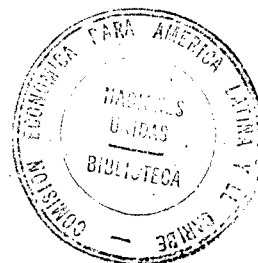


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ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN
Subregional Headquarters for the Caribbean

CARIBBEAN DEVELOPMENT AND CO-OPERATION COMMITTEE



OVERVIEW OF ECONOMIC ACTIVITIES IN THE CARIBBEAN

- 1989 -



UNITED NATIONS

ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN
Subregional Headquarters for the Caribbean

PREFACE

This overview of economic activities in the Caribbean for 1989 has as its genesis a similar exercise undertaken for CARICOM in June 1990 and incorporates inputs received in the finalization of that document.

The two initiatives were complementary due to the similar structures and characteristics of all Caribbean economies and the common hopes and constraints they share as they move into the 1990s.

As a consequence of these perceived complementarities and in the face of uneven economic performance in the 1980s, renewed emphasis is being placed on integration and co-operation as a means of speeding up the development process and improving the capacity of the region to face the challenges presented to it by global developments. An important aspect of this renewed emphasis is the thought being given to widening the integration process to incorporate all regional actors, in the expectation that the pooling of efforts and resources will provide better returns than isolated individual efforts.

It is hoped that this survey will play a small part in bringing the similarities and complementarities of the economies of the wider Caribbean to the attention of the reader and provide a better understanding of its shared fortunes.

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INTRODUCTION

The final year of the 1980s was once again the bearer of mixed fortunes for Caribbean countries. The uncertainties, springing from rapid and fundamental changes in the global structure of production, and the resultant efforts by the region to adjust to them, were no less daunting at the end of the decade than at its beginning.

It is well to recall that the decade opened with the second oil price shock and was followed by its consequence, the global debt crisis. Caribbean countries were severely affected by these developments, in one way or another, throughout the decade. The sole oil exporter moved from a high point in the first years of the decade to a nadir at its close, as it attempted to cope with the wide variation in resources available for development.

The oil consumers, especially the most dependent among them, Cuba, the Dominican Republic, Guyana and Jamaica, struggled to accommodate the high prices in the early years and suffered from the legacy of that accommodation, the severe debt burden, for the remainder of the period. Nevertheless, such growth as was achieved by them in the latter half of the decade was made possible by a growing tourist industry and reduced energy costs, which not only eased the pressure on the oil import bill, but permitted the resuscitation of the faltering bauxite/alumina industry in Jamaica and Guyana.

Industrial growth stagnated over the decade, dependent as it was (particularly within CARICOM) upon regional trade which declined throughout the decade until 1987, when growth was resumed. The exception to the contraction in manufacturing was provided by offshore enterprises, mainly in garment assembly, which were established in a number of Caribbean free-zones and absorbed a significant amount of unskilled labour.

For most countries in the region the battle to adjust focused on the balance of payments and the fiscal deficits. Some progress was achieved in these endeavors by the end of the decade, but it was tenuous since a broad social consensus had not been secured as to the need for such balances.

The longer-term need, to transform production structures to be more responsive to global trends, was recognized as was the fact that this could only be achieved by intense efforts at upgrading human skills. While the need for transformation was recognized, however, action to achieve it seemed still to be a long way off. Fears were, therefore, growing that the region ran the risk of further declining competitiveness in the decade of the nineties.

GLOBAL DEVELOPMENTS

Global developments in 1989 were not auspicious for CARICOM countries. Output which had grown modestly, though consistently, for the past seven years grew even more slowly in 1989, as did the volume and value of world trade. These developments impacted unfavourably on the developing countries to reduce their export earnings. In conjunction with reduced earnings, resource flows to many of them declined, mainly as a result of reduced exposure by the major banks. In the face of massive repayments which had to be made by some developing countries to service their debt and high and rising interest rates which increased the cost of servicing it, there was a net outflow of resources from the Latin American region once again in 1989.

Fears that the period of unbroken economic growth achieved since late 1982 could not be sustained, particularly at the rates attained in 1988, prompted the Organisation for Economic Co-operation and Development (OECD) countries to moderate their economic expansion in 1989. A number of signals in late 1988, such as the approaching limits on capacity utilization, the brief rally in oil and other imported raw materials prices and climbing wages in domestic markets, pointed to increased inflationary pressures and set in train countervailing monetary policies in the developed countries.

Table I

OUTPUT<1>

	1985	1986	1987	1988	1989
Global Output	3.2	3.1	3.3	4.0	3.1
Industrial countries	3.4	2.6	3.5	4.4	3.5
U.S.A.	3.4	2.7	3.7	4.4	2.9
Japan	4.9	2.5	4.5	5.7	4.9
Developing countries	3.9	4.2	3.6	4.3	3.2
Newly Ind. countries	4.5	11.3	12.2	9.8	6.5
Latin America	3.5	4.0	3.0	0.7	...
Debtors<2>	3.7	4.0	2.6	1.1	0.4

Source: I.M.F. World Economic Outlook.

<1>Annual changes of GDP, in percent.

<2>Countries experiencing debt-service problems.

Accordingly, output grew somewhat more slowly in the OECD countries in 1989, at 3.5 per cent, than in 1988 which recorded 4.4 per cent. Slowest growth was achieved in the United States, the United Kingdom and Canada, all achieving 3 per cent or less. Both the Federal Republic of Germany and Japan, however, recorded growth rates in excess of 4 per cent.

Output also grew more slowly in the developing countries in 1989, falling one percentage point to 3.2 per cent. Growth declined due to increasing interest rates and declines in non-oil commodity prices. Deflationary policies in the OECD countries also reduced demand for their exports and constrained capital flows.

Table II

INFLATION AND INTEREST RATES<1>

	1985	1986	1987	1988	1989
Inflation<1>					
Industrial countries	3.6	3.4	3.0	3.2	4.5
U.S.A.	3.0	2.6	3.1	3.3	4.8
Developing countries	40.6	31.4	41.6	70.8	85.5
Newly Ind. countries	1.6	1.8	2.3	4.6	5.7
Latin America	145.3	87.8	130.9	286.4	404.6
Interest rates<2>					
Industrial countries	9.9	7.7	8.0	8.1	8.2
U.S.A.	10.6	7.7	8.4	8.8	9.3

Source: I.M.F. World Economic Outlook.

<1>In percent.

<2>Long term interest rates, in percent.

Inflation actually increased from 3.2 per cent in 1988 to 4.5 per cent for the OECD. The greatest increases were recorded by the UK at 7.8 per cent, Canada at 5 per cent and the United States at 4.8 per cent. Moderate inflation was recorded in Japan at 2.3 per cent and Germany at 2.8 per cent. Policies to combat inflation in the developed countries seemed to have had a positive effect, with prices falling in the second half of the year, notably in the United States. Inflationary pressures stemmed from oil and non-oil raw material price increases in the first half of 1989, taxation increases, currency fluctuations and interest rate increases.

In the developing countries inflation increased, led by Latin America and particularly the most seriously indebted countries among them, Argentina, Brazil and Peru. High rates were also recorded for Yugoslavia and Vietnam.

Inflationary fears had their impact on interest rates as a result of tight monetary policies. Long-term interest rates rose in the United States to average 9.3 per cent, and rates also rose in Germany and Japan, although the London Inter-Bank Offer Rate (LIBOR) fell. Increased interest rates worsened the situation for the major debtors.

