

**studies and perspectives**

**13**

**E**conomic Survey of the  
Caribbean 2010-2011:  
Improving economic prospects  
amid global recovery

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## Abstract

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This survey provides an overview of the economic performance of the Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad and Tobago, together with the eight member countries of the Eastern Caribbean Currency Union (ECCU) countries for 2010 and their outlook for 2011. The first section is a summary of the main issues raised in the report including an assessment of the economic prospects for 2011. Chapter II analyses the impact of the global economy on the subregion then provides a comparative analysis of the GDP and sectoral growth performance. This is followed by the subsection on fiscal policy and the public debt. The next subsections focus on monetary and financial policies, policies implemented to cope with the global crisis, the balance of payments and economic prospects for 2011 and recommendations.

Chapter III presents country briefs for the Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad and Tobago, together with a subregional assessment of the eight member countries of the ECCU. A statistical appendix is also added to support the subregional analysis and country briefs.



## Introduction

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Although the global economy continues to recover from the recent recession the economic performance by region has been uneven. The United States of America and the European Union (EU) are still posting growth rates below those of the period 2005-2007 and the developing economies led by India and China are driving the recovery. Growth, in developing countries, has not been accompanied by significant increases in employment which continues to dampen external demand. The growth performances for most countries were better in 2010 relative to 2009 and further growth is expected in 2011, however, there remains a number of potential hazards. Among these are the rising food and energy prices and possible inflation in regions, such as Latin America, where the economies have benefited from increased primary commodity prices and significant inflows of financial capital (FC). While Latin America and the Caribbean as a whole has done remarkably well by posting a growth rate of 6.1% in 2010 and an anticipated 4.7% in 2011, the Caribbean as a whole has been lagging behind. The pace of recovery has been operating at two distinct speeds with countries in the category “most developed countries” (MDCs)<sup>1</sup> generally doing better than countries in the Eastern Caribbean Currency Union (ECCU)<sup>2</sup> area<sup>3</sup>. In 2010 the MDCs grew by 1.5% while for the ECCU area there was a decline of 1.7%, but this was much less than the 6.2% decline the year before. Growth in the MDCs has been driven by countries that benefited from elevated primary commodity

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<sup>1</sup> The Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad and Tobago.

<sup>2</sup> Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines. Anguilla and Montserrat are associate members of ECLAC.

<sup>3</sup> The Bahamas is an exception in this group since it is a service oriented economy.

prices such as Belize, Guyana, Suriname and Trinidad and Tobago. The others which are service oriented economies have been severely affected by the decline in tourist arrivals and the fallout from complementary services such as construction, transportation and distribution. The depressed economic conditions have also raised unemployment rates and except for a few countries unemployment rates are above the pre crisis levels.

A number of challenges emerged as a consequence of the crisis and among these were fiscal difficulties, low business activity by the private sector and the need to improve the merchandise trade and service performance especially in the face of a decline in financial inflows from abroad.

Among the challenges were the high public debts and negative fiscal balances. To address this situation countries have begun to employ a series of measures aimed at fiscal consolidation. The fiscal deficit for the MDCs was 3.4% of GDP in 2010 while for the ECCU it was 1.0 % of GDP which in both cases were improvements over 2009. Most of the adjustment occurred through reduced capital expenditure which has negative implications for medium term growth. With respect to the public debt, average debt actually increased in 2010 for both groups of countries with bigger increases occurring on the side of external debt as countries replaced internal debt with external debt to benefit from lower interest rates abroad.

In an attempt to stimulate business activity in some countries, interest rates were reduced, however, the private sector has been slow to respond. Growth in domestic credit to the private sector in both the MDCs and ECCU area was 2.1% and 5.3%, respectively, which represented a marginal increase in relation to 2009. On the other hand credit to the public sector declined significantly relative to 2009. Not surprisingly, due to lack of confidence in the private sector domestic investment has fallen in the last two years. On a related issue, due to the depressed economic conditions inflation dampened in 2009 but increased in 2010. Inflation in the MDCs was 6.7% in 2010 up from 3.1% in 2009 while inflation in the ECCU was 2.6% in 2010, an increase from 0.7% in 2009

In terms of the external sector, the current account balance improved for the Caribbean as a whole due to import compression rather than export expansion. The extent of asymmetries in the external sector can be clearly noted when countries are categorized as service producers versus primary commodity producers. In 2010 the current account surplus for the primary commodity producers was 5.8% of GDP while the service producers ran a deficit of 16.8% of GDP. The Caribbean as a whole had an average deficit of 10.8% of GDP. For the service producers the driving force behind the deficit was deterioration of the goods balance which was some 30.3% of GDP in 2010.

The predominant sources of financing of the balance of payment deficits have been foreign direct investment (FDI) and other financial inflows. Inflows from both sources have been lower than normal and given the high dependency of the ECCU area on FDI, the impact in that subregion has been severe. A few countries have had to resort to the International Monetary Fund (IMF) for balance of payments and budgetary support in order to maintain current economic activity, but in general the external demand conditions have affected most Caribbean countries.

The prospects for 2011 are much better than for 2010 assuming that there will be no significant increases in fuel and food prices. The prediction for 2011 is that growth in the MDCs will be 2.6% and 3.2% in the ECCU area. The positive first quarter growth for most of the tourist dependent economies bodes well for growth in 2011, however, caution must be upheld given that a few countries have had experienced negative growth in tourist arrivals.



## **I. Subregional Analysis**

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This chapter presents a comparative analysis of Caribbean countries by examining the evolution of the main economic variables and the policy measures that have been implemented in 2010 and the early part of 2011. The chapter begins with a brief overview of the world economy and the emerging implications for the Caribbean. The chapter then addresses issues of output performance, fiscal policy and public debt, monetary policy, inflation and the main developments in the external sector. The chapter ends with an evaluation of the economic prospects for Caribbean economies in 2011 and recommendations for stimulating growth.

### **A. The Global crisis and responses**

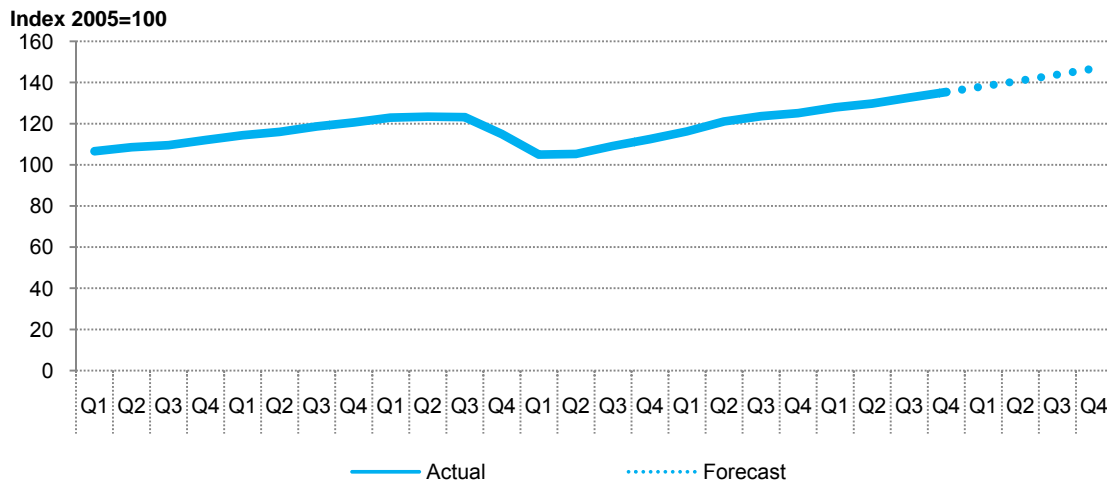
#### **1. Weak recovery and downside economic risks**

The world economy is only now emerging from the global recession of 2007-2008, but the recovery is still weak with jobless growth in the United States and many countries in the EU. The recovery is much more secure having weathered a soft patch in the middle of 2009; however, progress has been uneven across countries World Economic Outlook (WEO, 2011). This is important for the Caribbean since, for a number of countries, their major exports markets are the United States and the EU and improved economic circumstances will imply improved demand for imports from the subregion. A number of factors account for the less than robust growth including the supply shocks from rising commodity prices, social unrest in the Middle East, which has helped to increase

oil prices and the natural disaster in Japan. On the other hand, it is anticipated that lower commodity prices and increasing private demand in 2011 will strengthen the recovery. The pace of recovery, however, is likely to be constrained in Europe and the United States due to ongoing adjustments in property markets, high unemployment and the withdrawal of crisis-related stimulus support.

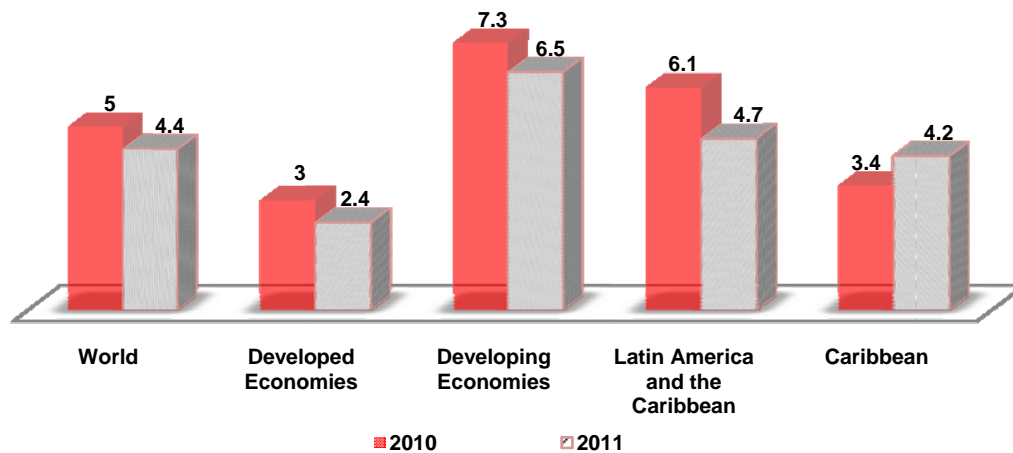
Growth in world output in 2010 was 5% and it is anticipated that it will be 4.4% in 2011. These rates of growth are quite significant in the context of a 0.5% decline in 2009. According to the Organisation for Economic and Co-operation Development (OECD) World Outlook 2011, world trade is projected to remain buoyant and rise by about 8.5% in 2012 which would be very close to the pre-crisis average growth rate (2004-2008) of 1.7 times world output growth (figure 1).

**FIGURE 1**  
**WORLD TRADE GROWTH, 2006-2012**  
**(QUARTERLY)**



Source: Organisation for Economic Co-operation and Development (OECD) Economic Outlook 89 database

**FIGURE 2**  
**GLOBAL ECONOMIC PROSPECTS**  
*(percentage growth)*



Source: World Economic Outlook (WEO) (April 2011), International Monetary Fund (IMF)

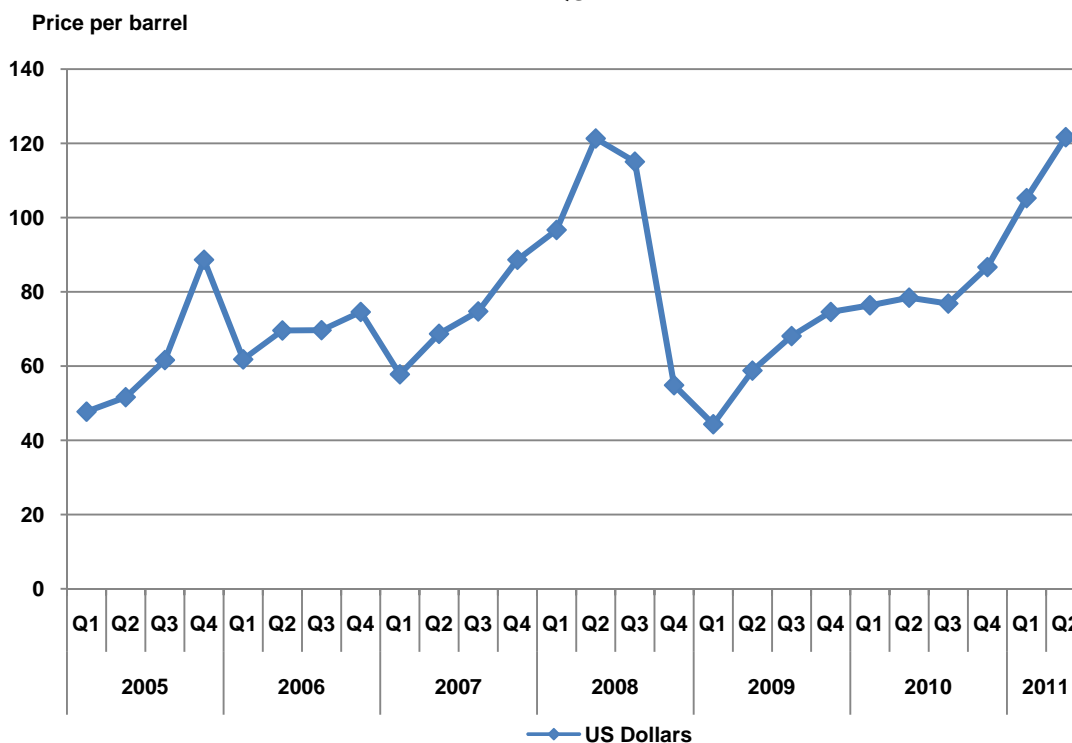
The economic recovery continued to be driven by the explosive growth in the developing economies, many of which were able to respond adequately to the crisis due to their large budget surpluses. Developing economies posted growth of 7.3% in 2010 and the rate expected in 2011 was somewhat lower at 6.5% (figure 2). Both China and India grew by 10.3% and 10.4%, respectively, in 2010, while in 2011 it is anticipated that both economies will grow by 9.6% and 8.2%, respectively. Much of this expansion has been the result of domestic demand and strong credit growth. The lower projected growth in 2012 for China has been linked to dampened domestic demand due to tighter monetary policy, rising inflation and the cross border effect of the Japanese economy. In the case of India further fiscal consolidation and monetary policy tightening will also moderate growth.

