 1981 and 1982 reflected sharp rises in both the currency/deposit ratio and the reserve/deposit ratio

³The annual averages for the main monetary aggregates are as follows:

	1980	1981	1982
Net external assets (Central Bank)	23.3	24.8	17.1
Net domestic assets (Central Bank)	1.6	5.2	13.4
Monetary base	24.9	29.9	30.4
M_1	40.0	40.7	38.5
Quasi-money	63.5	77.6	82.8
M_2	103.5	118.4	121.2

(see table 22). On the other hand, the sustained downturn in the M_2 money multiplier was a consequence exclusively of the increase in the reserve to total deposit ratio.

The expansion in quasi-money relative to M_1 and in reserves relative to deposits is consistent with the upsurge in the interest rates on savings and time deposits and in the discount rate. On the other hand the failure of the currency ratio to decline and the steep upturn in the reserve ratio are contrary to what one could have expected, given the general advance of interest rates. The extent of the increase in the reserve ratio is particularly noteworthy in light of the rise in the rate of return on commercial bank assets with respect to the Central Bank discount rate (see table 23).

Part of the explanation of these phenomena involves a consideration of conjunctural factors, such as the aforementioned receipt of a large foreign currency loan in December, which can make for unusual results in particular periods. As far as the behaviour of the currency ratio is concerned, the hike in the marginal propensity to consume, which was particularly marked in 1982, could explain

Table 22
BELIZE: CREATION AND INCOME-VELOCITY OF MONEY

	1977	1978	1979	1980	1981	1982
Growth rates						
Money						
M_1	15.9	45.7	2.5	13.0	-5.0	-0.5
M_2	2.5	26.6	3.2	12.8	8.9	6.2
Monetary base	36.2	37.0	-10.0	13.9	20.9	17.6
As a percentage of the variation^a						
Sources						
Net external assets	52.6	149.9	229.0	139.5	-75.9	-18.0
Net domestic assets	47.4	-49.9	-129.0	-39.5	175.9	118.0
Credit	118.4	-16.0	169.7	-155.6	159.6	85.5
Public sector	100.0	100.0	100.0	79.1	102.7	100.0
Central government (net)	100.0	100.0	100.0	73.5	102.6	100.0
Credit	100.0	100.0	100.0	233.3	129.8	5.0
Deposits	-	-	-	-133.3	-29.8	95.0
Other public sector	-	-	-	26.5	-2.6	-
Private sector ^b	-	-	-	20.9	-2.7	-
Other net domestic assets	-18.4	116.0	-69.7	255.6	-59.6	14.5
Capital and reserves	316.3	68.8	42.5	48.4	15.9	-107.4
Other	-216.3	31.2	57.5	51.6	84.1	207.4
Uses						
Cash outside banks	25.9	60.7	1.6	26.0	27.4	28.7
Commercial bank reserves	74.1	39.3	98.4	74.0	72.6	61.3
Ratios						
Cash in circulation/ demand deposits	1.04	.87	.83	.73	.92	1.10
Cash in circulation/ total deposits	.21	.22	.21	.19	.19	.20
Commercial bank reserves/ demand deposits	.50	.45	.31	.36	.61	.88
Commercial bank reserves/ total deposits	.10	.11	.08	.10	.13	.16
Money multiplier						
M_1 /monetary base	1.33	1.41	1.61	1.60	1.25	1.06
M_2 /monetary base	3.95	3.65	4.19	4.15	3.73	3.37
Income-velocity of money						
GNP/ M_1	...	5.72	6.60	7.03	8.11	7.66
GNP/ M_2	...	2.21	2.54	2.71	2.73	2.41

Source: ECLA, on the basis on data published by the International Monetary Fund, *International Financial Statistics*, and by the research department of the Central Bank in its *Statistical Digest*.

^aEach dichotomy sums to 100%.

^bComercial banks only.

Table 23

BELIZE: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

	Thousands of Belize dollars				As a percent- age of gross domestic product ^a		Growth rates			
	1979	1980	1981	1982	1978	1982	1979	1980	1981	1982
Production	77 189	82 305	97 964	121 641	33.1	50.0	34.3	6.6	19.0	24.2
Agriculture	25 196	27 059	27 189	26 009	27.1	27.0	12.4	7.4	4.8	-4.3
Sugar cane	13 036	12 553	13 293	10 674	24.5	29.2	29.4	-3.7	5.9	-19.7
Other crops and livestock	10 408	12 506	10 793	12 028	25.6	28.0	29.1	20.2	-13.7	11.4
Forestry	1 424	3 070	2 687	2 776	101.2	59.6	-64.1	115.6	-12.5	3.3
Fishing	328	738	416	531	5.0	4.3	5.1	125.0	-43.6	27.6
Mining and quarrying	-	-	24	1 852	-	243.7	-	-	-	7 616.7
Industry	19 651	21 736	23 733	30 704	62.3	99.8	36.3	10.6	9.2	29.4
Manufacturing	10 272	12 494	11 854	18 199	52.4	107.4	42.8	21.6	-5.1	52.9
Construction	9 379	9 242	11 879	12 585	76.7	90.6	29.8	-1.5	28.5	5.9
Basic services	3 224	1 784	2 598	2 608	30.2	13.3	29.3	-44.7	45.6	0.4
Electricity and water	775	218	826	583	56.0	10.4	-23.3	-71.9	278.9	-29.4
Transportation, storage and communications	2 449	1 566	1 772	2 025	23.0	14.5	65.0	-36.1	13.2	14.3
Non-basic services	28 796	30 543	43 972	59 606	-	-	61.3	6.1	44.0	35.6
Commerce, restaurants and hotels	24 302	25 858	37 263	42 706	79.6	145.3	57.6	6.4	44.1	14.6
Finance and insurance	650	204	378	318	42.9	8.1	-23.5	-68.6	85.3	-15.9
Ownership of dwellings	1 222	933	1 214	1 383	10.7	7.4	16.8	-23.6	30.1	13.9
Government (gross)	1 955	2 457	4 171	14 426	-	41.4	-	25.7	69.8	245.9
Other	667	1 091	946	773	11.0	8.8	25.4	63.6	-13.3	-18.3
Consumption	9 361	9 587	10 945	10 703	3.8 ^b	3.6 ^b	24.1	2.4	14.2	-2.2
Total	86 550	91 892	108 909	132 344	...	...	33.2	6.2	18.5	21.5

Source: ECLA, on the basis of data published by the research department of the Central Bank in its *Statistical Digest*.

^aCorresponding to each activity, at current factor cost.

^bPercentage of consumption expenditures, at current market prices.

Table 24

BELIZE: CONSOLIDATED MONETARY ACCOUNTS OF THE BANKING SYSTEM

	Millions of Belize dollars					Growth rates				
	1978	1979	1980	1981	1982	1978	1979	1980	1981	1982
Money	36.0	36.9	41.7	39.6	39.4	45.7	2.5	13.0	-5.0	-0.5
Cash outside banks	16.7	16.7	17.5	19.0	20.6	32.5	-	4.7	8.6	8.4
Demand deposits	19.3	20.2	24.1	20.6	18.8	-	59.5	19.3	-14.5	-8.7
Factors of expansion	100.0	106.6	120.9	136.9	148.7	29.8	6.6	13.4	13.2	8.6
Net external assets	28.3	15.8	16.9	10.3	-12.5	126.4	-44.2	7.0	-39.1	-
Assets	43.4	46.3	52.4	48.8	35.3	69.5	6.7	13.2	-6.9	-27.7
Liabilities	-15.0	-30.5	-35.5	-38.5	-47.8	14.5	103.3	16.4	8.5	24.1
Net domestic assets	71.7	90.8	104.0	126.6	161.2	11.2	26.6	14.5	21.7	27.3
Credit to the public sector	10.2	12.0	19.6	27.0	43.7	37.8	17.6	63.3	42.1	61.9
Central government (net)	3.9	3.9	12.6	18.3	34.1	30.0	-	223.0	45.2	86.3
Other public sector	6.3	8.1	7.0	8.7	9.6	43.8	28.6	-13.6	24.3	10.3
Credit to the private sector	55.3	70.7	77.3	90.8	107.7	4.9	27.8	9.3	17.5	18.6
Factors of contraction	64.1	69.7	79.2	97.4	109.3	22.5	8.7	13.6	23.0	12.2
Time and savings deposits	56.9	59.0	66.6	78.3	85.7	16.4	3.7	12.9	17.6	9.5
Other net domestic liabilities	7.2	10.7	12.6	19.1	23.6	100.0	48.6	17.8	51.6	23.6

Source: ECLA, on the basis of data published by the International Monetary Fund in its *International Financial Statistics*, and the research department of the Central Bank in its *Statistical Digest*.

why this ratio failed to decline in spite of the prevalence of higher interest rates. Inasmuch as the statutory liquidity ratio was not modified during the period in question, the only other factor that would seem capable of explaining the rise in the reserve ratio is greater uncertainty about the variability of deposit inflows and outflows.⁶

While the decline in the supply of and demand for money in 1981 did not prove to be an obstacle to either GNP growth or inflation, in 1982 it was accompanied by an appreciable decline in GNP. This behaviour of the income velocity of money was largely a consequence of the variation in the terms of trade, which added to the GNP in 1981 and subtracted from it in 1982. Like others, however, this result too was influenced heavily by the surge in the December money supply: on an average basis the decline in the income velocity of money was slight between 1981 and 1982.

The main policy concern of the Central Bank throughout most of 1982 was how to stem the loss of its external assets. After reaching almost 100% at the end of the first quarter of 1981 the ratio between the bank's foreign assets and its demand liabilities (i.e., currency in circulation, deposits and

Table 25

BELIZE: NOMINAL AND REAL RATES OF INTEREST

	Nominal interest rates				Real interest rates (ex-post)			
	Central Bank		Commercial banks		Central Bank		Commercial banks	
	Treasury bills	Bank rate	Loans advances	Deposits	Treasury bills	Bank rate	Loans advances	Deposits
1978	...	...	11.2	4.3	...	...	...	...
March	...	...	11.1	4.1	...	...	...	...
June	...	...	11.2	4.3	...	...	...	...
September	...	...	11.1	4.2	...	...	...	...
December	6.4	7.8	11.3	4.4	...	...	...	...
1979	6.6	8.0	11.3	4.4	...	...	...	...
March	6.4	7.5	11.3	4.5	...	...	...	...
June	6.2	7.3	11.2	4.4	...	...	...	...
September	6.2	7.3	11.2	4.4	...	...	...	...
December	7.4	10.0	11.6	4.4	...	...	...	...
1980	10.3	13.3	16.2	7.3	...	...	...	...
March	8.4	12.5	16.0	6.8	...	...	...	...
June	10.5	13.5	16.1	7.1	...	...	...	...
September	10.9	13.0	16.0	7.3	...	...	...	...
December	11.5	14.0	16.5	7.8	...	...	...	...
1981	11.7	14.3	19.3	9.4	0.3	2.6	7.1	-1.8
March	11.3	14.0	18.9	9.0	-0.5	1.9	6.3	-2.6
June	11.3	14.0	19.1	9.5	-0.4	2.0	6.5	-2.1
September	12.1	14.5	19.6	9.3	1.0	3.2	7.7	-1.5
December	12.1	14.5	19.5	9.9	2.3	4.5	9.0	0.3
1982	12.0	14.5	18.8	10.4	2.4	4.7	8.6	0.9
January	12.4	15.0	19.5	9.9	...	...	...	...
February	12.4	15.0	19.5	10.2	...	...	...	...
March	12.4	15.0	19.4	10.3	2.2	4.5	8.5	0.3
April	12.4	15.0	19.4	10.1	...	...	...	...
May	12.1	15.0	19.4	10.0	...	...	...	...
June	12.1	14.5	19.3	10.2	2.2	4.4	8.8	0.5
July	12.5	14.5	19.2	10.4	...	...	...	...
August	11.7	14.5	19.1	10.4	...	...	...	...
September	11.7	14.0	17.9	10.6	2.0	4.1	7.7	1.0
October	11.7	14.0	17.9	10.6	...	...	...	...
November	11.7	14.0	17.7	10.8	...	...	...	...
December	11.2	13.5	17.7	10.7	1.7	3.8	7.7	1.3

Source: ECLA, on the basis of data provided by the research department of the Central Bank in its *Quarterly Review* (various numbers) and *Statistical Digest* (various numbers), and the Ministry of Finance and Economic Development, Central Statistical Office.

⁶There are no reserve requirements as such for the commercial banks. However, their reserve ratios are affected by the statutory liquidity ratio, which is currently set at 20% of average deposit liabilities.

Table 26

**BELIZE: SECTORAL DISTRIBUTION OF DEVELOPMENT FINANCE
CORPORATION CREDIT**

	Millions of Belize dollars				As a percentage of gross domestic product ^a		Growth rates			
	1979	1980	1981	1982	1978	1982	1979	1980	1981	1982
Production	15 393	19 333	23 498	25 139	8.6	10.3	2.7	25.6	21.5	7.0
Agriculture	8 058	9 422	10 649	11 837	4.3	4.9	7.0	16.9	13.0	11.2
Sugar cane	1 932	3 058	3 585	4 109	0.8	4.9	34.8	58.3	17.2	14.6
Other crops and livestock	6 126	6 806	5 880	6 621	3.5	2.7	0.5	11.1	-13.6	12.6
Forestry	217	206	152	61	0.2	-	-30.7	-5.1	-26.2	-59.9
Fishing	1 188	1 205	1 032	1 046	0.6	0.4	13.8	1.4	-14.4	1.4
Mining and quarrying	133	190	270	250	0.1	0.9	-6.3	42.9	42.1	-7.4
Industry	4 751	6 601	9 017	9 119	3.0	3.7	-9.0	38.9	36.6	1.1
Manufacturing	1 501	1 703	1 787	1 509	0.9	0.6	-1.2	13.5	4.9	-15.6
Construction	3 250	4 898	7 280	7 610	0.2	3.1	-12.2	50.7	47.6	5.3
Basic services	474	599	771	953	0.3	0.4	-7.8	26.4	28.7	23.6
Electricity and water	380	380	380	380	0.2	1.6	-	-	-	-
Transportation, storage and communications	94	219	391	573	0.1	0.2	-29.9	133.0	78.5	46.5
Non-basic services	1 977	2 521	2 822	2 980	0.9	1.2	24.4	27.5	11.9	5.6
Commerce, restaurants and hotels	1 941	2 432	2 685	2 603	0.9	1.1	24.3	25.3	10.6	3.1
Finance and insurance	-	-	-	-	-	-	-	-	-	-
Ownership of dwellings	-	-	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-
Other	36	89	137	377	-	0.2	33.3	128.2	53.9	175.2
Consumption	423	475	567	685	0.2	0.2	27.4	11.6	19.4	20.8
Total	15 816	19 808	24 065	25 824	...	...	3.2	25.2	21.5	7.3

Source: ECLA, on the basis of data published by the research department of the Central Bank in its *Statistical Digest*.

^aCorresponding to each activity, at current factor cost.

^bPercentage of consumption expenditures, at current market prices.

other liabilities payable on demand) diminished more or less continuously until it sank below the legal limit of 50% in February 1982.⁷ In response, the bank stopped trading in the treasury bills market in that month, and it was not until August that it resumed sizeable purchases of government securities. At the same time direct bank lending to the Government was restricted, as after having borrowed heavily in the second half of 1981 in order to offset revenue shortfalls, the Government had virtually exhausted its line of credit with the Central Bank, which is limited by law to an amount no greater than 15% of the Government's current revenues for the fiscal year. Finally, interest rates were raised in the first half of the year, in spite of the reduction of rates in international capital markets and an apparent deceleration in inflation, and in the second half the Bank moved slowly and cautiously in reducing its discount rate, notwithstanding the notable declines experienced by interest rates in the United States and elsewhere.⁸

As a result of the restrictions on further credit from the Central Bank and the continuing contraction in revenues, the Government increasingly turned to the commercial banks to finance its deficit spending: between 1981 and 1982 its outstanding debt with these entities soared almost 62%. Inasmuch as private sector demand for credit simultaneously remained very buoyant in spite of the prevailing high interest rates, the banks opted to obtain loans from their head offices abroad in order

⁷Until November 1982, the Monetary Authority, which was created in 1976, was obliged to maintain a ratio of no less than 50% between its external assets and demand liabilities. In November, the ratio was lowered to 40%, by virtue of the legislation which converted the Monetary Authority into a Central Bank. The Central Bank Act was made retroactive to January 1982.

⁸However, at the end of December it was announced that interest rates would be reduced again as from 1 January 1983.

to avoid an excessive rundown of liquidity and the penalties which that would have involved (i.e., the higher cost of advances from the Central Bank). Even so, during much of the year their combined liquidity hovered near the required minimum. These loans from foreign sources likewise had the attraction for the Government that they carried interest rates below those prevailing in the domestic financial markets, as well as providing balance-of-payments support.

Thus, while the Central Bank did manage to brake the decline in its external assets, the sharp rise in the foreign indebtedness of the commercial banks that accompanied the large expansion in the domestic demand for credit left the overall net external position of the consolidated domestic banking system in the red —for the first time (see table 24).

Why private sector demand for credit remained so strong in the face of steeper real rates of interest seems to be traceable to the shortage of internal funds provoked by the downturn in domestic income. About one-half of the expansion of commercial bank lending to the private sector was accounted for by manufacturing, the outstanding debt of which soared to more than 100% of its value added in 1982. Most of the rest was absorbed by trade, restaurants and hotels (tourism). Commercial banks also financed the step-up in petroleum exploration. On the other hand, the amount of lending to the sugar cane industry was down almost 20%, notwithstanding the radical decline in its income in 1982 (see table 25). A fraction of this reduction was offset by increased borrowing from the Government-owned Development Finance Corporation, but overall this agency reduced sharply the rate of increase of its lending in 1982 (see table 26).

DOMINICA

1. Recent economic trends: Introduction and summary

In 1982 work continued on the reconstruction of the economy after the devastation caused by severe hurricanes in 1979-1980. The gross domestic product (GDP) rose moderately (3%), following the high recovery growth rates of 16% and 8% registered in 1980 and 1981, respectively (see table 1),¹ but per capita income fell slightly because of a surge in the population on account of the return of people who had migrated from the island after the storms.

The country's gross income, for its part, rose at a faster pace than the product (5.6%), reflecting a favourable shift in the terms of trade in 1982.

Although the 1982 value of the GDP in real terms exceeded pre-hurricane levels (1978) by some 8%, the economy's recovery was still not complete. Agricultural output remained below 1978 levels and the volume of banana production—the principal cash crop—was still 23% below to that recorded prior to the storms. The tourist industry, too, still had not regained its pre-hurricane level of activity, since the number of visitors in 1982 was nearly 36% below arrivals registered in 1978. Additionally, rehabilitation of the country's road network lagged behind schedule. On the other hand, the restoration of the nation's electrical system progressed in 1982 and service approached pre-hurricane levels. Telephone hookups also were restored to normal levels.

In 1982 the country's small manufacturing sector continued to show dynamism and several new and important industries came on stream, some of them dedicated to exports. Also, a new airport was opened up near the nation's capital, giving an important boost to the tourist industry and business in general.

The external sector continued to grow stronger in 1982. Export growth was vigorous (28%), while imports fell slightly (4%), causing the trade deficit to fall by nearly 25%. The trade performance led to a marked improvement in the current account position, and the overall balance of payments recorded a deficit of US\$ 3 million in 1982, compared to nearly US\$ 7 million the year before.

In 1982 diminishing world inflation contributed to a sharp fall in the rate of domestic price increases, which averaged a little over 4%, compared to 13% the year before.

Fiscal developments have been conditioned by the targets laid down in an IMF extended adjustment programme. Specifically, policy has aimed at tightening Government finances and eliminating deficits on the budget current account by fiscal year 1983/1984. Much progress has been made in this regard as revenue measures and economic recovery, coupled with restraint on the expenditure side, have brought the current deficit down by 86% between fiscal years 1979/1980 and 1982/1983. Meanwhile, capital outlays—financed mostly by grants and concessionary loans—rose by nearly 20% in 1982/1983 as the Government continued its efforts to improve infrastructure and provide incentives for private investment and job creation.

2. Trends in economic activity

As an emerging mini-State in the Lesser Antilles (Independence was attained in 1978), Dominica faces serious challenges in its process of development. The domestic market is very small, with a population of about 80 000 in a land mass of 750 square kilometres. Thus, goods produced locally are highly reliant on export markets, while the commodities marketed in the economy tend to be

¹National accounts data are given in East Caribbean dollars. Since 1976 the E.C. dollar has been pegged to the US dollar at a rate of EC\$ 2.70 = US\$ 1.00.

imported. Services are the main item which is both produced and consumed within the economy.² These characteristics are reflected in the fact that 40% of Dominica's current-value GDP is purchased by foreigners, and the respective shares of imports and domestically produced services in the GDP are 78% and 53%.

The extreme openness of the economy complicates economic management, as the authorities have only limited ability to control important aspects of the development process such as output, inflation and the balance of payments. This situation is made more difficult by the fact that Dominica's terrain is extremely mountainous and densely forested, placing obstacles to the development and maintenance of infrastructure for transport and communications, as well as the cultivation of crops. Furthermore, the country's ability to exploit tourism is restricted by a scarcity of beaches, particularly the white sand variety.

In addition to these more or less natural obstacles to development, Dominica found its economic activity curtailed in the late 1970s by social unrest; this was then followed by the devastating effects of hurricanes David and Allen in 1979 and 1980.

Table 1
DOMINICA: MAIN ECONOMIC INDICATORS

	1980	1981	1982 ^d
A. Basic economic indicators			
GDP at factor cost (EC\$ million at 1977 prices)	92.0	99.5	102.8
Population (thousands)	83.5	78.0	80.9
Per capita GDP (EC\$ at 1977 prices)	1 102	1 277	1 271
Growth rates			
B. Short-run economic indicators			
Gross domestic product	15.6	8.2	3.3
Per capita domestic product	14.4	15.9	-0.5
Gross income ^b	14.3	5.8	5.6
Terms of trade (goods)	-6.6	-3.2	7.3
Current value of exports (goods)	3.2	97.9	27.6
Current value of imports (goods)	114.8 ^c	4.2	-4.4
Consumer prices			
December - December	21.4	8.1	4.0
Variation between annual averages	29.8	13.3	4.4
Money ^d	-10.9	-2.6	-3.8
Rate of unemployment ^e	23.0	23.0	15.0
Current income of government ^f	52.4	18.1	1.9
Total expenditure of government ^f	22.3	-2.9	4.3
Fiscal deficit/total expenditure of government ^f	45.2	33.4	34.9
C. External sector			
Trade balance (goods)	-38.0	-30.5	-23.0
Balance on current account	-27.0	-21.5	-15.1
Balance on capital account	27.2	14.9	12.3
Overall balance	0.2	-6.6	-2.8
External public debt	17.5	23.5	32.9

Source: ECLA, on the basis of official data.

^aPreliminary figures.

^bGDP adjusted for the effect of the terms of trade.

^cRegistered imports only; excludes relief imports.

^dCurrency and demand deposits (M₁).

^ePercentage.

^fFiscal year basis, July 1 - June 30.

²For a general discussion of the problems of a mini-State see D. Kharkhate and B. Short, "Monetary and Central Banking Problems of Mini-States", *World Development*, Vol. 8, 1980, pp. 1017-1025.

Table 2

DOMINICA: TOTAL SUPPLY AND DEMAND

	Millions of 1977 EC\$		Percentage breakdown		Growth rates	
	1981 ^a	1982 ^b	1978	1982 ^b	1981 ^a	1982 ^b
Global supply	199.6	198.1	167.5	163.4	4.7	-0.8
GDP at market prices	116.3	121.2	100.0	100.0	16.1	4.2
Imports of goods and services	83.3	76.9	67.5	63.4	-8.0	-7.7
Global demand	199.6	198.1	167.5	163.4	4.7	-0.8
Internal demand	158.9	151.2	125.9	124.7	-5.5	-4.8
Gross investment	37.2	32.2	24.7	26.6	-29.0	-13.4
Public	23.6	22.8	12.1	18.8	65.0	-3.4
Private	13.6	9.4	12.6	7.8	-59.8	-30.9
Consumption	121.7	119.0	101.1	98.2	5.2	-2.2
Public	29.6	31.5	22.3	26.0	4.6	6.4
Private	92.1	87.5	78.8	72.2	5.4	-5.0
Exports of goods and services	40.7	46.9	41.6	38.7	80.1	15.2

Source: ECLA estimates on the basis of data provided by the Ministry of Finance of Dominica.

^aPreliminary figures.

^bEstimates.

The Government elected in 1980 has had as its main task the rebuilding and recovery of the economy. The authorities have formulated a clear development strategy in this regard which consists of using the public sector to develop infrastructure and providing incentives conducive to private investment, with the objective of making the latter the prime motor of growth and employment. To this end, investment is being promoted in labour-intensive, export-oriented manufacturing and foreign investors are welcome, particularly in joint ventures.

It is also worth mentioning that since 1981 Government policy-making has been done in the context of an IMF extended adjustment programme which is scheduled to be in force until early 1984. The goals of the programme are, among other things, to restore financial discipline to Government finances and to promote a viable balance-of-payments situation for the country.

a) *Global supply and demand trends*

After growing by nearly 5% in 1981, global supply contracted slightly in 1982 on account of an absolute reduction in the real value of imports (see table 2). On the demand side, exports of goods and services continued to be the most dynamic element, expanding by 16% after the 80% recovery growth rate registered in 1981 so that the real value of exports has finally been pushed above the levels predating the hurricane crisis of 1979-1980. Internal demand, on the other hand, remained sluggish in 1982, falling in absolute terms for the second consecutive year.

The main factor behind the flagging internal demand trends was a marked fall-off in investment activity. One reason for this was that much of the investment related to the reconstruction effort had reached completion. Another was that Government investment activity in 1982 was curtailed by supply and administrative bottlenecks. At the same time, the private sector did not pick up the slack either, as its investment activity declined sharply for the second consecutive year (see table 2).

Another element behind the sluggish internal demand is the fact that aggregate consumption fell off by 2% in 1982 after a 5% rise in 1981, reflecting a reduced level of private consumption which more than offset a modest rise in the consumption of the consolidated public sector.

b) *Growth of the main sectors*

Overall, the GDP at factor cost rose by 3% in real terms in 1982 (see table 3).

The real growth of the product in 1982 represented a marked slowdown from the recovery growth rates of 16% and 8% experienced in 1980 and 1981, respectively. The overall performance was considerably affected by the fact that the recovery of agriculture lost much of its earlier momentum, while budgetary restrictions, related to the IMF agreement, put constraints on the growth of Government activities. The sluggish expansion of the product also reflected the effects of an absolute decline in the value of construction following completion of many aspects of the reconstruction effort. The only major economic sectors to display vigorous expansion in 1982 were basic services and manufacturing.

i) *Agriculture.* Agriculture is the mainstay of the economy and contributed nearly 40% of GDP and employed more than a third of the work force before the hurricane damage of 1979. In 1982, the sector continued its recovery —albeit sluggishly— from the hurricane damage, growing by nearly 4% in real terms. Output, nevertheless, was still only 89% of the level achieved in 1978 and the sector's share of the product came to a relatively depressed 31%.

Banana production is the dominant agricultural activity. As may be seen from table 4, the subsector is made up mainly of small farmers and overall yields are quite low, about 3 tons per acre. The low yields reflect the fact that most growers do not farm high-quality stands: the scarcity of flat land necessitates cultivation on steep slopes, and deficiencies exist in the application of fertilizers and pesticides as well as in the harvesting of the fruit.

Farmers are organized through the Dominica Banana Grower's Association (DBGA), which is responsible for the production, packing and marketing of the crop. The Association in turn is a member of the Windward Islands Banana Grower's Association, which represents the countries of the area in negotiations for the export of the fruit. Practically the entire export crop is sold to the United Kingdom under the preferential arrangements of the Lomé Convention.