Table III

RESOURCE FLOWS AND DEBT

	1985	1986	1987	1988	1989
Capital Flows <1>					
Developing countries	34.9	43.6	43.5	15.8	37.2
Latin America	-1.7	6.4	-4.1	6.3	-4.7
Latin American Debt					
Total Debt (US\$bn)	369.3	383.6	415.9	402.7	402.1
Debt/GDP(%)	45.4	44.1	43.8	38.8	37.0
Debt service ratio<2>	295.8	351.9	348.0	298.3	278.3

Source: I.M.F. World Economic Outlook.

<1>Net external borrowing (US \$ billion).

<2>Debt as a percentage of exports of goods and services.

For the developing countries as a group, resource flows which seemed to have reached a record low of \$15.8 billion in 1988, increased somewhat in 1989, but remained below the levels experienced earlier in the decade. Official creditors continued to provide some long-term funds but lending by the private sector was severely curtailed, mainly to the countries with debt-servicing problems in Latin America, as private banks continued to reduce their exposure in these countries. In the face of reduced borrowing and continued massive repayments, capital flows to Latin America were once again negative and had to be made from resources accumulated in 1988.

The Latin American debt declined marginally for the second successive year, while, in fact, the debt-service ratio which has been falling since 1987 continued. Mexico completed negotiations of a programme within the framework of the Brady Initiative, while the other countries such as Costa Rica and Venezuela commenced negotiations. Despite these favourable developments, high interest rates provide a further obstacle to the resolution of the debt issue, which remains the most intractable economic problem in Latin America and the greatest impediment to renewed growth in the region.

Large imbalances on the external trade account of the major industrialised countries, large fiscal deficits in developed countries, such as the United States and Canada, and the resultant instability in the exchange rates of the major currencies continued in 1989. The international trading environment continued to be characterised by uncertainty. Multilateral efforts in the General Agreement on Tariffs and Trade (GATT) - the Uruguay Round of Trade Negotiations - and in bilateral negotiations between the major trading countries, were "bogged down" and had little effect in reducing protectionist tendencies and hence uncertainty.

The opening of the eastern European market to a greater flow of international trade increased significantly in 1989. However, the timing and the circumstances were such that there was little impact on international trade in 1989. This development, nevertheless, holds strong potential for the future.

REGIONAL DEVELOPMENTS

Macro economic summary

Economic performance in the region as measured by real GDP growth, was not as strong as in 1988 and in some countries was only achieved at a cost of greatly eroded external accounts. Despite this, however, the income per capita in most countries increased with some of the smaller countries sustaining their record of consistent income per capita gains throughout the decade.

As in previous years, performance of Organisation of Eastern Caribbean States (OECS) member countries remained respectable, though not as buoyant as in 1988 and GDP actually declined in Dominica and probably Montserrat as a result of Hurricane Hugo, after strong growth was recorded in 1988. The performance of the larger countries remained a source of concern, with low growth in Cuba and Haiti and contraction once more being a feature of the economies of Guyana and Trinidad and Tobago. Growth was surprisingly strong in the Dominican Republic and Jamaica, however, but this was achieved at the expense of the balance of payments, reminding one of the severe constraint imposed on economic performance by the external account. Growth in Puerto Rico was more modest in 1989 than in the two previous years but was, nevertheless, the sixth year of continuous expansion.

The two essential pillars of export performance and economic growth in most countries, especially in the OECS, are tourism and agriculture. Tourism maintained its positive growth in 1989,

Table IV

**PERCENTAGE CHANGE IN G.D.P.
(At constant prices)**

	1985	1986	1987	1988	1989
Antigua/Barbuda	7.7	8.4	8.8	7.4	6.2
Bahamas	5.2	1.4	4.6	4.7	...
Barbados	1.2	5.1	2.5	3.5	3.5
Belize	2.5	2.6	13.3	7.9	4.5
Cuba<1>	4.6	1.2	-3.5	2.3	1.0
Dominica	1.7	6.8	6.8	7.9	-1.4
Dominican Republic	-2.6	3.2	7.2	1.1	3.8
Grenada	4.9	5.5	6.0	5.0	5.3
Guyana	1.0	0.2	0.7	-3.0	-4.8
Haiti	0.4	1.0	-0.3	-0.2	0.5
Jamaica	-4.7	1.9	5.2	1.5	4.6
St Kitts/Nevis	5.6	6.3	6.8	4.7	5.1
St Lucia	6.0	5.9	2.0	5.5	6.0
St Vincent	4.6	7.2	5.7	8.4	5.9
Suriname	-2.3	-2.0	-6.6	...	...
Trinidad/Tobago	-4.5	-1.0	-6.1	-4.7	-3.9
Br Virgin Is	0.2	4.2	16.0	10.0	...
Montserrat	5.4	5.1	10.8	12.1	...
Netherlands Ant	...	-5.2	-2.9	7.4	1.5
Puerto Rico	3.0	2.5	4.8	4.6	3.6

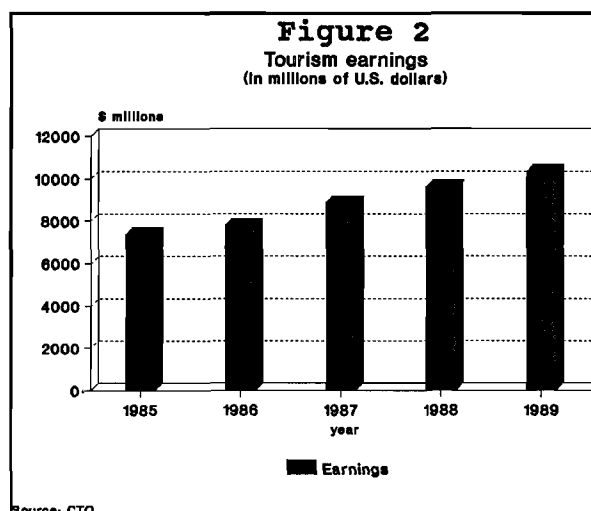
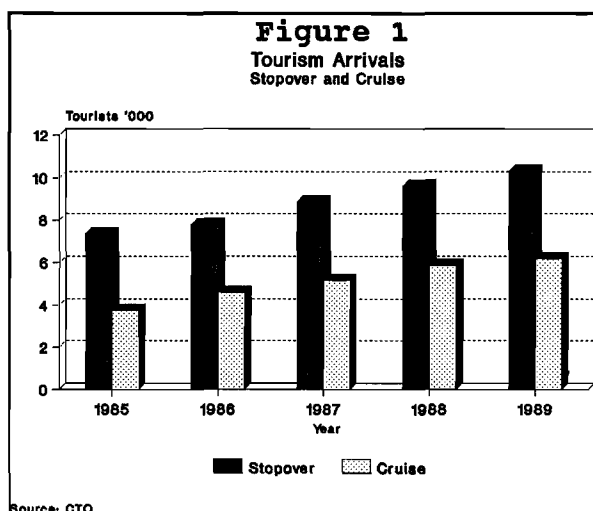
SOURCE: ECLAC estimates based on national data.