In Latin America and the Caribbean, the growth rate was 6.1% in 2010 and growth in 2011 is anticipated at 4.7%, however, growth rates have been quite uneven in the region. Many Caribbean countries have not fully recovered from the crisis and growth has been much slower than that of Latin America.

Despite the unevenness in regional growth rates, between developed and developing economies, all regions posted positive growth but there are several near term downside risks to the speed of the recovery many of which will affect the Caribbean negatively:

- Unanticipated oil price increase due to supply disruptions. The impact of the oil price increases will be particularly severe on the Caribbean given their high fuel dependence<sup>4</sup> and the economic uncertainty which results from imported inflation (figure 3). Inflation also dampens income growth and increases poverty.

**FIGURE 3**  
**CRUDE OIL (BRENT PRICE)**  
**QUARTERLY**

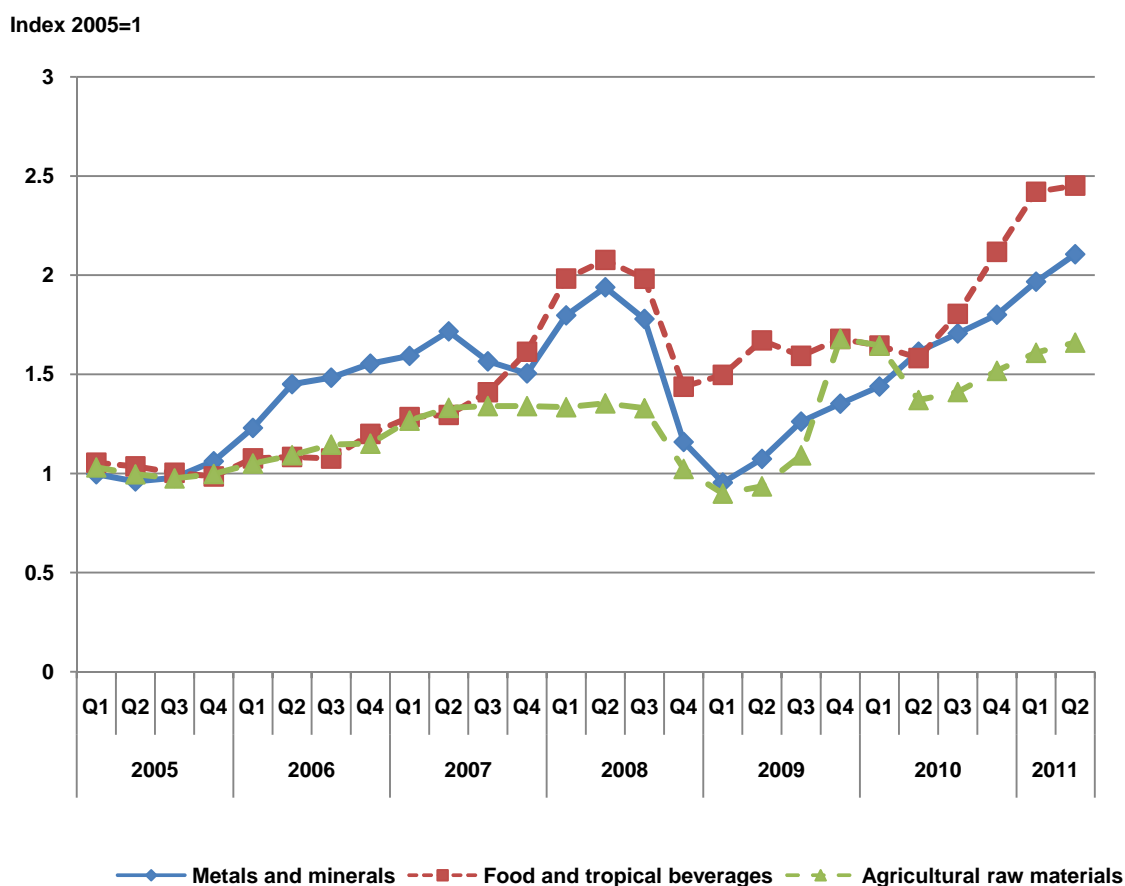


Source: Organisation for Economic Co-operation and Development (OECD) Main Economic Indicators database; and Datastream

<sup>4</sup> The exception in the Caribbean is Trinidad and Tobago.

- Continuing problems in real estate markets especially in the United States and its impact on capital markets might spillover to global markets. This creates higher risks in capital markets and will increase borrowing costs.
- Overheating in emerging markets due to large inflows of capital attracted by higher interest rates which is likely to increase inflationary tendencies and reduce real incomes. Latin America is especially susceptible to this challenge.
- Strong commodity price growth will reduce real incomes and dampen consumer spending. Given the high food import bill of many Caribbean countries and the large share of food in the basket of low income earners, rising prices will lower food security and increase poverty and inequality, especially in light of growing fiscal consolidation. Figure 4 shows the rising trend in commodity prices from 2005 to 2011.

**FIGURE 4**  
**NON-OIL COMMODITY PRICES**



Source: Organisation for Economic Co-operation and Development (OECD) Main Economic Indicators database; and Datastream

In addition to these possibilities the situation in many developed economies especially the United States and those in the EU suggest that the fiscal consolidation programme will dampen demand and the continuing fiscal stress will continue to be a source of financial anxiety for the global economy in the near term. Lower incomes in major export markets will reduce demand for Caribbean goods and services, which will aggravate an already large negative current account balance.

## 2. Jobless Growth in Developed Countries

A matter of concern has been the growing unemployment in developed countries despite the fact that economic growth has been positive. This is of particular importance to the Caribbean since its major export markets are the United States and countries in the EU and lower incomes in those markets impacts their exports especially through lower travel demand.

**TABLE 1**  
**UNEMPLOYMENT RATES**

	2007	2008	2009	2010	2011	2012
United States	4.6	5.8	9.3	9.6	8.8	7.9
Euro area	7.4	7.4	9.4	9.9	9.7	9.3
Japan	3.8	4.0	5.1	5.1	4.8	4.6
OECD	5.7	6.0	8.2	8.3	7.9	7.4

Source: Organisation for Economic Co-operation and Development (OECD) Economic Outlook 89 database

Table 1 shows that the unemployment rates are above pre-crisis levels. For the United States they remain very high and are expected to fall very slowly over the next two years. A similar story emerges for the Euro Area and the OECD in general. In the United States, over 7 million jobs were lost since the last employment peak in November 2007 and as of December 2010 about 19 million jobs would have to be created for employment to return to pre-crisis trend. The latest labour report suggests that no significant improvement is expected soon despite the fact that the recession was supposed to have ended in June 2009 (Bureau of Labour Statistics, 2011)<sup>5</sup>.

### B. GDP Growth performance in the Caribbean

While the impact of the global economic recession was particularly severe on most Caribbean countries, some countries were more deeply affected than others. In most instances the fiscal space available to Caribbean economies was limited and as a result fiscal stimulus packages were short lived. Some countries such as Antigua and Barbuda, Jamaica, Saint Kitts and Nevis, due to problems with the external and fiscal imbalances, have signed formal Stand-by Agreements with the IMF. Others have received concessionary loans from other multilateral agencies for budgetary and balance of payment purposes.

It is analytically convenient to discuss the Caribbean economies as two groups, the MDCs and the ECCU area because of their differences economic structure and also to recognize the asymmetric impact of the crisis on countries that are largely producers of services versus primary commodity producers. Among the former group of countries are Belize, Guyana, Suriname and Trinidad and Tobago.

<sup>5</sup> United States of America unemployment rate as of March 2011 was 9.2%.

**TABLE 2**  
**GDP GROWTH RATES, 2003-2010**  
*(Percentages)*

	2003-2007	2008	2009	2010
<b>MDCs<sup>a</sup></b>	<b>4.3</b>	<b>1.7</b>	<b>-1.2</b>	<b>1.5</b>
Bahamas	2.5	-1.3	-5.4	0.9
Barbados	3.6	-0.2	-4.8	0.3
Belize	4.5	3.8	0.0	2.9
Guyana	1.9	3.1	2.3	3.6
Jamaica	2.0	-0.6	-2.7	-1.2
Suriname	6.0	4.7	3.1	4.4
Trinidad & Tobago	9.3	2.3	-0.9	-0.3
<b>ECCU<sup>b</sup></b>	<b>5.1</b>	<b>3.0</b>	<b>-6.2</b>	<b>-1.7</b>
Anguilla	14.9	0.2	-15.9	-3.6
Antigua & Barbuda	6.8	4.6	-9.1	-3.3
Dominica	2.7	6.6	-0.4	0.1
Grenada	3.0	1.4	-8.3	-0.8
Montserrat	0.4	4.1	-1.4	-3.5
Saint Kitts & Nevis	3.6	6.1	-6.3	-5.0
Saint Lucia	3.6	5.4	-1.1	3.1
Saint Vincent & the Grenadines	5.6	1.7	-1.2	-1.3

Source: Economic Commission of Latin America and the Caribbean, ECLAC on the basis of official data

<sup>a</sup> Regional figures computed as a simple average

<sup>b</sup> Regional figure computed as a weighted average.

The average real growth rates for the MDCs after the crisis was significantly lower than average rates for the group over the period 2003-2007 (table 2). For example, the growth rate was 4.3% in 2003-2007, it fell to just 1.5% in 2010. This positive growth, however, suggested some recovery given the decline of 1.2% in 2009. On the other hand, while the ECCU posted higher average growth rates than the MDCs between the period 2003-2007, in 2010 the overall growth rate was -1.7%. This pattern of response was due to the downturn in the tourism and complementary activities and offshore banking. In the case of the tourism industry, this was the result of lower visitor arrivals from Europe and the United States which are the major markets for Caribbean tourism. In particular the Bahamas, the ECCU and Jamaica were severely affected and only in 2010 have growth rates turned positive.

The major primary producers of goods in the Caribbean namely Belize, Guyana, Suriname and Trinidad and Tobago have benefited from elevated export prices and demand, especially for such commodities as gold, sugar, rice, oil and gas, and to some extent bauxite in the last year. Belize, Guyana and Suriname have experienced positive growth throughout the period but Trinidad and Tobago has been affected by the variation in oil and natural gas prices, the lack of robust performance of the non-energy sector and the decline in domestic investment that was driven largely by the public sector.

In the case of the ECCU countries, growth rates are still negative with the exception of Dominica and Saint Lucia. These results demonstrate that there are two distinct growth cycles in the region with the service dependent economies unable to deliver strong growth in the immediate post crisis period.

The average sectoral growth across the countries provides important information as to the most affected by the crisis and those that are in the forefront of the recovery (see Annex 1, table 1). Table 3 reports the composition of major sectors for 2009 and 2010. The service sector is quite large for both MDC and ECCU region, but with a higher share among the ECCU countries given their emphasis on tourism, offshore banking and other services. Among the MDCs, however, the Bahamas, Barbados and Jamaica are also large service producers and these would account for a fairly large share of services in this group. The next major sector was mining and oil and gas related production, followed by construction and agriculture. In the ECCU a slightly different pattern emerged as construction was larger than manufacturing and agriculture, the last two of which had similar shares.

Among the MDCs, in terms of sectorial growth, positive growth occurred on average in agriculture but it was lower in 2010 relative to 2009. This was the result of growth in agriculture in all the countries in this group except the Bahamas which experienced a significant decline in agriculture (6.7%). Growth in mining and oil was positive but no more than 0.5%. Except for Trinidad and Tobago which has a large hydrocarbon sector, most of the activities in this sector were mining and quarrying and would be affected by the decline in construction and related activities. Manufacturing and construction growth was negative with construction declining more sharply in 2010 relative to 2009. Except for Guyana and Suriname, all other countries experienced a decline in construction (see table 3).