Table 3
DOMINICA: GROSS DOMESTIC PRODUCT, BY KIND OF
ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of EC dollars at 1977 prices		Percentage breakdown		Growth rates	
	1981 ^a	1982 ^b	1978	1982 ^b	1981 ^a	1982 ^b
Gross domestic product	99.6	102.9	100.0	100.0	8.2	3.3
Goods	48.4	49.9	50.2	48.5	14.2	3.1
Agriculture	30.4	31.5	37.3	30.6	28.8	3.6
Mining	0.7	0.8	1.2	0.8	-	14.3
Manufacturing	7.3	8.0	6.2	7.8	17.7	9.6
Construction	10.0	9.6	5.5	9.3	-16.0	-4.0
Basic services	7.3	8.3	8.2	8.1	-4.0	13.7
Electricity, gas and water	1.8	2.0	2.0	1.9	5.9	11.1
Transport, storage and communication	5.5	6.3	6.2	6.2	-6.8	14.6
Other services	43.9	44.7	41.6	43.4	4.1	1.8
Commerce, restaurants and hotels	12.9	13.1	13.5	12.6	5.7	1.6
Financial institutions and insurance	5.8	5.8	4.7	5.6	3.6	-
Real estate and ownership of dwellings	5.6	5.7	5.3	5.6	1.8	1.8
Government services	22.1	22.6	20.4	22.0	4.7	2.3
Other services ^c	-2.5	-2.5	-2.3	-2.4	...	-

Source: *Statistical Division, Ministry of finance of Dominica.*

^aPreliminary figures.

^bEstimates.

^cIncludes adjustment for imputed banking service charges.

Table 4

**DOMINICA: 1982 BANANA PRODUCTION FOR EXPORT,
BY SIZE OF GROWERS' OUTPUT**

Range of output (tons)	Growers		Output ^a		Acreage	Yield per acre (tons)
	Number	Percentage	Tons	Percentage		
Total	5 818	100.0	27 067	100.0	13 546	2.00
0 - 5	4 301	73.9	6 811	25.2	8 225	0.83
6 - 20	1 294	22.2	12 059	44.6	3 854	3.13
21 and over	223	3.9	8 197	30.2	1 467	5.59

Source: Dominica Banana Growers' Association.

^aIncludes only output for export that was sold through the Banana Growers' Association; this represents roughly 99% of total export production.

The subsector was devastated by the two hurricanes already mentioned and also suffered from an outbreak of leaf-spot disease. Output plummeted from 48 000 tons in 1978 to 14 000 tons in 1980. In order to promote recovery, a United Kingdom/EEC/USAID-financed banana rehabilitation programme was initiated after the hurricanes.

In 1981 output did in fact show a partial recovery and in 1982 it rose by a further 7% (see table 5). Nevertheless, the production of 37 000 tons was still well below the 48 000 tons achieved in 1978. The volume destined for export rose slightly (1.5%) in 1982, but remained 26% below the 37 000 tons exported in 1978.

Aside from the problems already mentioned, the 1982 results may have been hampered by price disincentives. The farmgate price for bananas paid by the DBGA averaged 18.5 East Caribbean cents per pound in 1982. Although data on production costs are not readily available, profit margins on banana sales could not have compared favourably with those recorded for other important crops (see table 6). In spite of relatively favourable export quotations, the price that DBGA has been able to transmit to growers has been limited by high overheads related to management problems and debts accrued in the aftermath of the hurricane damage. Depreciation of the pound sterling (the currency in which export prices are quoted) with respect to the US dollar (the currency to which the East Caribbean dollar is pegged) also aggravated the situation. Nevertheless, the partial recovery of banana output, renegotiation of the Association's debt and changes in management practices contributed to a marked improvement in the DBGA's financial position in 1982.

The Government initiated steps in 1982 to reorganize the banana industry. The plan is to transfer more of DBGA's production operations to the growers themselves for the purpose of improving incentives and productivity; the Board itself would be converted into a small efficient marketing agency operated in line with strict commercial criteria. In any event, the DBGA has recently been encouraging greater participation of farmers in the processing of bananas for export. About 17% of the fruit for export is now packed in the field, and another 8% is processed by co-operatives. Field packing has helped to reduce wastage, as rejected fruit declined to 20-25% of total output in 1982 from levels that had been as high as 35-40%.

As in the case of other agricultural activities, coconut production continued its recovery from hurricane damage in 1982, and output rose by nearly 18%, although it was still 40% below pre-hurricane levels (see table 5). A Canadian-financed rehabilitation programme has focussed on the supply of fertilizers, the rehabilitation of 3 000 acres and the planting of 2 500 new acres. The first two components were nearly completed in 1982 and efforts began to be focussed on the expansion of acreage and access roads.

Citrus fruit production also showed some recovery in 1982, although output remained well below pre-hurricane levels. The grapefruit harvest rose by some 7% and that of limes by 2%; production of oranges, on the other hand, stagnated. At the same time, the Government completed its purchase of a lime juice estate that was formerly privately owned. A partially European-financed lime

Table 5

DOMINICA: INDICATORS OF AGRICULTURAL PRODUCTION

(Thousands of tons)

	1980	1981	1982 ^a	Growth rates		
				1980	1981	1982 ^a
Production of main crops						
Bananas	13.7	34.8	37.2	-43.6	154.0	6.9
Total of which bananas for export	8.1	27.1	27.5	-49.4	234.6	1.5
Coconuts	5.7	6.3	7.4	-52.1	10.5	17.5
Plantains	1.2	1.3	1.4	-42.9	8.3	7.7
Root crops						
Sweet potatoes	1.5	1.4	1.4	15.4	-6.4	-
Yams	4.1	4.4	4.4	46.4	7.3	-
Tannia	6.5	6.8	7.0	25.0	4.6	2.9
Dasheen	10.4	10.6	10.7	-	2.0	1.0
Vegetables						
Cabbage	1.0	1.0	1.0	25.0	-	-
Cucumbers	2.1	2.3	2.4	23.5	9.5	4.4
Citrus fruit						
Limes	5.1	5.3	5.4	1.5	3.9	1.9
Grapefruit	6.4	6.9	7.4	6.7	7.8	7.2
Oranges	1.9	2.0	2.0	-	5.3	-
Other crops						
Cocoa	0.4	0.4	0.5	-	-	25.0
Coffee	0.1	0.2	0.2	-50.0	100.0	-
Indicators of livestock production (tons)						
Beef	163.0	204.0	208.0	0.6	25.1	2.0
Pork	191.0	227.0	267.0	16.5	18.8	17.6
Mutton	53.0	55.0	56.0	-	3.8	1.8
Chicken ^b	18.1	20.0	21.9	...	10.5	9.5

Source: Statistical Division, Ministry of Finance of Dominica.

^aPreliminary figures.^bThousands of head.

rehabilitation programme was placed underway and 200 acres of the estate were refurbished. Rehabilitation did not reach projected levels, however, partly due to a shortage of available finance.

In 1982 the Government entered the third phase of a partially United Kingdom-financed Tree-Crop Diversification Programme. This aims to broaden the productive base away from bananas by expanding acreage for avocados, mangoes, etc.

Other projects of interest underway in this subsector in 1982 included a pilot project for prawn farming for export; a programme for the production and export of ornamental plants, and initiation of a reforestation plan.

ii) *Manufacturing*. Manufacturing activity in Dominica is of limited scope and labour-intensive. Nevertheless, from its small base, the sector has been a dynamic element of growth as its share of the product has risen from 6% to 8% over the last five years.

In 1982 output expanded by nearly 10% in real terms, with almost all the major manufacturing items displaying significant expansion. Growth in certain products, however—for example, copra and coconut oils—represented continued partial recovery from the effects of hurricanes David and Allen. On the other hand, there was a sharp gain in the production of animal feeds and the relatively new activity of soap production continued its expansion, although growth rates were sluggish as compared to 1980 and 1981 (see table 7).

The Government is actively promoting investments in labour-intensive, export-oriented manufacturing activities. Two specialized agencies work hand-in-hand in this regard. The Industrial

Table 6

**DOMINICA: ESTIMATED FARMGATE PRICES AND PRODUCTION COSTS
FOR SELECTED AGRICULTURAL PRODUCTS IN 1982**

(East Caribbean cents per pound)

	Farmgate price ^a	Production costs	Margin
Main crops			
Bananas	18.5 ^b	...	...
Coconuts	20 ^c	...	...
Plantains	32	16	16
Root crops			
Sweet potatoes	52	13	39
Yams	65	13	52
Tannia	62	18	44
Dasheen	27	11	16
Vegetables			
Cabbage	109	16	93
Cucumbers	44	12	32
Citrus fruit			
Limes	49	...	...

Source: Market Intelligence Unit, Ministry of Agriculture of Dominica, and Dominica Banana Growers' Association.

^aEstimates are based on retail prices in Roseau less estimated transport costs.^bPrice paid to farmers by the Dominica Banana Growers' Association. The price includes a fertilizer subsidy of 6 EC cents per pound.^cPer nut.

Table 7

DOMINICA: INDICATORS OF MANUFACTURING PRODUCTION

	1980	1981	1982 ^a	Growth rates		
				1980	1981	1982 ^a
Production of some important manufactures (tons)						
Laundry soap	3 962	5 210	5 304	102.1	31.5	1.8
Toilet soap	1 085	2 020	2 107	128.9	86.2	4.3
Animal feed	222	221	1 055	-74.3	-0.5	377.4
Copra	847	744	1 626	-69.2	-12.2	118.6
Cigarettes	25	25	...	-16.7	-	...
Pipe tobacco	3	4	4	-40.0	33.3	-
Preserves	336	354	347	60.0	5.5	-2.0
Crude coconut oil ^b	555	532	1 168	-71.5	4.1	119.6
Edible coconut oil ^b	127	90	682	-71.8	-29.1	657.8
Rum ^b	527	...	...	30.5	...	...
Soft drinks ^c	262	...	197	9.2	...	...
Electricity ^d	6 701	12 614	15 723	-44.8	88.2	24.6

Source: Ministry of Finance of Dominica.

^aPreliminary figures.^bThousands of litres.^cThousands of cases.^dThousands of kWh.

Development Corporation (IDC) promotes new investments, while the Dominica Agricultural, Industrial and Development Bank (AID Bank) provides financing for certain aspects of the projects through lines of credit established with official agencies such as the Caribbean Development Bank (CDB), the Venezuelan Investment Fund, USAID, etc.

One important activity in industrial promotion is the financing and construction of factory shells for rental to new manufacturing firms. In 1982 the AID Bank completed 20 000 square feet of industrial space. In the same year an industrial shell was occupied by a garment company which is a subsidiary of a Trinidadian conglomerate. The plant employs 60 people (expected to rise to 150) in the production of garments for export to Trinidad and Tobago. Other new industrial activities initiated in 1982 were a factory employing 24 people on the fabrication of garments for local consumption; a tyre retreading factory (employing 5); a candle-making establishment (employing 12); and a noodle factory directing its output to the local market.

The citrus processing plant purchased by the Government processed 900 tons of fruit in 1982. While this was well below plant capacity, it does mark an important reactivation of this industry and the beginning of efforts to intensify the processing of citrus and diversification into oils and canning operations.

Finally, in 1982, the IDC laid the groundwork for several new projects in the manufacturing sector. These included an EC\$ 3.15 million German-owned brewery to produce beer for local consumption and export; a clay brick factory; a spring water bottling operation, and the manufacture of industrial gloves and sporting goods for export to the United States.

iii) *Basic services.* There was relatively strong growth in this sector. In 1982, work continued on the rehabilitation of the country's electricity network, and service was nearly brought up to the pre-hurricane levels (see table 3). The Water Authority also pursued its project for the provision of potable water to rural areas, although progress was slowed down by funding problems.

In the area of transport, a major event in 1982 was the inauguration of the United Kingdom-financed Canefield Airport. This 2 500 foot facility lies just outside the capital city of Roseau; it provides an alternative to Melville Hall Airport on the eastern side of the island with its 1 1/2-2 hour automobile drive to the city over a rough cross-island road. Even though the new airport suffers from a short landing strip, lack of equipment and lighting, as well as cross winds, it has proved to be a successful venture, and by the last quarter of 1982 more than two-thirds of all air passenger traffic was passing through it.

Dominica's roads were severely damaged in the 1979-1980 hurricanes. A 4-year multidonor road project got underway in 1982, but work proceeded much more slowly than expected due to administrative bottlenecks.

iv) *Tourism.* The development of tourism in Dominica is handicapped by the scarcity of beaches. There is, however, some limited potential for development of the industry on the basis of the island's rugged unspoiled natural scenery. Hotels and tour operations are at present largely under the control of nationals.

Overall, the number of tourist visitors fell slightly in 1982, continuing the declining trend of the last few years. However, the most important component of tourist visitors —stopovers— showed a substantial gain of 24%, while there was also a parallel expansion of tourist expenditures (see table 8). Given the international recession, this represents a rather favourable performance. Even so, the industry still has not regained the stopover visitors lost following hurricanes David and Allen, as the 19 000 arrivals in this category represented only 90% of the stopover visitors recorded in 1978.

The opening of Canefield Airport gave a boost to the tourist industry as it provided potential visitors with easy access to the main hotels and tour agencies in Roseau. Also, CDB financing reportedly became available to rebuild the Fort Young Hotel, a tourist facility in Roseau constructed on the ruins of an old fort, but destroyed by the hurricanes of 1979-1980.

3. The external sector

a) *Foreign trade*

In 1982 there was vigorous growth in the value of exports on the basis of significant gains in both the quantum and unit value of goods sold abroad. This marks the second consecutive year in which exports have performed well (see table 9).

Table 8
DOMINICA: SELECTED TOURISM INDICATORS

	1979	1980	1981	1982 ^a	Growth rates		
					1980	1981	1982 ^a
Total visitors (thousands)	28.1	24.8	22.9	22.8	-11.7	-7.7	-0.4
Stopover visitors	15.5	14.3	15.2	18.9	-7.7	6.3	24.3
Cruise-ship visitors	7.8	7.4	5.5	2.4	-5.1	-25.7	-56.4
Excursionists	4.8	3.1	2.2	1.5	-35.4	-29.0	-31.8
Average length of stay of stop over visitors ^b	10.2	7.8	8.2	8.2	-23.5	5.1	
Hotel and guest house beds ^c	410.0	315.0	353.0	358.0	23.2	12.1	1.4
Estimated visitor expenditure ^d	2.6	2.9	3.2	4.0	11.5	10.3	25.0

Source: Statistical Division of the Ministry of Finance of Dominica, Quarterly Bulletin of Tourism Statistics, (various numbers) and data provided to ECLA by the Dominica Tourist Board.

^aPreliminary figures.

^bDays.

^cExcludes the Portsmouth Beach Hotel which began operation in 1982 but is under contract for the housing of Ross University medical students.

^dMillions of US dollars.

Table 9
DOMINICA: MAIN FOREIGN TRADE INDICATORS

	1978	1979	1980	1981	1982 ^a
Growth rates					
Exports of goods ^b					
Value	34.1	-41.7	2.0	100.6	21.6
Volume	22.9	-48.1	-17.4	97.2	12.0
Unit value	8.9	11.2	24.4	-1.9	11.4
Imports of goods					
Value	30.0	-22.1 ^c	114.8 ^c	4.2	-4.4
Volume	14.8	-27.3 ^c	71.6 ^c	3.4	-8.0
Unit value	8.2	12.5	33.4	1.3	3.8
Terms of trade	0.6	-1.1	-6.6	-3.2	7.3
Indexes (1977 = 100)					
Terms of trade	100.6	99.5	92.9	89.9	96.5
Purchasing power of exports ^d	123.6	63.5	49.0	93.4	120.0

Source: Statistical Division, Ministry of Finance of Dominica, and ECLA.

^aEstimate.

^bExcludes re-exports.

^cRegistered imports only; excludes relief imports.

^dVolume of exports of goods adjusted with respect to the effect of the terms of trade.

Export trends are even more notable when it is taken into account that bananas, the traditional mainstay of the export sector, have still not recovered their place lost due to the damage inflicted by hurricanes David and Allen; table 10 shows that while these exports grew in value of 200% and 10% in 1981 and 1982, respectively, their share of total export earnings is only 41%, compared to nearly 60% in 1978.

Worthy of notice is the relatively strong performance of non-traditional exports, which grew in value by 24% in 1982, compared to 14% for more traditional items. The value of soap exports continued to show vigorous expansion, while two new exports —galvanized sheets and garments— gave added impetus to growth in earnings (see table 10). In 1982 non-traditional exports accounted

for nearly 40% of all earnings, compared to only 12% in 1978. While some of this displacement reflects the still incomplete recovery of agricultural exports, it does not diminish the fact that Dominica's newer export products have shown promising dynamism in recent years. It is also worth mentioning that there was a considerable rise in re-exporting activity in 1982.

Simultaneously, imports slackened, falling in value by 4.4% after a 4.2% rise in 1981 (see table 9). The reduced value of imports reflected lower volume, stemming generally from the already mentioned sluggish trends in internal demand, both in terms of investment and consumption. It can be seen from table 11 that most of the main categories of imports contracted in value in 1982, with the strongest reductions being recorded in animal and vegetable oils and machinery and equipment.

Comparing export and import prices, the terms of trade rose by about 7% in 1982. The improvement was, however, not sufficient to offset unfavourable trends in the three preceding years, so that the terms of trade index in 1982 remained below the levels recorded in 1977 and 1978 (see table 11).

As for the exchange rate, this remained fixed in 1982 at EC\$ 2.70 per US dollar, a rate that has prevailed since 1976. The regional currency, which is managed by the East Caribbean Currency Authority (ECCA) in Saint Christopher/Nevis,³ must legally be backed by a 60% cover in foreign convertible currency; at the end of 1982 the balance of cover was considerably more (77%), permitting the East Caribbean dollar to continue to be one of the most stable currencies in Latin America and the Caribbean.

Dominica's trading patterns followed traditional lines in 1982 with the United Kingdom and CARICOM countries the main export markets, and the United States and CARICOM countries the main source of imports (see table 12). It has already been mentioned that the split in the trade pattern between US dollar and pound sterling currency areas has created some problems as an appreciating US dollar has put downward pressure on the EC dollar value of agricultural exports to the country's principal market, the United Kingdom. Moreover, the effect has been asymmetric, since imports are largely from dollar-denominated currency areas, with the United States alone accounting for nearly 30% of the total.

Table 10
DOMINICA: EXPORTS OF GOODS, FOB

	Millions of US dollars			Percentage breakdown		Growth rate	
	1978	1981	1982 ^a	1978	1982 ^a	1981	1982 ^a
Total	15.9	19.2	24.5	100.0	100.0	97.9	27.6
Main traditional exports	12.0	10.4	11.8	75.5	48.2	160.0	13.5
Bananas	9.2	9.1	10.0	57.9	40.8	203.3	9.9
Citrus fruits	1.0	0.5	0.9	6.3	3.7	-	80.0
Coconut oil	0.8	0.2	0.3	5.0	1.2	-50.0	50.0
Lime oil and juice	0.5	0.3	0.2	3.1	0.8	...	-33.3
Bay oil	0.5	0.3	0.4	3.1	1.6	200.0	33.3
Main non-traditional exports	1.9	7.6	9.4	11.9	38.4	55.1	23.7
Soap	1.9	7.6	8.7	11.9	35.5	55.1	14.5
Galvanized sheets	-	-	0.5	-	2.0	-	...
Garments	-	-	0.2	-	0.8	-	...
Other exports	1.8	0.8	1.6	11.3	6.5	-55.6	100
Re-exports	0.2	0.4	1.7	1.3	6.9	-	325.0

Source: Statistical Division, Ministry of Finance of Dominica.

^aPreliminary figures.

³Other member countries are Antigua and Barbuda, Grenada, Saint Christopher/Nevis, St. Lucia, St. Vincent and the Grenadines, and Montserrat.

Table 11
DOMINICA: IMPORTS OF GOODS, CIF

	Millions of US dollars		Percentage breakdown		Growth rates	
	1981	1982 ^a	1978	1982 ^a	1981	1982 ^a
Total	49.7	47.5	100.0	100.0	4.2	-4.4
Consumer goods	23.6	24.0	54.4	50.5	11.9	1.7
Food and live animals	10.9	11.1	29.1	23.4	14.7	1.8
Beverages and tobacco	1.6	1.5	4.2	3.1	-15.8	-6.2
Manufactures, includes durables	11.1	11.4	21.1	24.0	14.4	2.7
Intermediate goods	13.9	12.9	22.1	27.2	0.7	-7.2
Crude materials	1.1	1.4	1.7	3.0	-54.2	27.3
Mineral fuels	4.3	3.9	6.0	8.2	2.4	-9.3
Chemicals	5.7	5.3	12.6	11.2	1.8	-7.0
Animal and vegetable oils	2.8	2.3	1.8	4.8	75.0	-17.9
Capital goods	12.2	10.6	23.5	22.3	-4.7	-13.1
Machinery and transport equipment	8.7	7.0	16.1	14.7	-9.4	-19.5
Miscellaneous items	3.5	3.6	7.4	7.6	9.4	2.9

Source: Statistical Division, Ministry of Finance of Dominica.

^aPreliminary figures.

Table 12
DOMINICA: DIRECTION OF TRADE

(As percentages of total)

	1978	1979	1980	1981	1982 ^a
Total exports	100.0	100.0	100.0	100.0	100.0
United Kingdom	67.3	55.5	34.5	52.1	44.1
United States	2.7	3.9	0.6	1.6	1.3
CARICOM	22.3	31.8	60.5	43.4	44.6
Other Caribbean	5.2	5.9	2.7	2.9	2.7
Others	7.7	2.9	1.7	-	7.1
Total imports	100.0	100.0 ^b	100.0 ^b	100.0	100.0
United Kingdom	27.0	25.0	23.1	19.2	16.6
United States	14.8	14.1	22.4	24.8	27.9
Canada	5.2	5.0	4.1	4.8	4.3
CARICOM	28.7	27.8	26.8	26.9	27.3
Other Caribbean	8.3	9.5	7.5	9.9	10.6
Other	24.3	18.6	16.1	14.4	13.3

Source: Statistical Division, Ministry of Finance of Dominica.

^aPreliminary figures.

^bRefers to recorded imports and includes imports related to hurricane relief.

b) *The current account and capital movements*

Dominica does not publish official balance-of-payments statistics, but estimates are available. According to these, the country continued to progress in its efforts to stabilize the external accounts. Vigorous growth of exports, coupled with contracting imports, helped to shrink the traditional trade deficit to US\$ 23 million, compared to US\$ 38 million and US\$ 31 million in 1980 and 1981, respectively (see table 13). The same trend was reflected in the current account, as the US\$ 15 million deficit of 1982 was only a little more than half of the negative balance recorded in 1980. These deficits, while much attenuated, still remained high relative to pre-hurricane levels, however, as the trade and current deficits as a percentage of GDP were 38% and 25%, respectively, in 1982, compared to 32% and 18% in 1978.

Table 13

DOMINICA: BALANCE OF PAYMENTS

(Millions of US dollars)

	1979	1980	1981	1982 ^a
Current account balance	2.5	-27.0	-21.5	-15.1
Trade balance	-12.8	-38.0	-30.5	-23.0
Exports FOB	9.4	9.7	19.2	24.5
Imports CIF	22.2 ^b	47.7 ^b	49.7	47.5
Services (net)	1.6	2.0	2.8	2.7
Private transfers (net)	6.8	6.3	5.8	5.2
Insurance receipts	6.9	2.7	0.4	-
Capital account	-6.0	27.2	14.9	12.3
Official transfers (net)	20.6	17.2	8.7	5.8
Public sector borrowing (net)	0.7	1.4	5.5	5.9
Other capital flows	-10.1	14.1	0.8	0.6
Errors and omissions	-17.2	-5.5	-0.1	-
Global balance	-3.5	0.2	-6.6	-2.8
Total variation of reserves (- sign indicates an increase)	3.5	-0.2	6.6	2.8
IMF reserve position	2.9	-0.3	5.5	3.1
Net foreign assets	0.3	-0.2	0.6	-0.3
Special Drawing Rights allocations	0.3	0.3	0.3	-
Other	-	-	0.2	-

Source: Ministry of Finance of Dominica.

^aPreliminary figures.^bIncludes only registered imports; excludes relief imports.

Table 14

DOMINICA: INDICATORS OF EXTERNAL INDEBTEDNESS^a

	1980	1981	1982 ^b
Thousands of US dollars			
External public debt (end of year)	17 496	23 528	32 941
Debt service	650	883	2 597
Capital	243	425	628
Interest	407	458	1 969
Percentage			
Coefficients			
Outstanding external public debt as a percentage of GDP at market prices	30.2	34.9	45.7
Debt service payments as a percentage of exports of goods and tourism	5.2	3.9	9.1
Interest payments as a percentage of exports of goods and tourism	3.2	2.0	6.9
Average interest payments ^c	2.8	2.6	8.0

Source: Ministry of Finance of Dominica.

^aIncludes obligations with the IMF.^bPreliminary figures.^cInterest payments as a percentage of debt outstanding at the beginning of period.

The 1982 current account deficit was financed from three main sources: grants from foreign governments; public sector borrowing, largely from governments and international development agencies; and drawdowns under the IMF extended adjustment programme (see table 13).

c) *External indebtedness*

Reflecting reconstruction efforts, public debt has nearly doubled since 1980; it amounted to US\$ 33 million in 1982 (see table 14). Loans are largely from concessionary sources and this is reflected in indicators suggesting that the debt is not unduly burdensome: while external obligations as a percentage of the product were 46%, debt service as a percentage of exports and tourism came to a relatively low 9%.

The low absolute level of the traditional debt service coefficient in 1982 may, however, provide an incomplete picture of the situation. On the one hand, the coefficient itself more than doubled in 1982; this change in the midst of an austere fiscal environment was in itself sufficient to make debt service take on greater weight for public officials. On the other hand, the bulk of the increased debt service burden was derived from a sharp rise in average interest rates; unlike payments of capital, which are usually automatically refinanced by new loans, interest payments carry less assurance of automatic rollover. Thus, while Dominica relies on "soft" credit windows, in relative terms it too has suffered from escalating world commercial interest rates, which have put upward pressure on the terms of concessionary loans.

4. Employment, wages and prices

a) *Employment*

Dominica does not have official statistics on unemployment, so that the available information is of necessity only a very rough approximation. In any event, immediately following the hurricane, local estimates put unemployment at around 23%, a figure that undoubtedly was aided by outward migration of part of the work force to neighbouring islands. In 1982 some improvement was perceived in the unemployment situation despite the return of many workers who had migrated after the storms; local estimates put unemployment at around 15% that year.

b) *Wages*

In 1979-1980 Dominica experienced considerable upward pressure on wages. This mainly resulted from the 82% wage increase won in 1979 by civil service workers, which rippled through to settlements in other sectors. As part of its stabilization efforts the Government sought to contain future trends in wage adjustments; this is reflected in a wage settlement with its civil service that calls for a 10% annual adjustment in the period 1982-1984. This civil service agreement was meant to set guidelines for the private sector. Compliance has not been together generalized, however, as some settlements have been in excess of this figure.

Government officials are committed to restraining wage adjustments in order to improve the State finances, to provide a stimulus for productive activities in traditional export areas, and to create incentives for private investment in non-traditional products. To this end, the Government has pursued a dialogue with labour unions (which have about 60% of the labour force as members) to encourage compliance with official wage policies, and it has required public agencies to use "ability to pay" as a criterion for wage settlements.

c) *Prices*

Given the extreme openness of Dominica's economy, international inflation is a main determinant of domestic price trends. An exception to this rule was in 1979-1980, when local supply shortages greatly aggravated the upward pressure on domestic prices exerted by the then escalating world inflation and resulted in unusually sharp rises in the consumer price index (see table 15). Stabilization efforts, coupled with substantially reduced world inflation, subsequently ameliorated the situation, and in 1982 the consumer price index rose by only 4%. This performance was greatly aided by relatively stable food prices (up only 2% on an annual average basis), a component of the index which carries a weight of nearly 60%.

5. Monetary and fiscal policies

a) *Monetary policy*

Dominica has only very limited control over its money supply. While the ECCA is scheduled, eventually to become a central bank for member countries, in 1982 it remained basically a clearing facility. Thus, monetary flows in Dominica continued to be largely determined by the evolution of the balance of payments. Under these circumstances the Government could influence monetary aggregates only in an indirect and very limited way, via policies affecting exports, imports and capital flows.