<1>Global social product in 1981 prices.

though it was not quite as buoyant as before. The performance of the agriculture sector declined. This was particularly true of the major export crops, sugar and bananas, reduced output of the former contributing to lacklustre agricultural performance in Cuba, the Dominican Republic and Haiti. While reduced agricultural performance has been a chronic feature throughout the decade, it was dealt another severe blow by Hurricane Hugo particularly in Dominica, St. Kitts and Nevis and Montserrat. However, other factors besides the vagaries of climate, such as industrial unrest, labour shortages in some islands, reduced acreage under cultivation, reduced yields, organizational problems and, in 1989, reduced external prices continued to bedevil export agriculture. Positive developments in the agricultural sector were experienced in a few cases: in Trinidad and Tobago where there has been a significant revival in the agriculture sector, in Belize which has been expanding its cultivation and in Jamaica where banana production increased significantly in 1989 - albeit from a small base - despite severe damage in 1988. Coffee prices also recovered in the early part of the year to benefit export earnings of Haiti.

The construction sector recorded a mixed performance in 1989. Public construction declined in some OECS countries as major investment projects were completed. Nevertheless, private housing construction continued to be buoyant, often for reasons such as the rehabilitation of housing stock destroyed by hurricanes. This was the case in Jamaica where construction increased by over 19 per cent. Construction also increased significantly in the Bahamas, by 14 per cent in the Dominican Republic and by just over 1 per cent in Haiti. In the Dominican Republic, expansion in the sector created severe disequilibria in other sectors of the economy, notably by eroding the external account and by increasing inflationary pressures. Construction activity remained at a high level in Puerto Rico fuelled by infrastructural development and a boom in private housing construction. In Trinidad and Tobago, however, the construction sector shrunk by over 20 per cent and it also contracted slightly in Cuba.

The manufacturing sector continued to stagnate in most countries. The major exception was Puerto Rico, which continued to grow propelled by pharmaceuticals which account for almost 44 per cent of manufacturing activity. Modest increases of 3.5 per cent were recorded in the Industrial Production Index for Barbados and Jamaica, non-traditional manufactures compensating for declines in traditional manufactures. A similar increase was recorded by Cuba, but both the Dominican Republic and Haiti recorded increases to G.D.P. from manufacturing of below 2 per cent. In Trinidad and Tobago, non-petroleum manufactures increased their contribution to G.D.P. by 0.3 per cent. The petroleum sector as a whole declined by about 1 per cent, although petrochemicals increased its share of total product by 5 per cent.



Tourism continued the trend established throughout the decade as the main engine of growth for the region. The number of stopover tourists increased by 5 per cent, while 6 per cent more cruise tourists visited the region than in 1988. Estimated tourist expenditures also rose for the year under review, by almost 8 per cent.

Merchandise trade deficits widened in most countries in 1989 and were facilitated by growing services earnings. Even so current account deficits also widened and, in the face of declining resource flows to the region¹, reserves were reduced in many cases.

Inflation in the smaller, more open economies was, for the most part, in line with global trends. Movement was upwards, in some cases significantly, compared with 1988 but still under 6.5 per cent in all cases. The largest economies, with the exception of Haiti, all had double digit rates of inflation, (reaching as high as 61 per cent in the case of Guyana in the first six months of the year), reflecting the impact of various measures in their adjustment programmes - devaluation, high interest rates, removal of subsidies and relaxation of price controls. Excessive credit creation was also a contributory factor in some instances.

Agriculture

The contribution of agriculture to GDP continued its declining trend for most countries, with the probable exception of Belize, Saint Vincent and the Grenadines and Trinidad and Tobago. In the Dominican Republic, agriculture grew by 2 per cent, but its contribution to G.D.P. declined from 20 per cent to 15 per cent over the decade. Even in Haiti the decline over the decade was noticeable, though much less marked. A combination of unfavourable weather conditions and organizational problems reduced output of export and domestic crops alike, while soft external prices for bananas, cocoa and some other export crops further reduced export earnings. Despite the overall trend, however, increases were recorded in domestic vegetable crops in some countries, the decline in export agriculture being compensated by production for local consumption.

The major exception to the declining overall trend was Trinidad and Tobago, where the agricultural sector recorded an increase of about 6 per cent overall, with domestic agriculture remaining an area of strength. In Jamaica agriculture declined by over 4 per cent, with domestic food production declining by over 9 per cent, attributable mainly to hurricane damage to perennial crops. Bananas recovered, from the damage experienced in 1988. Declines of 13 and 4 per cent in the contribution of agriculture

¹ ECLAC, (LC/CAR/G.308) dated 3 September 1980 "Resource Flows to the Caribbean in the 1980s".

were recorded for Dominica and Saint Kitts and Nevis, respectively, mainly due to damage to crops inflicted by Hurricane Hugo. It is estimated that declines were also recorded in Saint Lucia due to bad weather. In Barbados, real agricultural output fell by over 8 per cent in line with recent trends, with a reduction in employment in the sector of over 7,000 persons. In Haiti, output from the sector declined by almost 2 per cent.

Sugar

Table V

SUGAR EXPORTS
(US \$m.)

	1986	1987	1988	1989		1986	1987	1988	1989
Barbados	31	36	34	26		99	70	68	52
Belize	32	31	33	36		99	79	75	77
Cuba<1>	4069	3987	4087	3914		6697	6479	6975	7119
Dominican Republic	134	127	123	159		449	553	514	493
Guyana	83	80	68	73		214	205	171	170
Haiti	4	5	3	0		11	7	7	0
Jamaica	62	74	92	66		143	136	150	130
St Kitts/Nevis	9	11	12	12		26	23	23	22
Trinidad/Tobago	23	21	27	31		58	50	55	57

Source: ECLAC, based on national data.

<1>In Cuban pesos.

Sugar exports from the region declined by about 4 per cent in value in 1989. Increases in production were posted by Belize and Trinidad and Tobago, while crude sugar production increased by 7.5 per cent in the Dominican Republic. A decline of 36 per cent in the Haitian crop, which is used solely for domestic consumption, to more modest declines of 10 per cent for Guyana and Jamaica were recorded for the other producers. A number of negative factors, such as adverse weather, declining acreage in production, declining sucrose content and industrial action, either singly or in combination, have been responsible for the declines in the sugar industry in recent times.

The volume of sugar exported increased slightly over 1988, the major producer, Cuba increasing its exports by 2 per cent though increases were also recorded by Belize and Trinidad and Tobago. The largest declines in exports were recorded by Barbados and Jamaica at 24 and 13 per cent, respectively, although smaller declines were noted for the Dominican Republic, Saint Kitts and Nevis and Guyana.

If Cuban exports are exempted, overall export earnings were cushioned somewhat declining less than volumes because of better prices. This was most notable in the case of the Dominican Republic, where export volumes declined but earnings increased by almost 30 per cent. The opposite case is provided by Cuba where

earnings declined in the face of greater export volumes, since formerly guaranteed pricing arrangements were being called into question. In Jamaica, earnings also declined faster than volumes, because a portion of the 1989 sugar quota to the EEC market was pre-sold in late 1988. This had the effect of reducing the actual 1989 returns from this market. Overall export earnings declined by 4 per cent although export volumes increased by about 1 per cent.