In the case of the ECCU, all sectors experienced negative growth except for the service sector in 2010. In fact, with the exception of agriculture the decline was larger in 2010 than in 2009. The most dramatic decline occurred in construction and mining but given the small share of mining in the economy, the results must be interpreted more carefully in the construction sector. The biggest decline (37%) occurred in Antigua and Barbuda. The services sector showed some resilience as services grew on average for the group by 1.1% in 2009 and 1.9% in 2010.

The last section of table 3 reported the contribution of the sectors to overall growth in GDP for 2009 and 2010. For the MDCs, positive contributions came from agriculture (0.03%), mining and oil (0.1%) and services (0.03%) while the largest decline came from mining (2.54%). In the ECCU area, the contributions to positive growth came from services (1.57%) while the largest decline was in construction (1.72%).

The results suggest that unlike countries in Latin America growth in the post crisis period has been weak. Many MDCs continue to benefit from strong commodity prices and the link between the primary commodity sector and other sectors. On the other hand, in the ECCU tourism growth has not been able to sustain overall growth through spillovers among complementary sectors such as mining and construction.

**TABLE 3**  
**SECTORAL GROWTH SHARES AND GROWTH RATES, 2009-2010**

		AGRICULTURE	MINING & OIL	MANUFACTURING	CONSTRUCTION	SERVICES
GDP Shares <sup>a</sup>						
MDCs	2009	3.43	19.41	7.53	6.85	62.78
	2010	3.44	19.86	7.28	6.50	62.92
ECCU	2009	4.47	0.63	4.37	9.67	80.86
	2010	4.30	0.56	4.11	8.46	82.56
Sectoral Growth						
MDCs	2009	3.7	-13.1	0.8	-2.3	-1.6
	2010	1.0	0.5	-1.5	-3.2	4.1
ECCU	2009	1.1	-12.3	-5.2	-18.2	1.1
	2010	-3.4	-23.4	-6.5	-20.3	1.9
Contribution to GDP Growth						
MDCs	2009	0.13	-2.54	0.06	-0.16	-1.00
	2010	0.03	0.10	-0.11	-0.21	0.03
ECCU	2009	0.05	-0.08	-0.23	-1.76	0.89
	2010	-0.15	-0.13	-0.27	-1.72	1.57

Source: Economic Commission of Latin America and the Caribbean, ECLAC, based on official data

<sup>a</sup> Contribution to GDP growth is calculated by the multiplying GDP shares and sectoral growth.

## 1. Unemployment in the Caribbean

The lack of robust growth in the post crisis period has had a significant impact on the labour markets in the Caribbean. The paucity of data in some countries makes it difficult to assess this issue fully for all Caribbean countries; however, there is enough information to determine certain trends in the labour markets (table 4).

**TABLE 4**  
**UNEMPLOYMENT RATES, 2000-2010**  
(Percentages)

Countries	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bahamas	7.8	6.9	9.1	10.8	10.2	10.2	7.6	7.9	8.7	14.2	...
Barbados	9.4	9.9	10.3	11.0	9.6	9.1	8.7	7.4	8.1	10.5	11.2
Belize	11.1	9.1	10.0	12.9	11.6	11.0	9.4	12.1	8.2	13.1	...
Jamaica	15.5	15.0	14.2	12.3	12.0	11.2	10.3	9.7	10.6	11.4	12.0
Suriname	14.0	14.0	10.0	7.0	10.0	15.0	12.1	12.0	11.1	10.0	..
Saint Lucia	16.5	...	14.7	22.2	21.0	18.6	16.6	13.9	15.6	18.1	20.6
Trinidad & Tobago	12.1	10.8	10.4	10.5	8.3	8.0	6.3	5.5	4.6	5.3	4.8 <sup>a</sup>

Source: Caribbean Centre for Money and Finance (<http://www.ccmf-uwf.org/?q=node/1100>), and Economic Commission of Latin America and Caribbean, ECLAC, based on official data

<sup>a</sup> Data is up to second quarter

...Data not available

In line with the period of expansion for most Caribbean countries from 2003-2007, unemployment rates tended to decline. In the case of Trinidad and Tobago which had full employment before the crisis the rates are still relatively low but a significant part of this may reflect disguised unemployment. In Barbados, the rate moved up to 11.2% in 2010. Although there are no figures for the Bahamas for 2010 the unemployment rate was some 14 % in 2009. A huge investment stimulus in the hotel industry in 2011 is likely to help in reducing the unemployment rate.

### C. Fiscal policy and public debt

This section analyses fiscal performance and public debt in the region in the context of the subsiding global crisis. The aim is to evaluate the extent to which fiscal and debt performance improved in the midst of a modest recovery in economic conditions. The fiscal deficits in a number of countries led to higher public debt in 2010. Given the rapid accumulation of debt in the last few years, a number of governments are concerned about the levels of public debt and debt sustainability. This has led some governments to adopt either home-grown or IMF-supported adjustment programmes to facilitate an orderly retrenchment of their debt in the medium-term.

The main direction of fiscal policy in 2010 was towards fiscal retrenchment<sup>6</sup> for the most part and limited consolidation<sup>7</sup> in a few countries<sup>8</sup>. This led to an improvement in the overall fiscal balance and slower growth in debt relative to 2009. Although a number of countries announced plans to achieve fiscal consolidation in 2010 to reduce their deficits and contain growth in debt, only a few of them were able to achieve these goals. These policy goals were thwarted by sluggish growth in revenues amid a weak recovery. Therefore, the majority of

<sup>6</sup> Fiscal retrenchment means the forcible reduction of government fiscal deficit and debt by cuts in spending and or increases in taxes. Retrenchment is often necessary after an earlier period of unsustainable fiscal deficits and increases in debt.

<sup>7</sup> Fiscal consolidation is a programmed reduction of the government deficit and debt. Although it entails cuts in spending and higher taxes like retrenchment, consolidation is a planned strategy to achieve certain fiscal targets over a period of time.

<sup>8</sup> There was clear consolidation marked by declines in the fiscal deficit and debt in Antigua and Barbuda, Barbados and Montserrat.



countries were forced to undertake fiscal retrenchment in 2010. Spending cuts and increases in taxes were necessary to combat the accumulation of debt and the lack of a full recovery in exports. The ideal situation would have been for the stimulus programmes to be maintained for a longer period to facilitate a robust recovery, but limited fiscal space<sup>9</sup> prevented this.

The premature retrenchment reflects the procyclical fiscal policy that has long been a feature of the region. Procyclicality is reflected in governments increasing spending or cutting taxes during periods of expansion, and cutting spending or raising taxes during recessions<sup>10</sup>.

Fiscal retrenchment and limited consolidation for economies that achieved this, was evidenced by a decline in the average fiscal deficit from 4.0% of GDP in 2009 to 2.1% of GDP in 2010 (see table 5). Although the deficit and debt declined on average, they expanded in some countries. While, some countries espouse consolidation and improved debt management as a short-term policy objective, this is more likely to be achieved in the medium-term and only with concerted efforts to contain spending and increase revenues.

**TABLE 5**  
**FISCAL BALANCE**  
(Percentage of GDP)

	Fiscal Balance		
	2008	2009	2010
<b>MDCs<sup>a</sup></b>	<b>-0.9</b>	<b>-4.7</b>	<b>-3.4</b>
Bahamas	-1.2	-3.1	-3.2
Barbados	-5.1	-9.4	-8.1
Belize	1.5	-2.8	-1.5
Guyana	-3.8	-3.7	-2.9
Jamaica	-7.2	-5.8	-6.3
Suriname	1.7	-3.0	-3.5
Trinidad & Tobago	7.8	-5.3	2.0
<b>ECCU<sup>a</sup></b>	<b>-3.1</b>	<b>-3.4</b>	<b>-1.0</b>
Anguilla	-2.1	-8.1	0.0
Antigua & Barbuda	-5.9	-10.6	-1.1
Dominica	-2.6	-2.1	1.4
Grenada	-5.0	-5.0	-1.7
Montserrat	-8.6	3.7	1.6
Saint Kitts & Nevis	-0.3	-0.6	-4.2
Saint Lucia	0.0	-2.2	-0.6
Saint Vincent & the Grenadines	-0.6	-2.6	-3.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data

<sup>a</sup> Regional figures are computed as a simple average.

The extent of the declines in the deficit in 2010 varied according to the structure of different economies. Fiscal austerity<sup>11</sup> was more intense in the service-based economies, which were forced into retrenchment in 2010

<sup>9</sup> Fiscal space has been defined by Peter Heller as “the room in a government’s budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy” (see Heller, P. (2005) “Fiscal Space: What it is and How to Get it” Finance and Development, June 2005).

<sup>10</sup> Partly due to institutional weaknesses, including a lack of locked-in structural budget targets, trade union pressure for higher wages and an underdeveloped private sector, most Caribbean economies have not exercised the discipline to save during periods of expansion. Therefore, dissaving during booms constrains their ability to undertake countercyclical fiscal policy during recessions.

<sup>11</sup> Fiscal retrenchment and consolidation can be jointly classified as austerity measures aimed at achieving a sustainable fiscal position.

after larger countercyclical fiscal stimulus in 2009, in the wake of the collapse of tourism revenues. Total expenditure as a share of GDP contracted in all the service-based economies with the exception of the Bahamas and Saint Kitts and Nevis. The consolidation effort in the service-based economies was helped by improved average growth that was facilitated by the recovery in tourism and offshore financial services in some countries. Meanwhile, three goods-based economies experienced an improvement in their fiscal position, due to cuts in capital spending.

The ECCU countries, which confront high average debt levels moved to stabilize and consolidate their fiscal positions in 2010. The most aggressive consolidation efforts were led by Anguilla, Antigua and Barbuda and Dominica where the deficit contracted by 8.1% of GDP and 9.5% and 3.5% of GDP, respectively. The sharp fall in the deficit in Antigua and Barbuda was spurred by contained growth in expenditure, interest savings from debt restructuring and concerted efforts to raise revenue collection, under an IMF Stand-by Arrangement. Reflecting in part the difficulty in cutting current spending, consolidation in most countries was driven by cuts in capital spending as a share of GDP (see table 6). The adjustment in Dominica was the result of a 40% cut in capital spending, as infrastructure projects were scaled back to contain the deficit.

**TABLE 6**  
**CARIBBEAN: CENTRAL GOVERNMENT FISCAL EXPENDITURE BY CATEGORIES**  
(Percentage of GDP)

	Current Expenditure			Capital Expenditure			Interest		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
<b>MDCs<sup>b</sup></b>	<b>23.6</b>	<b>25.2</b>	<b>24.0</b>	<b>4.9</b>	<b>5.1</b>	<b>5.5</b>	<b>3.8</b>	<b>4.0</b>	<b>2.4</b>
Bahamas, the	16.3	18.2	18.1	2.1	1.8	2.0	1.7	2.0	2.3
Barbados	33.1	37.0	34.4	3.6	3.6	2.2	4.9	5.5	5.7
Belize	22.7	24.4	24.2	5.2	4.2	4.5	3.9	3.6	3.4
Guyana	20.0	19.5	19.0	9.2	11.4	10.3	1.7	1.6	1.7
Jamaica	29.6	27.1	17.7	3.9	3.0	3.4	12.0	11.8	0.3
Suriname	20.7	23.6	26.8	5.5	6.8	10.3	0.7	1.0	0.9
Trinidad & Tobago	22.5	26.8	27.5	6.2 <sup>a</sup>	5.7 <sup>a</sup>	4.4 <sup>a</sup>	1.9	2.5	2.3
<b>ECCU<sup>b</sup></b>	<b>27.4</b>	<b>28.7</b>	<b>28.1</b>	<b>9.1</b>	<b>8.1</b>	<b>6.2</b>	<b>2.4</b>	<b>2.4</b>	<b>2.6</b>
Anguilla	21.8	25.2	23.8	3.9	1.3	0.4	0.8	1.0	1.4
Antigua & Barbuda	20.6	23.1	20.9	6.0	5.2	1.6	2.8	2.8	2.4
Dominica	23.6	22.9	24.3	12.2	12.0	7.0	2.0	1.1	1.7
Grenada	18.5	20.3	19.9	9.5	5.7	5.7	1.6	2.2	1.9
Montserrat	61.8	60.9	56.1	22.7	23.2	19.0	0.1	0.1	0.1
Saint Kitts & Nevis	28.3	29.6	29.8	5.4	5.2	7.1	6.8	6.7	7.1
Saint Lucia	21.6	22.9	24.5	6.2	6.9	4.9	2.7	3.1	3.1
Saint Vincent & the Grenadines	22.7	24.7	25.2	6.9	5.6	3.9	2.5	2.6	2.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data

<sup>a</sup> Includes net lending

<sup>b</sup> Regional figures are computed as a simple average.