In 1982 the nominal supply of money continued the contraction witnessed in the last few years, declining by some 4% (see table 16). Domestic credit rose by some 11%, representing a marked deceleration of growth as compared with previous years. Net credit to the public sector displayed the buoyancy of the recent past, expanding by some 25%. The private sector, on the other hand, experienced a marked reduction in the rate of expansion of its liabilities to the banking system, as credit grew by only 11%, compared to 35% and 22% in 1980 and 1981 respectively.

The expansion of credit was accompanied by very strong growth in savings and time deposits (see table 16). This growth could not be explained by trends in interest rates, since these have remained remarkably stable over the years. The major source of deposit growth seems to have been placements made by the social security system and, to a lesser extent, government deposits linked to unused portions of loans for development projects.

In 1982 government policy was to encourage the private banking system to tighten credit for motor cars and consumer durables, and expand credit for productive activities. It appears that these efforts met with mixed success. On the one hand, there was considerable expansion of private credit for tourism and building, but credit to agriculture and manufacturing — two key productive sectors — actually declined in 1982 (see table 17). On the other hand, credit for the distributive sector and personal loans, both with a significant component of consumption, expanded in 1982. It should be mentioned, however, that while growth of credit for personal loans was relatively buoyant, that for the distributive sector was marginal in real terms and represented a considerable slowdown with respect to rates recorded in previous years.

Table 15

DOMINICA: EVOLUTION OF DOMESTIC PRICES

	1978	1979 ^a	1980	1981	1982 ^b
Variation December to December					
Consumer price index	9.3	34.1	21.4	8.1	4.0
Food	5.7	45.4	24.6	6.6	-
Alcohol and tobacco	7.9	9.2	12.3	2.3	13.7
Housing	12.5	27.3	13.9	1.3	14.6
Fuel and light	26.6	36.9	36.8	9.1	3.8
Household and miscellaneous items	18.3	21.6	19.6	16.2	9.8
Clothing and footwear	20.3	18.4	12.4	14.7	4.4
Services	3.7	21.9	17.5	16.6	12.5
Variation between annual averages					
Consumer price index	7.7	19.9	29.8	13.3	4.4
Food	5.1	23.4	34.7	15.8	1.9
Alcohol and tobacco	4.4	7.4	15.7	2.8	9.0
Housing	9.0	12.0	33.0	2.8	7.4
Fuel and light	22.3	26.9	38.7	6.9	4.2
Household and miscellaneous items	41.0	17.7	25.0	15.9	11.6
Clothing and footwear	17.3	20.9	15.6	14.8	6.5
Services	4.4	13.9	24.5	14.4	9.4

Source: Statistical Division, Ministry of Finance of Dominica.

^aDue to devastation caused by hurricane David it was not possible to compile the index for September and October 1979; thus the index is based on estimates excluding these two months.

^bPreliminary figures.

Table 16

DOMINICA: MONETARY BALANCE

	1980	1981	1982	1980	1981	1982
Money ^a	27.1	26.4	25.4	-10.9	-2.6	-3.8
Factors of expansion	82.6	87.7	101.6	-	6.2	15.9
Foreign assets (net)	-1.2	-23.5	-22.3	...	...	...
Domestic credit	83.8	111.2	123.9	26.0	32.7	11.4
Government (net)	31.2	40.8	50.8	23.3	30.8	24.5
Private sector	50.3	61.4	68.1	34.5	22.1	10.9
Other	2.3	9.0	5.0	-39.5	291.3	-44.4
Factors of absorption	55.5	61.2	76.3	6.3	10.3	24.7
Quasi-money ^b	52.4	54.8	70.9	11.0	4.6	29.4
Other items (net)	3.1	6.4	5.4	-38.0	106.5	-15.6

Source: International Monetary Fund, *International Financial Statistics*, June 1983, pp. 144-145.

^aCurrency and demand deposits (M₁).

^bSavings and time deposits (M₂).

Table 17

DOMINICA: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

	Millions of EC dollars			Growth rates		
	1980	1981	1982 ^a	1980	1981	1982 ^a
Agriculture	11.0	11.4	10.9	-9.1	3.6	-4.5
Manufacturing	4.8	4.3	3.8	60.0	-10.4	-11.6
Distributive trade	10.3	14.5	15.3	24.1	40.8	5.5
Tourism	2.3	1.9	2.7	-11.5	-17.4	42.1
Transportation	5.6	6.7	6.1	93.1	19.6	-9.0
Public utilities (gas, electricity and telephone)	0.2	0.3	-	100.0	50.0	...
Government and other statutory bodies	13.8	19.1	17.1	48.4	38.4	-10.5
Building and construction	1.5	1.7	3.4	87.5	13.3	100.0
Personal loans	14.3	16.5	19.5	50.5	15.4	18.2
Other advances	4.3	2.8	2.3	65.4	-34.9	-17.9
Memorandum item						
Long-term loans as a percentage of total loans	49.7	47.8	48.5	48.4	-3.8	1.5

Source: East Caribbean Currency Authority, Saint Christopher/Nevis, *Commercial Banking Statistics*, period ended March 1983; and data supplied to ECLA.

^aPreliminary figures.

b) *Fiscal policy*

The overall conduct of fiscal policy was heavily conditioned by the Government's efforts to strengthen public finance. These efforts, in turn, were couched in terms of traditional IMF programme targets for adjustment. Thus, a major goal in the adjustment effort is to reduce the central government's deficit on current transactions, and finally eliminate it by fiscal year 1983/1984.

In 1982 there were clear signs of progress in this regard. The deficit on current account, which had reached 18% of GDP in the fiscal year 1979/1980, was reduced to 5.4 million East Caribbean dollars, or 3% of GDP, by fiscal year 1981/1982. A further reduction in the deficit to 3.5 million East Caribbean dollars (2% of GDP) was achieved in the 1982/1983 budgetary balance (see table 18).

Table 18

DOMINICA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of EC dollars			Growth rates		
	1980/ 1981	1981/ 1982	1982/ ^a 1983	1980/ 1981	1981/ 1982	1982/ ^a 1983
1. Current revenue	48.0	56.7	57.8	52.4	18.1	1.9
Direct taxes	14.8	16.0	17.3	...	8.1	8.1
Indirect taxes	29.0	33.1	33.1	...	18.2	...
Non-tax revenue	5.2	7.6	7.4	26.8	46.2	2.6
2. Current expenditure	65.1	62.1	61.3	16.0	-4.6	-1.3
Wages and salaries	36.3	38.2	35.7	40.2	5.2	-6.6
Interest	4.4	3.7	4.8	100.0	-15.9	29.7
Other	24.4	20.2	20.9	-12.9	-17.2	3.0
3. Savings on current account (1 - 2)	-17.1	-5.4	-3.5	...	...	...
4. Capital expenditure	22.5	23.0	27.5	45.2	2.2	19.6
5. Total expenditure (2 + 4)	87.6	85.1	88.8	22.3	-2.9	4.3
6. Fiscal deficit (surplus)	39.6	28.4	31.0	-1.3	-28.3	9.2

Source: Ministry of Finance of Dominica.

^aPreliminary figures.

The stronger fiscal performance reflects efforts to contain expenditure and raise revenue. Revenues have increased by more than 80% since 1979/1980 because of, *inter alia*, recovery of economic activity and more careful screening of tariff exemptions. Meanwhile, moderation of civil service wage demands and adjustments aimed at reducing central government transfers have helped to keep the growth of expenditure down to 9% over the same period. It should be noted that even with recent restraint in collective bargaining, wages and salaries represent a considerable burden on the budget, accounting for nearly 60% of all current outlays.

The deficit on current account in 1982/1983 exceeded targeted levels. This occurred largely because of shortfalls in planned revenue stemming from sluggish imports (and hence lower-than-expected tax revenue) and delays in implementing new hospital fees. Although a sharp rise (30%) in interest payments on public debt put pressure on expenditures, this was offset by cutbacks in outlays for other areas.

In 1981/1982 capital expenditures by the Government were well below expectations, expanding by only 2%. Investment activity was hindered by delays in disbursement of foreign loans. Capital outlays were much more buoyant during the following fiscal year, rising by nearly 20%; nevertheless, investment lagged behind targeted levels because of delays in finalizing a major road rehabilitation project.

The overall fiscal deficit has fallen from 30% of GDP in 1979/1980 to 15% of GDP in 1982/1983. Most of the deficit is financed by grants and concessionary loans. Under the IMF programme, non-concessionary finance of the budget deficit is to be reduced from roughly a third in 1980/1981 to zero by fiscal year 1983/1984. In fiscal year 1981/1982 non-concessionary sources covered about a quarter of the deficit.

GRENADA

1. Recent economic trends: Introduction and summary

Despite the depressed state of the world economy and the continued decline in export receipts, Grenada achieved some real growth in 1982, as a result of massive public sector capital injections (see table 1). Preliminary official estimates suggest that about 5% growth was recorded. Weak markets for Grenada's traditional agricultural exports and for tourism inevitably resulted in reduced export receipts and widening trade and current account deficits. However, public sector investment —financed largely from foreign grants and loans— maintained demand and the combined expansion of new industries and traditional manufacturing output resulted in income and employment growth. The national debt also rose, but 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 tourist facilities and develop human resources. Since these investments have long gestation periods, 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, since increased output from domestic crops, particularly fruit, was offset by massive declines in all the major export crops. 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. In 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 an EC\$ 105 million overall fiscal deficit.

2. Trends in economic activity

a) *Evolution 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 a 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 been weakening for a long time past and the structural problems of fragmentation of holdings, labour supply and primitive technology all result in low productivity and farm incomes. To modernize this sector, public policy is addressing the issues of agricultural organization, infrastructure, markets and human resource 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 recoveries 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).

In contrast, domestic agriculture performed creditably, and with the exception of some vegetables and rootcrops, there was a generalized increase in output, particularly of fruit. Improved market outlets through the processing plant, the Marketing and National Import Board, and trade with the CARICOM countries provided the main stimulus.

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

ii) *Manufacturing*. In spite of the emphasis given to this sector in the development strategy, manufacturing contributes less than 5% to the GDP (see table 2). The interest lies 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 main catalyst for the sector.

Most of the traditional manufactures showed declines during 1982. Despite increased output of sugar cane, sugar and rum output fell, reflecting inefficient factory operations. The industry has high

Table 1
GRENADA: MAIN ECONOMIC INDICATORS

	1979	1980	1981	1982 ^a
A. Basic economic indicators				
GDP at 1977 market prices (millions of EC dollars)	144.2	148.6	153.1	161.5
Population (thousands)	108	109	110	110
Per capita GDP at 1977 prices (EC\$)	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:				
Variation between annual averages	...	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 ^b	...	27.9	...	14.2 ^c
Current income of government	19.1	10.9	-8.3	20.4
Total expenditure of government	67.3	-1.3	40.7	28.8
Fiscal deficit/total expenditure of government ^b	44.0	37.2	59.0	61.7
Millions of US dollars				
C. External sector				
Trade balance (goods and services)	-16.6	-17.3	-27.0	-33.9
Balance on current account	-15.0	-15.6	-24.7	-32.1
Variation in international reserves	0.1	0.4	-0.7	...
External debt	9.8	11.2	17.1	25.8
Exchange rate (EC\$ per US\$)	2.7	2.7	2.7	2.7

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

^aPreliminary figures.

^bPercentage.

^cApril 1982.

Table 2

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

	Millions of EC dollars			Percentage breakdown		
	1975	1979	1980	1975	1979	1980
Total GDP	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 and water	1.4	2.8	3.4	1.7	1.8	1.7
Transport and communications	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 and retail trade	12.7	23.5	26.8	15.8	15.0	13.7
Hotels and 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.

Table 3

GRENADA: INDICATORS OF AGRICULTURAL PRODUCTION

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

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

^aPreliminary figures.

costs, and most sugar consumed locally must be imported. However, the rum industry might possess some export potential. Output of beer and malt about held its own, as did coconut meal and edible oil, and laundry soap performed well for the second year 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 clothing, reported to be operating at 90% capacity, increased 12% though there appears to be a levelling off. It was in the area of agro-industry, however, that the most dramatic increases were recorded in 1982. In its first year of operation, the spice grinding plant is reported to have generated a net profit, and the coffee processing plant more than doubled its 1981 output even though it only utilized one-third of its capacity. The production of nectars, jams and jellies at the agro-industries plant more than doubled in 1982, the second year of its

Table 4
GRENADA: MERCHANDISE EXPORTS

	Thousands of US dollars			Percentage breakdown		Growth rates		
	1980	1981	1982 ^a	1974	1982 ^a	1980	1981	1982 ^a
Total merchandise exports	16 968	18 621	18 553	100.0	100.0	-18.7	9.7	-0.4
Main traditional exports	14 380	14 632	11 504	91.4	62.0	-24.0	1.8	-21.4
Nutmegs	3 173	3 035	3 086	34.2	16.6	-31.0	-4.4	1.7
Mace	657	683	863	8.0	4.6	-20.2	3.9	26.3
Cocoa	6 651	7 470	4 243	30.7	22.9	32.6	12.3	-43.2
Bananas	3 898	3 445	3 312	18.6	17.9	6.1	-11.6	-3.8
Main non-traditional exports	1 120	2 409	2 641	3.9	14.2	133.3	115.0	9.6
Clothing	820	2 169	2 427	2.3	13.1	139.4	164.7	11.9
Furniture	301	240	213	1.6	1.1	116.7	-20.2	-11.1
Other exports	114	259	181	1.4	1.0	-62.2	127.7	-30.2
Cloves	72	220	114	1.2	0.6	-73.5	206.2	-48.1
Cinnamon	27	26	34	0.1	0.2	102.7	-6.8	33.3
Sauces and condiments	14	13	33	0.1	0.2	-2.5	-7.7	144.4

Source: Grenada, Central Statistical Office.

^aPreliminary figures.

Table 5
GRENADA: INDICATORS OF MANUFACTURING PRODUCTION

	1980	1981	1982 ^a	Growth rates		
				1980	1981	1982 ^a
Production of some important manufactures						
Sugar ^b	494	143	51	-5.7	-71.1	-64.3
Flour ^b	3 10	4 927	...	...	58.6	...
Rum ^c	330	350	232	-8.0	6.1	-33.7
Beer ^c	1 39	1 203	1 238	-16.8	-13.6	2.9
Malt ^c	544	618	570	12.2	13.6	-7.8
Edible oil ^c	240	198	259	-22.0	-17.5	30.8
Coconut meal ^b	118	...	102	-60.0	...	...
Laundry soap ^b	23	...	62	-14.8	...	...
Clothing ^d	2.2	5.8	6.5	109.7	163.6	12.8
Furniture ^d	0.8	0.6	0.5	89.7	-25.4	-16.7

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

^aPreliminary figures.

^bTons.

^cThousands of litres.

^dMillions of dollars of export sales.

Table 6

GRENADA: SELECTED TOURISM INDICATORS

	1980	1981	1982 ^a	Growth rates		
				1980	1981	1982 ^a
Stopover visitors ^b	29.4	25.1	23.3	-8.8	-14.8	-7.2
Cruise ship visitor ^b	146	78	62	5.0	-46.7	-19.9
Average length of stay of stopover visitor ^c	18	18	...	...	...	...
Number of cruise ship calls	236	131	103	18.0	-44.5	-21.4
Number of yacht calls	1 863	1 367	1 602	8.5	-26.1	16.4
Hotel and guest house beds	1 500	1 500	1 112	-	-	-25.9
Estimated visitor expenditure ^d	54.3	46.7	46.6	1.4	-14.1	-0.2

Source: Grenada, Ministry of Tourism.

^aPreliminary figures.

^bThousands.

^cDays.

^dMillions of East Caribbean dollars.

operation, and marked labour productivity gains were recorded. While raw material supplies improved, machine breakdowns and electricity outages were major problems, and markets continued to be weak.

iii) *Construction*. Public sector investment, financed largely from external resources and reflected domestically in construction activity, was the major injection into the income stream in 1982, as in 1981. Again the dominant project was the Point Salines International Airport, where EC\$ 43 million were spent in 1982 compared to EC\$ 39 million in 1981. The total public sector investment expenditure of EC\$ 101.5 million in 1982 included a number of other construction projects such as roads, public buildings and commercial, industrial and community buildings.

While the public sector clearly dominated construction, some private sector projects were also reported to have been under way, such as an EC\$ 5 million aerated drinks plant, scheduled for completion in 1983. In addition, the National Housing Authority was active in new housing 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 EC\$ 1.1 million. The National Housing Repair Programme, which made 593 interest-free loans totalling EC\$ 532 000 in 1980, and 973 totalling EC\$ 782 000 in 1981, is reported to have lent a further EC\$ 952 000 in 1982. A prefabricated housing plant and a facility for producing road surfacing materials were being installed 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 half of Grenada's foreign exchange earnings and, in addition, has heavy impacts on employment, tax revenues and retail trade. 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 and in cruise ship and yacht calls seems not to have been reflected in visitor expenditure, which just about maintained its nominal value of 1981. It is in this light that public policies to revive the industry through provision of facilities for wide-bodied aircraft, rebuilding the Holiday Inn (partially destroyed by fire in 1981) and more effective 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 sources are impediments still to be overcome.

b) *Employment and unemployment*

Labour absorption and labour force 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. Reliable data are available only for the State sector where, compared to 1981, there have been

substantial job increments in construction, agriculture and transportation, but a decline in fisheries. Policy is aimed at stemming the growth in absolute terms in public sector administrative workers so that labour will 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 is the case with all economies of such small internal markets —population 110 000 and GDP at current factor cost EC\$ 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 65% of GDP and imports of services only slightly less than exports of them. The resulting unfavourable current balance was possible only because of the continued influx in 1982 of grants and soft loans to the tune of US\$ 26 million.

a) Exports

Despite the long-term trend away from narrow commodity trade dependence, four agricultural staples still account for over 60% of Grenada's merchandise exports. The value of these exports was 21% below its 1981 level, with the result that total exports fell slightly in 1982. That the fall was not more severe was the result of improved performance by non-traditional exports (largely manufactures), which showed a 10% improvement over 1981 (see 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 (see table 3), with the result that export volumes declined in every case except nutmegs. Markets for the latter commodity were particularly bad in 1981, when about half that year's crop was stockpiled. While 1982 was a far better year and nutmeg export volume rose 15%, the price decline between 1981 and 1982 was such as to leave earnings almost 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 make matters worse, the continued weakening of the pound sterling against the US dollar, to which latter the Grenadian currency is linked, resulted in lowered receipts for those exports such as bananas which are marketed in the United Kingdom.

The EEC continued to be Grenada's principal market, accounting for 56% of 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 the country's 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 as a result of the continued worsening of the tourist trade. The continuing, if less rapid rate of increase of import prices, in conjunction with stagnant earning from merchandise and invisible exports must imply a decline in the purchasing power of Grenada's exports.

Table 7

GRENADA: PRICES OF SELECTED EXPORTS

	EC dollars per pound				Growth rates		
	1979	1980	1981	1982 ^a	1980	1981	1982 ^a
Bananas	0.33	.40	.45	.43	21.2	12.5	-4.4
Nutmegs	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.

^aPreliminary figures.

Table 8
GRENADA: BALANCE OF PAYMENTS

(Millions of US dollars)

	1978	1979	1980	1981	1982 ^a
Trade balance (goods)	-18.7	-31.9	-35.2	-39.2	-42.2
Merchandise exports	17.0	21.7	17.0	18.8	18.5
Merchandise imports	35.7	53.6	52.2	58.0	60.7
(of which oil)	(2.4)	(3.6)	(4.4)	(8.4)	(9.3)
Non-factor services (net)	13.0	15.3	17.9	12.2	8.3
(of which travel net)	(10.3)	(12.0)	(12.1)	(13.6)	(10.7)
Factor services (net)	-	0.3	-0.2	0.2	-0.3
(of which interest payments)	(-0.3)	(-0.3)	(-0.9)	(-0.7)	(-1.1)
Transfers (net)	1.3	1.3	1.9	2.1	2.1
Current account balance	-4.4	-15.0	-15.6	-24.7	-32.1
Public capital	0.6	14.9	9.3	20.6	25.7
Grants	0.6	12.7	8.0	13.1	15.5
Disbursements	0.7	2.5	1.8	7.9	11.0
Amortization	-0.7	-0.3	-0.5	-0.4	-0.8
Commercial banks	-0.6	-1.0	0.4	-2.0	3.7
Other capital items (net)					
(incl. errors and omissions)	2.9	-0.5	5.5	-1.8	3.0
IMF	1.0	1.3	0.5	6.4	-0.9
ECCA	0.2	0.4	0.3	0.8	0.6
Change in reserves					
(- indicates increase)	0.3	-0.1	-0.4	0.7	-

Source: World Bank.

^a Preliminary figures.

Table 9
GRENADA: INDICATORS OF EXTERNAL INDEBTEDNESS

(Millions of dollars)

	1977	1978	1979	1980	1981	1982 ^a
Total external indebtedness	7.1	7.5	9.8	11.2	17.1	25.8
Servicing of external debt	0.5	1.0	0.6	1.5	1.4	1.8
Amortization payments	0.2	0.7	0.3	0.5	0.7	0.7
Interest payments	0.3	0.3	0.3	1.0	0.7	1.1
External debt service/total exports	1.7	2.7	1.4	2.9	3.7	...

Source: World Bank.

^a Projected.

b) Imports

Merchandise imports, at US\$ 60.7 million, increased 4.7% over 1981, but when price increases are taken into account this represents a decline in the absolute volume. Trends indicate a relative increase in the share of capital and intermediate goods in imports and 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 this being petroleum products from Trinidad and Tobago.

During the year the EEC countries provided 23% of imports, of which the United Kingdom provided three-quarters. Petroleum purchases, at US\$ 9.3 million in 1982, accounted for 15% of merchandise imports and represented an 11% increase over 1981.

c) *Invisibles and the capital account*

Grenada does not produce balance-of-payments accounts as such, but attempts have been made to piece together some available information (see table 8). Indications are that there was a widening merchandise trade deficit 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 have not grown and there has consequently been a widening current account deficit. The large inflows of current transfers, mostly grants and soft loans, plus 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 growing external indebtedness even though foreign debt servicing is still less than 5% of current foreign exchange earnings: a low rate by international standards.

Table 10
GRENADA: EVOLUTION OF DOMESTIC PRICES
(Variations between annual averages)

	1980	1981	1982 ^a
Total	20.6	19.6	13.2
Food	18.9	21.7	14.3
Alcohol and tobacco	20.6	19.1	11.7
Clothing and footwear	21.1	22.7	8.6
Fuel and light	43.6	5.1	-1.0
Housing	9.8	3.6	10.9
Furniture and appliances	5.2	55.2	60.3
Household supplies	28.7	7.1	17.3
Transport	37.0	12.7	10.5
Miscellaneous	25.6	12.6	5.2

Source: Grenada, Central Statistical Office.

^aPreliminary figures.

Table 11
GRENADA: MONETARY BALANCE

	Millions of dollars			Growth rates		
	1980	1981	1982 ^a	1980	1981	1982 ^b
Money	49	53	58	6.5	8.2	18.4
Currency outside banks	33	37	37	13.8	12.1	8.8
Demand deposits	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 and time deposits)	83	88	84	6.4	6.0	-4.5
Other items (net)	-6	0	-8	...	...	...

Source: International Monetary Fund, *International Financial Statistics*, January 1983.

^aAugust.

^bCompared to September 1981.

Table 12

GRENADA: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

	Millions of EC dollars			Percentage breakdown			Growth rates		
	1980	1981	1982 ^a	1976	1981	1982 ^a	1980	1981	1982 ^a
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
Building and construction	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.

^aPreliminary figures.

4. Prices and wages

The rate of inflation continued its downward trend in 1982, when the consumer price index showed a 13.2% increase over 1981 (see table 10). Among the reasons for this are the slackening of imported inflation, the increased supply of mass-consumption goods brought about by the efforts of the Marketing and National Import Board to organize cheaper imports and 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, but the 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 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 a high of a 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 East Caribbean Currency Authority (ECCA) monetary union permits free movement of currency among the seven members. However, on the basis of IMF estimates and the Ministry of Finance's monitoring of credit conditions, a reasonably accurate picture can be 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 that went to the Government, the principal dynamic factor, grew moderately. The dominant share of the distributive trade and personal loans in the 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.

b) *Fiscal policy*

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

Overall fiscal performance in 1982 was good, with revenue collection and expenditure both close to budgeted figures despite the poor performance of the export sector and the consequent shortfall in taxes on foreign trade. Seventy-five per cent of the planned capital expenditure programme of EC\$ 135 million was achieved. The Government's policy of making 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

	Millions of EC dollars				Growth rates		
	1979	1980	1981	1982 ^a	1980	1981	1982 ^a
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. Saving on current account (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 expenditure (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	-6.5	10.5	30.2
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.

^aPreliminary figures.

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 upward 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. Bauxite and domestic agriculture both declined, but a strong performance was turned in 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 only marginally improved on that year's figures.

The Economic Recovery Programme initiated in April 1981 with a three-year IMF Extended Fund Facility loan 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 balance of payments, and in the labour and goods markets, thereby eliminating tendencies towards wage and price instability and promoting economic recovery. In addition to restrictive management of short-term monetary and fiscal aggregates, the programme envisaged heavy reliance on the market forces, private sector initiative and international competitiveness in order to achieve export-led growth.

During 1982 a number of further institutional changes were effected, such as the streamlining of the procedures for obtaining import licences and the allocation of foreign exchange, and the elimination of the prohibited list and price controls. On the productive side, work was undertaken to refurbish the infrastructure and productive facilities such as electricity generating capacity, Kingston port facilities and the sugar and tourist industries. In addition, institutional mechanisms were set in motion to promote investment and exports.

Indications are, however, that the economy did not make much progress in 1982. Overall export earnings declined by 11%, while imports of goods and services diminished about 5%, thereby widening the payments gap, and the foreign debt grew almost 23%. The government budget went further into deficit, and labour absorption was marginally worse than the year before, while the rate of inflation, as measured by the December to December variation, rose from 4% to 7%. Domestic investment rose appreciably, but this was possible, not 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 conditioning factors in all this (see table 1).

2. Trends in economic activity

a) *Global trends*

The pronounced trend in the 1970s for consumption (especially public consumption) to rise and for investment to decline as a share of GDP was halted somewhat in 1981, if only by restraint on public sector consumption, which hardly grew in real terms. 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 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 performance did not nearly match consumption growth and exports actually fell in 1982. Domestic 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 as a percentage of GDP (see table 2). At the same time, domestic savings went from 13.3% of GDP in 1980 to 5.6% in 1981 and 8.0% in 1982.

Demand for Jamaica's principal exports fell sharply in 1982 after wavering in 1981, and such overall GDP growth as was experienced —3.3% real and 10.5% nominal in 1981 compared to 0.2% real and 8.3% nominal in 1982— was largely possible thanks to 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 circles were hesitant, and structural adjustment has a long gestation period. It would seem, however, that even though, by comparison with the decline recorded between 1974 and 1980, the growth of 1981 and 1982 represents a considerable advance, the foundation of such growth remains to be assessed.

The structure of the economy seems to have been fundamentally altered to a pronounced service orientation (see table 3). Compared with 1970, the share of goods in the GDP (particularly manufacturing and construction) fell sharply. While government services more than doubled. Since it has been decided to pursue manufactures-led export strategy, 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 need to be carefully weighed.

Table 1
JAMAICA: MAIN ECONOMIC INDICATORS

	1979	1980	1981	1982 ^a
A. Basic economic indicators				
GDP at purchasers' prices (millions of 1974 Jamaican dollars)	1 941 ^b	1 838 ^b	1 898 ^b	1 901
Population (thousands)	2 150	2 173	2 204	2 237
Per capita GDP (Jamaican 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 gross domestic product	-2.7	-6.4	1.8	-1.3
Current value of exports of goods and services	4.7	16.6	3.0	-11.2
Current value of imports of goods and services	16.0	15.7	21.4	-4.7
Consumer price index				
December - December	19.7	29.1	4.0	7.1
Variation between annual averages	28.8	27.2	11.6	7.4
Money	9.4	19.6	6.1	6.1
Wages and salaries (current Jamaican dollars)	12.5	12.2	13.6	...
Rate of unemployment (%)	27.7	27.3	25.9	27.4
Current income of government	7.3	15.7	26.7	17.6 ^c
Total expenditure of government	-4.2	35.2	3.4	15.0 ^c
Fiscal deficit/total expenditure of government (%)	39.0	41.9	36.5	48.6 ^c
Millions of US dollars				
C. External sector				
Trade balance	-32	-27	-282	-359
Balance on current account	-149	-175	-338	-419
Balance on capital account	-16	248	133	291
Variation in net international reserves	5	41	20	24
External debt	1 495	1 607	1 800	2 208

Source: ECLA, on the basis of official data.