Bananas

Table VI

	BANANA EXPORTS							
	Value(US \$m.)				Volume ('000 TONS)			
	1986	1987	1988	1989	1986	1987	1988	1989
Belize	5	7	8	10	13	21	26	26
Dominica	29	32	37	24	51	61	72	49
Grenada	4	4	5	4	8	8	9	9
Jamaica	9	19	16	19	14	33	28	43
St Lucia	53	42	66	59	113	84	128	124
St Vincent	18	18	31	30	38	36	62	65

Source: ECLAC, based on national data.

The trend in banana exports which has been upward since 1985 changed in 1989, to record a decline in export volumes of 3 per cent. The main producer group, the Windward Islands, recorded an overall decline of almost 9 per cent, with the two major producers being severely affected by adverse weather conditions. Particularly severely affected in this regard was Dominica, which suffered drought in the early part of the year and hurricane damage in the latter half, to record a 31 per cent decrease in exports. Cultivations in Saint Lucia were also affected by heavy wind damage.

Expanded production in Saint Vincent and the Grenadines was reflected in a 4 per cent increase in exports, though this was insufficient to compensate for declines elsewhere in the Windwards. Jamaica increased exports by over 50 per cent. This increase was sufficient to compensate for the effects of Hurricane Gilbert in 1988.

Overall, banana earnings declined faster than volumes due to a significant drop in the Green Wholesale Price. The decline in price was due to increased volumes on the European market and a decline in the value of sterling vis-à-vis the United States dollar. These twin effects have served to put pressure on marginal producers in the region, so that price support measures were invoked in Saint Lucia and Dominica. Since prices are expected to remain soft in the near term and to fall as a result of increased competition with the formation of the single market in 1992,

measures are urgently needed to increase the productivity of regional producers.

Minerals

The mineral sector continued as it had throughout the decade, to be highly unpredictable and subject to large fluctuations. Whereas the petroleum sector started the decade at a peak and declined in latter years, the bauxite/alumina sector fluctuated in a counter-cyclical trend to petroleum, to record improved performance towards the end of the decade. The overall performance of minerals throughout the decade has been weak.

Bauxite/Alumina

Table VII

BAUXITE - ALUMINA EXPORTS

	1985	1986	1987	1988	1989
Bauxite (US\$ m.)					
Dominican Rep.	0	0	4	2	0
Guyana	99	82	84	80	77
Jamaica	78	97	116	105	126
Suriname	36	27	11	<1>79	...
Bauxite ('000 tons)					
Dominican Rep.	0	0	328	207	0
Guyana	1572	1402	1410	1274	1317
Jamaica	2325	2900	3711	3494	4190
Suriname	923	839	2522	<2>1587	...
Alumina (US\$ m.)					
Jamaica	212	205	221	307	432
Suriname	175	178	193	290	...
Alumina ('000 tons)					
Jamaica	1622	1600	1572	1575	2145
Suriname	1242	1471	1362	<2>790	...

Source: ECLAC, based on national data.

<1>Refers to the period January-September.

<2>Refers to the period January-June.

In 1989, total crude bauxite exports increased by over 15 per cent, the increase being accounted for mainly by Jamaica which increased its exports by almost 20 per cent. Alumina exports also increased by 36 per cent.

In Jamaica, total bauxite production was the highest since 1981 and closed a decade of fairly depressed performance for that country on a high note. The increase of crude bauxite production was made possible mainly by the reopening of the Alpart refinery, which once more increases productive potential of the industry. Capacity utilization was 74 per cent in 1989, down from 82 per cent in 1988.

In Guyana, bauxite production, which increased by about 3 per cent over the previous year, was below target and below output achieved in the period 1985-1987, being adversely affected by industrial unrest and inefficient machinery. Earnings did not keep pace with output, partly as a result of depressed prices and were down by almost 4 per cent.

Sales of Jamaican bauxite and alumina increased by 20 and 39 per cent, respectively. There was, however, a decline of 28.5 per cent in returns from the bauxite levy due to reduced levy rates.

Petroleum

The petroleum sector in Trinidad and Tobago experienced a year of contraction overall with declines in petroleum output and refining, though some increases were recorded in the petrochemicals sector. Domestic crude production declined by 1 per cent over 1988 owing to the maturity of current oil fields. Nevertheless, while export volumes were also down marginally, earnings increased as a result of better prices. Refining throughput was, however, significantly lower than in 1988, growing industrial unrest and technical problems serving to reduce throughput by 10 per cent.

Performance in petrochemicals was better, with an increase in the production of nitrogenous fertilizers of 6 per cent over the previous year, while export volumes increased by almost 11 per cent. In general, however, prices were significantly lower at the end of 1989 than in the corresponding period one year earlier.

Export performance of methanol was also quite strong, increasing by 18 per cent in volume although prices were significantly below those obtaining in 1988.

In Barbados domestic petroleum output declined, with crude oil production decreasing by almost 9 per cent and natural gas by over 10 per cent. Increased domestic demand for energy thus required an increase in imports of over 17 per cent. The energy import bill accordingly rose by 33 per cent, as a result of both volume and price increases.

Services

The contribution of services to GDP has recently been getting greater attention, due in part to the demonstrated contribution of tourism to the welfare of most countries in the region. It has also received increased intellectual and policy attention, as the awareness of global trends has increased and international negotiations within the multilateral framework quickened.

Table VIII
STOPOVER TOURIST ARRIVALS
(Thousands)

	1985	1986	1987	1988	1989
Antigua	156	166	177	195	198
Bahamas	1368	1375	1480	1475	1575
Barbados	359	370	422	452	461
Belize	93	94	99	164	220
Cuba	241	282	293	309	310
Dominica	22	24	27	32	35
Dominican Republic	660	785	911	1116	1300
Grenada	52	57	57	62	69
Guyana	46	47	60	71	67
Haiti	150	112	122	122	122
Jamaica	572	664	739	649	715
St Kitts/Nevis	46	55	65	70	72
St Lucia	95	112	112	125	133
St Vincent	42	42	46	47	50
Suriname	32	29	27	21	21
Trinidad/Tobago	187	191	202	188	194
Aruba	207	181	232	278	344
Br. Virgin Is	130	146	173	176	176
Montserrat	17	16	17	18	17
Neth. Antilles	518	567	632	685	751
US Virgin Is	412	470	580	599	664
Puerto Rico	1545	1573	1872	2155	2257
Guadeloupe	216	246	293	329	255
Martinique	194	183	234	280	312
Total	7358	7786	8871	9618	10318

Source: CTO; 1989 data are provisional.

For Caribbean countries, services loomed large in the composition of GDP in 1989 exceeding 50 per cent for all countries, except Guyana and Haiti, and rising to as high as 87 per cent in Antigua and Barbuda². The importance of the sector is likely to increase throughout the region in future and the various services are expected to face even quicker change and increased external competition than in the past. Accordingly, the sector will require careful policy guidance if it is to sustain the growth process, while at the same time maximizing its contribution to regional development. Tourism is the most important of the exporter services, but offshore financial services and ship-repair services make a valuable contribution to the export earnings of some countries.