On the other hand, the average deficit of the MDCs contracted from 4.7% of GDP in 2009 to 3.4% of GDP in 2010. The most significant consolidation effort occurred in Trinidad and Tobago, where a deficit of 5.3% of GDP in 2009 turned around to a surplus of 2.0% of GDP in 2010. This outcome reflected delays in the implementation of infrastructure projects, including highways and road works. The deficit declined by 1.3 percentage points of GDP in Barbados and Belize and by 0.8 percentage points of GDP in Guyana<sup>12</sup>. The

<sup>12</sup> The rebasing of the GDP in the Bahamas, the ECCU, Guyana and Jamaica, also helped to explain the decline in the deficit in these countries.

narrowing of the deficit in the MDCs was propelled by a scaling back of capital projects in Barbados, Guyana and Trinidad and Tobago.

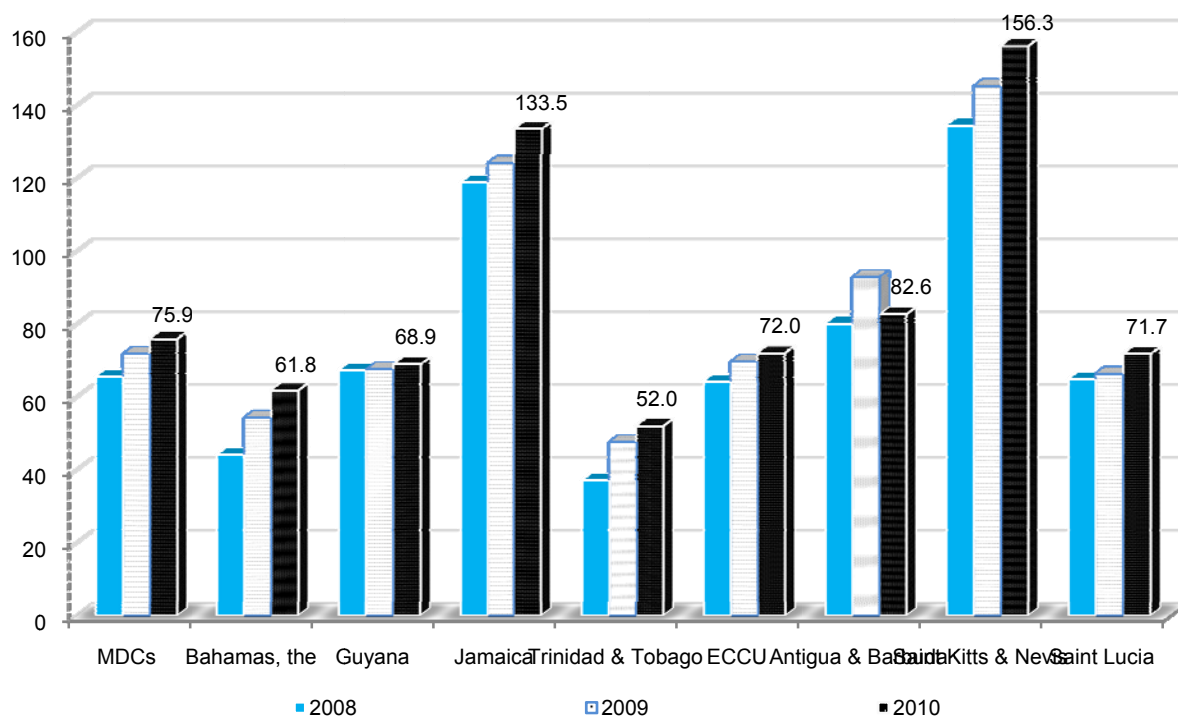
In an effort at fiscal consolidation, the Government of Barbados reduced current and capital expenditure by 2.6 and 1.4 percentage points of GDP in 2010, respectively. Government consumption was reduced by cuts in wages and salaries and goods and services, which was reinforced by lower outlays on infrastructure, as governments charted a course of medium-term consolidation. The lower fiscal deficit in Belize was propelled by a sharp growth in revenues related to higher petroleum tax receipts and contained growth in current spending, which was only partly offset by increased capital expenditure. In Guyana, higher current spending was offset by stable capital expenditure leading to an improved fiscal position. Current expenditure increased, owing to an increase in wages and salaries for public servants and higher spending on goods and services. Therefore, to contain overall growth in the deficit, capital projects were scaled back.

Meanwhile, there was some fiscal expansion in the Bahamas, Jamaica and Suriname. Despite operating under an IMF Stand-by Agreement, the deficit rose from 5.8% of GDP to 6.3% of GDP in Jamaica. A cut in current expenditure in an effort to meet targets under the IMF agreement, was offset by higher capital spending in the face of outlays for the recent tropical storm. An expansionary fiscal stance occurred in Suriname in 2010, with the deficit rising to 3.5% of GDP from 3.0% of GDP in 2009. Of concern was the increase in government consumption, propelled by the higher wage bill and outlays on goods and services. This resulted in higher spending, which offset increased revenues associated with the hike in mineral prices. The Government of the Bahamas has advocated a programme of consolidation to bring down the fiscal deficit and debt levels in the medium-term. Nevertheless, in 2010, the fiscal deficit edged up marginally to 3.2% of GDP from 3.1% of GDP in 2009. Government consumption was contained, but was offset by weak revenues inflows due to weak growth.

Fiscal consolidation is expected to continue in 2011 as most countries target further declines or stabilize growth in their fiscal deficits. In the Bahamas, the deficit is projected to decline marginally to 3.0% of GDP, but this might be exceeded given the evolution of government finances to date. The deficit is expected to improve in Belize, owing to contained growth in spending and higher petroleum tax receipts. In Guyana there is expected to be some slippage in the fiscal position amid higher spending during the election cycle. In the ECCU, fiscal consolidation will continue in line with the Eight Points Stabilization and Growth Programme adopted by the subregion. Nevertheless, with already relatively high levels of revenues to GDP, the ECCU will need to place greater emphasis on expenditure management and on improving the productivity of public investment.

Average public debt increased from 64.8% of GDP in 2009 to 73.8% of GDP in 2010 (see figure 5 and table 7), as a number of governments borrowed to finance their deficits. In a welcomed development, lower average international interest rates seem to have led to the substitution of domestic debt with foreign debt to save on interest costs. The downside to this, however, is that countries would be exposed to interest and exchange rate risks, if interest rates increase in creditor countries. Foreign debt increased from 34.0% of GDP in 2009 to 40.0% of GDP in 2010, while domestic debt declined from 36.6% of GDP in 2009 to 33.8% of GDP in 2010. Significant increases in the debt occurred in Belize, Jamaica and Saint Kitts and Nevis. The debt increased from 87.2% of GDP to 98.3% of GDP in Belize, reflecting increases in both external and domestic debt. In Saint Kitts and Nevis, public debt increased by 11 percentage points to 156.3% of GDP, the highest ratio in the region. The high and persistent fiscal deficits have led the Government of Saint Kitts and Nevis to sign a Stand-by Arrangement with the IMF to the sum of the amount of US\$84 million aimed at facilitating fiscal consolidation and economic recovery.

**FIGURE 5**  
**PUBLIC DEBT: SELECTED CARIBBEAN COUNTRIES, 2008-2010**  
*(Percentage of GDP)*



Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on official data

**TABLE 7**  
**PUBLIC DEBT, 2008-2010**  
*(Percentage of GDP)*

	2008			2009			2010		
	Foreign	Domestic	Total	Foreign	Domestic	Total	Foreign	Domestic	Total
<b>MDCs</b>	<b>31.0</b>	<b>34.6</b>	<b>65.6</b>	<b>33.0</b>	<b>38.8</b>	<b>71.8</b>	<b>40.2</b>	<b>35.7</b>	<b>75.9</b>
Bahamas	5.4	38.7	44.1	9.8	44.5	54.3	11.9	49.9	61.8
Barbados <sup>b</sup>	24.9	58.6	83.5	28.8	67.7	96.5	27.6	67.5	95.1
Belize	70.5	12.6	83.1	75.0	12.2	87.2	83.1	15.2	98.3
Guyana	43.4	23.9	67.3	46.4	21.1	67.5	46.8	22.1	68.9
Jamaica	54.3	64.5	118.8	54.2	70.0	124.2	64.7	68.8	133.5
Suriname	12.7	12.5	25.2	10.4	14.6	25.0	8.7	12.8	21.5
Trinidad & Tobago <sup>a</sup>	5.5	31.5	37.0	6.2	41.4	47.6	38.4	13.6	52.0
<b>ECCU</b>	<b>33.1</b>	<b>31.1</b>	<b>64.2</b>	<b>35.0</b>	<b>34.6</b>	<b>69.6</b>	<b>39.8</b>	<b>32.2</b>	<b>72.0</b>
Anguilla	5.0	13.0	18.0	6.2	17.6	23.9	22.5	7.5	30.0
Antigua & Barbuda	31.6	48.4	80.1	35.4	57.4	92.8	44.9	37.8	82.6
Dominica	50.5	21.2	71.7	47.6	21.0	68.6	50.5	22.2	72.8
Grenada	58.0	21.3	79.3	67.3	24.4	91.7	69.5	23.5	93.0
Montserrat	5.8	1.2	7.0	5.5	0.3	5.8	5.3	0.3	5.5
Saint Kitts & Nevis	46.8	87.7	134.5	45.5	99.8	145.3	46.4	109.9	156.3
Saint Lucia	33.8	31.0	64.8	34.9	31.4	66.3	35.9	35.8	71.7
Saint Vincent & the Grenadines	33.4	24.7	58.1	37.3	24.9	62.2	43.3	20.5	63.8

Source: Economic Commission of Latin America and the Caribbean, ECLAC, based on official data

<sup>a</sup> Domestic Debt represents Total Internal debt

<sup>b</sup> Domestic Debt includes private-public partnership debt

<sup>c</sup> Regional figures are computed as a simple average.

Anguilla, the Bahamas and Saint Lucia also recorded sizeable increases in their debt. Anguilla's debt remained elevated after the stimulus programme over the last two years in the face of a slump in economic activity led by the fallout in tourism. The Bahamas' debt remains sustainable, but the government is concerned about the rate of growth of the debt and has adopted a medium-term fiscal consolidation programme. Saint Lucia contracted higher debt to respond to exogenous shocks, including the impact of Hurricane Tomas. Meanwhile, there was a significant reduction in the public debt in Antigua and Barbuda, owing to IMF related austerity measures, while Suriname benefitted from higher revenue inflows that led to a decline in its debt.

## D. Monetary and financial policies

### 1. Monetary Policies

The monetary policy regimes in the region in 2010 were either neutral, expansionary or designed to control inflation (see table 8).

In the ECCU, monetary policy was neutral as there were no changes to the main policy rates. The focus of monetary policy was the maintenance of a stable financial system and the maintenance of the credibility of the currency peg at EC\$2.7 to US\$1.00.

The monetary policy implemented by Barbados, Belize, Suriname and Trinidad and Tobago (table 8) were designed to stimulate the economy. In Belize, monetary policy aimed to stimulate commercial bank lending to the private sector to facilitate economic recovery. In the face of a substantial increase in commercial

banks excess liquidity, partly due to inflows from an improved external current account, the central bank moved to sterilize a part of these flows. In Barbados, the objective of monetary policy by the central bank remained the management of liquidity and credit during 2010. Simultaneously, the policy focused on growth and competitiveness.

In Trinidad and Tobago, in 2010, the economic policy mix consisted of an expansionary monetary policy stance which had the twin objective of boosting economic activity which remained weak for most of the year. Monetary policy was therefore, accommodative and the principal instrument of monetary policy remained the repo rate which was reduced six times since January 2010, and ended the year at 3.75% in December. The policy mix is likely to be maintained in 2011, buttressed by a strong reserves position which has existed for the past decade.

The monetary policy implemented by Guyana and Jamaica was largely to maintain a low inflation regime while enabling access to credit by the private sector. Prices were also moderated as government continued to apply concessional excise tax rates on fuel products, lowering the impact of the pass through from world fuel prices. These and other counter cyclical measures have been in place since the time of the crisis.

In Jamaica, the adjustment to the 30-day rate on its certificate of deposits reflected the added boost to confidence that the IMF arrangement provided. The receipt of some financial inflows also provide the wherewithal for the central bank to ensure stability in the foreign exchange market and served to reinforce the bank's expectation of reduced inflation in 2010.

In term of the exchange rate policies, this was one of the areas where the Caribbean countries were less active in 2010 due to the fact that the exchange rate remained relatively stable in 2010 for most of the Caribbean countries, except for Jamaica and Suriname.