^aPreliminary figures.

^bRevised figures.

^cApril/December 1982 compared to April/December 1981.

Table 2

JAMAICA: TOTAL SUPPLY AND DEMAND

	Millions of Jamaican dollars at current prices		Percentage breakdown			Growth rates	
	1981	1982 ^a	1970	1980	1982 ^a	1981	1982 ^a
Total supply	8 727	9 145	137.4	153.1	160.2	15.2	10.1
GDP at market prices	5 236	5 672	100.0	100.0	100.0	10.5	8.3
Imports of goods and services	3 491	3 473	37.4	53.1	60.2	21.8	-0.5
Total demand	8 502	9 145	137.4	153.1	160.2	15.2	10.1
Domestic demand	5 834	6 697	104.2	102.1	116.9	20.1	15.5
Gross domestic investment	1 121	1 437	31.6	15.4	24.9	52.7	28.2
Gross fixed investment	948	1 200	31.4	14.5	21.5	37.4	26.6
Changes in stocks	173	197	0.2	0.9	3.4	294.5	14.2
Total consumption	4 413	5 260	72.6	86.7	92.7	14.3	19.2
General government	1 141	1 300	11.7	21.3	22.6	12.6	13.9
Private	3 572	3 960	60.9	65.4	69.8	14.9	10.8
Exports of goods and services	2 668	2 467	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*.

^aBased on National Planning Agency projections.

Table 3

JAMAICA: GROSS DOMESTIC PRODUCT, BY KIND OF
ECONOMIC ACTIVITY, AT PURCHASERS' VALUES

	Millions of Jamaican dollars at constant prices			Percentage breakdown			Growth rates		
	1980	1981	1982	1970	1980	1982	1980	1981	1982
Total GDP	1 838	1 898	1 901	100.0	100.0	100.0	-5.4	3.3	0.2
Goods	700	712	679	45.3	37.6	36.7	-9.6	1.7	-4.6
Agriculture, forestry and fishing	151	156	146	7.5	8.5	8.3	-6.2	3.9	-6.0
Mining and 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
Construction and installation	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
Electricity and water	24	24	24	0.8	1.3	1.3	1.4	1.2	-0.1
Transport, storage and communications	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
Distributive, trade	273	288	304	21.4	15.1	15.7	-7.0	5.4	5.8
Finance and insurance	99	108	100	4.0	5.4	6.5	8.6	9.9	-8.0
Real estate and business services	215	223	234	9.8	11.6	12.1	-0.3	3.4	4.9
Government services	359	370	371	9.1	19.8	19.6	-0.6	3.1	0.4
Miscellaneous 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 4% recovery in agricultural output in 1981 following two consecutive years of decline, the sector performed poorly in 1982 as its output is estimated to have decreased by almost 6%. The main area affected was domestic agriculture, which is estimated to have experienced a 12% fall in output. Extremely bad weather during the planting season, shortage of planting material and fertilizers, competition from imports, and volatile farm-gate prices are said to have been contributory factors. Over the same period, meat production was about unchanged but egg production is estimated to have declined by almost 12% and poultry production also fell substantially, allegedly because of competition from cheaper imports.

Export agriculture saw its output drop about 2% following the 5% increase recorded in 1981. There was a recovery in banana production following its long-standing decline and the trough in production registered in 1981 as a result of Hurricane Allen in 1980. Positive contributions also came from copra, ginger and coffee. Sugar cane milled held steady in 1982, but a decline occurred in cocoa (see table 4) and markets for citrus fruit are reported to have been particularly difficult. During 1982 the sugar industry was hit by work stoppages and output remained at about the 30-year low reached the year before. The sugar co-operatives, whose registration was cancelled in November 1981, were in the course of being wound up during 1982 and the sugar cane growing lands were leased to sugar factories.

Table 4

JAMAICA: INDICATORS OF AGRICULTURAL PRODUCTION

	1980	1981	1982 ^a	Growth rates			
				1979	1980	1981	1982 ^a
Index for agriculture forestry and fishing (1970 = 100)	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	61.9	-19.5	-12.3	4.8	-1.6
Domestic	149.8	155.1	137.0	-10.4	-7.1	3.6	-11.7
Livestock	109.9	113.5	109.4	-2.4	-1.2	3.3	-3.6
Forestry	25.7	24.9	28.0	-34.6	-3.3	-3.2	12.5
Fishing	90.7	100.0	111.2	-5.4	-17.1	10.3	11.2
Tons							
Production of some important export crops							
Sugar cane milled ^b	2 835	2 502	...	-18.6	-4.4	-11.7	2.8
Bananas ^c	33	19	22	-8.0	-52.2	-42.4	28.6
Citrus fruit ^d	66	54	...	-27.5	32.0	-18.2	5.3
Pimento	943	3 140	2 064	-52.5	-24.8	233.0	-34.3
Copra	1 738	887	1 429	-4.2	-14.1	-49.0	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 (thousands head)	64.4	61	61	0.5	11.0	-5.3	-
Hogs slaughtered (thousands head)	123.1	135	118	-12.7	11.8	9.8	-12.6
Poultry meat ^b	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*.

^aPreliminary figures.

^bThousands of tons.

^cExports only.

^dOranges and grapefruit only.

Table 5
JAMAICA: INDICATORS OF MINING PRODUCTION

	1980	1981	1982	Growth rates			
				1979	1980	1981	1982
Index of mining production 1970 = 100)	116.5	118.0	83.7	-1.6	9.9	1.3	-29.1
Production of principal mineral (thousands of tons)							
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*.

As part of its programme for long-term structural adjustment, the Government has instituted a number of policies concerning agriculture which are consistent with its export-led strategy and reliance on market forces. The arrangements for export marketing have been liberalized and various price incentives, such as the December 1981 increased retail price for sugar and a 32% increase in the price of farmers' cane 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) *Mining*. Mining dominates Jamaica's merchandise exports and the foreign exchange flows associated with the development of this industry in the 1950s and 1960s 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 only 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.

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 may well be the worst slump in the history of the aluminium industry, Jamaica was particularly badly affected. High energy costs 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 tons to US bauxite stockpiles.

The reduced output had a negative impact on employment and resulted in the laying-off of some 1 400 persons (approximately 17.5% of the work force). The financial impact on the country was less dramatic, however, 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. After its strong growth in the 1960s and the declines in the late 1970s there was some recovery in 1981 and a further 4% growth in 1982. The nature of manufacturing activity would seem to make its 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, in spite of the upturn in capital inflows, and the persistence of the world recession are therefore consistent with its sluggish performance and there were reports that licensing arrangements did not work smoothly, particularly for the smaller manufacturers.

Indications of positive growth in the sector are provided by the increased employment and higher electricity consumption (see table 6). Growth has been led by increased output of chemicals, for which sales to the regional CARICOM market were particularly important, and at the same time cement production rose. There was also some expansion 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 reorient the manufacturing sector towards export-led growth along the 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 during 1982. A Rehabilitation Fund financed by the IDB came into being during the year to assist domestic manufacturers. Jamaica National Investments Promotions Limited, formed in 1981 to promote private investment, is giving emphasis to manufacturing and is reported to have had over 30 million Jamaican dollars of manufacturing investment underway in 1982. International competitiveness will however be crucial. A recent survey suggests that only just over one-third of Jamaica's manufacturing output is internationally price competitive, indicating the need for considerable improvement.

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 in these years 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 and, 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 for the International Sea-bed Authority, where, because of time constraints, multiple shifts were utilized. In addition to private housing

Table 6

JAMAICA: INDICATORS OF MANUFACTURING ACTIVITY

	1980	1981	1982	Growth rates			
				1979	1980	1981	1982
Index of manufacturing production	80.1	80.4	83.7	-4.3	-9.7	1.3	4.2
Production of selected manufactures							
Sugar ^a	231.8	205.6	195.5	-2.9	-18.1	-13.6	1.4
Flour (wheat) ^a	48.1	47.0	54.4	-22.2	29.4	-4.5	15.8
Animal feed ^a	206.8	205.3	193.5	-3.5	0.6	-0.8	-5.7
Rum and alcohol ^b	20.5	22.2	19.9	7.1	13.9	8.3	-10.5
Fertilizers ^a	28.6	25.9	19.3	4.4	-7.1	-9.4	-22.4
Petroleum products ^b	1 079.3	859.6	...	16.9	-21.3	-20.4	32.3
Textile fabrics ^c	4 552.8	3 580.0	...	-36.3	-23.4	-21.4	2.5
Indicators of manufacturing production							
Electricity sales to industry and commerce by public utilities ^d	568.3	557.2	596.3	-7.3	-3.4	-2.0	7.0
Employment (thousands)	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.*

^aThousands of tons.

^bMillions of litres.

^cThousands of meters.

^dMillions of kWh.

Table 7

JAMAICA: INDICATORS OF CONSTRUCTION ACTIVITY

	1980	1981	1982	Growth rates		
				1980	1981	1982
Index of construction output (1970 = 100)	37.6	38.5	43.8	-28.5	2.4	12.9
Production of selected materials						
Cement ^a	144	164	234	-36.3	13.9	42.7
Paint ^b	3 887	6 042	8 751	-32.8	44.8	45.0
Steel ^c	9.4	12.0	13.3	-5.1	27.7	10.8
Imports of construction material ^c	84.1	119.4	127.1	-20.6	42.0	6.4
Employment ^d	25.4	29.1	33.3	-20.4	14.6	14.4

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

^aThousands of tons.

^bThousands of litres.

^cMillions of Jamaican dollars.

^dThousands.

Table 8

JAMAICA: INDICATORS OF TOURIST ACTIVITY

	1980	1981	1982 ^a	Growth rates			
				1979	1980	1981	1982 ^a
Total visitors (thousands)	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 occupancy rate (%)	44.2	41.5	53.3	20.0	-7.9	-6.1	28.4
Average length of stay (days)	10.2	10.1	9.8	3.5	15.9	-1.0	-3.0
Estimated expenditure (J\$m)	242	290	333	31.1	24.4	20.0	14.9
Direct employment generated	9 527	8 403	...	13.7	-18.6	-11.8	...

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

^aPreliminary figures.

developments, the Government's programmes include such self-help schemes as a sites-and-services project and a build-up-own-land programme.

Credit to the sector increased dramatically in 1982. Thus, commercial bank loans and advances outstanding for construction and land development increased 80% between December 1981 and December 1982, while new mortgage loans advanced by building societies between January and September 1982 exceeded by 12% those 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 Jamaican dollars per square foot 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 is recovering strongly.

v) *Tourism*. After the poor performance by this industry in 1980, the recovery evident from mid-1981 continued into 1982, which was a very good year. Visitor arrivals (up 21%), hotel occupancy (up 8 percentage points) and estimated visitor expenditure (up 15%) all recovered strongly and on most indicators the industry surpassed the performance of the previous peak year 1979. The number of cruise ship visitors was particularly buoyant, recording an increase of 39% (see table 8).

However, the industry is faced by a number of continuing problems. Many of the tourist facilities are 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 attained in the future and the summer trough to be filled somewhat.

While the recovery of 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.

vi) *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 1950s and 1960s and the high growth rates associated with the boom in bauxite, construction, tourism and industrialization, open unemployment rose to about one-fifth of the labour force, and with the prolonged recession of the 1970s, unemployment climbed to over 27%.

There was some improvement in 1981 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 again. 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).

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 should 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 it: 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 tackle 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.

Table 9

JAMAICA: EMPLOYMENT AND UNEMPLOYMENT

	1978	1979	1980	1981	April 1982
Labour force (thousands)	939.0	953.6	991.2	1 014.9	1 043.1
Employment (%)	75.5	72.3	72.7	74.1	72.5
Employed (thousands)	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 (thousands)	230.5	264.6	270.8	262.5	286.4
Unemployed (%)	24.5	27.7	27.3	25.9	27.4

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

3. The external sector

The extent to which the crisis in the Jamaican economy has eased may be judged from the performance of the external sector. This is because 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 the current value of merchandise exports compared with 1981, when growth was a mere 2%. The leading exports, 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 growth for the second consecutive year, this was insufficient to prevent the largest drop in merchandise exports recorded since the war (see table 10).

Table 10

JAMAICA: EXPORTS OF GOODS, FOB

	Millions of US dollars			Percentage breakdown			Growth rates		
	1980	1981	1982	1970	1980	1982	1980	1981	1982
Total	964	981	726	100	100	100	17.3	1.7	-25.9
Main traditional exports	830	844	574	87	89	83	22.7	1.6	-32.0
Of which:									
Bauxite	199	172	130	27	21	20	-6.2	-13.3	-24.5
Alumina	537	588	355	40	57	50	47.0	9.4	-39.7
Sugar	54	47	48	11	6	8	-3.0	-15.0	2.4
Bananas	11	4	8	4	1	1	-41.9	-59.4	75.0
Main non-traditional exports	103	116	...	13	11	17	-13.2	13.6	7.6 ^a
Manufactures	71	77	...	8	8	11	18.7	8.7	6.3 ^a

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

^aBased on January to October data.

Table 11

JAMAICA: IMPORTS OF GOODS, CIF

	Millions of US dollars		Percentage breakdown			Growth rates	
	1981	1982	1970	1980	1982	1981	1982
Total	1 472	1 347	100	100	100	25.0	-8.5
Consumer goods	193	234	30	11	17	46.4	21.2
Food	105	123	12	6	9	43.8	17.6
Other non-durables	43	48	9	3	3	34.0	11.8
Durables	45	63	9	2	5	66.7	38.3
Raw materials	994	787	32	72	59	18.2	-20.8
Fuel	499	372	6	38	28	11.8	-25.4
Other	495	415	26	34	31	25.6	-16.3
Capital goods	297	326	38	17	23	45.7	9.8
Construction materials	67	71	7	4	5	41.3	6.7
Transport equipment	65	72	5	3	5	87.1	10.3
Other machinery and equipment	152	159	25	9	12	44.8	4.0
Other capital goods	13	24	1	1	1	20.0	79.2

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

Table 12

JAMAICA: BALANCE OF PAYMENTS

(Millions of US dollars)

	1979	1980	1981	1982
Exports of goods and services	1 165.1	1 358.9	1 400.3	1 244.7
Goods FOB	818.2	962.7	974.0	767.4
Services ^a	346.9	396.2	426.3	477.3
Transport and insurance	114.1	113.8	97.6	97.9
Travel	195.4	240.7	284.4	336.2
Imports of goods and services	1 197.6	1 386.0	1 682.0	1 603.2
Goods FOB	882.4	1 038.2	1 296.7	1 208.9
Services ^a	315.0	347.8	385.2	394.4
Transport and insurance	202.8	216.7	246.4	243.7
Travel	10.9	11.7	13.8	30.1
Merchandise balance	-64.2	-75.5	-322.7	-441.5
Trade balance	-32.4	-27.1	-281.7	-358.6
Factor services	-186.6	-229.6	-179.5	-195.2
Profits	-81.7	-111.9	-2.9	28.6
Interest received	7.9	11.5	14.7	13.2
Interest paid	-129.1	-151.1	-213.3	-248.3
Others	16.3	22.0	22.1	11.4
Unrequited private transfer payments	70.0	81.7	123.3	134.5
Balance on current account	-149.0	-175.1	-337.8	-419.2
Unrequited official transfer payments	10.1	9.0	0.0	15.9
Long-term capital	-0.9	158.3	197.9	391.9
Direct investment	-26.4	27.7	-11.6	-15.8
Portfolio investment	0.0	0.0	0.0	0.0
Other long-term capital	25.5	130.5	209.4	407.7
Official sector ^b	79.3	205.5	220.1	420.1
Loans disbursed	185.3	322.4	428.9	637.3
Amortization payments	-110.9	-115.1	-208.7	-217.2
Other sectors ^b	-53.9	-75.0	-10.7	-12.4
Loans disbursed	0.0	46.9	38.4	37.3
Amortization payments	-53.9	-121.8	-49.1	-49.7
Basic balance	-139.8	-7.8	-139.0	-11.4
Short-term capital	9.3	346.5	-29.7	2.9
Official sector	-0.3	177.0	89.7	111.8
Commercial banks	2.7	191.2	-119.4	-109.0
Other sectors	6.8	-21.7	0.0	0.0
Errors and omissions (net)	-34.6	-265.5	-36.1	-120.2
Balance on capital account	-16.4	248.2	133.2	290.5
Global balance	-165.4	73.1	-204.6	-128.7
Total variation in reserves (minus sign indicates an increase)	165.9	-82.9	170.2	99.0
Monetary gold	0.0	0.0	0.0	0.0
Special Drawing Rights	5.3	0.5	-1.3	1.2
IMF reserve position	0.0	0.0	-2.8	-1.3
Foreign exchange assets	-10.3	-41.6	23.8	-23.6
Other assets	0.0	0.4	-9.9	9.5
Use made of IMF credit	170.9	-42.2	160.4	113.2

^a Includes other non-factor services.^b Includes net loans granted and other assets and liabilities.^c Equals the total variation in reserves (of opposite sign), and the counterpart ITEMS: monetization or demonetization of gold, allocation or settlement of Special Drawing Rights, and variation due to revaluation of other reserves.

Merchandise imports too declined in 1982 as a consequence of foreign exchange shortages. Consumer goods grew strongly and capital goods (except construction materials) moderately, but raw materials experienced a 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 activity in the alumina industry, 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 importation of consumer and capital goods rather than raw materials for industry, and throughout 1982 manufacturers complained of shortages (see table 11).

Preliminary balance-of-payments data for 1982 show that the current payments position deteriorated further. It may be recalled that since April 1981 Jamaica has been pursuing an economic recovery programme with access to IMF funding under the Extended Fund Facility, and 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 trade gap widened by an estimated US\$ 81 million and the current account deficit by US\$ 77 million. The considerable reduction in the deficit on services, achieved largely through the improved performance of the tourist industry, served to keep the sharp decline in export receipts from the bauxite industry from having an even more calamitous impact on the payments position (see table 12). Because of the fall in bauxite earnings during 1982 resort was also had to the IMF's Compensatory Financing Facility.

There was a turnaround in the capital account during 1982 with net capital inflow amounting to US\$ 290 million, compared with only US\$ 133 the year before. As a result, the overall payments deficit was reduced to US\$ 130 million from US\$ 205 million in 1981. Foreign indebtedness at December 1982 was 23% higher, at an estimated US\$ 2.2 billion.

4. Prices

Inflation accelerated from 4% to 7% between 1981 and 1982, in spite of the slowdown in world inflation, particularly of oil prices, and a stable external value of the currency (see table 13). While these factors, together with modest money supply growth and wage moderation, served to dampen inflation, the big drop in agricultural production for domestic consumption pushed the overall rate of price increases upwards.

Table 13

JAMAICA: EVOLUTION OF DOMESTIC PRICES

	1978	1979	1980	1981	1982 ^a
Variation between annual averages					
Total	25.0	28.8	27.2	11.6	7.4
Food and drink	36.8	33.4	33.4	10.3	6.1
Housing	14.2	13.8	11.7	15.9	10.1
Clothing and accessories	40.3	25.4	20.3	19.4	3.4
Personal expenses	36.4	25.9	21.5	23.3	7.7
Variation December - December					
Total	49.4	19.7	29.1	4.0	7.1
Food and drink	54.1	24.5	33.7	1.3	7.5
Housing	18.9	13.3	8.6	16.2	8.7
Clothing and accessories	52.4	15.6	25.5	7.3	3.4
Personal expenses	52.7	9.7	32.5	12.9	6.0

Source: Jamaica, Department of Statistics.

^aPreliminary figures.

5. Monetary and fiscal policy

a) *Monetary policy*

Monetary and fiscal policy continued to be conducted against the background of the Extended Fund Facility (EFF) agreement negotiated with the IMF in April 1981. This had set ceilings on banking system credit to the public sector and on foreign borrowing, as well as establishing targets for net international reserves of the Bank of Jamaica. In March 1982, the end of the first year of the agreement, all performance tests were passed and a new base established for drawings in 1982/1983.

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 developed and at year-end the ratio was 2% below the required level.

The money supply expanded by a moderate 6%, or at about the same rate as in 1981, in circumstances in which the rate of inflation rose from 4% to 7%. The growth of credit to the public sector was contained, but private sector credit grew strongly. The policy change made in July 1981, whereby interest on bank deposits was exempted from income tax, taken together with the higher rates on time deposits, served to bring about strong growth in quasi-money (see table 14). 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.

The distribution of commercial bank loans and advances to the 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 distributive sector was a modest 3%. By contrast, credit to agriculture, manufacturing and construction and land development all increased substantially, with construction getting 80% more credit in 1982 following an increase of over 40% in 1981. These changes reflect the shift in credit allocation desired by the monetary authorities (see table 15).

Interest rates in 1982 were generally higher than in 1981, partly on account of the tightening liquidity situation, but also partly reflecting public policy of encouraging saving, allowing market forces freely to determine interest rates and so optimize the use of financial resources. While the statutory minimum interest rate on savings 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

Table 14

JAMAICA: MONETARY BALANCE

	Millions of Jamaican dollars			Growth rates		
	1980	1981	1982	1980	1981	1982
Money	647	687	729	19.6	6.2	6.1
Currency outside banks	257	281	313	17.4	9.3	11.4
Demand deposits	390	406	416	21.1	4.1	2.5
Factors of expansion	2 436	2 072	2 532	38.6	-15.1	22.2
Foreign assets (net)	-821 ^a	-1 380	-1 676	-3.4	-68.1	-21.4
Domestic credit (net)	3 257 ^a	3 452	4 208	27.6	6.0	21.9
Government (including official entities)	1 692 ^a	2 381	2 724	35.4	40.7	14.4
Private sector	1 566 ^a	1 071	1 484	20.3	-31.6	38.6
Factors of absorption	1 789	1 385	1 803	47.0	-22.6	30.2
Quasi-money (savings and time deposits)	1 292 ^a	1 231	1 630	35.6	-4.7	32.4

Source: Bank of Jamaica.

^aRevised figures.

Table 15

JAMAICA: COMMERCIAL BANKS LOANS AND ADVANCES

	Millions of Jamaican dollars				Growth rates		
	1979	1980	1981	1982	1980	1981	1982
Loans and 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
Construction and land development	126	127	181	326	0.8	42.5	80.1
Central and local government	28	24	24	31	-17.5	2.6	28.2
Personal	167	188	193	166	12.6	2.7	-14.0
Distributive trade	80	90	122	126	12.5	35.6	3.3

Source: Bank of Jamaica.

Table 16

JAMAICA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

(Millions of Jamaican dollars)

	1980/81 ^a	1981/82 ^a	1981 ^b	1982 ^b	Growth rates	
					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	624	651	287	613	4.3	-113.6
Foreign ^c	334	343	164	395	2.7	140.9

Source: Bank of Jamaica.

^aThe fiscal year runs from April to March.^bApril to December.^cMillions of US dollars.

weighted average commercial bank loan rate was in every month of 1982 higher than the corresponding months of 1981. Yet while financial savings rose sharply, gross domestic savings were still much lower than in 1980, when real rates of interest were markedly negative.

An interesting development in the financial sector was the resumption from January 1982 of trading on the stock exchange for two days each week, after having been down to one day a week since 1977. Active trading had resumed in 1981, and during 1982 there were J\$ 16.7 million of new issues, compared to J\$ 3.2 million in 1981 and J\$ 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, was not sustained in 1982. Thus, current revenue in 1982 grew about 18% compared to 27% in 1981. Conversely, whereas in 1981 current expenditure was kept to a modest 7% growth, it increased by 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 grew thereby increasing the need for financing (see table 16).

Consistent with the tenets of supply-side economics, the 1982/1983 Budget 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 had been in 1981, due to the sluggish economic conditions, especially for bauxite.

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

MONTERRAT

1. Recent economic trends: Introduction and summary

The island of Montserrat is 104 square kilometres in area, with a population of around 12 000 people. The resident population has increased by 0.13% per year during the last decade. Although there is a large natural increase, there is also high outward migration.

The economy of Montserrat registered real growth of 2.0% and 1.2% during 1981 and 1982, respectively. The most important sectors of the economy are government services, wholesale and retail trade, construction, and enclave-type industries. Agriculture, which was previously the mainstay of the economy, has declined sharply and now accounts for only 5% of the gross domestic product (GDP) (see table 1).

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 are still very small, and although their output has increased slightly their contribution to the GDP has remained almost unchanged.

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 has 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 explains the importance of the water storage tanks attached to most houses for conservation of run-off from house roofs.

There is one electric company serving the island. Both total and per capita consumption increased during the period 1977 to 1980, remained unchanged in 1981, and declined during 1982 (see table 2).

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

iii) *Tourism.* Tourist facilities —especially hotels— are relatively under-developed. However, there is a trend toward building villas and condominiums. The average number of tourists has remained at about 22 000 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 US\$ 4.3 million in 1980 to US\$ 5.4 million in 1981 and US\$ 5.8 million in 1982 (see table 3).

3. The external sector

a) *Merchandise trade*

i) *Exports.* In recent years light manufactures from enclave and assembly-type operations have formed the bulk of exports. Re-exports comprise a significant part of the total exports, accounting for approximately 40% of the total in 1981 and 1982.

It is noticeable that although total exports have shown rapid growth in money terms 108%, the performance of the various contributing sectors has been erratic (see table 4). In fact there was an extraordinary increase in 1982 in the exports of manufactured goods and of items labelled "miscellaneous", after having dropped in 1981.

Table 1

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

	Millions of EC\$ at 1977 prices		Percentage breakdown		Growth rates	
	1981	1982 ^a	1981	1982	1981	1982 ^a
Total gross domestic product	41.1	41.6	100.0	100.0	2.0	1.2
Goods	9.7	9.6	23.5	23.0	5.4	-1.0
Agriculture, fishing and forestry	1.5	1.5	3.6	3.6	7.1	-
Livestock	0.6	0.6	1.5	1.4	20.0	-
Mining	0.3	0.3	0.7	0.7	-	-
Manufacturing	3.5	3.4	8.5	8.2	12.9	-2.9
Construction	3.8	3.8	9.2	9.1	-2.6	-
Basic services	3.0	3.0	7.3	7.2	3.4	-
Electricity and water	1.1	1.1	2.7	2.6	0.0	-
Transport and communications	1.9	1.9	4.6	4.6	5.6	-
Other services	28.4	29.0	69.1	69.7	-0.4	2.1
Wholesale and retail trade	7.0	7.1	17.0	17.1	4.5	1.4
Hotels and restaurants	1.1	1.1	2.7	2.6	-15.4	-
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.

^aPreliminary figures.

Table 2

MONTERRAT: INSTALLED CAPACITY, PRODUCTION AND CONSUMPTION OF ELECTRICITY

Year	Capacity (thousands of kW)	Production (millions of kWh x 10 ⁶)	Consumption (millions of kWh)	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.

Table 3

MONTERRAT: SELECTED TOURIST INDICATORS

	1980	1981	1982 ^a	Growth rates			
				1979	1980	1981	1982 ^a
Total visitors ^b	20.5	21.4	24.9	9.7	12.1	4.4	16.4
Stopover visitors ^b	15.5	15.6	15.0	12.9	18.3	0.6	-3.8
Cruise-ship visitors ^b	4.1	5.2	9.1	-6.6	3.2	26.8	75.0
Air excursionists	849.0	697.0	776.0	31.0	24.1	-17.9	11.3
Hotel and guesthouse beds	184.0	184.0	176.0	-8.4	-6.1	0.0	-4.3
Occupancy rate ^c	44.0	48.0	36.0	28.6	22.2	9.1	-25.0
Average length of stay ^d	8.0	7.5	8.0	-1.3	2.6	-6.2	6.7
Estimation tourist expenditure ^e	4.3	5.4	5.8	25.0	16.0	25.9	7.5

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

^aPreliminary figures.