Tourism

Tourism continued to be the main generator of economic growth in the region. It is estimated that tourist arrivals in the Caribbean increased by 5 per cent in 1989, the main beneficiaries being Aruba, Belize and Curacao, with increases of over 20 per cent. Increases of over 10 per cent were recorded by the Dominican Republic, Dominica, Grenada, Martinique and Jamaica, the last named recovering somewhat from a major setback received in 1988 due to hurricane damage. Arrivals to Jamaica in 1989 were, nevertheless, still 3 per cent below the peak recorded in 1987. Haiti has been experiencing a period of stagnation and even decline in tourism due to the effect that socio-political upheavals are having on travellers. Figures for Montserrat, which are available only for the first six months and therefore prior to the effects of Hurricane Hugo, recorded a 9 per cent increase over the corresponding period in 1988. Figures for the year are expected to show a decline of about 5 per cent. Declines in Guadeloupe and the United States Virgin Islands are attributable to the same cause. Antigua and Barbuda and Guyana also experienced small reductions in visitor arrivals.

Cruise passenger arrivals continued to increase, but at a slower rate than in the previous five years. Growth for 1989 was, nevertheless, 6 per cent overall. Notable increases were posted by the British Virgin Islands up by 100 per cent, Saint Lucia by 30 per cent, Jamaica by 21 per cent, and Barbados by 16 per cent, although arrivals to Saint Vincent and the Grenadines declined by 21 per cent.

Tourist expenditures for 1989 grew by almost 8 per cent. Earnings grew in excess of 20 per cent in the Dominican Republic, and were up by 32 per cent in Dominica. Increases of over 10 per cent are estimated in Martinique, the Netherlands Antilles,

² Comparable figures for Cuba are not available due to different national accounting methods.

Table IX

TOURIST EXPENDITURE (US \$ m.)

	1985	1986	1987	1988	1989
Antigua	132.5	156.2	186.7	213.5	231.8
Bahamas	995.0	1104.9	1145.8	1149.5	1230.0
Barbados	309.0	326.9	378.7	460.0	505.0
Cuba	116.4	150.0	185.0	223.0	230.0
Dominica	8.7	11.2	12.8	14.0	18.5
Dominican Rep.	368.2	420.0	545.0	616.0	750.0
Grenada	32.4	39.6	42.1	46.0	53.1
Haiti	69.2	63.1	69.0	75.0	75.0
Jamaica	406.8	516.0	595.0	525.0	593.0
St Kitts/Nevis	31.0	38.0	47.4	53.8	60.0
St Lucia	90.0	118.0	126.2	134.2	144.6
St Vincent	23.0	29.3	35.2	38.6	42.9
Suriname	9.0	7.8	10.5	7.9	7.9
Trinidad/Tobago	197.3	83.2	91.6	80.0	80.8
Aruba	120.8	158.1	203.6	279.3	316.0
Br. Virgin Is	67.8	88.8	110.8	120.8	124.6
Montserrat	7.7	7.5	9.8	11.2	10.6
Netherlands Ant.	225.0	255.5	279.7	321.6	371.7
US Virgin Is	507.4	509.8	623.0	650.3	595.9
Guadeloupe	95.0	163.0	188.0	220.0	183.0
Martinique	92.8	107.8	210.0	230.0	272.3
Puerto Rico	722.7	743.0	896.2	1062.1	1135.4
TOTAL	4627.7	5097.7	5992.1	6531.8	7032.1

Source: CTO; 1989 data are provisional.

Grenada, Jamaica, Saint Kitts and Nevis and Saint Vincent and the Grenadines. Earnings fell significantly in Guadeloupe, Montserrat and the United States Virgin Islands as a consequence of the effects of the hurricane.

The majority of tourists continued to come from the United States (Figure 3). Arrivals from this source, however, grew at a slower pace than overall arrivals. For some countries, notably Jamaica, arrivals from the United States continued to grow steadily, although Barbados and Antigua and Barbuda received fewer United States visitors than in 1988.

The bulk of increased arrivals into the region came from Canada which grew by 8 per cent and Europe, which had an increase of 19 per cent. Major beneficiaries from European growth were Barbados, a 27 per cent increase which compensated for reduced arrivals from the United States, and Jamaica. Increased visitor

counts from Europe reflect strong economic performance in that market and strong currencies vis-à-vis the United States dollar.

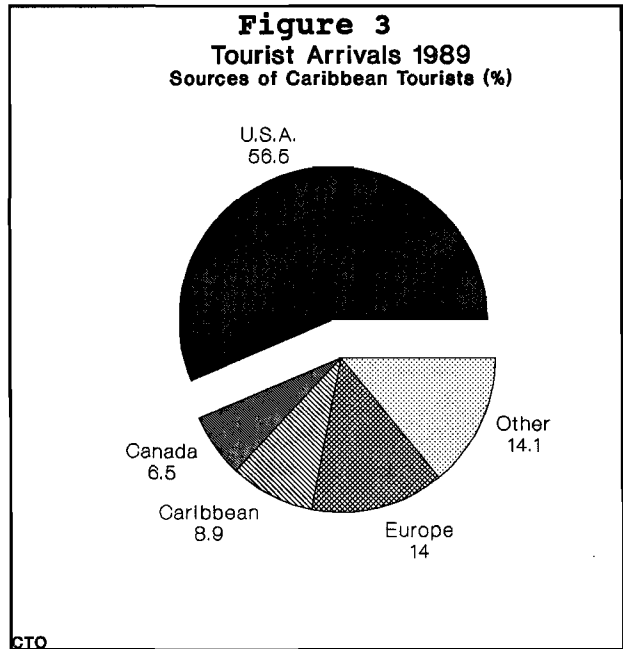
The Caribbean has been losing its share of the United States market, with a decline from 9.3 per cent in 1986-1987 to 8.8 per cent in 1989. United States visitors facing a financial squeeze of their own sought out destinations offering greater value, so that major gains were registered by destinations such as Mexico and Hawaii while many patronized domestic destinations. Some also went to Europe.

Prospects for the industry are favourable since the industry continues to expand globally. Major expansions in hotel capacity are planned with capacity increases of 75 per cent projected for the period 1989-1992 in OECS countries, while new or improved cruise-port facilities are planned for a number of countries throughout the region. In Jamaica and the Dominican Republic significant expansion in hotel capacity is taking place. The industry is, however, becoming increasingly competitive and integrated, so that Caribbean destinations will need to be careful to maintain and enhance their competitive position if the industry is to continue to expand.

Nevertheless, the future is likely to hold significant changes for tourism as with many others in the services sector, and small services operators ancillary to and dependent upon tourism, in particular, will need to adapt to changing patterns and technologies and upgrade the quality of their product if they are to survive as independent operators in the future. Similar comments will need to apply to the smaller hotels in the region, which are for the most part marginal players, but hold the best prospects for giving a clearly defined character to the industry, while at the same time maximizing the linkages and benefits which the external tourism sector can give to the domestic economy.

International trade

Overall, there was a decline in external performance in 1989, the magnitude of which was sufficient to indicate that unless export earnings are significantly increased in the short-run, future growth performance would need to be curtailed.



For the most part, merchandise trade deficits increased throughout the region with imports growing faster than exports. Exceptions were to be found in only three countries, Guyana, Puerto Rico and Trinidad and Tobago, all of which increased their trade surpluses over 1988. For the most part deficits on current account also increased and reserves were run down.

Exports

Table X

MERCHANDISE EXPORTS (US \$m.)