With respect to Jamaica, monetary policy of the central bank eased considerably as interest rates trended down and inflationary expectations also subsided. On the heels of an IMF agreement, a significant amount of resources from the multilateral institutions were received for budgetary support. This increased the amount of foreign exchange inflows, stabilized the exchange rate and allowed the monetary policy regime to be more expansionary throughout the year. In light of significant financial flows following the IMF agreement, the exchange rate stabilized and the average selling rate of the Jamaican dollar relative to the United States dollar appreciated by 4.4% in 2010 which was in stark contrast to the 10.2% depreciation in 2009. In 2011 it is anticipated that there may be only a slight overall depreciation of the Jamaican dollar relative to the United States dollar.

For its part, the Central Bank of Suriname introduced a number of policy measures in order to ensure macroeconomic stability in the face of rapidly rising inflation. The official exchange rate was realigned with the free market rate (see table 8). The 20% devaluation of the official exchange rate from SRD2.80 to SRD3.35 to US\$1.00 was designed to help restrain domestic demand by lowering purchasing power and making imports more expensive.

**TABLE 8**  
**CHANGES IN MONETARY POLICY**

Country	Aim	Policy Measure
Belize	To manage liquidity	Commercial banks were required to hold a minimum of 6.5% of their average deposit liabilities in the form of treasury bills. Simultaneously, the required cash reserve ratio was reduced from 10.0% to 8.5% of average deposit liabilities
Jamaica	To manage Foreign exchange and control inflation	The interest rate on its 30-day certificate of deposit (CD) was lowered by some 300 basis points and its cash reserve requirement (CRR) and liquidity asset requirement against Jamaica dollar prescribed liabilities of deposit taking institutions was reduced from 14% to 12%. These were also lowered by 2% with respect to foreign currency liabilities.
Suriname	To ensure macroeconomic stability and contain inflation	The official exchange rate was devalued by 20% and set at SDR3.35 to US\$1.00. The central bank also raised the reserve requirement for commercial banks on the foreign exchange holdings to 40% from 33%.
Trinidad and Tobago	To stimulate economic activity	The repo rate was reduced six times from January 2010, and ended the year at 3.75% in December. Commercial banks were also requested to deposit a total of \$2.0 billion in an interest bearing account for 18 months at the central bank.

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data.

The CLICO stand off continued in many countries as most countries sought to alluviate the problems which affected investors in their jurisdiction when CLICO collapsed. During 2010, many countries sought to put in place measures to minimize losses to policy holders who were affected by the collapse of CLICO, a major insurance company and a large Caribbean conglomerate. Box 1 gives a synopsis of some of the actions taken with respect to CLICO in the respective countries.

**BOX 1**  
**COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED: DEVELOPMENTS IN 2010**

**Barbados**

The court-appointed judicial manager of British American Insurance Company Limited in Barbados, David Holukoff, has found the insurance company's balance sheet showed approximately BDS\$120.8 million in assets but his valuation estimated these assets to be approximately BDS\$72.7 million.

**ECCU**

In the ECCU, the property portfolio of British American Insurance Company, a subsidiary of CLICO was sold to Caribbean Alliance Insurance Company.

**Bahamas**

In CLICO Bahamas, a liquidator was appointed and has sought to prevent a fire sale of the main assets of the company.

**Guyana**

In Guyana, the High Court ruled that CLICO would be wound up and that the Bank of Guyana be appointed as liquidator for the purpose of executing the order for the company's winding up. The government also announced a rescue plan that guarantees the refunds to policy holders with investments in the company up to a maximum of G\$30 million (US\$145,842). These investments would be repaid in full.

**Trinidad and Tobago**

Six civil suits seeking to recover more than TT\$47 million, brought against CLICO by the Executive Flexible Premium Annuity holders, has started in the Port of Spain High Court.

The Central Bank of Trinidad and Tobago and the parent company CLICO have sued former CL Financial chairman Lawrence Duprey, former CL executive Andre Monteil and three companies arising from the collapse of CLICO in 2009.

The Central Bank of Trinidad and Tobago has claimed that there were two Ponzi schemes in operation by CLICO; An external Ponzi scheme in which the insurance company took in new money from policyholders and mutual fund investors - without sufficient or proper regard to what was required to fund future liabilities to them; and an internal Ponzi scheme in which money was diverted or misappropriated away from CLICO in order to fund CLICO Investment Bank.

Trinidad and Tobago Government has made payments to 80,000 small CLICO depositors and the final stage, involving paying larger depositors is still under review.

The central bank alleges that CLICO lost up to TT\$2.1 billion in a series of complicated transactions meant to benefit CLICO Investment Bank, CL Financial and some of the executives.

The Commission of Enquiry into the collapse of CL Financial was established on 16 November 2010 in Trinidad and Tobago.

Source: Economic Commission for Latin America and the Caribbean (ECLAC) and the Caribbean Centre for Money and Finance Newsletter, July 2011.

## 2. Inflation

During 2010, inflationary pressures challenged the monetary authorities as they sought to target higher growth rates within the context of slow external demand. Inflationary pressures emerged in the region as a result of increased food and energy prices. Furthermore, despite slow economic growth and lower demand at the domestic level, many governments imposed higher taxes and other user charges. Inflation increased in the MDCs from 3.1% in 2009 to 6.7% in 2010, while in the ECCU, the inflation rate increased to 2.6% compared with 0.7% at the end of the previous year.

As table 9 shows, inflation increased in Guyana, Jamaica, Suriname and Trinidad and Tobago. In the case of the last three countries, inflation was in double digit. Inflation declined from 1.6% to 1.5% in the Bahamas as consumers remained cautious while Belize recorded zero rate of inflation as the prices of food and beverages and household goods and maintenance fell following the removal of import duties and general sales taxes (GST) on basic food and household goods. Inflation remained high in Jamaica due to local and international conditions. Higher grain and energy prices at the international level impacted on Jamaica's inflation rate while at the domestic level, tax increases (value added tax (VAT), etc.) added to inflation.

In the case of Suriname, inflation was driven by high food prices, government spending in the economy, a weaker exchange rate and rising fuel prices. Meanwhile, in Trinidad and Tobago, inflationary pressures



intensified as a result of global food prices. While headline inflation reached a high of 12.8% at the end of 2010, the food price sub-index increased to 27.9% at the end of 2010.

In the ECCU, the rate of inflation increased to 2.6% in 2010 compared with 0.7% in 2009 as a result of increased food prices and higher costs of energy products at the international level. As table 9 indicates, the inflation rate varied among countries. The highest rates were recorded in Grenada (4.2%), Saint Kitts and Nevis (3.9%) and Antigua and Barbuda (2.9%). In Grenada, the higher prices which prevailed were as a result of the introduction of a VAT. In Antigua and Barbuda, this was due to the reduction in the number of zero rated items under the sales tax.

**TABLE 9**  
**INFLATION, 2006-2010**  
(Percentage)

	Inflation Rate <sup>b</sup>				
	2006	2007	2008	2009	2010
<b>MDCs<sup>a</sup></b>	<b>5.1</b>	<b>8.2</b>	<b>9.2</b>	<b>3.1</b>	<b>6.7</b>
Bahamas, The	1.8	2.4	4.6	1.6	1.5
Barbados	7.3	4.0	8.1	3.6	5.8
Belize	3.0	4.1	4.4	-0.4	0.0
Guyana	4.2	14.1	6.4	3.6	4.5
Jamaica	5.8	16.8	16.9	10.2	11.7
Suriname	4.8	8.3	9.4	1.5	10.3
Trinidad and Tobago	9.1	7.6	14.5	1.3	13.4
<b>ECCU<sup>b</sup></b>	<b>3.4</b>	<b>5.4</b>	<b>4.7</b>	<b>0.7</b>	<b>2.6</b>
Anguilla	10.5	3.3	5.3	-0.8	0.9
Antigua and Barbuda	0.0	5.2	0.7	2.4	2.9
Dominica	1.8	6.0	2.0	3.2	2.0
Grenada	1.7	7.4	5.2	-2.4	4.2
Montserrat	1.0	4.0	4.5	2.5	2.6
Saint Kitts and Nevis	7.9	2.1	7.6	1.0	3.9
Saint Lucia	-0.6	6.8	3.8	1.0	2.0
Saint Vincent and the Grenadines	4.8	8.3	8.7	-1.6	2.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data

<sup>a</sup> Regional figures are computed as a simple average

<sup>b</sup> December to December

Data available for the first half of 2011 indicate mixed results with respect to the inflation rate in the region and this is an indication that the trend in inflation in a large measure depends on the evolution of food prices for the rest of the year as well as prices of energy products. In Jamaica, the inflation rate has moderated in the early months of 2011 as a result of relatively weak demand conditions. The targeted inflation rate for 2011 ranges between 6% and 8%. In Barbados, the inflation rate for the first three months of 2011 averaged 6% compared with a rate of 3.3% in the corresponding period in 2010. The increase was due to higher tax measures which were introduced in the 2010/2011 budget. In Trinidad and Tobago, towards the end of the second quarter of 2011, the inflation rate was reported at 3.9% from 9.4% at the end of the first quarter. This was the lowest rate of inflation since January 2010, when the rate measured 3.7%. The marked slowdown in headline inflation was due to the sharp decline in food inflation which fell by 8.2% in May from 15% in April.

### 3. Interest rates

Market interest rates declined in general in 2010 (see table 10). Loan rates in the MDC declined from 13.6% at the end of 2009 to 12.8% at the end of 2010 while deposit rates declined from 4.2% to 3.7% over the similar period. The decline in lending rates was quite significant in Jamaica and Trinidad and Tobago, by 210 basis points and 360 basis points, respectively. The exception to this declining trend was Guyana where loan rates increased on average from 14% to 15%. Given the decline in market rates, interest rate spreads declined by 30 basis points to 9.1% in 2010. But these spreads are much higher than that of developed countries such as the United Kingdom and the United States. Interest rate spreads were particularly high in Belize (8.2%), Guyana (12.5%) and Jamaica (17.5%). In the case of Jamaica, officials note that the high operating costs in the banking system and persistently high inflation was the major cause of the high interest rate spreads while in Guyana, this was due to the excess of interest payments on liability over assets.

**TABLE 10**  
**LIQUIDITY AND INTEREST RATES, 2009-2010**

	Loan Rate		Deposit Rate		Interest Rate Spread		M3/GDP	
	2009	2010	2009	2010	2009	2010	2009	2010
<b>MDCs</b>	<b>13.6</b>	<b>12.8</b>	<b>4.2</b>	<b>3.7</b>	<b>9.4</b>	<b>9.1</b>	<b>63.3</b>	<b>60.9</b>
Bahamas, The	11.7	11.1	3.8	3.4	7.9	7.7	76.9	79.9
Barbados	9.7	9.0	2.7	2.6	7.1	6.4	109.3	103.3
Belize	14.0	13.8	6.1	5.6	7.9	8.2	77.3	74.6
Guyana	14.0	15.1	2.8	2.5	11.2	12.6	48.9	51.4
Jamaica	22.5	20.4	5.7	2.9	16.8	17.5	27.6	27.4
Suriname	11.6	11.7	6.2	6.1	5.4	5.6	53.8	48.4
Trinidad and Tobago	11.9	8.4	2.2	2.5	9.7	5.9	49.6	41.0
<b>ECCU</b>	<b>10.3</b>	<b>10.3</b>	<b>3.8</b>	<b>3.8</b>	<b>6.5</b>	<b>6.5</b>	<b>91.3</b>	<b>93.3</b>
Anguilla	11.0	11.0	3.5	3.5	7.5	7.5	133.9	135.5
Antigua and Barbuda	10.5	10.5	4.0	4.0	6.5	6.5	88.6	91.9
Dominica	9.3	9.3	3.8	3.8	5.5	5.5	77.3	80.2
Grenada	9.9	9.8	3.5	3.5	6.4	6.3	88.6	88.0
Montserrat	9.5	9.5	3.3	3.3	6.3	6.3	103.7	108.7
Saint Kitts and Nevis	11.3	11.2	4.3	4.3	7.0	6.9	96.8	104.7
Saint Lucia	11.3	11.3	3.6	3.6	7.7	7.7	83.7	79.1
Saint Vincent and the Grenadines	10.0	10.0	4.5	4.5	5.5	5.5	57.5	58.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data

<sup>a</sup> Regional figures are computed as a simple average

<sup>b</sup> Loan rate (prime) minus Deposit rate

In the ECCU, lending rates declined by 3 basis points to 10.3% and deposit rates remained the same at 3.8%. The loan rate remained the same in all ECCU member countries except Grenada and Saint Kitts and Nevis, where interest rates declined to 11.2% and 9.8%, respectively, as banks sought to encourage borrowing with a view to stimulate economic activity. The interest rate spreads declined from 6.5% in 2009 to 6.5% in 2010 year on year, largely on account of the decline in loan rates in Grenada and Saint Kitts and Nevis.

Data available in 2011 indicate a declining trend in loan rates in MDCs while deposit rates have increased marginally. The loan rate decreased to 12% at the end of the first half of 2011 on average while deposit rates have increased to 4.2% on average. In the case of the ECCU, loan rates have remained the same while deposit rates have declined on average. The median of deposit rates declined to 3.5% in the first half of 2011 compared with a median rate of 3.8% at the end of 2010.