^bThousands.

^cPercentages.

^dNumber of nights.

^eMillions of U.S. dollars, current values.

Table 4

MONTERRAT: EXPORTS OF GOODS

	Thousands of U.S. dollars				Percentage breakdown		Growth rates	
	1979	1980	1981	1982 ^a	1981	1982	1981	1982 ^a
Total exports	551	1 184	1 291	2 684	100.0	100.0	9.0	107.8
Food, beverages and tobacco	244	85	154	145	11.9	5.4	81.2	-5.8
Crude materials	71	91	131	152	10.1	5.7	42.9	16.4
Manufactured goods	12	155	66	525	5.1	19.6	-57.3	692.2
Machinery	146	241	130	347	10.1	12.9	-46.4	168.0
Miscellaneous manufactured goods	78	489	810	802	62.7	29.9	65.9	-1.0
Miscellaneous commodities	1	123	1	712	0.1	26.5	-99.4	-

Source: Statistics Office, Government of Montserrat.

^aPreliminary figures.

Table 5

MONTERRAT: IMPORTS OF GOODS

	Millions of U.S. dollars				Percentage breakdown		Growth rates	
	1979	1980	1981	1982 ^a	1981	1982	1981	1982 ^a
Total imports	12.0	16.5	18.9	20.2	100.0	100.0	14.6	7.1
Food, beverages and tobacco	3.3	4.1	4.8	5.1	25.3	25.5	6.6	7.8
Raw materials	0.6	0.5	0.6	0.6	3.1	2.9	23.1	-
Fuel	1.1	1.8	2.3	2.2	12.2	10.8	29.2	-4.8
Manufactured goods	2.4	2.6	3.0	3.6	15.9	17.6	15.7	18.5
Machinery and transport equipment	2.4	4.1	3.6	4.6	19.0	22.5	-11.8	26.8
Other	2.2	3.1	4.6	4.2	24.5	20.7	50.6	-9.6

Source: Statistics Office, Government of Montserrat.

^aPreliminary figures.

During 1981, some 66% of exports were sold to other member States of the Caribbean Common Market; of these, 46% went to the member States of the Organization of East Caribbean States and 20% to Barbados and Trinidad and Tobago. Other Caribbean islands accounted for 6%, the United Kingdom 16% and North America 12%.

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 almost 8% and accounted for 25% of the total import bill, as in 1981 (see table 5). Machinery and transport equipment, which accounts for about 20% of total imports, is dominated by the importation of motor cars. Construction materials and petroleum products are also major import items, the latter representing 11% of total imports in 1982.

Nearly all commodities, including much of the food consumed, are imported. Although the value of exports as a percentage of imports increased from 4.6 in 1979 to 13.3 in 1982, the deficit in current values went down by less than 1% in 1982 (see table 6).

b) *Balance of payments*

The balance of payments 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 6
MONTERRAT: BALANCE OF VISIBLE TRADE 1975-1982

(Thousands of US dollars)

Year	Total exports	Total imports	Balance of trade	Exports as percentage of imports
1979	551	11 971	-11 420	4.6
1980	1 184	16 500	-15 316	7.2
1981	1 291	18 896	-17 605	6.8
1982 ^a	2 684	20 222	-17 538	13.3

Source: Statistics Department, Government of Montserrat.

^aPreliminary figures.

Table 7
MONTERRAT: BALANCE OF PAYMENTS, 1980 AND 1981

(Millions of US dollars)

	1980	1981 ^a
Inward flows		
Loans	0.7	0.7
Public sector grants and gifts	2.6	2.6
Investment funds	1.9	1.9
Miscellaneous transfers	1.5	1.5
Tourism receipts	4.8	5.6
Receipts from exports	1.1	2.6
Remittances from abroad	3.7	5.2
Total	16.3	20.0
Outward flow		
Imports	16.3	20.4

Source: Data supplied to ECLA.

^aPreliminary figures.

Table 8

MONTERRAT: EVOLUTION OF DOMESTIC PRICES

	Variation between annual averages			Variation Dec.-Dec.
	1980	1981	1982	1982
Global consumer price index	29.8	10.6	6.3	8.4
Food and beverages	23.8	5.3	4.9	2.3
Alcohol and tobacco	15.3	9.2	5.8	2.3
Housing	39.1	-4.3	-	-
Utilities	52.3	9.9	20.9	25.0
Clothing	15.4	16.7	8.0	17.8
Miscellaneous household goods	26.3	15.5	16.0	9.0
Others, including services	22.9	21.1	1.2	2.9

Source: Statistics Office, Government of Montserrat.

Table 9

MONTERRAT: GOVERNMENT INCOME AND EXPENDITURE

(Current prices)

	Millions of EC\$			Growth rates		
	1980	1981	1982 ^a	1980	1981	1982 ^a
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 current account (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	52.0
Grants	5.4	5.8	14.4	134.8	7.4	148.3
Loans	0.4	4.0	0.5	185.7	900.0	-87.5
5. Capital expenditure	7.5	10.9	...	87.5	45.3	...
6. Total income	21.6	27.8	34.7	52.1	28.7	24.8
7. Total expenditure (2+5)	21.0	26.6	...	40.9	26.7	...
8. Government surplus	0.6	1.2	...	...	100.0	...

Source: Statistics Department, Government of Montserrat.

^a Preliminary figures.

4. Employment and prices

a) *Employment*

The 1980 census indicated a total labour force of 4 872 persons. The unemployment rate of 6.1% in 1980 is estimated to have fallen to just 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 underemployment, 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 services sector such as finance, social and personal services, and commerce have employed increasing numbers of workers. The construction sector is also important, employing 20 to 25% of the male work force. Agriculture accounts for about 9%, but most of these workers are part-time or experience severe underemployment.

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 increase in the cost of materials (see table 8). It is noteworthy that housing and services determined by local factors either remained unchanged or increased only marginally.

5. *Fiscal policy*

a) *Government revenues and expenditures*

Government current revenues increased by 10% in 1982 (see table 9). The tax system is well developed and accounted for approximately 80% of Government's current income in that year. Direct taxes contributed 41% of the total tax revenue and indirect taxes 59%. In addition to taxes, the Government derives revenues from various other sources, mainly the hire of public equipment, licenses, stamp duties, philatelic sales and interest on various financial transactions.

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

The economy of Montserrat is unable to achieve the capital formation that is required to fund development and infrastructure needs. Such activities are therefore funded by aid donors, of which the British Government and the European Economic Community are the most important, accounting for some 75% of the EC\$ 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's resources during 1982, priority being given to road development, port equipment, airport services, municipal water supplies, the development of small farming, and agricultural and industrial plant for an integrated sea island cotton industry. Social services were allocated 15% and natural resources 3% of the development fund.

NETHERLANDS ANTILLES¹

1. Recent economic trends: Introduction and summary

The Netherlands Antilles comprises six islands physically separated into two groups: the Leewards, consisting of Aruba, Bonaire and Curaçao, and the Windwards six hundred miles to the north-east, comprising St. Maarten, St. Eustatius and Saba. Of the six, two islands—Curaçao, the site of the capital, and Aruba, with populations of 161 000 and 63 000 respectively—account for over 90% of the total population (see table 1).

While legally and administratively a unified State, conceptually the islands may be considered as six small economies. The fact of their significant geographic separation 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 any substantial 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, although real National Income nevertheless seems to have increased in 1982. The recession in the world economy and the decline in oil production and consumption, as well as changes in the petroleum policy of major consuming countries, have thrown into sharp focus the vulnerability of the economy to events in the rest of the world.

The Netherlands Antilles depends to a great extent, for its economic viability, on the refining of oil and on tourism. Petroleum refining has been of paramount importance since World War I. The two refineries, one in Aruba and the other on Curaçao, have processed crude oil for export to the United States and account for a significant portion of the gross domestic product (GDP). Refining has declined since 1973, partly because of the United States policy change that resulted in increased protection of refineries in the United States and the United States Virgin Islands, and partly because of a general reduction in consumption 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-1970s, 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, but towards the end of 1982 it had become apparent that ship-repair activity would decline, adding to the unemployment problem.

Tourism has grown rapidly since the 1960s and is now the largest employer after the government sector, while it is second only to oil refining as an earner of foreign exchange. It is a diversified sector, 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 offshore sector, the main importance of which lies in its contribution to tax and foreign exchange receipts. Companies operating as financial subsidiaries or investment firms, banking, shipping and trading institutions, and holders of real estate and patents comprise the main elements of the offshore activity. Changes in tax legislation currently being negotiated with the United States have cast some uncertainty on the future of this sector.

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

Given this orientation, the commerce sector has become a major employer in the islands, performing a distribution function for both households and the tourist sector. Free zones have been created in both Aruba and Curaçao, and their capacity 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 tourism or other service-oriented sectors, is concentrated on Curacao, while tourism is of great importance in Aruba and St. Maarten.

International inflation and exchange rate movements are major determinants of domestic prices, because of the open nature of the economy. The currency is tied to the United States dollar, and any movement of the latter 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 less than 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%, but are 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. Moreover, the deterioration in foreign earnings from the main 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 risks, and has sought to maximize the benefits rather than to forego them in an effort to eliminate risk.

Table 1
NETHERLANDS ANTILLES: MAIN ECONOMIC INDICATORS

	1978	1979	1980	1981
A. Basic economic indicators				
GNP at market prices (millions of US dollars) ^a	...	1 280.6	...	...
Population (thousands)	251.0	252.0	253.0	...
Per capita GNP (US\$) ^a	...	5 156.0	...	...
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 December-December	9.7	12.2	16.0	8.6
Variation between annual averages	...	...	...	12.2
Money supply	12.6	3.3	12.6	18.1
Current income of government	...	8.4	(3.6)	(16.2)
Total expenditure of government	...	...	-1.1	...
Overall deficit (central government)	...	...	-42.1	...
Millions of N.A. guilders				
C. External sector				
Trade balance (merchandise)	-895.3	-667.6	-1 290.3	...
Balance on current account	-47.0	34.5	-7.8	...
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.

^a Appropriate conversion rate not available at time of writing.

Table 2

NETHERLANDS ANTILLES: PRODUCT AND INCOME BY
KINDS OF ECONOMIC ACTIVITY, 1979

	Thousands of N.A. guilders	Percentage
GDP at market prices	3 155 397	100.0
Of which:		
Agriculture, mining, fishing and industry ^a	1 195 492	37.9
Utilities	40 671	1.3
Construction	115 628	3.7
Trade and tourism	753 416	23.9
Transport, storage and communications	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.

^aMainly industry (oil refining).

2. Trends in economic activity

a) *Evolution 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 in the past. In the absence of a well developed manufacturing sector, wholesale and retail trade continue to influence economic activity and the balance of payments (see table 2).

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 climate, lack of knowledge and experience, lack of financing, and lack of market structure.

Over the years, the few farmers have received limited assistance from the island governments. The rapid development of the oil industry has been another explanatory factor behind the drift away from 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 beverages are considerably higher than 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 has 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%.

The absorption capacity of the Netherlands Antilles market for agricultural products is high, and local food producers could find bigger local markets if greater planning and marketing efforts were made, while the transfer of technology could help combat the physical problems that confront agriculture. In the past, credit to the agricultural sector has been very limited, but since 1975 some improvements in the planning, management and financing of the sector have occurred.

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 (see table 3).

There are approximately 4 000 dams on the island of Curaçao, most of them in poor condition. If financing from the island government for the rehabilitation of some of those dams were 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 also being conducted, while greenhouses are being installed to overcome the problem of wind damage. Some hydroponic farms have already been established in Curaçao 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 erosion, increasing water reserves and reducing the destruction due to the wind.

In the area of marketing, the island governments should make efforts to promote the health aspects of fresh fruit and vegetable production, and they should identify possibilities for establishing agro-industries after the problem of production is settled. Official action in the areas of technology, research, extension and administration could do much to boost agriculture in the islands.

Comprehensive statistics on agricultural production are not at present available, but production estimates for 1982 are given in table 4.

A number of projects involving the island governments or private enterprise have been inaugurated or planned with a view to boosting local production of agricultural commodities (see tables 5 and 6).

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
Curaçao	37.7	62.3
St. Eustatius	39.8	60.2
St. Maarten	11.5	88.5
Saba	5.0	95.0

Source: Data supplied to ECLA.

Table 4

**NETHERLANDS ANTILLES: ESTIMATED AGRICULTURAL
PRODUCTION, 1982**

(N.A. guilders)

Items	Curaçao	Bonaire	Windward Islands
Fruit and 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.

Table 5

NETHERLANDS ANTILLES: PROJECTS SPONSORED BY THE PUBLIC SECTOR

Activity	Location	Amount of financing required (est.) (N.A. guilders)	Starting date
Pig breeding project	Curacao	1 000 000	Jan. 1983
Conch project	Bonaire	60 000	1981
Fishery project	St. Eustatius	500 000	1983
Slaughterhouse	Curacao	4 000 000	1983
Distribution centre for vegetables	Curacao	...	...
Slaughterhouse	Bonaire	1 000 000	1983
Slaughterhouse	St. Eustatius	...	1983
Open market (BELINAH)	St. Maarten	...	...
Agricultural centre	Saba	...	1980

Source: DEZ.

Table 6

NETHERLANDS ANTILLES: PROJECTS SPONSORED BY THE PRIVATE SECTOR

Activity	Location	Amount of financing required (est.) (N.A. guilders)	Starting date
Egg production 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. A recycling 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, including tomatoes, beans, cucumbers, gherkins, 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 from 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 petroleum products, mainly heavy fuel oil using heavy crudes from Venezuela, to the Eastern United States. The Shell Curacao facility has the capacity to process a variety of crudes and products, and this versatility is being increased, but because of the international economic environment and 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 1970s 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 the Netherlands Antilles refineries. As regards 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 Netherlands Antilles are in an unpromising position.

In the early 1950s 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.

Table 7 gives some idea of the contribution of this sector to the balance of payments, though it does not show the value of petroleum imports used for local transportation or electricity generation, nor does it show the amounts used for bunkering.

The production index has declined considerably since 1973, when it stood at 149. Between 1975 and 1978 it remained relatively stable, but it has fallen steadily since that time.

Seismic exploration is currently underway around the islands of Curaçao, Aruba and Bonaire and 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.

Table 7

NETHERLANDS ANTILLES: PETROLEUM IMPORTS,
EXPORTS AND NET BALANCE

(Millions of N.A. guilders)

	1978	1979	1980	1981
Oil exports	5 187.7	7 533.4	10 672.4	10 346.3 ^a
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)	100.0	92.0	91.0	88.0

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

^a Figures for 1981 measured on a cash flow basis.

Table 8

NETHERLANDS ANTILLES: STOPOVER TOURISTS, 1981

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

Source: *Central Bank*, 1981.

Table 9

NETHERLANDS ANTILLES: SELECTED TOURISM STATISTICS

	1980	1981	1982 ^a	Growth rate		
				1980	1981	1982 ^a
Stopover visitors ^b	595.0	603.9	...	-0.6	1.5	...
Aruba	188.9	221.3	220.2	2.0	17.2	-0.5
Curaçao	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 ^b	350.8	293.1	...	-10.4	-16.4	...
Aruba	73.4	54.7	51.1	-23.2	-25.1	-7.0
Curaçao	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	110.0	79.0	84.0	-25.1	-28.2	6.3
Curaçao	253.0	195.0	183.0	2.8	-22.9	-6.2
Bonaire	5.0	23.0	...	16.6	360.0	...
St. Maarten	213.0	148.0	...	9.8	-30.5	...
Average length of stay ^c						
Aruba	6.2	6.2	6.2	-6.0	-	-
Curaçao	4.8	4.2	...	-4.0	-12.5	...
Bonaire	4.7	4.6	...	-4.0	-2.1	...
St. Maarten	...	...	...	...	...	...
Hotel occupancy rate ^d						
Aruba	77.4	86.2	...	...	...	...
Curaçao	70.6	72.6	...	...	...	...
Bonaire	...	...	...	...	...	...
St. Maarten	...	58.2	...	...	...	...
Estimated tourist expenditure ^e (NAf. millions)	578.8	655.2	486.2 ^f	21.6	13.1	-5.4 ^f

Source: *Central Bank Quarterly Bulletin*, Vol. 9:3 - 9:4; Central Government of the Netherlands Antilles; and data supplied to ECLA.

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

^aPreliminary figures.

^bThousands.

^cDays.

^dPercentage.

^eContribution to balance of payments measured on a cash flow basis.

^fFigures for January-September.

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

Due to the wide geographic spread of the Netherlands Antilles, the tourism 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).

Thus, whereas Curaçao caters mainly for shoppers, the sister island of Aruba combines shopping with beach resort facilities. Bonaire, on the other hand, mainly attracts 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 rather as an alternative destination to Puerto Rico or the Virgin Islands.

In broad aggregates, the United States was the country of origin of 47% of all tourists to the Netherlands Antilles in 1981. Venezuela contributed 25% and the rest of Latin America and the Caribbean accounted for 14%.

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 stopover visitors actually increased by 1% compared with 1979-1981. Preliminary figures for 1982 show a decrease of 0.5% for Aruba but an increase of 13.2% for St. Maarten (see table 9). Figures available for Curaçao (January to September 1982) show a decrease of 8.5% in the number of stopover visitors compared with the same period in 1981. During the period considered, 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, and the trend is expected to continue in 1982 because the location of Curaçao and Aruba, away from other major tourist destinations, makes them 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 provides over 5 000 jobs. At present most of the construction firms are small establishments which lack the expertise and capacity to undertake larger-size projects. Because of the nature of the construction industry, it is subject to large fluctuations in numbers employed and value of work done. The sector's percentage contribution to GDP was estimated at 4% at market prices in 1979.

v) *Public utilities.* The distribution of water and electricity on the island of Curaçao is effected by a Curaçao Government-owned company, KODELA. Prior to 1 July 1977, this company was privately owned by an enterprise in Rotterdam. Electricity is purchased by the company from another which produces electricity and water.

The OGEM private company controls the distribution of electricity on Aruba, while the Island Government is responsible for the production of electricity and water, and for the distribution of the latter. In Bonaire, the distribution of water is effected by the Island Government, but in Saba and St. Eustatius, because of high rainfall, the abundant surface water is caught in cisterns and 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, and in the islands of Aruba, Bonaire and Curaçao, about 99% of the households are supplied with running water.

Table 10

NETHERLANDS ANTILLES (ARUBA AND CURAÇAO):
IMPORTS AND EXPORTS BY SITC SECTIONS^a

(Millions of N.A. guilders)

SITC section	Imports		Exports	
	1976	1977	1976	1977
Food	199.0	222.0	52.4	50.7
Beverages and tobacco	15.0	18.0	0.1	0.1
Crude materials inedible, except fuels	7.0	10.0	16.6	13.8
Animal and vegetable oils and fats	2.0	3.0	...	...
Chemical products	78.0	113.0	87.3	60.9
Manufactured goods	134.0	153.0	4.1	4.4
Machinery and transport equip.	170.0	228.0	21.9	19.9
Miscellaneous and other articles	198.0	205.0	9.1	9.0
Total	804.0	953.0		158.8

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

^aExcluding oil and oil products.

3. The external sector

As the Netherlands Antilles are not richly endowed with indigenous raw materials, do not have a well-developed manufacturing sector, and moreover face a severe shortage of water on the main islands which has limited agricultural development, the islands have had to use their ingenuity to develop a wide range of service industries to generate enough foreign exchange for their needs. External dependence is a common characteristic of the Caribbean economies, and it is even more marked in the Netherlands Antilles (see table 10).

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

Estimates for 1981 show a slight (2%) decline of the deficit compared with 1980, but for 1982 (based on estimates 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 they registered a small decline of 0.5% compared with the corresponding period in 1981.

Primary earners on the service account are bunkering and tourism, with ship maintenance and repair, revenues from offshore 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 smallness and open nature of the economy and the narrowness of its resource base.

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 from travel and transportation receipts, and net capital inflows (see table 11).

A decline in international reserves took place as a result of the balance-of-payments deficits of 1978 and 1979, as may be seen from the balance-of-payments figures on a cash flow basis. Large outflows of capital took place, while at the same time the inflow of foreign loans and grants decreased.

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 "Lago". The statement includes only the amounts transferred by these companies from their bank accounts abroad to Netherlands Antilles banks, and 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 Lago. 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 flow basis in that it reflects 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 that based on 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) *Offshore financial institutions.* The Netherlands Antilles has developed a comprehensive range of financial institutions to service clients in other areas of the world, particularly the United States, the EEC and Venezuela. These so-called offshore services comprise banking, finance companies, subsidiaries of international companies, insurance and re-insurance, and investment funds, as well as a variety of holding, royalty and copyright and patent holding companies. It is estimated that these offshore activities employ over 1 000 high income professionals.

While not a tax haven in the strictest sense, the Netherlands Antilles do provide a preferential tax rate of 2.4% on the first NAf 100 000 of net profit and 3% on the remainder, as an incentive to attract offshore business. This compares with a rate of between 31 and 39%

on similar enterprises engaged in local operations. Liberal foreign exchange regulations, favourable banking regulations, good telecommunications links, and a stable political environment complete this package of incentives. Offshore operators may also benefit from appropriate tax treaties agreed between the Netherlands Antilles and the United States, United Kingdom and the Netherlands, although tax legislation in the United States has been subjected to considerable change in recent years in order to close those loopholes which made it worthwhile for United States enterprises to register abroad.

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 approximately 80% in tax revenues received from the offshore sector as a whole, between 1978 and 1981.

The offshore banking sector provides a full range of banking services for non-Antillean clients. It is dominated by Dutch banks, with strong representation from Venezuelan, United States and Canadian banks, while United Kingdom, Swiss, Arab and Brazilian concerns are also represented.

Table 11
NETHERLANDS ANTILLES: BALANCE OF PAYMENTS: CASH FLOW BASIS

(As at end of December)

	Millions of N.A. guilders	
	1980	1981
Oil exports	10 633.3	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
Bunkering	587.4	564.5
Storage fees	173.9	188.4
Other	249.2	191.4
Tourism	578.8	655.2
Investment income	-422.6	377.2
Government n.e.s	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 foreign borrowing	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 ^a	-52.1	-96.1

Source: Central Bank of the Netherlands Antilles.

^aMinus sign indicates and increase.

Table 12

NETHERLANDS ANTILLES: TAX REVENUE FROM
OFFSHORE ENTERPRISES

(Millions of N.A. guilders)

1978	1979	1980	1981
77.0	62.4	100.5	137.0

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

Table 13

NETHERLANDS ANTILLES: TOTAL ASSETS/LIABILITIES

(Millions of N.A. guilders)

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.

A balance sheet for 44 offshore banks, and for the offshore portion of the five domestic deposit banks engaging in such transactions, is set out below (see table 13). It shows an increase of 229% in the business conducted by the banking institutions over the period 1978-1981.

Performance in 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 CIF. They also 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 Curaçao Dry Dock Company are also included, as are harbour dues and pilotage fees.

Earnings from bunkering fluctuate widely, showing a reduction of 10% in 1978 but positive growth of 80% and 5% respectively for 1979 and 1980, while preliminary figures for 1981 show an increase of less than 1%.

The remainder of the items under the ship repair and transportation heading show 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% compared with 1980.

Ship repairing is an important earner of foreign exchange for the Netherlands Antilles and an important employer of labour in Curaçao, but because of the high wage rates prevailing in them, the productivity of Curaçao shipyards will need to be increased if they are to remain competitive.

Significant quantities of foreign exchange are earned through the fees derived from storing goods which are either imported, exported or in transit, the bulk of the earnings under this item being derived from the oil storage facilities in Aruba, Bonaire and Curaçao 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 United States has until now been limited to vessels of not more than 60 000 DWT. Competing facilities are now being established, however, particularly the Louisiana Offshore Oil Port (LOOP) which became operational in early 1981, and this, together with a general reduction in the demand for oil in the United States and a switching of sources of supply to Mexico, casts doubts on the future on this sector, which employs about 400 people and had 1980 earnings of NAf 214.8 million.

v) *Distribution*. The lack of a well-developed manufacturing sector, coupled with the substantial size of the tourism sector, has given rise to a vigorous commercial sector, and in 1979 wholesale and retail trade accounted for some 22% of total GDP. Employment data indicate that this sector, coupled with hotel and restaurant activities, absorbs the largest group of workers in the labour force. The trade sector in Aruba and Curaçao 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

a) *Prices and wages*

As an open economy with a large proportion of the goods it consumes originating abroad, price movements in the Netherlands Antilles 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 United States dollar (to which the local currency is pegged) relative to the currencies of the major sources of supply.

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, but price changes for the remainder of the year were minimal.

Table 14

NETHERLANDS ANTILLES: EVOLUTION OF CONSUMER PRICE INDEX (LEEWARD ISLANDS)

(April 1975 = 100)

	1980	1981	1982 ^a
Variation December to December			
Total	16.0	6.1	5.6 ^b
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 and communications	13.2	7.9	12.0
Recreation, entertainment and cultural goods and services	-18.9	3.6	2.6
Education	13.5	7.6	6.0
Miscellaneous	16.0	8.6	-39.5
Variation between annual averages			
Total	...	12.2	(8.8) ^c 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 and communications	...	11.8	(14.3) 6.2
Recreation, entertainment and cultural goods and services	...	8.8	(8.0) 3.0
Education	...	3.3	(1.4) 4.1
Miscellaneous	...	9.8	(9.6) 6.3

Source: Data supplied to ECLA.

^a Average for January to October 1982.

^b October to October.

^c Figures for St. Maarten 1981.

Table 15

NETHERLANDS ANTILLES: MINIMUM WAGES

(N.A. guilders per month)

	1979	1980	1981	1982 ^d
Category ^b	633.30	712.46	817.20	921.0
Category ^c	455.20	512.10	587.40	655.0
Category ^d	382.05	429.81	493.00	546.0
Category ^e	182.80	205.65	235.90	280.0

Source: Bank of Netherlands Antilles, *Annual Report 1980*, data provided by the Netherlands Antilles.^aPreliminary figures.^bManufacturing industry (excluding electronics, textiles and clothing), plus construction.^cBanks, insurance companies, transportation, hotels, restaurants and recreation.^dAgriculture, trade, electronics, textiles, clothing, laundries, etc.^eHousehold personnel.

Table 16

NETHERLANDS ANTILLES: POPULATION AND LABOUR FORCE (1978)

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

Source: Central Bank of the Netherlands Antilles.

For all the islands, the largest price increases for the two-year period were in medical care and household supplies followed by clothing and footwear, and food. Housing prices showed above average growth in 1981, but almost no increase for 1982. Price increases in St. Maarten were more moderate overall than in the Leeward islands.

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 United States dollar *vis-à-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 this would restrict employment in this age group, where a high rate of unemployment prevails. Four categories of minimum wage are considered, as set out in table 15, and relate generally to industry, service enterprises, retail commerce and domestic servants.

The minimum wage is adjusted at the beginning of each calendar year to reflect the increase in the cost of living over the previous 12-month period. Due to difficulty in collecting data, there is a lag of about five 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% over the two-year period 1980-1982, the minimum wage figures averaged a 30% increase, the greatest jump being recorded in category (e) at 36%.

b) *Employment*

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 force is estimated to grow at between 3% and 4% per annum, and despite the fact that the number of persons employed in Curaçao 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 are increasing, particularly in Curaçao, where the workless at the end of 1982 estimated at 25% of the labour force.

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. Wholesale and retail trade accounts for 14% of the economically active population but should be viewed in conjunction with tourism, which employs 9% of the labour force directly, since a significant portion of the visitors to the Netherlands Antilles go to shop. Manufacturing, which includes the petroleum sector and ship repairs, is estimated to absorb 12% of the labour force, while finance, insurance and other business services employ approximately 10%. Finally, the unemployed constitute 15% of the economically active population.

5. Monetary and fiscal policy

a) *Monetary policy*

The money supply increased by 18% and 20% in the years 1981 and 1982 respectively (see table 18), thus representing an increase of the money supply in real terms, since the respective rates of inflation were 12.2% and 5.7%. A large part of the monetary expansion can be explained by inflows of foreign exchange, while domestic growth of the money supply exceeded the growth of production in real terms in 1981.