	1985	1986	1987	1988	1989
Antigua	26.9	28.0	8.2	30.3	31.6
Bahamas<1>	295.8	293.7	273.1	273.6	250.1
Barbados	367.6	290.7	161.3	177.1	187.2
Belize	90.0	71.9	102.0	110.5	123.8
Cuba <2>	5992.0	5321.5	5401.0	5518.3	5392.0
Dominica	28.4	43.4	45.0	55.6	45.1
Dominican Republic	739.0	722.1	711.3	893.5	926.0
Grenada	22.3	28.7	29.8	32.8	28.0
Guyana	214.1	210.4	240.6	231.3	301.9
Haiti	223.0	191.0	210.0	180.0	159.0
Jamaica	568.6	589.7	709.2	822.0	967.2
St Kitts/Nevis	21.8	23.6	25.5	27.4	28.8
St Lucia	52.0	82.9	76.7	111.1	103.1
St Vincent	62.3	63.9	50.7	80.9	...
Trinidad/Tobago	2160.5	1368.0	1414.7	1470.0	1550.1
Montserrat	1.0	2.6	3.0	2.3	1.6
Netherlands Ant.	91.5	85.1	106.8	153.5	257.5
Puerto Rico	12026.4	13047.9	13970.9	15440.9	17959.8

Source: ECLAC; based on national data.

<1>Excludes oil trade.

<2>In Cuban pesos.

Export performance was in the main dominated by the agricultural sector, which was weakened by reduced output as well as declining prices in some instances.

Among the OECS countries exports declined for all members, except Antigua and Barbuda which were up 4 per cent, and Saint Kitts and Nevis also up 5 per cent. The latter country kept export agricultural earnings intact and benefitted from increased exports of electronic components and processed food products. Major declines were recorded by Dominica, down 19 per cent due to hurricane destruction of agricultural crops and consequent reduced earnings from export agriculture. In Grenada, a decline of 15 per

cent was also recorded due mainly to nutmeg exports, the value of which declined by 42 per cent. Mace earnings declined by 19 per cent and cocoa returns fell by 23 per cent owing to depressed prices, despite a 2.6 per cent increase in output. Overall exports were down by 7 per cent in Saint Lucia, 87 per cent of the decline being accounted for by reduced banana exports. In Saint Vincent and the Grenadines, banana earnings and vegetables exported to Trinidad and Tobago were also down, the latter by 50 per cent. Montserrat recorded a 30 per cent decline in exports, domestic exports which declined by 70 per cent being compensated partially by re-exports.

While agricultural exports, essentially cotton and sugar, also declined in Barbados a broad range of other items increased to compensate, such as manufactured goods up 11 per cent, chemicals up 19 per cent and food items up 19 per cent. Overall export earnings, as a consequence, recorded a 6 per cent increase in Barbados.

The greatest increase in merchandise exports was recorded by the Netherlands Antilles due to expanded freeport activities. After Guyana, which recorded an increase in exports of 30 per cent, Jamaica recorded strong export performance with increases of 18 per cent. The main contributor to this increase was made by the bauxite/alumina sector and non-traditional exports - the earnings from which increased by 5.5 per cent. In this category were food, chemicals and manufactures. Agricultural performance was mixed, for while banana earnings increased, sugar declined as did the non-traditional agricultural exports. The modest increase in earnings of 5 per cent recorded by Trinidad and Tobago was attributable to petroleum products, manufactures and to a lesser extent chemicals.

For the larger countries, export performance was also quite weak. Puerto Rico provided an exception with export growth of over 16 per cent. Slower growth of about 4 per cent was recorded by the Dominican Republic mainly as a consequence of ferro-nickel exports which were up by 16 per cent and better sugar prices. For Cuba and Haiti, exports declined by 2 per cent and 12 per cent, respectively. In the case of Cuba, sugar which accounts for almost 73 per cent of merchandise exports, declined by over 4 per cent. For Haiti declines were recorded in agricultural exports (down 9.2 per cent), in free-zone exports (down 13.7 per cent) as well as in handicrafts exports, which were down by 11 per cent. Over the decade, free-zone exports grew from about 25 per cent of Haiti's merchandise exports to just over 60 per cent by 1989.

Imports

Increased imports were the norm in 1989. For the OECS countries, the increase was facilitated by increased commercial bank credit to the private sector in the face of reduced earnings. This led to a fall in the total net foreign assets despite an

Table XI

MERCHANDISE IMPORTS (U.S. \$m.)

	1985	1986	1987	1988	1989
Antigua	167.3	316.3	280.7	310.6	347.8
Bahamas<1	992.3	1012.8	1154.7	1047.9	1109.3
Barbados	637.0	621.6	518.0	582.0	677.2
Belize	131.1	126.5	147.5	175.5	210.3
Cuba <2>	8035.0	7596.1	7612.0	7579.4	8124.0
Dominica	55.3	55.8	66.4	87.5	107.1
Dominican Republic	1286.0	1351.7	1591.5	1608.0	1952.0
Grenada	69.3	83.5	88.7	92.2	99.2
Guyana	222.3	240.5	261.9	215.6	257.3
Haiti	345.0	303.0	311.0	284.0	259.0
Jamaica	1143.6	973.3	1234.3	1444.2	1820.7
St Kitts/Nevis	51.3	62.9	79.5	92.7	101.8
St Lucia	125.0	155.2	179.1	221.3	273.7
St Vincent	79.2	87.3	97.9	122.2	...
Trinidad/Tobago	1552.9	1483.9	1160.5	1186.1	1202.6
Montserrat	18.1	19.8	25.2	26.5	31.0
Netherlands Ant<3	838.6	740.5	861.8	934.9	1099.6
Puerto Rico	11715.0	11578.5	13013.1	14527.5	16994.1

Source: ECLAC, based on national data.

<1>Excludes oil trade.

<2>In Cuban pesos.

increase in the holdings of the Central Bank. Among these countries, imports grew fastest in Dominica at 22 per cent, caused mainly by capital goods for construction purposes. Capital and intermediate goods imports also dominated in Saint Lucia, both sectors growing by 55 per cent, while food imports increased by 23 per cent. In Saint Vincent and the Grenadines food imports grew by 19 per cent.

Overall imports in Barbados increased by 16 per cent. Growth was spread fairly evenly between consumption capital and intermediate goods. Among the consumption goods, consumer durables increased by 18 per cent and non-durables by 24 per cent. Capital goods increased by 29 per cent, while intermediate products imports grew, in the case of fuels, by 33 per cent and construction materials by 15 per cent.

Merchandise imports grew by 26 per cent in Jamaica. An increase of 33 per cent was recorded for capital goods, while raw materials and fuels also grew, due to a greater demand and higher petroleum prices. The year saw increased purchases of construction

materials, mainly to continue rehabilitation after the hurricane of 1988. Consumer goods imports were also up by 33 per cent.

Table XII

MERCHANDISE BALANCE (US \$m.)