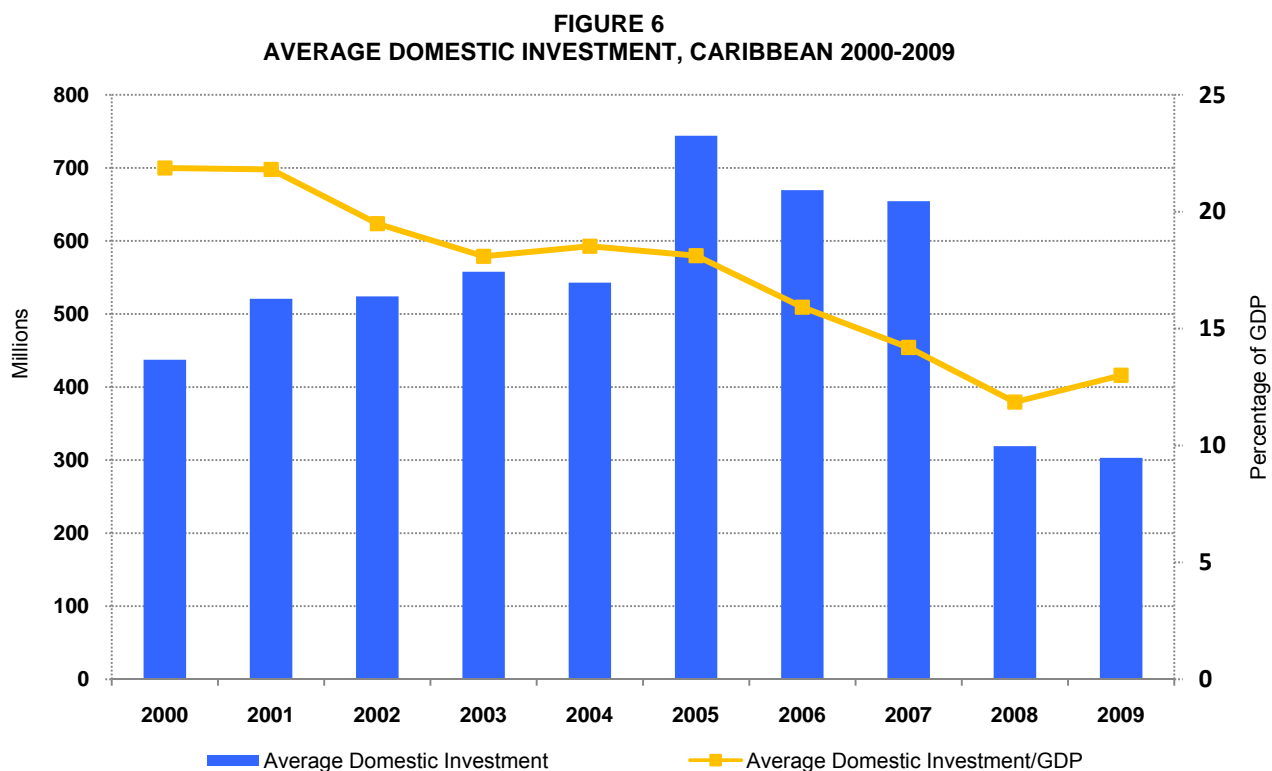
The level of liquidity (as measured by M3/GDP) is a good indicator of the amount of resources available for use in a country since it represents funds which may be borrowed for investment purposes. Excess liquidity can pose a challenge for the authorities as it may be inflationary. The challenge is, therefore, always to find outlets for increasing amounts of liquidity or more precisely to be able to use the excess liquidity as a source of investment. Liquidity declined slightly in MDCs from 63.3% in 2009 to 60.9% in 2010. Liquidity declined in nearly all countries, with the exception of the Bahamas and Guyana. In the case of the Bahamas, this was as a result of a decline in savings deposits. In the ECCU countries, liquidity increased slightly from 91.3% in 2009 to 93.3% in 2010.

#### **4. Domestic credit**

Although lending interest rates fell in the region in order to attract more borrowings for bankable projects, the growth of total domestic credit remained weak throughout the region with few exceptions. This decline in credit is reflected by a downward trend in average domestic sector investment as shown in figure 6.

The weak demand for credit occurred as a result of continued sluggish economic activity in some countries as well as public sector expenditure reduction by many governments in the region on account of fiscal consolidation. Domestic credit growth in both the private and the public sector is shown in table 11. The rate of growth in private sector credit declined by 2.1% in 2010 compared with a rate of growth of 3.3% in 2009, while the growth in public sector credit declined by 38.9% in 2010 compared with a decline of 49.6% in 2009. The deceleration in private sector credit was most pronounced in Belize and Trinidad and Tobago. In Trinidad and Tobago, this was owing to weak demand. In contrast, private sector credit actually recorded an increase of 19% in Guyana and 1.7% in Suriname. The increase in private sector credit in Guyana was due to a 71.5% increase in credit to the mining and quarrying sector, a 32% expansion in credit to the agriculture sector and increases in manufacturing, distribution and the real estate sectors.

In the ECCU countries, domestic credit to the private sector grew by 5.3% compared to 4.6% in 2009, reflecting a marginal improvement in economic conditions in that region. Anguilla and Saint Lucia, however, recorded a small contraction in domestic credit. The growth in public sector credit in the ECCU countries however declined by 2.6% in 2010 compared with an increase of 33.6% in 2010 as many governments began to cut-back in public sector spending.



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data

For the first quarter of 2011, growth in domestic credit to the private sector remained low while credit to the public sector improved in both the MDCs and the ECCU region. The acceleration in public sector credit by the MDCs has been a result of increased borrowing to support public expenditure in most countries as governments seek to spur on growth in these countries.

**TABLE 11**  
**GROWTH IN DOMESTIC CREDIT**  
(Percentage)

	Private Sector					Public Sector				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
<b>MDCs<sup>a</sup></b>	<b>18.5</b>	<b>20.1</b>	<b>17.7</b>	<b>3.3</b>	<b>2.1</b>	<b>42.4</b>	<b>10.4</b>	<b>1.1</b>	<b>-49.6</b>	<b>-38.9</b>
Bahamas, The	14.8	12.1	5.2	0.9	-0.2	13.6	13.5	12.9	4.3	30.3
Barbados	13.0	7.8	9.9	2.6	-0.2	-2.9	11.5	13.4	8.6	-14.6
Belize	12.6	15.4	10.6	4.1	-2.3	4.1	9.0	-13.9	-0.3	-4.8
Guyana	17.9	18.7	21.8	5.7	19.0	229.1	83.6	-2.7	-277.5	-224.9
Jamaica	27.1	30.5	28.0	0.9	-0.2	-1.3	13.7	32.9	3.3	-14.7
Suriname	27.8	35.8	34.7	13.4	1.7	-9.4	-33.9	-99.5	...	26.1
Trinidad and Tobago	16.6	20.3	14.0	-4.6	-2.9	63.3	-24.3	64.7	-36.0	-69.6
<b>ECCU<sup>a</sup></b>	<b>15.8</b>	<b>17.7</b>	<b>10.0</b>	<b>4.6</b>	<b>5.3</b>	<b>42.5</b>	<b>-34.2</b>	<b>-11.5</b>	<b>33.6</b>	<b>-2.6</b>
Anguilla	18.7	35.2	17.3	3.1	0.2	103.5	-11.8	-5.1	-51.0	...
Antigua and Barbuda	17.3	13.8	9.2	-0.8	-0.5	-138.6	-168.4	...	182.2	-21.4
Dominica	10.9	4.9	8.3	6.9	9.8	350.3	21.5	11.4	-0.6	-1.9
Grenada	11.5	14.7	12.0	4.5	7.4	12.6	-65.3	-135.0	...	134.2
Montserrat	19.8	20.3	14.1	15.3	16.1	-8.0	-7.3	-16.1	27.0	7.9
Saint Kitts and Nevis	11.5	11.9	5.9	4.2	5.9	23.3	0.3	-6.9	4.4	6.6
Saint Lucia	22.9	27.1	10.2	1.8	1.5	-10.6	-8.4	0.5	27.3	35.6
Saint Vincent and the Grenadines	13.8	14.1	3.0	1.8	1.8	7.0	...	70.4	46.2	-178.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data.

<sup>a</sup> Regional figures are computed as a simple average.

... Outliers

## E. Policies implemented to cope with the economic crisis

The Caribbean region was impacted by the global economic and financial crisis during the second half of 2008, which was reflected in a significant and generalized slowdown in economic activity, as evidenced by lower demand for export and a decline in tourist arrivals, remittances and fiscal revenue. In order to ameliorate the impact of the world economic crisis on the domestic economies, Caribbean policy makers implemented in 2008 and 2009 a number of policies on different fronts aimed at containing job losses, injecting liquidity into financial markets, stimulating business confidence and, ultimately, reigniting economic growth. The purpose of this section is to underline the new measures implemented during 2010-2011. These measures fall into three categories, namely sectoral, labour and social policies.

## 1. Sectoral policies

Caribbean governments have placed emphasis on providing specific funding in the following areas in order to create growth and employment – agriculture, housing, industrial policies, small- and medium-sized enterprises (SMEs) and tourism. Table 12 underlines the main sectoral policies by country.

**TABLE 12**  
**SECTORAL POLICIES BY COUNTRY IN 2010-2011**

Sector	Country	Policy
Agriculture	Barbados	Registered farmers are allowed to apply for the flat commercial water rate to reduce their cost and assist with increase production.
	Belize	Increased.
	Guyana	Increased support for the agricultural sector (sugar and rice production), including the "Grow More campaign", the Agriculture Export Diversification Programme, and the Rural Enterprise and Agricultural Development Programme.
	Trinidad and Tobago	Boost from the improvements in the network of agricultural access roads and the expansion of state farming arrangements.  During the first quarter of 2011, the Ministry of Food Production, Land and Marine Affairs distributed 600 Agricultural Land Leases.
	Suriname	Expansion of its housing programme in 2010, by building 208 new homes.
Housing	Barbados	Increased the ceiling on loans granted by mortgage finance companies for low-income housing purposes was announced.
	Guyana	Increased the ceiling on loans granted by mortgage finance companies for low-income housing purposes was announced.  Launched the second phase of the US\$27.2 million Low Income Housing Settlement Programme (LISP) between (the Government of Guyana and IDB)
Industrial	Barbados	Barbados Industrial Development Corporation, mandated to start discussions with a foreign financier to procure a BDS\$50 million loan to be guaranteed by the government to allow the organization to build internal capacity to assist domestic manufacturers.
	Jamaica	Several special loan windows are available through the Development Bank of Jamaica and commercial banks to support various industries.
	Guyana	Renewed its commitment in 2010 to provide support for the traditional sectors: sugar, rice and bauxite, including engagements with the major operators to ensure the viability and realization of planned investments, especially in the bauxite and alumina industries.
Small and medium-sized enterprises (SMES)	Barbados	The sum of BDS\$1.5 million has been allocated to fund access to empower it to facilitate the needs of the SME sector for technical assistance and new business training and to assist with working capital.
Tourism	The Bahamas	Measures to promote tourism, including the Companion Fly Free programme was maintained in 2010 and has continued into 2011.
	Barbados	Increased its marketing budget to the Barbados Tourism Authority by a further BDS\$6 million. This is in addition to the BDS\$10 million provided for in 2009. The small hotels sector will also be upgraded at a cost of BDS\$20 million. Additionally, government proposes to establish a tourism loan guarantee facility to provide working capital assistance to hotels.
	Belize	Increase the scope of import duty waivers for the sector, including duty importation of small buses and vans. Consumer items for small hotels and guest houses, including bed linen and furnishings could now be imported free of duty. Registered farmers are allowed to apply for the flat commercial water rate to reduce their cost and assist with increase production

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official information

## 2. Labour and social policies

In 2010, a number of social and labour policies were implemented to cushion the impact of the crisis.

The Governments of the Bahamas and Barbados have introduced tax credits on employment and productivity and innovation for companies. Permanent unemployment benefits were introduced to curb the hardship from this and future crises. However, to provide for these benefits, contributions by both employers and employees were increased. In Guyana, the adjustments in wage and salaries of public sector employees and pensioners to compensate for the increased cost of living which began in 2009, continued in 2010. In Jamaica, there is an ongoing 3-year wage freeze for the fiscal years 2009/2010 – 2011/2012, therefore, there has been no increase in public sector wages. The government established the Public Sector Transformation Unit (PSTU) to assess the state of the public service and make recommendations for improving efficiency and eliminating waste. The outgoing Government of Suriname started to implement the second phase of the public wage reform in July 2010, awarding half of the negotiated increase, with the second half to be provided for in 2011. The Government of Trinidad and Tobago also settled its wage dispute with a major trade union, the Public Service Association (PSA). A 5% salary increase over the three year period, 2008-2010, as well as housing and medical benefits was agreed to. However, the labour relations climate remains tense as government workers affiliated trade unions have rejected the 5% offer, and have threatened work to rule and other industrial action.