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

Table 17

NETHERLANDS ANTILLES: STRUCTURE OF ECONOMICALLY ACTIVE POPULATION, 1981

	Percentage
Agriculture and fishing	0.7
Mining	0.4
Manufacturing	12.0
Electricity, gas and water	1.4
Construction	5.4
Wholesale and retail trade	14.1
Restaurants and hotels	8.9
Transport, storage and communications	4.3
Finance, insurance, real estate and business services	9.8
Public administration	20.7
N.E.S.	6.6
Unemployed	15.0
Total	100.0

Source: Economist Intelligence Unit, 1981.

Table 18

NETHERLANDS ANTILLES: INDEX OF THE MONEY SUPPLY
AND LIQUIDITY CREATION

(At 31 December)

	1976	1977	1978	1979	1980	1981	1982 ^a
Money supply (1975 = 100)	112.3	127.9	144.0	148.8	167.5	197.8	237.9
Millions of N.A. guilders at year end							
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.

^aPreliminary figures.

Table 19

NETHERLANDS ANTILLES: CENTRAL GOVERNMENT
INCOME AND EXPENDITURE

	Millions of N.A. guilders				Annual growth rate		
	1979	1980	1981	1982 ^a	1980	1981	1982 ^a
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 to ECLA.

^aPreliminary figures.b) *Fiscal policy*

The main problem in public finance in the Netherlands Antilles has been the consistently larger growth of government current expenditures over current revenues since 1974 (see table 19). In the last three or four years, another related issue is the fact that the island governments have tended to withhold tax revenues collected, rather than turn them over to the central government. While permitting the island governments to increase their expenditures substantially, this has deprived the central government of a major source of income, and it has therefore been forced to increase its issues of bonds and treasury paper to meet inescapable commitments.

The main reasons for the 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, which are financed by the central government.

SAINT 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 (East Caribbean dollars¹ at 1977 prices) indicated a fall of 0.6%. GDP at current factor cost, however, rose by 5% (see table 1).

In terms of real growth, the highest rate was observed in the manufacturing sector (about 13%). 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.

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 United States 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 grew 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. Private direct investment fell significantly in 1982, as a major private sector project came to an end.

The Government successfully moved to minimize the extent of its current deficit foreseen by the IMF. Employment cutbacks, a more efficient tax-collection exercise, and an improvement in the level of financial reporting and administration helped keep the deficit down to EC\$ 1.86 million.

2. Trends in economic activity

a) *Evolution of the main sectors*

i) *Agriculture.* The agricultural contribution to GDP at 1977 prices in 1982 was estimated at EC\$ 26.7 million—a 9% increase over the figure of the previous year. The sector's share of total GDP stood at over 14% (see table 2).

Bananas. Banana production increased by less than 1% over the level of the previous year, registering a total of 58 896 tons in 1982 (see table 3). This performance fell short of the targeted production of 67 200 tons, and is accounted for by prolonged drought and inadequate supplies of inputs. Flooding in major banana-producing areas at harvest time also adversely affected the 1982 crop. The increase in the packing of banana boxes in the field has led to a higher quality of fruit exported. Field-packed fruit of an accepted standard now attracts a premium of 4 cents per pound.

Exports of bananas continued to be the major earner of foreign exchange. The market price for green bananas fluctuated between 212.95 pounds per ton² 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 fall in consumption in the United Kingdom with the onset of winter, reflecting the normal seasonal pattern. By year end, the green banana market price stood at 355.62 pounds per ton. The basic price

¹The East Caribbean dollar is pegged to the dollar at a rate of US\$ 1.00 = EC\$ 2.70.

²The price of bananas is quoted in pounds sterling, and the reference weight is the long ton, which is equal to 2 240 lbs. This is equivalent to about 1 018 metric tons.

Table 1
SAINT LUCIA: MAIN ECONOMIC INDICATORS

	1979	1980	1981	1982 ^a
A. Basic economic indicators				
Gross domestic product at factor cost (millions of EC dollars at 1977 prices)	...	186.4	187.0	185.9
Per capita gross domestic product (EC dollars at 1977 prices)	...	1 553.0	1 533.0	1 499.0
Population (thousands)	118.0	120.0	122.0	124.0
Growth rates				
B. Short-run economic indicators				
Gross domestic product at factor cost	0.3	-0.6
Per capita gross domestic product	-1.3	-2.2
Current value of exports of goods	-11.6	-0.3
Current value of imports of goods	-8.4
Consumer price index (annual average variation)	9.4	19.5	15.1	4.6
Millions of dollars				
C. External sector				
Trade balance (goods and services)	-61.8	-52.6
Balance on current account	-46.9	-44.6
Variation in net international reserves	-	-0.8
External debt	...	15.1	17.8	24.5

Source: Data supplied to ECLA.

^aPreliminary figures.

Table 2
SAINT LUCIA: GROSS DOMESTIC PRODUCT, BY ECONOMIC
ACTIVITY, AT FACTOR COST

	Millions of EC dollars at 1977 prices			Percentage breakdown		Growth rates	
	1980	1981	1982 ^a	1980	1982 ^a	1981	1982 ^a
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 and water	5.7	5.8	6.1	3.1	3.3	1.8	5.2
Transport, storage and communications	22.9	21.9	21.9	12.3	11.8	-4.4	-
Other services							
Wholesale and retail trade	26.3	26.3	26.3	14.1	14.1	-	-
Hotels and restaurants	13.5	11.7	12.0	7.2	6.5	-13.3	2.6
Finance, insurance, real estate and 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, Saint Lucia.

^aPreliminary figures.

Table 3

SAINT LUCIA: INDICATORS OF AGRICULTURAL PRODUCTION

(Tons)

	1980	1981	1982 ^a	Growth rates	
				1981	1982 ^a
Production of main crops					
Bananas - Total	46 308.2	58 351.3	58 895.7	26.0	0.9
Banana exports	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
Okra	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.^aPreliminary figures.

paid to growers fluctuated with the green banana market price, and was 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, and EC\$ 750 000 was administered under the Banana Development Programme. The Banana Growers' Association cash flow problems prevented procurement of its full requirements of fertilizer and pesticides. The British development ministry provided inputs to the value of EC\$ 1.75 million for sale to growers in order to help out in this respect.

An increase in the volume of exports of bananas to close on 61 000 tons is hoped for in 1983. It is believed, however, that an increase in production would be possible only if growers are able to realize a decent profit margin. As banana prices are quoted in pounds sterling, and as the pound has been declining in value *vis-a-vis* the United States dollar to which the Eastern Caribbean dollar is pegged, the Windward Islands Banana Association (WINBAN) and the Government of St. Lucia have taken steps to protect the industry. To this end, discussions with the British Government are taking place and 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.

There is a scheme to replant some 2 000 acres of bananas, which should lead to an increase in yield.

Coconuts. As a result of the 1980 hurricane, production of copra fell in 1981 from 6 500 tons to 2 300 tons. To date there has been no large scale rehabilitation of the coconut industry, but the Government of St. Lucia is seeking funding for this purpose. This project will include sheep rearing to utilize the pasture under the coconut trees. In the meantime, rehabilitation actions by individual farmers have permitted an increase of nearly 49% in 1982 copra production, which amounted to 3 800 tons.

Cocoa. Production suffered a setback from the hurricanes of 1979 and 1980. From a production level of 100 tons in 1979, production of cocoa beans fell to 72 tons in 1980, and 50 tons in 1982. Cocoa exports in 1982 were the lowest recorded since 1979 and stood at 2 863 kg. The price of cocoa on the foreign market fell from 1 730 pounds sterling per ton in 1980 to 900 pounds sterling per ton 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, growers will receive approximately EC\$ 3.00 per pound as compared with the 1982 price of EC\$ 1.92 per pound.

Table 4
SAINT LUCIA: INDEX OF MANUFACTURING PRODUCTION

(1975 = 100)

Industry	1979	1980	1981	1982 ^a	Growth rates		
					1980	1981	1982 ^a
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, Saint Lucia.

^aPreliminary figures.

Table 5
SAINT LUCIA: INDICATORS OF INDUSTRIAL PRODUCTION

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

Source: Statistical Department, Saint Lucia.

^aPreliminary figures.

^bTons.

^cThousands of litres.

^dThousands of proof gallons.

^eThousands dozen.

Table 6

SAINT LUCIA: ELECTRICITY PRODUCTION AND CONSUMPTION

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

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

^aPreliminary figures.

Other agriculture. There was a general increase in the production of root crops and vegetables in 1982 (see table 3), partly due to better weather conditions. With a view to promoting the diversification of the agricultural base, the Government has acquired some derelict estates and engaged in production. Additional impetus has been provided by an agricultural diversification programme under which the planting of exotic crops is receiving special attention, as lucrative markets have been identified.

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 and the index of manufacturing production showed a near 13% increase over the 1981 level (see tables 4 and 5). Significant increases were observed in food manufacturing, wearing apparel, and electrical appliances.

The production of cardboard boxes continued to be a major activity, and nearly eleven million boxes with an output value of more than EC\$ 22 million were manufactured in 1982.

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

iii) *Construction.* After experiencing growth of 5.2% in real terms in 1981, the sector declined by almost 30% in 1982. This fall-off in activity followed the completion of the oil transshipment and storage terminal. Reduced activity in the reconstruction of roads and buildings damaged by Hurricane Allen in 1979 also contributed to this decline, which was only partially offset by activity in the area of school building 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 EC\$ 4.39 per gallon in 1981 to EC\$ 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 13% (see table 6). The Government is looking forward to the rehabilitation of the Soufriere hydropower station and the Geothermal Project to lower the cost of electricity.

b) *Population and employment*

The population of St. Lucia was estimated at around 124 000 in 1982, with a labour force 4.6% larger than in 1979. Estimates indicate that the breakdown of employment by sectors remained largely unchanged. The first places were still occupied by the agricultural and the service sectors, with 34% and 43% of total employment, respectively. Mining and manufacturing accounted for 12% of the labour force, and construction for 10%. The June 1982 assessment of the unemployment rate was 27%.

3. The external sector

a) *Merchandise trade*

i) *Exports.* A slight drop in the value of exports was noted in 1982 as the downward trend in export earnings continued. The 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 7

SAINT LUCIA: EXPORTS OF GOODS FOB

	Millions of dollars			Percentage breakdown		Growth rates ^a	
	1980	1981	1982	1980	1982	1981	1982
Total^d	47.1	41.6	41.5	100.0	100.0	-11.6	-0.3
Food and live animals	14.3	17.9	18.0	30.3	43.3	25.5	0.4
Beverages and tobacco	3.1	3.5	3.6	6.7	8.7	10.6	3.2
Crude materials (except fuels)	0.3	0.4	0.3	0.6	0.7	50.0	-33.3
Mineral fuels and lubricants	-	-	0.1	0.1	0.4	-96.0	900.0
Oils and fats	2.9	2.9	4.0	6.2	9.7	-2.5	41.6
Chemicals	0.5	0.6	0.4	1.0	1.1	23.1	-25.0
Manufactured goods	8.0	6.6	6.0	17.0	14.6	-17.6	-8.4
Machinery and transport equipment	10.9	4.9	4.2	23.1	10.4	-54.9	-11.4
Miscellaneous manufactures	7.0	4.8	4.6	14.9	11.2	-32.1	-3.1

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

^aRates and totals may not agree exactly with figures because of rounding.

Table 8

SAINT LUCIA: IMPORTS OF GOODS CIF

	Millions of dollars		Percentage breakdown	Growth rates
	1981	1982 ^a	1982	1982 ^a
Total	128.8	118.0	100.0	-8.4
Consumer goods	74.0	68.8	58.2	-7.0
Food, beverages and tobacco	30.0	29.4	24.0	-5.4
Manufactured goods, including durables	44.0	40.5	34.3	-8.1
Intermediate goods	29.2	29.0	24.6	-0.8
Mineral fuels, lubricants and related materials	12.6	13.8	11.7	9.7
Animal and vegetable oils and fats	1.4	1.1	0.9	-23.1
Chemicals	12.6	11.6	9.8	-8.0
Crude materials	2.6	2.5	2.1	-4.2
Capital goods	25.7	20.2	17.1	-21.2
Machinery and transport equipment	25.6	20.2	17.1	-21.1

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

^aPreliminary figures.

Table 9

SAINT 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.

Table 10

SAINT LUCIA: SELECTED TOURISM STATISTICS

	1980	1981	1982 ^a	Growth rates	
				1981	1982
Total visitors ^b	140.0	90.0	106.0	-36.1	18.4
Total expenditure ^c	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 ^d	90.9	70.0	67.0	14.0	-4.3
Average length of stay of stay-over visitors ^e	8.6	8.6	8.6	-	-
Hotel occupancy rate ^f	63.8	52.3	52.5	-18.0	-0.4
Number of beds available	3 103.0	3 191.0	3 421.0	2.8	7.2

Source: Ministry of Finance, Planning and Statistics, *Economic Review*, 1982.^aPreliminary figures.^bThousands.^cMillions of US dollars.^dUS dollars.^eDays.^fPercentage.

Exports of foodstuffs along with beverages and tobacco, accounted for 52% of total exports (see table 7). Non-traditional exports have increased, as new markets have been developed in North America and Europe for exotic fruit.

As for manufactured exports, their relative share declined slightly, as a consequence of a drop in the sales of all the components of this section. Most manufactured goods are sold on the CARICOM market, which has become a major export outlet.

ii) *Imports*. The value of total imports decreased by 8.4% in 1982, as economic activity fell slightly in real terms (see table 8). Consumer goods accounted for 58% of total imports, with capital and intermediate goods accounting for the rest. The United States was in 1982 the main source of imports for 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. However, the terms of trade index still remains inferior to the 1978 figure, and more than 25% lower than the level recorded in 1975 (see table 9).

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 statistics indicate an 18% increase 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, after a 6% decline in 1981 (see table 10).

Nearly 40% of total visitors came from the United States and Canada, while arrivals from the United Kingdom stood at 20% of the total. Promotion efforts have been recently directed at South America, with encouraging results. The Tourism Board is seeking increased flights into St. Lucia in order to facilitate tourism expansion.

About 25 hotels, apartment hotels and guest houses comprise the tourist facilities offering up to 1 910 rooms. Hotel occupancy rates have been low enough to cause concern about the viability of some of the establishments.

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 \$ 5.3 million in 1981. In 1982, however, the deficit was reduced to \$ 1.7 million.

This resulted mainly from the improvement in the merchandise trade balance, as the value of exports remained virtually unchanged at \$ 41.6 million, while the value of imports dropped from \$ 128.8 million in 1981 to \$ 118 million in 1982. The positive net services balance, although slightly declining, thus covered nearly one-third of the trade deficit. Consequently, the current account deficit fell from its unprecedented high level of \$ 47 million in 1981, to 44.6 million in 1982 (see table 11).

The capital account balance fell from \$ 45 million in 1981 to \$ 34 million in 1982 as private direct investment fell significantly, due to a slowdown in construction activity.

Table 11
SAINT LUCIA: BALANCE OF PAYMENTS
(Millions of dollars)

	1981	1982
I. Current account balance	-46.9	-44.6
Merchandise trade balance (net)	-87.2	-76.5
Exports	41.6	41.5
Imports	-128.8	-118.0
Services balance (net)	25.4	23.9
Travel (net)	30.2	29.7
Receipts	38.0	39.1
Payments	-7.8	-9.4
Interest (net)	-0.7	-0.8
Receipts	0.2	0.2
Payments ^a	-0.9	-1.0
Other factor services	-4.1	-5.0
Net private transfers	14.9	8.0
II. Capital account balance	45.0	33.9
Official transfers	7.0	8.0
Official capital	2.8	7.1
Private direct investment	38.2	20.0
Commercial banks	-3.0	-1.2
III. Errors and omissions	-3.4	12.4
IV. Balance for official financing (I + II + III)	-5.3	-1.7
Reserve movement (- increase; + decrease)	-	0.3
Allocations of SDRs	0.5	-
IMF lending	3.5	-1.5

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

^aFor Government and Government-guaranteed loans.

Table 12
SAINT LUCIA: EVOLUTION OF DOMESTIC PRICES

(Percentages)

	1980	1981	1982
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
Variation between annual averages			
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, Saint Lucia.

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 1982 in several wage settlements which ranged from 25% to 50% over a three-year period. Public servants secured an increase of some 37% in their wages.

b) *Prices*

The rate of inflation, as measured by the Index of Retail Prices, generally followed trends in the international economy. A record annual price increase of almost 20% was registered in 1980, double the 1976-1979 average. Inflation slackened somewhat to 15.1% in 1981, however, and declined even further in 1982 to a rate of 4.6% —the lowest annual growth rate recorded for the period 1976 to 1982 (see table 12).

The food section of the Index is a major determinant of the overall inflation rate, because of its heavy weight (56.6% of the total). The annual rate of price increases in this section fluctuated between 1976 and 1981, with a general upward trend, but slackened in 1982 to an increase of 3% over the 1981 level. This 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 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.

5. Monetary and fiscal policy

a) *Monetary policy*

St. Lucia is one of the seven member countries 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 cash flow problems. The Government resolved to monitor on a daily basis its cash balances and overdraft with the commercial banks.

Cash amounted to EC\$ 5.9 million at year end 1982. This represented a 44% increase over the amount of the previous year. Loans and advances outstanding stood at EC\$ 216.2, having expanded at a slower pace in 1982 than in the previous year (see table 13).

Total liabilities of the commercial banks rose by 8% in 1982, after a 9% increase in 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 EC 219.4 million (see table 14).

The banking system was thus slightly more liquid in 1982 than in 1981. Deposits exceeded loans by some 1.5% while in the previous year they barely covered 97.7% of the latter.

Interest rates seem 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.

The St. Lucia Development Bank began operations in July 1982, its aim being to provide credit primarily in the area of low-income housing. Its disbursements in this field were slightly over EC\$ 1 million, nearly two-thirds of its total disbursements during the financial year April 1982 to March 1983.

Table 13

SAINT LUCIA: COMMERCIAL BANK ASSETS

(Millions of EC dollars)

Assets	At year end			Growth rates	
	1980	1981	1982	1981	1982
Cash	4.1	4.1	5.9	-	44.0
Deposits with ECCA	4.2	0.4	0.8	-90.4	100.0
Claims on other local banks	20.9	23.7	20.3	13.4	-14.4
Claims on other ECCA area banks	10.5	0.4	3.4	-96.2	750.0
Loans and advances	178.6	203.3	216.2	13.8	6.3
Treasury bills	...	0.2	0.9	...	450.0
Securities	3.2	2.8	4.5	-14.3	60.7
Foreign assets	12.7	15.2	16.4	19.7	7.9
Other assets	16.7	24.7	28.5	47.9	15.4
Total assets	251.9	274.8	296.9	9.1	8.0

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

Table 14

SAINT LUCIA: COMMERCIAL BANK LIABILITIES

(Millions of EC dollars)

Liabilities	At year end			Growth rates	
	1980	1981	1982	1981	1982
Demand deposits	33.9	33.7	40.8	-0.6	21.1
Time deposits	64.6	80.9	94.8	25.2	17.2
Savings deposits	73.7	84.1	83.8	14.1	-0.4
Total deposits	172.2	198.7	219.4	15.4	10.4
Balances due to ECCA	0.8	-	0.3	-	-
Balances due to other local banks	25.6	26.2	22.9	2.3	-12.6
Balances due to other ECCA banks	8.9	3.7	5.7	-58.4	54.1
Foreign liabilities	17.6	12.3	10.6	-30.1	-13.8
Other liabilities	26.8	33.9	38.0	26.5	12.1
Total liabilities	251.9	274.8	296.9	9.1	8.0

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

Table 15

SAINT LUCIA: CENTRAL GOVERNMENT OPERATIONS

(Million of EC dollars)

	1981/ 1982	1982/ 1983 ^a
Total revenue	99.12	117.06
Current revenue	89.46	103.05
Current grants	2.07	0.16
Capital grants	7.59	13.85
Total expenditure	116.10	138.49
Current expenditure	91.32	113.73
Capital expenditure	24.78	24.76
Of which: foreign financed projects	(14.18)	(17.50)
Current deficit (excluding grants) (-)	-1.86	-10.68
Overall deficit (excluding grants) (-)	-26.64	-35.44
Overall deficit (including grants) (-)	-16.98	-21.43
Financing:		
Foreign assets	-0.11	-0.24
Net borrowing from ECCA (including counterpart of purchases from IMF)	9.91	2.97
CDB	2.09	0.81
Other net foreign borrowing	-0.03	10.89
Net local bank borrowing	-2.10	1.60
Increase in payment arrears	6.36	2.52
Other net domestic borrowing	0.23	4.80
Unidentified	0.63	4.02

Source: Ministry of Finance, Planning and Statistics.

^aPreliminary figures.b) *Fiscal policy*

The IMF forecast provided for a deficit on recurrent expenditure of EC\$ 23 million for the fiscal year 1981/1982. Measures introduced by the Ministry of Finance in November 1981, however, managed to restrict the current deficit to EC\$ 1.86 million, through a cut-back in employment and more vigorous revenue-collecting activity, as well as an improvement in the level of financial reporting and administration (see table 15).

Current revenue increased by 15% in 1982/1983. 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 recurrent revenue (56% in 1981 and 1982). Income tax receipts constitute the second largest source of revenue, and have accounted for some 31% of recurrent revenue over the past three fiscal years.

The Government has resolved to introduce new taxes as well as to increase others in an attempt to increase revenue. Additionally, a National Savings Committee was launched towards the end of the fiscal year 1981/1982 and a bond issue of EC\$ 5.5 million was made available for purchase by the general public.

Estimates for the 1982/1983 fiscal year indicate that recurrent expenditure grew 24% over the previous year. A major determinant of this increase was the 37% increase in salaries to public servants.

The global amount of capital expenditure remained virtually unchanged, but the share of foreign-financed projects increased from 57% to 70% of the total.

The Government's capital programme took the form of projects for road development, airport development, water supply expansion, and school building.

The central government's direct guaranteed external debt increased by 37.6% over the 1981 level. This was largely due to borrowing from foreign governments to the extent of \$ 2.6 million, most of which was used to repay the IMF under the Compensatory Financing Facility. At the end of 1982, the external public debt stood at \$ 24.5 million —approximately 22% of GDP at current factor cost.

ST. VINCENT AND THE GRENADINES

1. Recent economic trends: Introduction and summary

An estimated 8% increase was registered in 1982 in the gross domestic product (GDP) at current factor cost (see table 1). Adjusting for the rate of inflation as measured by the consumer price index, the GDP appears to have grown in real terms by 0.8%. Such sectors as hotels and restaurants, mining and quarrying, manufacturing and electricity, gas and water were major determinants of growth in the economy (see table 2).

There was improved performance in agriculture after the setbacks of 1979 and 1980, with a reasonably high level of production of bananas in 1981 and a slight decline in 1982, but the deterioration of the exchange rate of the pound sterling (in which currency banana prices are quoted) *vis-a-vis* the United States dollar (to which currency the East Caribbean 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 a glut of this commodity in 1982, and provoked an examination of possible alternative uses of the product.

Tourism declined in 1982 for the second consecutive year especially from the point of view of the number of visitors, as a result of the worldwide economic recession and the country's poor tourism infrastructure. The Tourist Board has undertaken a series of activities aimed at improving the services to tourists who visit the islands.

The current account deficit worsened in 1982 as a result of the drop in tourism and the bigger trade deficit due to the increased value of imports and a fall in the value of exports.

The 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 towards export-oriented activities associated with high value-added. This, with other Government external borrowing, raised the level of the external debt to US\$ 17 million at the end of fiscal year 1981/1982.

2. Trends in economic activity

a) *Evolution of the main sectors*

i) *Agriculture.* The agricultural sector recovered in 1981 from the setbacks caused by the national disasters of 1979 and 1980 and recorded a 3.2% increase at current factor cost in 1982, when the sector is estimated to have contributed 17% of total GDP (see table 2).

A 4.4% drop in production of bananas is estimated to have occurred in 1982 (see table 3), after the production of bananas had increased in 1981 to 33 000 tons —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). The high level of output in 1981 and the 1982 output did not lead to a proportional increase in foreign exchange because of the deterioration in the exchange rate of the pound sterling, the effect of which was a fall in the price to the grower from 20 cents per pound in May to 12 cents per pound 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 United Kingdom 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.

Table 1
**SAINT VINCENT AND THE GRENADINES:
 MAIN ECONOMIC INDICATORS**

	1979	1980	1981	1982 ^a
A. Basic economic indicators				
Gross domestic product at factor cost (millions of current EC dollars)	116	127	160	173
Per capita gross domestic product at current prices (EC\$)	1 074	1 165	1 441	1 531
Population (thousands)	108	109	111	113
Growth rates				
B. Short-run economic indicators				
Gross domestic product at factor cost	...	9.5	25.5	8.0
Per capita gross domestic product	...	8.5	23.7	6.2
Current value of exports of goods	...	4.7	34.8	-3.5
Current value of imports of goods	...	23.5	1.9	9.5
Consumer price index (December-December)	...	...	...	4.8 ^b
Annual average variation	...	...	13.0	7.2 ^b
Millions of US dollars				
C. External sector				
Trade balance (goods and services)	-15.0	-19.1	-13.4	-20.1
Balance on current account	-7.1	-10.1	-5.1	-11.9
Variation in net international reserves	0.1	0.4	-	-
External debt ^c	7.8	12.6	16.4	17.0
Exchange rate EC\$ per US\$	2.7	2.7	2.7	2.7

Source: ECLA, on the basis of official data.

^aPreliminary figures.

^bBased on new index (January 1981 = 100)

^cMillions of US dollars at the end of fiscal year.

Table 2
**SAINT VINCENT AND THE GRENADINES: GROSS DOMESTIC PRODUCT,
 BY ECONOMIC ACTIVITY, AT CURRENT FACTOR COST**

	Millions of EC dollars		Percentage breakdown		Growth rates	
	1981	1982 ^a	1977	1982 ^a	1981	1982 ^a
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 and water	3.2	3.6	3.0	2.1	14.3	12.5
Transport, storage and communications	23.1	24.9	14.5	14.4	23.5	7.8
Other services						
Wholesale and 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, insurance, 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: OPCS Secretariat and World Bank mission estimates.

^aPreliminary figures.

SAINT VINCENT AND THE GRENADINES

Table 3

SAINT VINCENT AND THE GRENADINES: INDICATORS OF AGRICULTURAL PRODUCTION

	1980	1981	1982 ^a	Growth rates		
				1980	1981	1982 ^a
Production of main crops^b						
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	...
Tannia	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.

^aECLA estimates.

^bTons.

An estimated 691 tons of *arrowroot* starch were produced in 1982, representing a 2.4% 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 acreages devoted to the crop. In 1981, the country suffered a decline in the demand for arrowroot, as the computer industry, which had hitherto been a major user of arrowroot starch, took advantage of the lower prices of a synthetic competitive product. This has resulted in a relative glut of the natural product. At present, a study is being conducted on the use of arrowroot bittie as an alternative source of energy.

The *sugar* factory was refurbished and reinstated in 1981, marking the effective return to sugar production on the island. Of the 1 700 acres¹ under sugar cane, some 1 300 acres were reaped during the 1982 sugar crop. Unscheduled fires were the major determinant of the shortfall in the amount of cane reaching the factory. At the end of the harvest, some 1 776 tons of sugar and 855 000 litres of molasses were produced. The 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 achieved 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, uneven performance has been noted. The Government is actively seeking support for a coconut development programme aimed at replanting with varieties resistant to both red-ring and coconut mite diseases.

Tobacco, which began to be produced on a commercial basis in 1978, reached a level of output of 86 tons in 1980 and rose to an estimated 99 tons in 1982. The crop occupies a very small acreage, some 220 acres having been harvested in 1981, but is a potentially very profitable proposition for farmers.

Ground provisions. Production declined to a level of 1 700 tons in 1977, but recovered to an estimated 32 000 tons in 1980. A significant amount of trade in these commodities is carried on with CARICOM countries.