	1985	1986	1987	1988	1989
Antigua	-140.5	-288.3	-272.5	-280.3	-316.2
Bahamas<1>	-696.5	-719.1	-881.6	-774.3	-859.2
Barbados	-269.4	-311.9	-356.7	-404.9	-490.0
Belize	-41.1	-54.6	-45.5	-65.0	-86.5
Cuba <2>	-2043.0	-2274.6	-2211.0	-2061.1	-2732.0
Dominica	-26.9	-12.4	-21.4	-32.0	-62.0
Dominican Republic	-547.0	-629.6	-880.2	-714.5	1026.0
Grenada	-47.0	-54.8	-58.9	-59.4	-71.2
Guyana	-8.2	-30.1	-21.3	15.7	44.6
Haiti	-122.0	-112.0	-101.0	-104.0	-100.0
Jamaica	-575.0	-383.6	-525.1	-622.2	-853.5
St Kitts/Nevis	-30.9	-37.7	-51.5	-65.3	-73.0
St Lucia	-73.0	-72.3	-102.4	-101.9	-170.6
St Vincent	-16.9	-23.4	-47.2	-41.3	...
Trinidad/Tobago	607.6	-115.9	254.2	283.9	347.5
Montserrat	-15.5	-18.2	21.7	-24.2	-29.4
Netherlands Ant.	-747.1	-655.1	-754.9	-823.1	-842.1
Puerto Rico	311.4	1469.4	957.8	913.4	965.7

Source: ECLAC based on national data.

<1>Excludes oil trade.

<2>In Cuban pesos.

In Puerto Rico, exports grew by about 17 per cent, petroleum prices accounting for much of the increase. Major imports comprise petroleum 9.5 per cent, raw materials 58 per cent, consumer goods 22 per cent and capital goods 7 per cent. In Cuba imports increased by 7 per cent, petroleum products accounting for an increase of 3.8 per cent in an import mix in which capital and intermediate goods account for 90 per cent of total imports. Imports grew by over 21 per cent in the Dominican Republic, the increase in petroleum expenditures being most notable at over 18 per cent. Contrary to the trend elsewhere, imports in Haiti declined by almost 9 per cent, the contraction being evident in all categories with the exception of hydrocarbons, the cost of which increased by 20 per cent.

Merchandise and current accounts

Not surprisingly from the foregoing, increased deficits on merchandise trade was the norm, since imports were, for a number of reasons, not restrained in line with reduced export performance in 1989. In some cases, this was due to the need to undertake quite significant reconstruction efforts after hurricane damage, but in other cases was due to increased consumption facilitated by expanded credit. Underlying these developments was an increase in petroleum prices after years of depressed prices and a consequent slackening of conservation efforts.

While deficits in merchandise trade have been a feature of most Caribbean countries and are possible over the long run because of positive balances in the services account, tourism performance in 1989 while good, was not strong enough to compensate for growing merchandise imports. Accordingly increases in current account deficits were the norm, with greater pressure being placed on the

Table XIII

EXTERNAL DEBT (US m.) <1>

	1985	1986	1987	1988	1989
Antigua/Barbuda<2>	75.8	180.7	245.4	239.0	...
Bahamas	193.2	215.5	192.7	170.1	214.2
Barbados	222.1	291.3	353.4	394.9	408.6
Belize	87.9	97.7	113.1	124.1	128.4
Cuba<3>	3621.0	4985.0	5657.0	6606.0	6165.0
Dominica	48.8	56.6	66.0	70.0	74.0
Dominican Republic<4>	3720.0	3812.0	3899.0	3883.0	4090.0
Grenada	49.3	54.2	48.4	59.3	55.6
Guyana<2>	1373.5	1542.3	1735.9	1777.9	1636.4
Haiti	600.0	696.0	752.0	778.0	811.0
Jamaica	3499.0	3590.3	4013.6	4001.7	4034.9
St Kitts/Nevis	19.0	19.3	23.6	29.6	33.3
St Lucia	28.8	31.5	37.2	48.2	54.7
St Vincent	24.3	29.6	35.2	...	40.4
Trinidad/Tobago	1643.0	1897.7	2082.2	2011.8	2097.9
Montserrat	3.7	3.0	2.1	...	...

Source: ECLAC, based on national data.

<1>Public sector incurred or guaranteed.

<2>Includes arrears.

<3>Relates to convertible currency debt; in millions of pesos.

<4>Includes private debt.

foreign reserves, most notably in the case of Jamaica, Antigua and Barbuda, Barbados, Saint Lucia, the Dominican Republic and Cuba. In the case of Haiti, the deficit on current account has remained fairly stable over the decade and limited to approximately the volume of official transfers.

External debt

External indebtedness continued in 1989 to be a major problem for some CARICOM countries. Based on the available evidence, however, increases in the external debt were moderate where they occurred. In the case of Grenada and Guyana, the debt actually decreased. The two exceptions for which data are available are the Bahamas and Saint Lucia. The Bahamas, which has a relatively modest debt, nevertheless recorded a large increase of 25 per cent caused by large infrastructural investment in electricity, water and sewage as well as airport construction. In the former two cases, this increased contingent liabilities to the government. Similar reasons explain the Saint Lucian increase, which was incurred primarily for electricity expansion.

Among the more highly indebted countries in the Caribbean, debt increased by over 5 per cent in the Dominican Republic owing to rapid growth in public sector expenditures, but was contained in Jamaica to an increase of less than 1 per cent and, in fact, declined in Guyana by 8 per cent and in Cuba by 6.7 per cent.

Fiscal account

Efforts to achieve current account surpluses or to reduce deficits where they existed continued. Revenues which were derived significantly from imports increased across the region, reflecting the high level of imports and consumption. The second complementary action, namely the containment and contraction of current expenditures, has proven to be somewhat more difficult. This was due to the need to make high debt amortization payments in some cases and the social difficulties being experienced by others in their attempts to reduce expenditures on personal emoluments. Current account performance, nevertheless, showed a modest improvement in most countries so that small surpluses were accumulated to finance capital expenditure.

The exception to this was Barbados, which incurred a deficit in 1989 after achieving a surplus in 1988. This change was due to large amortization payments which were almost double those of the previous year which, if excluded, meant that current expenditures increased by a modest 8 per cent, the sub-set of wages and salaries increasing by 4 per cent.

In the Bahamas current expenditures increased faster than revenues, at 10 per cent and 3 per cent, respectively. The increases came mainly from increased interest payments (17 per

Table XIV

CENTRAL GOVERNMENT BALANCE ON CURRENT ACCOUNT
In millions of national currency

	1985	1986	1987	1988	1989
Antigua/Barbuda	-2	12	5	-7	0
Bahamas	23	12	-9	-5	-23
Barbados	-15	-15	-90	13	-12
Belize	-8	6	10	18	33
Cuba	2881	2916	2074	...	...
Dominica	2	4	12	22	12
Dominican Rep	243	745	1471	2451	...
Grenada	-25	-29	-46	-10	-12
Guyana	-375	-309	-1174	-1309	-736
Haiti	-525	27	-100	-31	-41
Jamaica	311	758	1257	1029	1821
St Kitts/Nevis	-8	3	4	4	9
St Lucia	2	16	23	65	66
St Vincent	5	11	11	13	...
Trinidad/Tobago	627	-135	234	-387	-301
Montserrat	2	1	1	2	...
Netherlands Ant	...	...	34	41	-12

Source: ECLAC, based on national data.

cent) and personal emoluments (11 per cent).

In Grenada, the current deficit widened by 20 per cent. While revenues increased by 32 per cent, expenditures increased almost as fast, led by wages and salaries which increased by 40 per cent. This however is a "one-shot" increase, as the payment included substantial amounts of arrears. Public debt-service charges also increased by 16 per cent.