Montserrat launched the Helping Youth Prepare for Employment programme which provided employment for the young people. The programme of Advancement Through Health and Education (PATH) in Jamaica is ongoing. The programme delivers benefits by way of cash grants to the most needy and vulnerable.

In Barbados, there was an increase in welfare grants and food subsidy, introduction of a text book grant and increases in non-contributory pensions and minimum contributory pensions. The Government of Suriname introduced a disability allowance, child allowance and increased the old age fund from SRD375 to SRD425. Additionally in Suriname, pensions were also increased by 10%. Trinidad and Tobago increased its senior citizens grant to TT\$3,000 per month and increased the minimum pension to TT\$3,000 per month.

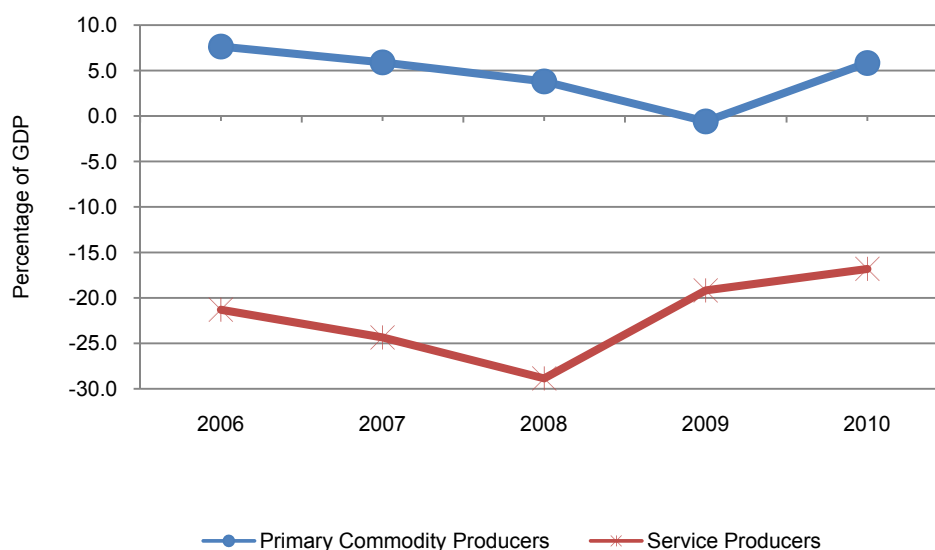
## F. Balance of Payments

Caribbean economies are characterized as small and open with a large dependence on trade to advance economic growth. Most countries are net importers of food, fuel and capital goods, all of which are import inelastic. Over the years, strong dependence on imports and declining export competitiveness have contributed to persistent current account deficits. Moreover, the lack of sustained growth in some countries and lack of diversification of exports and exports markets have increased dependence on remittances, FDI and other capital flows to meet this current account imbalance thus making the region extremely vulnerable to external shocks.

In 2010, the average current account deficit for the Caribbean shrank to 10.8% of GDP from 14.2% of GDP in 2009. Figure 7 and table 2 in annex 1, shows the evolution of the current account balance as a share of GDP for the primary commodity producers and the service producers over the period 2006-2010<sup>13</sup>. The figure indicates the large differences between the two groups. The primary commodity producers only posted a small current account deficit in 2009 as the effects of the global crisis became more pronounced in that year. However, as the global economy rebounded in 2010 and international demand increased, the current account balance returned to a surplus in 2010. On the contrary, the service producers recorded large current account deficits over the entire period, reaching as much as 28.8% of GDP in 2008 due to higher fuel and food prices and the reduction in tourism earnings due to the crisis.

<sup>13</sup> Primary commodity producers include Belize, Guyana, Suriname and Trinidad and Tobago and service producers include the ECCU, the Bahamas, Barbados and Jamaica.

**FIGURE 7**  
**CURRENT ACCOUNT BALANCE, 2006-2010**  
*(Percentages of GDP)*



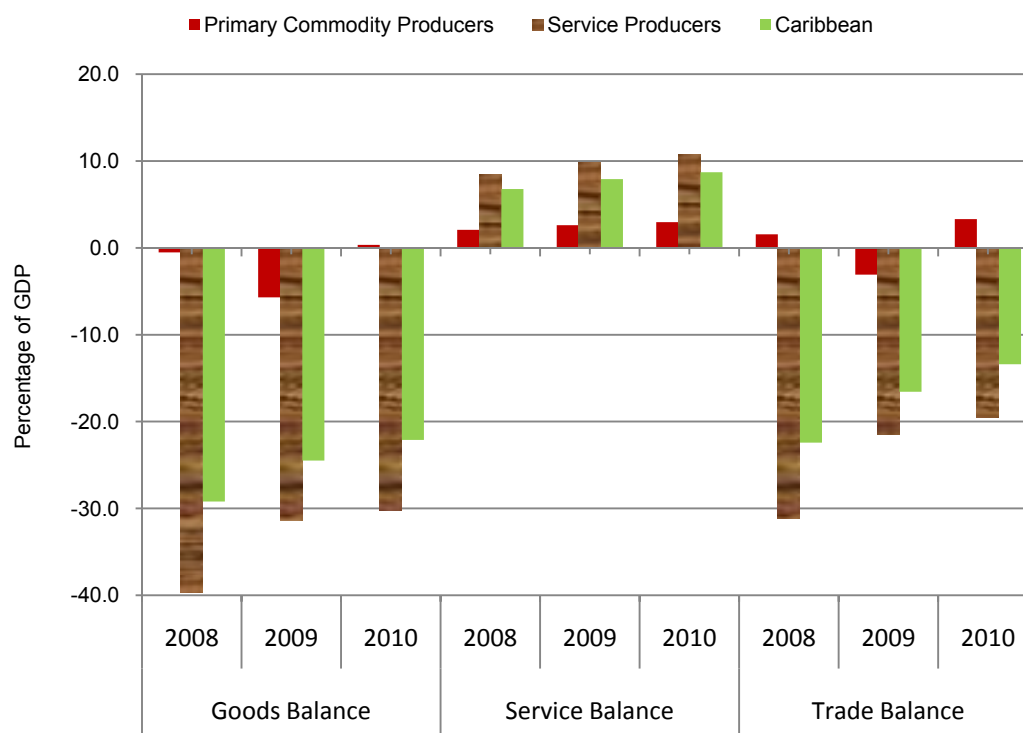
Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data

The improvement observed in the current account balance for both groups of countries was mainly due to the compression of imports which led to a smaller trade deficit. The trade deficit for the Caribbean as a whole narrowed from 16.6% of GDP in 2009 to 13.4% of GDP in 2010 as total exports increased by 7.8% while there was a simultaneous 12.2% fall in imports (see figure 8, table 3 in annex 1). The increase in the price of oil, natural gas, bauxite and precious metals which are some of the main exports of the primary commodity producers, contributed to an improvement in the goods sub-account. The goods sub-account of the primary commodity producers recorded a small surplus of 0.3% of GDP in 2010, compared to a deficit of 5.7% of GDP in 2009. This improvement was driven by Suriname and Trinidad and Tobago<sup>14</sup> which recorded higher surpluses in trade of goods. This contributed to an overall surplus on the trade account. The surplus on the services sub-account increased marginally for the primary commodity producers to 3% of GDP driven mainly by increased tourism and transportation receipts in Belize, Guyana and Trinidad and Tobago.

<sup>14</sup> The increase in the goods surplus in Suriname was reflective of the strong growth in the main commodity exports of alumina, gold and oil - both volume and prices while in Trinidad and Tobago, the more favourable goods surplus was the result of higher global prices for petroleum and natural gas. The goods deficit for Belize shrank by over 5 percentage points to 12.4% of GDP due to the dynamic growth in exports namely citrus fruits, banana and petroleum products. On the other hand, the goods deficit for Guyana worsened due to higher imports



**FIGURE 8**  
**TRADE BALANCE, 2008-2010**

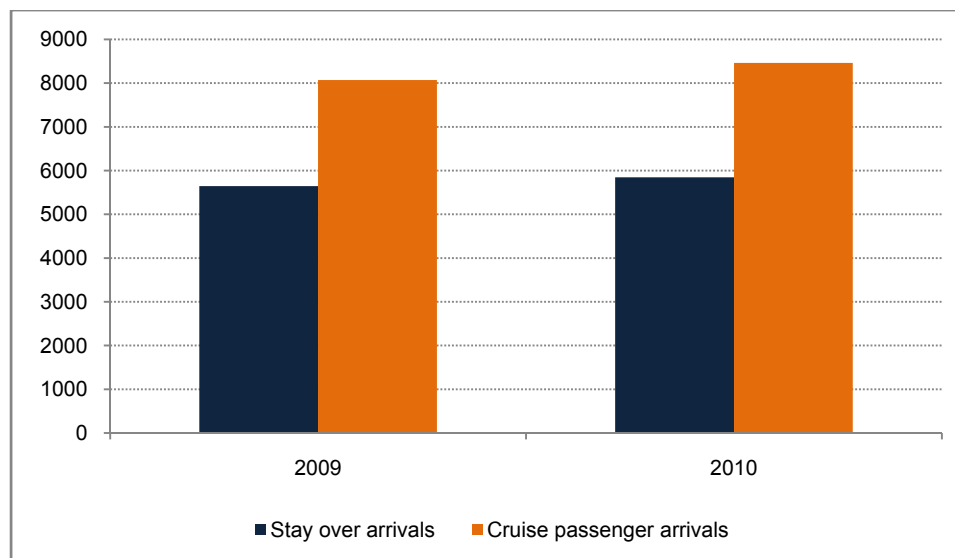


Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data

While the improvement on the trade account was due to more favourable export prices for the primary commodities, the minuscule improvement on the trade account of the service producers was the result of the compression in imports due to lackluster economic activity. As a result the trade deficit declined marginally by one percentage point to 19.5% of GDP. The goods sub-account deficit declined from 31.3% in 2009 to 30.3% of 2010 with the largest declines observed in Antigua and Barbuda, Montserrat and Saint Kitts and Nevis.

On the other hand, the services sub-account surplus increased slightly to 10.8% of GDP driven by higher travel receipts emanating from increased activity in the vital tourism sector. Stay over tourist arrivals for the Caribbean increased by 3.6% in 2010, compared to a decline of 4.6% in 2009, (see figure 9). Anguilla, Guyana and Saint Lucia recorded the highest growth in stay over visitors by 5.8%, 5.9% and 10.9%, respectively. The growth in arrivals from the United States and Canada by 5.7% and 5.1%, respectively, was able to offset the 1.5% decline in arrivals from the European market. The number of cruise passengers also increased by 4.8% in 2010, much better than the marginal increase of 0.7% in 2009.

**FIGURE 9**  
**CARIBBEAN TOURIST ARRIVALS, 2009-2010**  
*(in thousands)*



Source: Caribbean Tourism Organization

For most countries the current account deficits were lower than the trade deficits indicative of the compensatory effect of net current transfers of which workers' remittances is a critical component. Remittances are an important source of foreign exchange for the Caribbean and a crucial source of income for many households. In 2008/09, the global economic crisis led to sharp increases in the unemployment rates in the United States and Europe, the main source markets of Caribbean remittances. Consequently, remittance flows to the Caribbean declined significantly. However, in 2010, as the global economy emerged from the crisis, there was an increase in remittances, which reached pre-crisis levels in some countries. Table 13 presents remittances as a percentage of GDP, the growth in remittances and remittances as a share of exports of goods and services for the period 2008-2010. Over this period, remittances as a percentage of GDP for the MDCs and the ECCU averaged 6.5% and 4.5%, respectively. In some countries such as Guyana and Jamaica, the main recipients of remittances in the region, remittances as a percentage of GDP were quite significant in excess of 12% over the three year period.

Both the MDCs and the ECCU recorded positive growth in remittances in 2010. The MDCs recorded an increase in remittances by 6.1% in 2010, compared to a contraction of 11% in 2009. Guyana recorded the largest growth in remittances by 10.5%, a stark difference from the contraction of 9.1% in 2009. Barbados and Trinidad and Tobago, had significant growth in remittance flows. In the ECCU, remittances increased by 8.6% in 2010, relative to a decline of 6.7% in 2009. All countries showed a sharp increase in remittances, with Grenada and Saint Vincent and the Grenadines recording the highest increases.