The 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 export are

¹One acre equals 0.4 hectares.

handled by special 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, on a more informal basis than the Marketing Corporation, by individual traders. The granting of licences allowing hucksters to export ground provisions led to a situation where the Marketing Corporation was unable 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. Vincent Marketing Corporation. The 190 tons of sweet potatoes shipped to Trinidad by the Marketing Agency in 1982 is equivalent to one month's exports to Trinidad under normal conditions. There is need for the systematic monitoring of production and trade in agricultural commodities, 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 on the development of agriculture. Development of the service extended to the 10 000 farmers on the island in this area is necessary. As a means of improving the quality and amount of technical extension services over the longer term, in-service training will be utilized to a greater extent than previously.

Credit has been identified as the third major constraint. Agricultural credit facilities have not operated efficiently prior to 1982, but with the merger between the Agricultural and Co-operative Bank and the Development Corporation (DEVCO) in 1982, it is expected 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.* Though growing, this sector continues to be relatively small, 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 this sector 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 had acted as a disincentive to the attraction of foreign manufacturing companies to the island.

The Development Corporation (DEVCO) is at present seeking to refocus industrial policy on 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 a matter of concern, as it affects the balance of payments directly, and the cost of living through the level and system of relative prices. The 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 increased government investment. Public sector activity in this sector predominates, as it encompasses housing and land development, water resource development, and 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 US\$ 11.9 million in 1982, as compared with a deficit of US\$ 5.1 million in 1981 (see table 4). The worsened current account deficit was mainly due to a slight drop in the value of exports, and an increase in the value of merchandise imports, as export prices and volumes and tourism declined. The ratio of the current account deficit to GDP was of the order of 15%, the comparable figure for 1981 being about 7%.

SAINT VINCENT AND THE GRENADINES

Table 4

SAINT VINCENT AND THE GRENADINES: BALANCE OF PAYMENTS

(Millions of US dollar)

	1979	1980	1981	1982 ^a
Exports of goods and non-factor services	37.2	43.9	52.0	51.8
Exports of goods	19.0	19.9	26.8	25.9
Exports of non-factor services	18.2	24.0	25.2	25.9
Imports of goods and non-factor services	52.2	63.0	65.4	71.9
Imports of goods	46.3	57.2	58.3	63.8
Imports of non-factor services	5.9	5.8	7.1	8.1
Balance on goods and services	-15.0	-19.1	-13.4	-20.1
Net transfer payments	7.8	8.9	8.1	8.0
Balance on current account	-7.1	-10.1	-5.1	-11.9

Source: ECLA calculation on the basis of IMF mission estimates.

^aEstimates.

Table 5

 SAINT VINCENT AND THE GRENADINES:
 SELECTED TOURISM INDICATORS

	1979	1980	1981	1982 ^a	Growth rates	
					1981	1982 ^a
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 and guest house beds	775	983	1 106	1 120	12.5	1.3
Average length of stay of stopover visitors ^b	7	7	9	8	28.6	-11.1
Hotel bed occupancy rate ^c	...	...	...	50	...	...
Number of cruise-ship calls	19	25	72	69	188.0	-4.2
Number employed in hotels	...	...	...	499	...	...
Estimated tourist expenditure ^d	...	...	...	70	...	...

Source: Tourist Board.

^aPreliminary figures.

^bDays.

^cPercentage.

^dMillions of EC dollars.

Inflows of capital to the public sector financed some 75% of the 1982 current account deficit and borrowing from the banking system to the extent of US\$ 3.3 million helped to make up the remainder.

 b) *Services trade*

Tourism, as measured by the hotels and restaurant sector, contributed EC\$ 3.7 million at factor cost to the GDP in 1982, or about 2% of total GDP. This low contribution of the sector is indicative of the relative lack of development of the tourism infrastructure on the main island. The Tourist Board noted a decline in tourism in 1982, due to a reduction in visitor arrivals and has ascribed this to: the worldwide economic recession, the need for improvement in tourist facilities, and 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 for 1978. Tourist arrival statistics collected at the main airport reveal that the Caribbean and North America were the best tourist markets in 1982 (see table 5).

4. Wages, employment and prices

a) *Wages*

Wage levels in St. Vincent and the Grenadines are low compared with most other Caribbean countries. This fact has, in turn, contributed to a shortage of skilled labour, especially in the construction sector, because of the migration of skilled workers to other Caribbean countries. There are no official wage indexes compiled for the country. Some idea of the direction and slope of the wage curve can be inferred from partial data, however. A three-year age agreement with public servants was reached 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 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 (see table 6).

Table 6

SAINT VINCENT AND THE GRENADINES: EVOLUTION OF DOMESTIC PRICES

	1981	1982 ^a
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 communications	...	2.3
Other	...	13.8
Variation between annual averages		
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 communications	...	10.5
Other	...	17.4

Source: Central Statistical Unit, Ministry of Finance.

^aPreliminary figures.

SAINT VINCENT AND THE GRENADINES

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 the growth rate of 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 (see table 7).

Table 7

SAINT VINCENT AND THE GRENADINES:
SECTORAL DISTRIBUTION OF CREDIT

(Thousands of EC dollars as at end of December)

	1980	1981	September		Growth rates	
			1981	1982	1981	1982 ^a
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 (including 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 Banking Statistics*.

^aBased on January-September data.

Table 8

SAINT VINCENT AND THE GRENADINES: COMMERCIAL BANKS' ASSETS

(Millions of EC dollars as at end of December)

	1980	1981	September	
			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 Banking Statistics*.

Table 9

**SAINT VINCENT AND THE GRENADINES: CENTRAL GOVERNMENT
CURRENT REVENUE, 1979/1980 - 1981/1982^a**

(Millions of EC dollars)

	1979/ 1980	1980/ 1981	1981/ 1982
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 departments and public enterprises			
Other (fees, fines, etc.)	1.4	1.5	1.5
	4.4	4.5	6.7

Source: Ministry of Finance and IMF mission estimates.

^aRelates to fiscal year ending June 30.

Table 10

**SAINT VINCENT AND THE GRENADINES:
ABSTRACT OF RECURRENT REVENUE**

(Millions of EC dollars)

	1980/ 1981	1981/ 1982	1982/ 1983 ^a
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 repayments	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
Government undertakings	2.0	2.0	2.0
Total	48.2	70.9	79.8

Source: Data supplied to ECLA.

^aPreliminary figures.

SAINT VINCENT AND THE GRENADINES

Table 11

SAINT VINCENT AND THE GRENADINES: CENTRAL GOVERNMENT
OPERATIONS, 1979/1980 - 1981/1982^a

(Millions of EC dollars)

	1979/ 1980	1980/ 1981	1981/ 1982
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 and net lending	19.0	19.5	17.2
Overall deficit	-15.7	-22.2	-20.7
Financing	15.7	22.2	20.7
Capital grants	5.9	8.3	12.8
Net foreign borrowing	10.4	9.1	2.0
Net ECCA borrowing	-	-	1.0
Foreign currency holdings (- sign indicates an increase)	-0.7	0.4	-
Net IMF position	0.6	6.4	-
Net domestic financing	-1.6	-2.0	3.9
Residual	1.1	-	1.0

Source: Ministry of Finance and IMF mission estimates.

^aRelates to fiscal year ending June 30.

Table 12

SAINT VINCENT AND THE GRENADINES: SUMMARY OF
EXTERNAL PUBLIC AND PUBLICLY-GUARANTEED
DEBT OPERATIONS, 1977/1978-1981/1982^a

(Thousands of US dollars)

	1977/ 1978	1978/ 1979	1979/ 1980	1980/ 1981	1981/ 1982
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 payments	1 095	313	490	652	1 523
Amortization	889	76	150	204	783
Interest	206	237	340	448	740

Source: Ministry of Finance, CDB and IMF mission estimates.

^aRelates to fiscal year ending June 30.

The commercial banks raised their prime lending rate by one percentage point to 10% in the early part of 1982, and raised deposit rates to about 4.5% for savings and 5.5% for time deposits. This was done in order to encourage savings. The Government is reviewing the structure of bank interest in the ECCA countries, and is examining the adequacy of the level at which the East Caribbean dollar is pegged to the United States dollar (see table 8).

b) *Fiscal policy*

The 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 1981/1982. The need to earn revenue to pay increased salaries put an end to the tax relief activities of the Government in 1982, and several tax measures were introduced in order to earn revenue: an increase in airport landing fees, increased harbour dues, higher postal charges, and increases in the traders' tax and in rental costs to traders operating in the airport terminal.

Current revenue rose by 31.7% in 1981/1982 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 1981/1982 after an increase of 11% in the previous period (see tables 9 and 10).

Current expenditure increased by 31.6% in 1981/1982 in order to meet the higher operating expenses brought on by increased labour and material costs. Capital expenditure was estimated to have been EC\$ 17.2 million in 1981/1982, as much construction work was undertaken on government office buildings, schools, hospitals and clinics. The overall deficit of EC\$ 20.7 million was financed by capital grants, domestic financing, foreign borrowing and borrowing from ECCA (see table 11).

The effect of the Government's recourse to external financing was an increase in the external debt at the end of the 1981/1982 fiscal year to approximately US\$ 17 million (see table 12).

SAINT CHRISTOPHER AND NEVIS

1. Recent economic trends: Introduction and summary

The economy of Saint Christopher and Nevis grew by about 3% in real terms in 1981. For 1982, estimates suggest negative real growth of about 0.5%. 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, but 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. In 1982 food imports still ran up a bill of EC\$ 28 million—almost reaching the estimated value of revenue from that year's sugar harvest. The light industry sector was hampered in its development by the worldwide recession. The tourism sector, however, was able to maintain and even slightly increase the number of visitors to the island State.

The rate of unemployment is estimated at 30%. The balance on visible trade shows large and growing deficits which exceeded 23 million dollars in 1981. Supplementary data on the external sector are insufficient to provide a full account of the balance of payments. 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 expected, 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) *Evolution of the main sectors*

i) *Agriculture.* 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 but rose by 3.5% in 1982, with the corresponding production of sugar falling by 7% in 1981 to 32 000 tons but rising by 12.5% in 1982 to 36 000 tons. 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 United States has agreed to accept the same quota as the EEC in 1983, so that most of that year's 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 it is estimated that they will reach 13 million East Caribbean dollars in 1983. Productivity in this industry has not increased over the last decade and production costs have more than doubled since 1975.

The efforts to diversify have shown mixed results. Peanut output declined from 214 tons in 1980 to 200 tons in 1981 and then drastically to 134 tons in 1982. Copra output increased by 30% between 1980 and 1981, but 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 (see table 2).

A number of agricultural diversification projects—mostly involving the provision of technical assistance—are underway. They are primarily aimed at fostering substitution of food imports. At about 28 million East Caribbean dollars the import bill for food in 1982 was roughly equal to the estimated total revenue from sugar sales in the same year.

Table 1
SAINT CHRISTOPHER AND NEVIS: MAIN ECONOMIC INDICATORS

	1979	1980	1981	1982 ^a
A. Basic economic indicators				
Gross domestic product at factor cost (millions of current East Caribbean dollars)	80.9	95.9	106.6	109.5
Population (thousands inhabitants)	43.4	43.3	43.3	43.4
Per capita gross domestic product (current East Caribbean dollars)	1 864	2 215	2 462	2 523
Growth rates				
B. Short-term economic indicators				
Gross domestic product (at current values)	15.7	18.5	11.2	2.6
Per capita gross domestic product	15.7	18.3	11.1	2.5
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 (December/December)	14.4	13.7	8.3	3.0
Money	20.5	15.1	10.3	18.3
Percentages				
C. External sector				
Fiscal deficit/total expenditure of government	19.0	19.8	26.6	39.1
Deficit on the balance of visible trade, as a percentage of GDP	50.9	52.5	59.4	...

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

^aPreliminary figures.

Table 2
SAINT CHRISTOPHER AND NEVIS: OUTPUT OF SELECTED
AGRICULTURAL COMMODITIES

Commodities	Metric tons					Growth rates		
	1978	1979	1980	1981	1982 ^a	1980	1981	1982 ^a
Sugar cane	362 400	384 000	352 000	338 000	350 000	-8.3	-4.0	3.6
Cotton (lint)	6	1	-	11	7	-	-	-36.4
Copra	101	115	132	170	...	14.8	28.8	...
Unshelled peanuts	...	113	214	201	134	89.4	-6.1	-33.3

Source: Data supplied by Statistical Office, Saint Christopher and Nevis.

^aPreliminary figures.

Table 3
SAINT CHRISTOPHER AND NEVIS: SELECTED TOURISM STATISTICS

	1978	1979	1980	1981	1982 ^a	Growth rates		
						1980	1981	1982 ^a
Stopover visitors	20 234	32 980	32 585	35 484	35 538	-1.2	8.9	0.2
Cruise ship visitors	2 092	2 993	5 782	10 850	11 146	93.2	87.7	2.7
Total	22 326	35 973	38 367	46 334	46 684	6.7	20.8	0.8
Average length of stay of stopover visitors (days)	6	5.5	5.5	6	6	-	9.0	-
Room occupancy rate, percentage (Saint Christopher only)	22	27	29	29	29	7.4	-	-
Number of hotel beds	860	881	900	887	901	2.2	-1.4	1.6

Source: Statistical Office, Saint Christopher and Nevis.

^aPreliminary figures.

Table 4

SAINT CHRISTOPHER AND NEVIS: MANUFACTURING PRODUCTION

	Thousands of East Caribbean dollars					Growth rates		
	1978	1979	1980	1981	1982 ^a	1980	1981	1982 ^a
Electrical appliances ^b	...	3 920	5 338	4 308	3 781	36.2	-19.3	-12.0
Clothing	...	4 026	4 864	4 597	...	20.8	-5.5	...
Footwear ^b	...	2 047	2 455	1 851	...	19.9	-24.6	...
Beer	391	389	309	267	367	-20.6	-18.8	37.5
Aerated water	146	298	266	460	547	-10.7	72.9	18.9
Electricity generated ^c	22 969	24 809	27 612	30 572	...	11.3	10.7	...
Electricity sold ^c	20 217	21 301	25 816	28 775	...	21.2	11.5	...

Source: Statistical Office, Saint Christopher and Nevis.

^a Preliminary figures.

^b Only export data available.

^c KWh.

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 in cruise ship visitors (see table 3). Preliminary figures for 1982 show that despite the recessive tendencies in this industry for the region as a whole, Saint Christopher and 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 Saint Christopher 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.

iii) *Manufacturing and construction*. Manufacturing, which is carried on by about 27 enterprises, is mainly export-oriented. Major activities include the assembly of electrical appliances; production of clothing, footwear, beer and 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 showed a trough in that year. Information from the Ministry of Trade and Development indicates that during the period 1981/1982 six companies started operations and two closed down (clothing, footwear). Manufacturing output showed a decline of about 13% in 1981 (see table 4), whereas in 1982, although complete data are not yet available, government officials suggest that output rose by about 2%. The Labour Department 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 believed 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 given by the 1980 census has not undergone major changes. The total labour force is given as 17 000 persons: 10 500 male and 6 500 female. The unemployment rate is approximately 30%, without taking account of seasonal unemployment in the sugar industry.

3. The external sector

a) *The trade balance*

The balance on visible trade continued to show mounting deficits. Thus, between 1980 and 1981 the value of total exports rose by only half a percentage point, while the value of imports increased by 6% (see table 5), so that deficit on visible trade increased by 13%, and the total exports are now equivalent to 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 that year cannot be determined. Exports of manufactures come second in importance, with relative shares of 20% and 17.5% in 1980 and 1981. The remainder is accounted for by exports of other agricultural products, fish and live animals (see table 6).

The main import items, by 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 (see table 7).

b) *The balance of payments*

In both 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 helped to finance the deficit on current account. As data on short and long-term capital flows are not available, however, the full balance of payments cannot be determined.

Table 5

SAINT CHRISTOPHER AND NEVIS: EXPORTS, IMPORTS AND BALANCE ON VISIBLE TRADE

	Thousands of dollars				Growth rates	
	1978	1979	1980	1981	1980	1981
Domestic exports	15 791	16 274	23 548	22 401	44.7	-4.9
Total exports	16 745	16 842	24 123	24 261	43.2	0.6
Imports CIF	24 210	32 096	44 840	47 714	39.7	6.4
Trade balance	-7 465	-15 254	-20 717	-23 453	35.8	13.2

Source: Statistical Office, Saint Christopher and Nevis.

Table 6

SAINT CHRISTOPHER AND NEVIS: SELECTED EXPORTS BY VALUE

	Thousands dollars					Growth rates		
	1978	1979	1980	1981	1982 ^a	1980	1981	1982 ^a
Sugar	11 852	11 304	14 435	14 728	11 082	27.7	2.0	-24.8
Electrical appliances	...	1 452	1 977	1 596	1 400	36.2	-19.3	-12.3
Clothing	...	1 491	1 801	1 703	...	20.8	-5.4	...
Footwear	...	758	909	686	...	19.9	-24.5	...
Beer	145	144	114	99	136	-20.8	-13.2	37.4
Aerated waters	54	110	99	170	203	-10.0	71.7	19.4
Molasses	161	324	470	326	529	45.1	-30.6	62.3
Copra	40	53	57	81	...	7.5	42.1	...
Fish (including lobster and conch)	179	128	151	132	...	18.0	-12.6	...
Live animals	59	58	89	107	...	53.4	20.2	...

Source: Statistical Office, Saint Christopher and Nevis.

^aPreliminary figures.

Table 7

SAINT CHRISTOPHER AND NEVIS: IMPORTS BY SITC SECTIONS

	Thousands of dollars				Growth rates	
	1978	1979	1980	1981	1980	1981
Food	5 940	6 737	8 549	9 306	26.9	8.9
Beverages and tobacco	630	719	1 013	1 231	40.9	21.5
Crude materials (except fuels)	524	421	953	816	126.4	-14.4
Mineral fuels, lubricants and related materials	2 020	2 709	4 865	5 224	79.6	7.4
Animal and vegetable oils and fats	163	189	182	313	-3.7	72.0
Chemicals	2 203	2 486	3 670	4 236	47.6	15.4
Manufactured goods	4 610	7 684	10 371	9 623	35.0	7.2
Machinery and transport equipment	5 430	7 111	9 546	9 796	34.2	2.6
Miscellaneous manufactured articles	2 564	3 605	5 437	6 906	50.8	27.0
Other	126	182	251	297	37.9	18.3
Total	24 210	31 841	44 839	47 714	40.8	6.4

Source: Statistical Office, Saint Christopher and Nevis.

Table 8

SAINT CHRISTOPHER AND NEVIS: FOREIGN EXCHANGE TRANSACTIONS BY COMMERCIAL BANKS

	Thousands of dollars			Growth rates	
	1979	1980	1981	1980	1981
Balance of travel account	2 642	5 330	4 704	101.7	-11.7
Foreign travel (purchases)	4 007	6 680	7 135	66.7	6.8
Foreign travel (sales)	1 365	1 351	2 431	-1.0	79.9
Balance of personal remittances account	6 884	5 952	8 357	-13.5	40.4
Personal remittances (purchases)	8 136	7 549	10 268	-7.2	36.0
Personal remittances (sales)	1 252	1 597	1 911	27.6	19.7
Balance on foreign exchange transactions	9 526	11 281	13 061	18.4	15.8

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 lower-employees respectively. In 1982, however, 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 canefield operations in 1975, no special bonus ("goat water") was paid. More so 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 registered 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 household goods, alcohol and tobacco, and transport, while in 1982 fuel transport, alcohol and tobacco and miscellaneous items contributed over-proportionately to the price rises (see table 9).

5. Fiscal and monetary policy

a) *Fiscal policy*

Although surpluses were registered 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 23% drop in capital expenditures compared with 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 (see table 10).

Table 9

SAINT CHRISTOPHER AND NEVIS: EVOLUTION OF DOMESTIC PRICES

	1979	1980	1981	1982
December to December variations				
All items	14.4	14.2	8.3	3.3
Food	11.7	13.7	7.8	1.3
Alcohol and tobacco	15.6	11.1	13.6	8.2
Housing	2.5	1.7	3.3	2.4
Fuel and light	13.4	24.4	3.2	8.6
Clothing and 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.

Table 10

SAINT CHRISTOPHER AND NEVIS: CENTRAL GOVERNMENT REVENUE AND EXPENDITURE

	Millions of East Caribbean dollars					Growth rates		
	1978	1979	1980	1981	1982 ^a	1980	1981	1982 ^a
1. Current revenue	34.6	40.3	54.7	55.4	53.3	35.7	1.3	-3.8
Import duties	4.7	5.5	7.6	10.5	...	38.2	38.2	...
Export duties	0.4	0.4	0.4	0.3	...	-	-25.0	...
Consumption tax	5.9	6.4	8.3	9.6	...	29.7	15.7	...
Income tax	8.4	7.0	7.2	4.5	...	2.9	-37.5	...
Other taxes	7.4	10.9	14.5	14.7	...	33.0	1.4	...
Other local receipts	7.8	10.1	16.7	15.8	...	65.3	-5.4	...
2. Current expenditure	32.5	38.4	46.2	58.7	60.5	20.3	27.1	3.1
3. Saving on current account (1-2)	2.1	1.9	8.5	-3.3	-7.2	347.4	...	...
4. Capital expenditure	7.9	12.7	22.0	16.8	27.0	73.2	-23.6	60.7
5. Total expenditure (2 + 4)	40.4	51.1	68.2	75.5	87.5	33.5	10.7	15.9
6. Fiscal deficit (1 - 5)	-5.8	-9.7	-13.5	-20.1	-34.2	39.2	48.9	70.1

Source: Statistical Office and Ministry of Finance, Saint Christopher and Nevis.

^aPreliminary figures.

Table 11

SAINT CHRISTOPHER AND NEVIS: MONEY SUPPLY

(End year-figures)

	Millions of East Caribbean dollars					Growth rates		
	1978	1979	1980	1981	1982 ^a	1980	1981	1982 ^a
Money								
Currency outside banks	8.6	10.4	12.6	14.9	16.2	21.2	18.3	8.7
Demand deposits	10.1	13.7	19.5	19.0	19.7	42.3	-2.6	3.7
Total (M₁)	18.7	24.1	32.1	33.9	35.9	33.2	5.6	5.9
Quasi-money								
Time deposits	31.2	34.6	41.5	41.3	77.0	19.9	-0.5	86.4
Savings deposits	52.9	65.3	71.3	81.4	63.1	9.2	14.2	-22.5
Total quasi-money	84.1	99.9	112.8	122.7	140.1	12.9	8.8	14.2
Total money supply	102.8	124.0	144.9	156.6	176.0	16.9	8.1	12.4

Source: East Caribbean Currency Authority, (ECCA).

^aPreliminary figures.

Table 12

SAINT CHRISTOPHER AND NEVIS: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

(End-year figures)

	Millions of East Caribbean dollars			Percentage distribution		Growth rates	
	1980	1981	1982 ^a	1981	1982 ^a	1981	1982 ^a
Agriculture	0.4	0.3	0.8	0.27	0.68	-25.0	166.7
Manufacturing	2.8	5.7	5.3	5.4	4.5	103.6	-7.0
Distribution	12.0	10.7	12.2	10.2	10.4	-10.8	14.0
Tourism	4.7	6.9	8.0	6.5	6.8	46.8	15.9
Transport	15.3	5.1	6.4	4.9	5.5	-66.7	25.5
Construction	8.9	9.9	10.2	9.4	8.7	11.2	3.0
Government	22.7	40.5	42.4	38.6	36.2	78.4	4.7
Personal	...	18.7	23.7	17.8	20.3	...	26.7
Other	5.6	7.2	8.6	6.7	7.4	28.6	19.4
Total	92.4	105.0	117.6	100.0	100.0	11.4	12.0

Source: East Caribbean Currency Authority (ECCA).

^aPreliminary figures.

In 1981, the main capital expenditures were for airport and deep-water port improvements, factory shells construction, expansion of livestock herds 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 grants and loans.

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

b) *Monetary policy*

Saint Christopher and Nevis comes within the area of the East Caribbean Currency Authority (ECCA), which indeed has its headquarters in Saint Christopher. 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 had not yet been established during the reporting period.

In 1981 the total money supply increased by 8%, with an increase in quasi-money of 9% and an increase in M₁ of 6%. For 1982, the corresponding figures were 12%, 14% and 6% 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 (see table 11).

A look at the sectoral distribution of commercial bank loans shows that the government was the biggest borrower. In 1981, the value of bank loans to the government was about twice that of loans to the private sector (the next-largest borrower). In 1982 the government borrowed about 80% more than the private sector. In 1981 and 1982 the increases of loan volume over the previous year were for the 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% during 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 (see table 12).

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. In 1982, however, world oil prices, which had risen by 49% and 62% in 1979 and 1980 respectively, and by 11% in 1981, actually fell by 3% as a result 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 the gross domestic product (GDP) of the goods-producing sector. The result inevitably was that export earnings fell (by an estimated 10%), Government revenues declined, and deficits developed on the government account. Fiscal surpluses 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 modest real growth of 4%. Most of this must be attributed to services, for which real growth is estimated to have been 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 made possible by a much larger government domestic budget deficit. The consequence of this was that the Government's accounts went into deficit to the extent of 18% of GDP and its cash reserves went down precipitously. Export agriculture, for its part, declined yet again.

During the year, in spite of a 44% increase in the money supply, inflation abated somewhat, while unemployment remained at about its 1981 level. It is widely believed that the boom years of the 1970s have all but ended and that, unless the new export thrust in energy-based steel, fertilizer and methanol industries can take the place rapidly being vacated by petroleum, difficult years may lie ahead. During 1982 fertilizer exports increased 100% but markets for steel were difficult and production was drastically curtailed.

2. Trends in economic activity

i) *Agriculture.* In 1982 agriculture accounted for 3% of gross output but employed nearly 10% of the labour force (see table 2). Output was at about its 1970 level, with the long-standing decline in traditional staple export agriculture just about counterbalanced by increased output for the home market. The recent oil boom severely turned the internal terms of trade against agriculture, and thus contributed to the rapidity of its decline, but in addition unchanged technology, absence of new investments, continued specialization in declining staples and consequently falling factor productivity have all combined for years 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.

After a 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's output declined an estimated 3% in 1982 (see table 3), with poor performances recorded by every export crop. Citrus production declined by a phenomenal 60%, largely because of labour shortage for harvesting. Trinidad and Tobago, a sizeable exporter of fresh and processed citrus up to the mid-1970s, 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 main export crop, sugar cane, failed yet again to attain the modest output target set and recorded its lowest output since 1945. While it is true that the early onset of rains curtailed the harvesting season, the poor performance resulted mainly from organizational and managerial problems. Thus, unscheduled fires destroyed 10% of the available cane, labour was short during the critical harvesting period, and industrial disputes and mechanical breakdowns impeded factory operations. The economic efficiency of this State-owned industry may 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 meat, milk and fish, and is almost wholly dependent on imported hatching eggs, suggests only partial exploitation of this enormous potential. There has recently been a trend towards vegetable production using capital-intensive modern technology such as hydroponics.

ii) *Mining*. The long-term trend in mining output, which had been upward since 1970 with the advent of East Coast offshore oil and increased production of natural gas, has been on the decline during the 1980s. After the relatively sharp fall in 1981 when crude petroleum and natural gas output both declined (partly because of official conservation measures) and asphalt experienced a 43%

Table 1
TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS

	1979	1980	1981 ^a	1982 ^a
A. Basic economic indicators				
Gross domestic product at factor cost (millions of 1970 TT dollars)	2 484	2 616	2 714	2 821
Population (millions)	1.08	1.10	1.14 ^b	1.16 ^b
Per capita gross domestic product (1970 TT dollars)	2 300	2 378	2 381	2 432
Growth rates				
B. Short-run economic indicators				
Gross domestic product (1970 prices)	6.2	5.3	3.7	3.9
Per capita gross domestic product	5.3	3.4	0.1	2.1
Terms of trade	16.7	6.4	0.7	...
Current value of exports of goods and services	32.2	53.8	-5.0	-10.2
Current value of imports of goods and services	28.0	33.7	2.5	17.6
Consumer prices index:				
December - December variation	19.6	16.6	11.6	10.8
Variation between annual averages	14.7	17.5	14.3	11.4
Money supply	27.9	24.5	16.1	43.9
Rate of unemployment (percentage)	11.0	10.0	10.4 ^c	10.4 ^c
Current revenue of government	31.6	58.3	7.1	-0.5
Total expenditure of government	44.9	30.4	22.1	51.1
Millions of US dollars				
C. External sector				
Trade balance (goods and services)	342	850	679	488
Balance on current account	59	496	407	44
Variation in net international reserves	334	642	565	276
External debt	374	437	448	637
Exchange rate (TT\$ per US\$)	2.4	2.4	2.4	2.4

Source: ECLA, on the basis of official data.