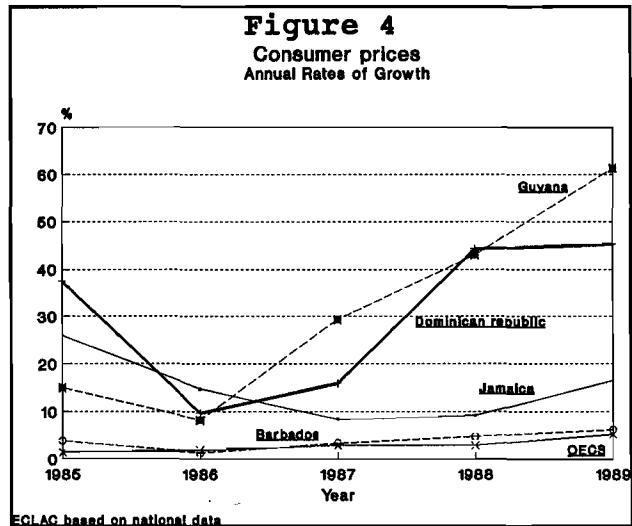
Guyana and Trinidad and Tobago, two countries implementing adjustment and stabilization programmes, had strong commitments to reduce the deficits. This reduction, in the absence of revenue increases, was achieved by contraction in the public sectors. In both countries, however, the rate of contraction is being hampered by public reaction. In Jamaica, the other country undertaking a strong adjustment programme, there was an increased surplus.

In the Netherlands Antilles strenuous efforts were made to reduce the role of government in the economy. Public expenditures declined from 48 per cent of G.D.P. in 1987, to just over 39 per cent in 1989. Over the same time period, revenues declined from 46 per cent of G.D.P. to 36.4 per cent, because of reduced tax rates introduced to stimulate investment and a reduced tax take caused

by administrative bottlenecks. Accordingly, a current account deficit was incurred in 1989.

Prices

Price trends in the region tend to fall into two distinct categories. The smaller, more open economies comprising the OECS, Barbados, Belize, the Bahamas and the Netherlands Antilles constitute one group, together with Puerto Rico, with price changes being most in line with their major developed country trading partners. For these countries price increases were fairly low. The second group comprises the remaining larger countries with more closed economies, whose price changes are determined mainly by domestic policy and performance.



While price increases were pervasive in all countries, both categories remained true-to-form. In the former category of open economies, price increases averaged about 5.4 per cent, an increase from 3.3 per cent in 1988. These countries maintained stable exchange rates.

For OECS countries, inflation accelerated in the second half of the year and while the overall rates were modest, they were up on the previous year. One cause was the impact of bad weather on domestic food output. Grenada proved to be the exception, food prices rising at a much lower rate than in 1988, with its consequent effect on the overall rate of price increase.

In the larger countries price increases ranged from 10.5 per cent in the case of Trinidad and Tobago to an annualized rate of 61 per cent for the first six months of 1989, in the case of Guyana.

Price increases in Guyana were caused by a number of policy and non-policy measures. In the former category were a 70 per cent devaluation of the currency, increased interest rates and the removal of subsidies on a number of basic commodities, such as sugar and rice, as well as electricity and gasoline. Non-policy measures causing increased prices were output reductions due to industrial unrest and bad weather.

Whereas in 1988 inflation in the Dominican Republic was caused by an escalation of the exchange rate of 41 per cent in the first

Table XV

CONSUMER PRICES
Annual rates of growth (%)

	1985	1986	1987	1988	1989
Antigua/Barbuda	-2.0	2.0	10.0	3.4	5.3
Bahamas	4.6	5.4	5.8	4.5	5.3
Barbados	3.9	1.3	3.4	4.8	6.2
Belize	3.3	3.3	2.0	2.9	2.4
Dominica	2.1	3.0	2.9	5.7	6.3
Dominican Rep.	37.5	9.7	15.9	44.4	45.4
Grenada	2.6	1.4	-0.9	6.5	4.6
Guyana	15.0	8.2	29.4	43.1	61.3
Haiti	8.4	8.5	-10.4	-0.1	7.5
Jamaica	26.0	14.7	8.4	9.2	16.5
St Kitts/Nevis	2.2	0.4	2.6	0.2	5.3
St Lucia	0.0	2.2	7.0	0.8	4.3
St Vincent	2.0	1.2	2.0	2.1	5.7
Suriname	15.6	30.2	52.2	7.3	...
Trinidad/Tobago	7.7	7.1	10.8	7.8	10.5
Br. Virgin Is	1.1	1.8	0.1	4.7	4.8
Montserrat	2.7	3.1	3.7	1.5	...
Netherlands Ant<1>	...	...	2.4	3.3	4.0
Puerto Rico	1.3	-0.3	0.9	3.3	3.4

Source: ECLAC, based on national data.

<1>Data for the Netherlands Antilles refer to Curacao only.

half of that year, in 1989 price increases were attributable to excess growth in domestic credit, depleted foreign reserves and a rapid growth in the parallel exchange rate.

In Jamaica, the rate of increase was almost 18 per cent due to a devaluation of the dollar, the continued impact of Hurricane Gilbert, continued reduction of subsidies and increased interest rates. The devaluation moved the exchange rate from J\$5.5 to J\$6.5 to the United States dollar in the fourth quarter of 1989. Subsidies on several food items were removed. Basic food items also rose in price soon after the hurricane because of supply bottlenecks, while demand for certain construction materials was also high in its aftermath.

For Trinidad and Tobago, the increase related mainly to food items, the prices of which increased significantly in the fourth quarter of 1989, because of supply constraints and strong seasonal demand.

Prices in Haiti, which had been negative in the previous two years rose by over 7 per cent in 1989. Price increases were led by food prices which increased by almost 9 per cent mainly as a result of the cost of imported inputs and the effects of monetary expansion.

Employment

Table XVI

UNEMPLOYMENT RATES (%)

	1985	1986	1987	1988	1989
Barbados	18.3	19.0	18.9	17.3	15.7
Belize	15.1	15.1	15.0	...	...
Curacao	...	...	...	24.4	21.1
Jamaica	25.0	23.7	21.0	18.9	18.0
Montserrat	5.3	4.2	2.0	...	...
Trinidad/Tobago	15.6	17.2	22.3	21.9	22.4
Puerto Rico	21.4	20.5	17.7	15.9	14.8

Source: ECLAC, derived from national data.

In Barbados, unemployment declined from 17.3 per cent to 15.7 per cent. Some of the decline was due to a small reduction in the labour force, although new jobs were also created. Labour employed in the public sector contracted, but services such as the hotels and distributive trades expanded commensurately.

In Jamaica employment declined slightly to 18 per cent, but this was in part due to the labour force contracting by 1.3 per cent, the result of increased out-migration. Shifts were also recorded in the structure of employment, gains being mainly in construction which reflects the buoyancy of the sector in response to hurricane damage. Manufacturing, transport and other services also recorded increased employment. Of interest, was the 4.6 per cent contraction of the self-employed and independent occupation group, which reversed a longstanding trend of growth.

Unemployment rose marginally in Trinidad and Tobago from 21.9 per cent to 22.4 per cent (based on nine-month data). Declines in employment were most evident in construction, down by 5 per cent and transport and communication down 6.3 per cent. Other services had a slight decline but agriculture increased its employment by over 5 per cent.

Puerto Rico recorded a steady decline in unemployment rates from over 21 per cent in 1985 to under 15 per cent in 1989. Unemployment declined by just over 1 per cent in 1989.