^aPreliminary figures.

^bEstimated from non-institutional population.

^cC.S.S.P. data January-June.

Table 2

**TRINIDAD AND TOBAGO: GROSS DOMESTIC PRODUCT, BY KIND OF
ECONOMIC ACTIVITY, AT CONSTANT PRICES**

	Millions of 1970 TT dollars		Percentage shares		Growth rates	
	1981 ^a	1982 ^b	1980	1982 ^b	1981	1982 ^b
Total gross domestic product	2 714	2 821	100.0	100.0	-3.7	3.9
Goods	950	936	37.0	33.0	-2.0	-1.5
Agriculture	82	80	3.0	3.0	1.2	-2.4
Petroleum	304	297	13.0	11.0	-12.1	-2.3
Manufacturing (excluding petroleum)	293	287	11.0	10.0	-2.3	-2.0
Construction	271	272	10.0	9.0	7.5	0.4
Basic services	580	630	20.0	22.0	9.6	8.6
Electricity and water	76	84	3.0	3.0	8.6	10.5
Transport, storage and communications	504	546	17.0	19.0	9.8	8.3
Other services	1 183	1 254	43.0	45.0	6.9	6.0
Distribution	428	445	15.0	16.0	5.9	4.0
Financial sector	333	367	12.0	13.0	7.0	10.2
Government	237	255	8.0	9.0	9.7	7.6
Miscellaneous ^c	185	187	8.0	7.0	4.5	1.1

Source: Central Bank of Trinidad and Tobago, *Annual Report 1982*.

^aPreliminary figures.

^bEstimates.

^cIncludes Hotels and Guest House, Education and Community Services.

Table 3

**TRINIDAD AND TOBAGO: INDICATORS OF
AGRICULTURAL PRODUCTION**

	1980	1981	1982	Growth rates		
				1980	1981	1982 ^a
Index of output	101.5	103.1	99.7	-7.6	1.6	-3.3
	Thousands of tons					
Sugar cane	1 499.0	1 299.0	1 201.0	-12.3	-13.3	-7.5
Cocoa beans	2.4	3.1	2.0 ^b	-9.4	32.1	-18.3
Coffee beans	2.2	2.4	1.8 ^b	-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
Copra	4.4	4.0	...	-35.3	-9.9	...
Meat:						
Beef and veal	2.0	1.7	0.7 ^c	2.2	-13.2	-21.4
Pork	1.8	1.6	0.8 ^c	-26.0	-9.9	11.4
Poultry ^d	23.5	25.6	14.8 ^e	-12.3	9.3	14.6
Fish	2.2	1.9	...	-12.5	-14.2	...
Eggs ^f	3.5	3.4	1.2 ^f	-25.5	-2.9	32.7
Milk ^g	5.5	7.1	3.6 ^g	-12.2	29.0	-12.6

Source: *Central Statistical Office*.

^aCompared to similar period in 1981.

^bJanuary-September.

^cJanuary-June.

^dLive weight.

^eMillion dozen.

^fJanuary-March.

^gThousand litres.

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, as the flare gas recovery programme came on stream in 1982, of wells shut in during 1981. This also boosted gas output. Some recovery in asphalt production, used mainly in domestic road construction, also helped, while 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 dividends have already begun to show themselves in the form of the discovery, announced in April 1982, of a new field off the south-east coast (see table 4).

Crude oil production, which peaked in 1977/1978, declined for the fourth consecutive year. Incentives for the use of secondary recovery measures on land seem to have stabilized output levels somewhat, but marine output declined by 8%. The bulk of domestic crude oil continues to be exported, partly on account of the corporate structure of the industry and partly on account of the refinery configuration (see table 5).

Following on the oil crisis of the 1970s and United States energy conservation policies, including development of alternative energy sources, a reduced dependence on overseas suppliers and on offshore refining, Trinidad and Tobago's position as a low-cost refining centre was fundamentally

Table 4
TRINIDAD AND TOBAGO: INDICATORS OF MINING ACTIVITY

	1977	1980	1981	1982 ^a	Growth rates		
					1980	1981	1982 ^a
Index of output: (1970 = 100)	161.4	265.0	232.9	227.3	-2.4	-12.1	-2.4
Crude oil produced ^b	13.3	12.3	11.0	10.3	-0.8	-10.9	-6.4
Drilling activity ^c	281.0	204.0	240.0	254.0	-15.5	17.2	6.1
Asphalt production ^d	44.0	41.0	23.0	30.0	-27.4	-42.7	28.0
Natural gas produced ^e	4.2	5.6	5.5	5.8	16.6	-1.2	5.5

Source: Ministry of Energy and Natural Resources and Central Statistical Office.

^aPreliminary figures.

^bMillions of cubic meters.

^cThousands of meters drilled.

^dThousands of tons.

^eThousands million cubic meters.

Table 5
TRINIDAD AND TOBAGO: LOCAL CRUDE PETROLEUM EXPORTS
AND LOCALLY REFINED CRUDE, 1975-1982

(Millions of cubic meters)

Year	Total production			Domestic crude exports	Percentage of total	Domestic crude refined locally	Percentage of total
	Total	Land	Marine				
1975	12.5	...	...	7.7	62.0	4.8	38.0
1976	12.3	2.6	9.7	7.0	57.0	5.3	43.0
1977	13.3	2.6	10.7	7.9	59.0	5.4	41.0
1978	13.3	2.6	10.7	8.1	61.0	5.2	39.0
1979	12.4	2.7	9.7	7.0	56.0	5.4	44.0
1980	12.3	2.7	9.6	7.3	59.0	5.0	41.0
1981	11.0	2.5	8.5	6.0	55.0	5.0	45.0
1982 ^a	10.3	2.4	7.9	6.0	58.0	4.3	42.0

Source: Ministry of Energy and Natural Resources.

^aPreliminary figures.

Table 6

**TRINIDAD AND TOBAGO: REFINERY THROUGHPUT
OUTPUT AND EXPORTS OF REFINED PRODUCTS^a**

(Millions of cubic meters)

Year	Throughput	Output	Exports	Imports as percentage of 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 ^b	8.8	8.6	7.3	42.4

Source: Ministry of Energy and Natural Resources.

^aMovements in stocks account for the apparent discrepancy in these data.

^bPreliminary figures.

Table 7

TRINIDAD AND TOBAGO: INDICATORS OF MANUFACTURING ACTIVITY

(1977 = 100)

	1978	1979	1980	1981	January-June	
					1981	1982 ^a
Index of manufacturing production - total^b	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
Beverages 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 and related products	88.7	119.0	122.5	90.2	82.8	84.2
Chemical and non-metallic products	126.1	128.6	139.2	116.2	99.0	134.8
Assembly-type and related industries	112.4	114.8	123.8	126.0	117.8	126.1
Miscellaneous 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.

^aPreliminary figures.

^bExcluding oil and sugar.

altered. Throughput in 1982 was less than half its 1976 peak level and was 13% below 1981. Because the vast bulk of refinery output is low-priced fuel oil, for which United States East Coast markets have substantially disappeared, the weighted realized values of products were lower than crude prices, refineries were losing money, and by late 1982 closure of the refineries was being suggested. As a result of cutbacks in operations, by the end of the year 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 with 1981, when there was about a similar decline (see table 2). This contrasts with the

steady growth recorded by the sector between 1972 and 1980. The long-standing 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, although textiles and printing registered declines. The full-year declines in both sugar and oil refining (see tables 6 and 8), however, caused the sector as a whole to register negative growth despite the strong part-year performance of some sub-sectors.

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 an almost 20% decline in fertilizer output, an all-time record 68% growth rate was attained in 1982. 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 did not attain its full potential in 1982. Construction work on the plant for producing urea and methanol continued during the year.

iv) *Construction.* The boom in construction, evident during the 1970s and reaching its peak in 1980 with all-out efforts on a number of large-scale public sector projects, slowed considerably in 1982. Real output barely grew by 0.5%, compared to 7% in 1981 and 23% in 1980 (see table 2). The phenomenal growth in the industry over the decade is borne out by the approximately threefold

Table 8
TRINIDAD AND TOBAGO: OUTPUT OF SELECTED INDUSTRIAL PRODUCTS

	1980	1981	1982 ^a	Growth rates		
				1980	1981	1982 ^a
Sugar ^b	113.0	93.0	82.0	-21.2	-17.8	-11.8
Rum ^c	5.1	4.6	2.8 ^d	53.4	-9.8	-22.2 ^e
Beer and stout ^f	37.1	35.3	23.4 ^d	15.6	-4.9	1.7 ^e
Cigarettes ^g	0.9	0.5 ^h	...	6.8	...	...
Edible oil ⁱ	9.2	24.0	7.2 ^d	13.1	161.0	1.4 ^j
Margarine, lard and butter substitutes ^k	4.4	6.6	4.9 ^d	-40.6	50.4	-9.3 ^e
Soap ^b	2.7	2.9	3.3 ^d	-22.3	5.8	...
Fertilizers ^b	687.0	559.0	940.0	13.6	-18.6	68.2 ^e
Assembly industries^l						
Motor vehicles	11.9	13.4	10.8 ^d	-21.7	12.6	9.1 ^e
Ratios	8.3	8.5	6.0 ^d	3.8	2.5	5.3 ^e
Television sets	12.8	13.3	13.9 ^d	21.9	3.9	40.4 ^e
Gas cookers	23.4	15.3	17.1 ^d	52.9	-34.6	72.7 ^e
Refrigerators	27.5	14.9	21.5 ^d	30.3	-44.8	85.3 ^e
Steel products^b						
Direct reduced iron	22.0	180.0	218.0	-	718.2	21.1
Billets	3.0	53.0	171.0	-		222.6
Wire rods	-	29.0	124.0	-	-	327.6

Source: Central Statistical Office: *Annual Statistical Digest*; Central Bank: *Quarterly Statistical Digest*; Sugar Manufacturers' Association of Trinidad and Tobago.

^a Preliminary figures.

^b Thousands of tons.

^c Millions proof gallons.

^d January-September.

^e Compared to similar period in 1981.

^f Million liters.

^g Tons.

^h January-June.

ⁱ Thousand units.

^j Growth rate 1 766.7% from low base.

Table 9

TRINIDAD AND TOBAGO: INDICATORS OF CONSTRUCTION ACTIVITY

	1975	1980	1981	1982 ^a	Growth rates		
					1980	1981	1982 ^a
Index of output	151.0	265.0	284.0	286.0	23.0	7.4	0.4
Cement							
Production ^b	259.0	186.0	139.0	189.0	-14.4	-25.3	36.0
Local sales ^b	184.0	360.0	390.0	458.0	8.0	8.3	17.5
Bricks and blocks							
Production ^c	20.1	29.3	28.3	21.6 ^d	6.9	-3.4	-6.1
Local sales ^c	20.0	28.7	27.2	12.4 ^d	18.1	-4.2	-43.1
Employment ^e	...	63.1	...	...	...	...	...
Commercial bank loans and advances outstanding ^f	33.0	329.0	445.0	470.0	32.7	35.3	5.6
Approved building plans							
Number ^e	2.6	3.6	3.4	1.7 ^g	-4.3	-5.4	-5.5
Floor area ^h	3.9	5.9	7.1	3.2 ^g	-6.7	20.3	-10.9

Source: Central Statistical Office.

^aPreliminary figures.

^bThousands of tons.

^cMillions.

^dJanuary-September.

^eThousands.

^fMillions of dollars.

^gJanuary-June.

^hMillion square feet.

increase in output, employment, commercial bank credit and local cement sales. The shift in the structure of the industry may be inferred by comparing this last fact with the relatively slow growth in local sales of bricks and blocks (see table 9).

The downturn in the industry, evident from the continuing decline in building plan approvals from their peak in 1979, is further illustrated by the sharp decline in local sales of bricks and blocks. After many years of boom conditions, with severe shortages of raw materials and skilled labour, and cost escalations put at 1.1/2% per month, construction cost rises 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 1970s. Between census day 1970 and 1980 the non-institutional population 15 years old and over grew 29%, the labour force 4.4% and employment 9%, while the number of unemployed fell 28% and the unemployment rate sank to a 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.

The weakening economic position which began to show itself in 1982 may 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 well known, however, 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. Since both these trends have been evident in Trinidad and Tobago, the present situation is not unexpected.

3. The external sector

i) *Merchandise trade.* Trinidad and Tobago represents an extreme case of export concentration. Petroleum products and crude petroleum, which provided 80% of exports in 1970, accounted for more than 90% in the 1980s 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 150 000 tons in 1982, has potential for further growth. Staple agricultural commodities now make only a small contribution to exports and most of them are rapidly declining, while cement exports ceased in 1976. Part-year data suggest that overall merchandise exports were down 16% in 1982 after a 10% decline in 1981, while exports of goods and services declined 10%, compared to a 5% fall in 1981 (see table 11).

Table 10

TRINIDAD AND TOBAGO: LABOUR FORCE, EMPLOYMENT AND UNEMPLOYMENT

(Thousands)

	Census		1975	1977	1979	January-June	
	1970	1980				1981	1982
Non-institutional population							
15 years 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	15.0	12.0	11.0	10.4	10.4

Source: Central Statistical Office: *Continuous Sample Survey of the Population*; Central Bank: *Annual Report*, 1982.

Table 11

TRINIDAD AND TOBAGO: SELECTED EXPORTS

	Millions of dollars			Percentage share			Growth rates	
	1980	1981	1982 ^a	1970	1980	1982	1981	1982 ^b
Total domestic exports	4 048	3 631	1 563	100.0	100.0	100.0	-10.3	-15.9
Main traditional exports								
Petroleum products	2 131	1 738	...	71.0	53.0	90.0	-18.4	-15.4
Crude petroleum	1 635	1 613	...	8.0	40.0	...	-1.4	...
Natural asphalt	1	-	...	-	-	...	-66.7	...
Sugar	25	27	13	5.0	1.0	1.0	-3.4	-56.5
Rum	5	5	3	-	-	-	-8.7	37.3
Cocoa beans	8	8	3	1.0	-	-	2.9	-39.3
Coffee beans	3	2	2	-	-	-	-49.3	37.5
Citrus fruit and juices	2	2	1	-	-	-	-16.0	-27.6
Main non-traditional exports								
Petrochemicals	38	65	...	3.0	1.0	...	7.8	...
Fertilizers and ammonia	63	57	43	5.0	1.0	3.0	-9.1	106.0
Iron and steel	-	6	...	...	-	...	...	...

Source: Central Statistical Office: *Quarterly Economic Report*, various issues and Central Bank: *Annual Report* 1982.

^aJanuary - June.

^bJanuary - June 1982 compared to same period of 1981.

Table 12

TRINIDAD AND TOBAGO: FUNCTIONAL CLASSIFICATION OF IMPORTS

(Millions of dollars)

	1970	1980	1981	January-July	
				1981	1982
Consumer goods	87	726	801	393	501
Non-durables	44	445	509	241	296
Durables	43	281	293	152	205
Raw materials and intermediate goods	329	1 704	1 670	653	1 073
Of which:					
Fuels (u.p.a.)	(221)	(1 123)	(1 133)	(343)	(663)
Construction materials	...	242	236	138	197
Capital goods	43	616	485	291	450
Other commodities	36	132	169	105	85
Total	495	3 178	3 125	1 443	2 086
Total excluding fuels (u.p.a.)	274	2 055	1 992	1 100	1 423

Source: Central Statistical Office: Quarterly Economic Reports, and Central Bank, *Annual Report, 1982*.

By contrast, imports in 1982 grew an estimated 37% after zero growth in 1981 and an average 27% annual 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 25%. 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 TT\$ 1 500 million.

The terms of trade, which have been unfavourable to Trinidad and Tobago since 1981, are believed to have deteriorated further in 1982. This is because the average unit value of major exports —e.g. crude petroleum, cocoa and coffee— declined, while unit values of the principal 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 has been petroleum prices.

ii) *Balance of payments.* The immediate effect of the poor performance of merchandise trade was to bring the balance of payments to its lowest surplus (US\$ 276 million) since 1976. This surplus represents a decrease of 60% compared with 1981 (see table 13). 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 of official funds in 1981 to an inflow in 1982. Despite a very large 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 counterbalance the 100% increase for "other services", largely fees for technology and non-merchandise insurance (see table 13).

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 \$ 3 billion in December 1982, only 6.8% 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 14).

Table 13

TRINIDAD AND TOBAGO: BALANCE OF PAYMENTS

(Millions of dollars)

	1977	1978	1979	1980	1981	1982
Exports of goods and services	1 543.8	1 558.0	2 062.3	3 173.3	3 062.5	3 025.0
Goods FOB	1 175.2	1 222.0	1 648.9	2 584.2	2 531.2	2 417.8
Services ^a	368.6	336.0	413.4	588.9	531.3	607.2
Transport and insurance	187.3	144.0	197.3	300.3	236.7	231.8
Travel	94.0	111.1	122.2	152.9	155.3	165.6
Imports of goods and services	1 115.7	1 349.2	1 720.4	2 323.2	2 383.9	2 537.5
Goods FOB	860.0	1 044.4	1 317.1	1 748.0	1 748.1	1 954.1
Services ^a	255.7	304.7	403.5	575.3	635.8	583.4
Transport and insurance	169.8	198.8	253.0	350.5	354.1	353.3
Travel	51.7	66.2	101.6	139.7	167.3	176.6
Merchandise balance	315.2	177.5	331.8	836.2	783.1	463.7
Trade balance	428.1	208.8	341.9	850.0	678.6	487.5
Factor services	-190.3	-74.7	-252.6	-310.9	-204.1	-410.3
Profits	-252.0	-170.9	-349.9	-478.7	-421.1	-574.1
Interest received	77.1	124.9	159.8	232.2	344.7	253.9
Interest paid	-8.6	-22.3	-54.9	-54.3	-113.4	-88.3
Others	-6.8	-6.4	-7.6	-10.2	-14.3	-1.8
Unrequited private transfer payments	-15.9	-24.2	-30.2	-43.5	-67.2	-33.1
Balance on current account	221.9	109.9	58.9	495.5	407.3	44.2
Unrequited official transfer payments	-15.3	-17.2	-18.6	-22.0	-23.5	...
Long-term capital	230.8	270.6	434.0	335.8	327.1	...
Direct investment	83.6	128.8	93.8	184.4	258.1	...
Portfolio investment	-1.1	99.5	-3.9	-19.1	1.3	...
Other long-term capital	148.3	42.2	344.1	170.5	67.7	...
Official sector ^b	143.1	3.6	57.1	74.4	-95.0	...
Loans received	156.4	3.4	60.5	231.7	34.4	...
Amortization payments	-3.6	-3.9	-4.3	-163.9	-19.0	...
Commercial banks ^b	0.0	0.0	0.0	0.0	0.0	...
Loans received	0.0	0.0	0.0	0.0	0.0	...
Amortization payments	0.0	0.0	0.0	0.0	0.0	...
Other sectors ^b	5.1	38.6	287.0	96.1	162.7	...
Loans received	7.6	8.1	116.4	88.1	71.2	...
Amortization payments	-4.4	-20.5	-14.6	-10.9	-17.1	...
Basic balance	437.5	363.3	474.3	809.3	710.9	...
Short-term capital	50.1	16.3	-58.0	-115.7	-23.9	...
Official sector	-11.3	-16.0	-7.5	-24.2	-29.5	...
Commercial banks	6.7	19.3	-28.4	31.4	13.3	...
Other sectors	54.8	13.0	-22.1	-122.9	-7.8	...
Errors and omissions (net)	-43.5	-42.2	-72.6	-60.8	11.0	231.8
Balance on capital account	221.9	227.5	284.8	137.3	290.7	231.8
Global balance ^c	443.9	337.4	343.7	632.8	697.9	276.0
Total variation in reserves (minus sign indicates an increase)	-461.7	-333.6	-333.9	-642.2	-565.1	...
Monetary gold	0.0	-0.6	-0.6	0.0	0.0	...
Special Drawing Rights	-6.0	-7.2	-19.1	-4.6	-14.1	...
IMF reserve position	-1.2	-5.3	-10.8	-30.6	-10.9	...
Foreign exchange assets	-460.9	-310.7	-303.0	-607.1	-540.1	...
Other assets	6.4	-9.8	-0.4	0.0	0.0	...
Use made of IMF credit	0.0	0.0	0.0	0.0	0.0	...

Source: International Monetary Fund, *Balance of Payments Yearbook*; ECLA, on the basis of official data.^aIncludes other non-factor services.^bIncludes net loans granted and other assets and liabilities.^cEquals the difference between total variation in reserves (of opposite sign), plus counterpart items: monetization or demonetization of gold, allocation or settlement of Special Drawing Rights, and variations due to revaluation of other reserves.

Table 14

TRINIDAD AND TOBAGO: INDICATORS OF EXTERNAL INDEBTEDNESS

(Millions of dollars)

	1977	1978	1979	1980	1981	1982 ^a
Total external public debt	208.0	315.0	374.0	437.0	448.0	637.0
Debt servicing:	10.0	25.0	43.0	205.0	75.0	83.0
Amortization and sinking fund	6.0	6.0	6.0	170.0	18.0	19.0
Interest payments	4.0	19.0	36.0	35.0	56.0	64.0
Debt servicing as percentage total exports	0.9	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.*

^aPreliminary figures.

Table 15

TRINIDAD AND TOBAGO: EVOLUTION OF CONSUMER PRICE INDEX

(September 1975 = 100)

	1977	1978	1979	1980	1981	1982 ^a
Percentage variation December to December						
Total - all items	11.4	8.8	19.6	16.6	11.6	10.8
Food	11.2	6.8	22.9	17.9	12.0	12.8
Drink and tobacco	10.6	11.7	19.3	17.5	14.3	18.5
Housing	14.8	14.1	21.8	18.5	11.4	-1.7
Clothing	10.4	6.1	13.0	7.2	11.8	7.5
Transportation	...	...	24.2	26.5	8.0	13.3
Variation between annual averages						
Total - all items	11.8	10.2	14.7	17.5	14.3	11.4
Food	6.9	9.1	13.8	19.3	16.6	13.6
Drink and tobacco	10.5	15.0	11.6	19.3	14.6	18.2
Housing	12.8	16.0	20.2	17.6	15.3	0.6
Clothing	14.7	8.3	8.8	9.0	12.5	8.6
Transportation	20.0	10.2	27.3	24.0	10.6	13.5

Source: Central Statistical Office.

^aPreliminary figures.

Table 16

TRINIDAD AND TOBAGO: EVOLUTION OF WAGES AND SALARIES

(Index 1976 = 100)

	1979	1980	1981	1982 ^a	Growth rates		
					1980	1981	1982 ^b
Minimum wages rates^c							
Nominal	170.4	208.8	270.4	315.0	22.2	29.9	21.4
Real	120.6	125.4	142.4	155.9	4.0	13.6	9.5

Source: Central Statistical Office.

^aMay 1982.

^bCompared to May 1981

^cData are averages for May and November.

4. Prices and wages

i) *Prices*. In 1982 there was a further deceleration in the rate of domestic inflation as measured by the Consumer Price Index (see table 15). Principally responsible was the moderate level of imported inflation. Official policy instituted in late 1981 to control rentals on dwelling houses and apartments also helped by putting 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, as has been the case since 1974.

ii) *Wages*. Data for the first months of 1982 indicate that wage inflation may have slackened somewhat. Nominal wage rates for certain representative 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 16).

5. Monetary and fiscal policy

i) *Monetary developments*. The 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 at its accustomed rate of 20%, the financial position of the Government changed radically, causing its hitherto dampening net impact on domestic credit to become expansionary (see table 17). The net domestic budget deficit—the difference between the Government's local disbursements and its local receipts—increased almost 90% from approximately TT\$ 2.5 billion in 1981 to TT\$ 4.7 billion in 1982, thereby injecting considerable resources into the banking system.

The liquidity position of the commercial banks remained on average at about the 1981 levels but increased somewhat at year-end. The monetary authorities continued their efforts to restrain monetary expansion by maintaining a 15% marginal reserve requirement in addition to a 9% statutory and 5% secondary reserve. Efforts at diverting bank credit away from personal non-

Table 17

TRINIDAD AND TOBAGO: MONETARY BALANCE

	Millions of TT dollars at year-end			Growth rates			
	1980	1981	1982 ^a	1979	1980	1981	1982 ^a
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 ^b
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
Saving 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.

^aPreliminary figures.

^bNon-comparable.

Table 18

**TRINIDAD AND TOBAGO: COMMERCIAL BANKS-DISTRIBUTION
OF LOANS AND ADVANCES BY SECTOR**

(Millions of TT dollars at year-end)

	1977	1978	1979	1980	1981	1982 ^a
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^b	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.

^aPreliminary figures.^bIncludes central government and State enterprises.

Table 19

**TRINIDAD AND TOBAGO: CENTRAL GOVERNMENT
REVENUE AND EXPENDITURE**

	Millions of TT dollars			Growth rates		
	1980	1981	1982 ^a	1980	1981	1982 ^a
Recurrent 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
Recurrent expenditure, 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 recurrent expenditure	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.

^aPreliminary figures.

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 18).

The stock market, which began open trading in October 1981, was very active in 1982, when the market value of turnover was TT\$ 545 million, compared to TT\$ 140 million in 1981. The Unit Trust began active trading in November 1982 and by year-end had sold TT\$ 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 little doubt that the fiscal position of the Government worsened considerably, as evidenced by the overall deficit of TT\$ 3.3 billion, approximately 18% of current GDP. While the current account was roughly in balance and the deficit was not excessively large, it remains true that with the changed petroleum market situation the revenue position of the country must have seriously deteriorated while expectations and commitments continue at high levels (see table 19). Public policy, as stated in the 1982 budget and reinforced in 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 services) and by containing subsidies.

كيفية الحصول على منشورات الأمم المتحدة

يمكن الحصول على منشورات الأمم المتحدة من المكتبات ودور التوزيع في جميع أنحاء العالم. استلم منها من المكتبة التي تتعامل معها أو اكتب إلى : الأمم المتحدة قسم البيع في نيويورك أو في جنيف.

如何购取联合国出版物

联合国出版物在全世界各地的书店和经销处均有发售。请向书店询问或写信到纽约或日内瓦的联合国销售组。

HOW TO OBTAIN UNITED NATIONS PUBLICATIONS

United Nations publications may be obtained from bookstores and distributors throughout the world. Consult your bookstore or write to: United Nations, Sales Section, New York or Geneva.

COMMENT SE PROCURER LES PUBLICATIONS DES NATIONS UNIES

Les publications des Nations Unies sont en vente dans les librairies et les agences dépositaires du monde entier. Informez-vous auprès de votre libraire ou adressez-vous à : Nations Unies, Section des ventes, New York ou Genève.

КАК ПОЛУЧИТЬ ИЗДАНИЯ ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ

Издания Организации Объединенных Наций можно купить в книжных магазинах и агентствах во всех районах мира. Наводите справки об изданиях в вашем книжном магазине или пишите по адресу: Организация Объединенных Наций, Секция по продаже изданий, Нью-Йорк или Женева.

COMO CONSEGUIR PUBLICACIONES DE LAS NACIONES UNIDAS

Las publicaciones de las Naciones Unidas están en venta en librerías y casas distribuidoras en todas partes del mundo. Consulte a su librero o diríjase a: Naciones Unidas, Sección de Ventas, Nueva York o Ginebra.

Publications of the Economic Commission for Latin America and the Caribbean can be ordered from your local distributor or directly through:

United Nations Publications
Sales Section, — DC-2-866
Nueva York, NY, 10017
USA

United Nations Publications
Sales Section
Palais des Nations
1211 Geneva 10, Switzerland

Distribution Unit
CEPAL — Casilla 179-D
Santiago, Chile