Given the relevance of remittances as a source of foreign exchange, an important indicator is remittances as a share of exports of goods and services. The improvement in international demand due to the recovery of the global economy resulted in an increase in exports, though below pre-crisis level, which led to a reduction in this ratio for both the MDCs and the ECCU. In the MDCs, remittances as a share of exports of goods and services averaged 14.6% in 2010, a decline from 17.3% in 2009. In Suriname and Trinidad and Tobago, this share was minimal because the foreign exchange earnings from remittances were very small compared to foreign exchange earnings from the exports of goods and services. On the other hand, in Guyana and Jamaica, this ratio was considerably high at 22.2% and 47.1%, respectively, reflective of the importance of remittances as a major foreign exchange earner. There was also a slight decrease in the share of remittances to exports of goods and services in the ECCU, from 16.4% in 2009 to 15.8% in 2010 with the ratio being highest in Grenada and Saint Kitts and Nevis.

According to the World Bank (Migration and Development Brief, May, 2011), remittance flows to developing countries are expected to grow at lower (compared to pre-crisis levels) but sustained rates of 7%-8% annually during 2011-2013. On this basis, remittance flows to the Caribbean in 2011 are expected to increase but will remain highly dependent on labour market conditions and the pace of economic recovery in the United States and Europe.

In 2011, the current account deficit is expected to widen on the basis of higher import prices for food and fuel which will outstrip higher receipts from travel and remittances.

**TABLE 13**  
**REMITTANCES 2008-2010**

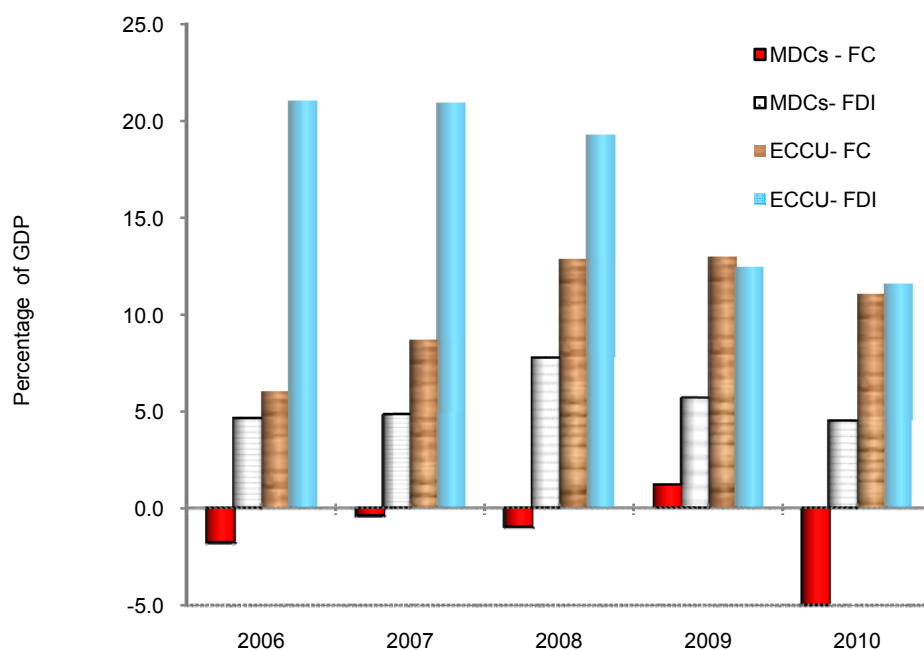
	Remittances (as a percentage of GDP)			Growth in Remittances (Percentage)			Remittances as percentage of exports of Goods and services		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
<b>MDCs<sup>a</sup></b>	<b>6.8</b>	<b>6.4</b>	<b>6.4</b>	<b>-2.6</b>	<b>-11.0</b>	<b>6.1</b>	<b>14.9</b>	<b>17.3</b>	<b>14.6</b>
Barbados	4.2	3.8	4.0	19.0	-11.3	8.2	6.8	9.0	7.9
Belize	5.8	5.9	6.3	4.5	3.0	9.2	8.6	10.7	9.6
Guyana	14.5	12.5	12.6	-1.5	-9.1	10.5	27.9	29.7	22.2
Jamaica	15.7	15.7	14.8	1.7	-11.8	5.0	38.7	52.9	47.1
Suriname	0.1	0.1	0.1	-98.4	-7.9	-0.7	7.0	0.1	0.1
Trinidad and Tobago	0.4	0.5	0.5	0.0	-9.2	9.5	0.6	1.1	0.9
<b>ECCU<sup>a</sup></b>	<b>4.6</b>	<b>4.5</b>	<b>4.8</b>	<b>1.9</b>	<b>-6.7</b>	<b>8.6</b>	<b>14.7</b>	<b>16.4</b>	<b>15.8</b>
Antigua and Barbuda	1.9	2.0	2.2	4.3	-4.1	8.8	4.1	4.5	4.9
Dominica	5.6	5.0	5.3	0.9	-11.5	7.8	15.9	16.9	15.2
Grenada	6.7	7.1	7.6	1.0	-3.0	9.2	28.9	31.6	31.7
Saint Kitts and Nevis	6.3	6.0	6.7	9.6	-8.1	8.1	17.5	23.8	22.2
Saint Lucia	2.8	2.5	2.5	1.0	-12.2	7.7	5.9	5.8	4.7
Saint Vincent and the Grenadines	4.4	4.3	4.7	-6.2	-3.9	9.8	15.8	16.2	16.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data

<sup>a</sup> Regional figures are computed as a simple average

Capital inflows, especially FDI, play a critical role in Caribbean development. Since the 1990s, FDI inflows have become the primary source of capital inflows in most Caribbean countries which helped to relieve the balance of payments constraint (see box 2). Figure 10 and table 4 in annex 1, shows the evolution of FDI and FC as a share of GDP for the MDCs and the ECCU over the period 2006-2010. The data indicate that FDI and FC have been less significant in financing the external gap in the MDCs than the ECCU.

**FIGURE 10**  
**CAPITAL INFLOWS, 2006-2010**  
*(Percentages of GDP)*



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data

The global economic crisis saw the contraction of FDI as investor confidence waned. As a result average net FDI as a share of GDP continued to decline in the MDCs from a high of 7.5% in 2008 to 4.5% in 2010. Of the MDCs, net FDI decreased in all countries, with the exception of the Bahamas, Barbados and Guyana, relative to 2009<sup>15</sup>. In the ECCU, average net FDI fell slightly from 12.4% of GDP in 2009 to 11.6% of GDP in 2010. Anguilla and Saint Kitts and Nevis were the only countries which recorded an increase in net FDI inflows due to renewed investments in the tourism sector.

Average net FC<sup>16</sup> as a share of GDP declined for both groups of countries. During 2010, many countries resorted to borrowing from multilateral financial institutions such as the IMF, World Bank, Inter-American Development Bank (IDB), Caribbean Development Bank (CDB) and the EU for balance of payments support. At least 6 countries entered into external financing arrangements with the IMF as shown in table 14. Other countries such as Barbados signed a concessional loan agreement with the Export-Import Bank of China to the tune of US\$40 million. In the MDCs, the inflows from external loans could not offset the large amount of capital outflows and as a result net FC contracted to negative 5% of GDP in 2010. Net FC as a share of GDP declined but remained positive in the Bahamas, Barbados and Guyana while Jamaica was the only country with an increase in FC. In Suriname and Trinidad and Tobago, high capital outflows led to negative FC capital in excess of 14% of GDP.

In the ECCU, FC also declined by two percentage points to 11% of GDP in 2010. However, all countries showed positive rates of FC as a share of GDP. Anguilla and Saint Kitts and Nevis reported substantial declines in FC due to commercial banks transaction which led to substantial outflows of short term capital. Other ECCU

<sup>15</sup> In the Bahamas, net FDI grew by 31.1% on account of a one-off transaction involving a foreign entity's capitalization of a domestic bank and the construction of the Baha Mar Resort Complex, a major tourism development project. In Barbados, the growth in net FDI was due to real estate sales, financing for several tourism related projects and a major manufacturing project. Guyana also recorded a 64% rise in FDI owing to investments in mining. The most significant decline in net FDI (-8.5%) was observed in Suriname as investor confidence declined due to the election of a new government.

<sup>16</sup> The major components of financial capital were public sector flows and profit repatriation

member countries such as Dominica, Grenada, Montserrat and Saint Vincent and the Grenadines recorded increases in FC which reflected higher net inflows into the banking sector and external loans. FDI is projected to recover slightly as increased tourist activity and elevated commodity prices will be a catalyst for new investments.

**TABLE 14**  
**MULTILATERAL FINANCING FROM THE IMF, 2010-2011**

Country	Lending Programme	Loan Size	Remarks
Antigua and Barbuda	Stand-by Arrangement	US\$125 million (June 2010)	Restore fiscal sustainability and put the country back on path of sustainable
Grenada	Extended Fund Facility	US\$13.3 million (April 2010)	To cushion the effects of the global economic crisis and support the country's agenda of economic reforms
Jamaica	Stand-by Arrangement	US\$1.27 billion (February 2010)	Public Sector Reform, increase in its growth potential and reduce vulnerability to external shocks
Saint Kitts & Nevis	Stand-by Arrangement	US\$84 million (June 2011)	To foster macroeconomic stability and debt management
Saint Lucia	Emergency Assistance Loan	US\$8.2 million (January, 2011)	To cope with the economic consequences of Hurricane Tomas
Saint Vincent & the Grenadines	Rapid Credit Facility	US\$3.26 million (February 2011)	To manage the economic impacts of Hurricane Tomas

Source: International Monetary Fund (IMF).

In 2011, the current account deficit is expected to widen on the basis of higher import prices for food and fuel which will outstrip higher receipts from travel and remittances. FDI is projected to recover slightly as increased tourist activity and elevated commodity prices will be a catalyst for new investments.

## BOX 2 FOREIGN DIRECT INVESTMENT IN THE CARIBBEAN

FDI continues to play, an important role in the growth strategies in the Caribbean. Over the years, FDI has stimulated economic growth by complementing investments, improving domestic capital, productivity and employment levels and export performance. In light of the importance of FDI to the Caribbean, significant efforts have been made towards investment promotion, which have had some success, especially in the natural resources sector.

### FDI Flows to the Caribbean

ECLAC (2010) estimated that global FDI flows rose by 1% in 2010, to US\$1.12 trillion. Developing countries received 53% of the global total while Latin America and the Caribbean registered the largest increase in FDI inflows in 2010. In the Caribbean, however, FDI flows declined by 18%, reaching US\$3,917 million. The main sectors affected by this decline were mining and tourism and tourism related services. The reduction in FDI was in excess of 50% in Antigua and Barbuda and exceeded 100% in Suriname. The Bahamas and Guyana were the only countries in which FDI surpassed the levels obtained in 2008.

### Source and Sectoral Distribution of FDI Flows to the Caribbean

FDI inflows into the Caribbean continue to originate from traditional sources such as Canada, Europe and United States. However, in recent times countries such as Barbados and Jamaica have been attracting inflows from Latin America, the Middle East and China. While Chinese investments in the Caribbean have so far been modest, it represents significant amount for some economies. ECLAC estimated that Chinese investment in the Latin America and the Caribbean represented 9% of the total investment in the region in 2010. In addition to investments related to bauxite mining in Guyana and sugar cane production in Jamaica, the Chinese has invested heavily in infrastructure. The Bahamas received funds to build a highway (US\$59 million) and the National Stadium (US\$40 million); Barbados received resources to build several projects including the St. Johns Polyclinic and the Sherbourne Conference Centre and Jamaica also received funds to facilitate the construction of a highway.

Generally, FDI inflows to the Caribbean continue to flow into two main sectors - the primary resource based sector and the services sector. In the case of the former; Belize, Suriname and Trinidad and Tobago have been major recipients of flows into the petroleum and natural gas industries. In the services sector, most of the inflows have been directed to financial services and tourism. Inflows into the manufacturing sector continue to lag behind and much efficiency-seeking and technology intensive investments have not occurred in the Caribbean.

### Economic Impact of FDI in the Caribbean

Caribbean States continue to exhibit a relatively high reliance on FDI inflows as demonstrated by FDI inflows to Gross Fixed Capital Formation (GFCF) and FDI as a percentage of GDP. FDI as a share of GFCF increased significantly from 20% in 2000 to 40% in 2009. However, in 2010, some countries showed a decline in this ratio. For instance, in Saint Lucia the FDI/GFCF declined from 70% in 2009 to 30% in 2010. Meanwhile, as a percentage of GDP, FDI to the Caribbean continued to decline in 2010, reaching 8.3%, compared to 9.3% in 2009 and 13.9% in 2008.

Preliminary estimates by ECLAC suggested that FDI inflows could rise by 15%-25% for Latin America and the Caribbean as a whole in 2011. Looking further ahead, the Caribbean continues to face the challenge of building absorptive capacity necessary for FDI attraction, especially in high-tech sectors. Government policies and programmes which encourage innovation and capacity building are therefore needed to address this problem.

Source: Economic Commission for Latin American and the Caribbean (ECLAC) on the basis of official information

## G. Outlook in 2011 and recommendations

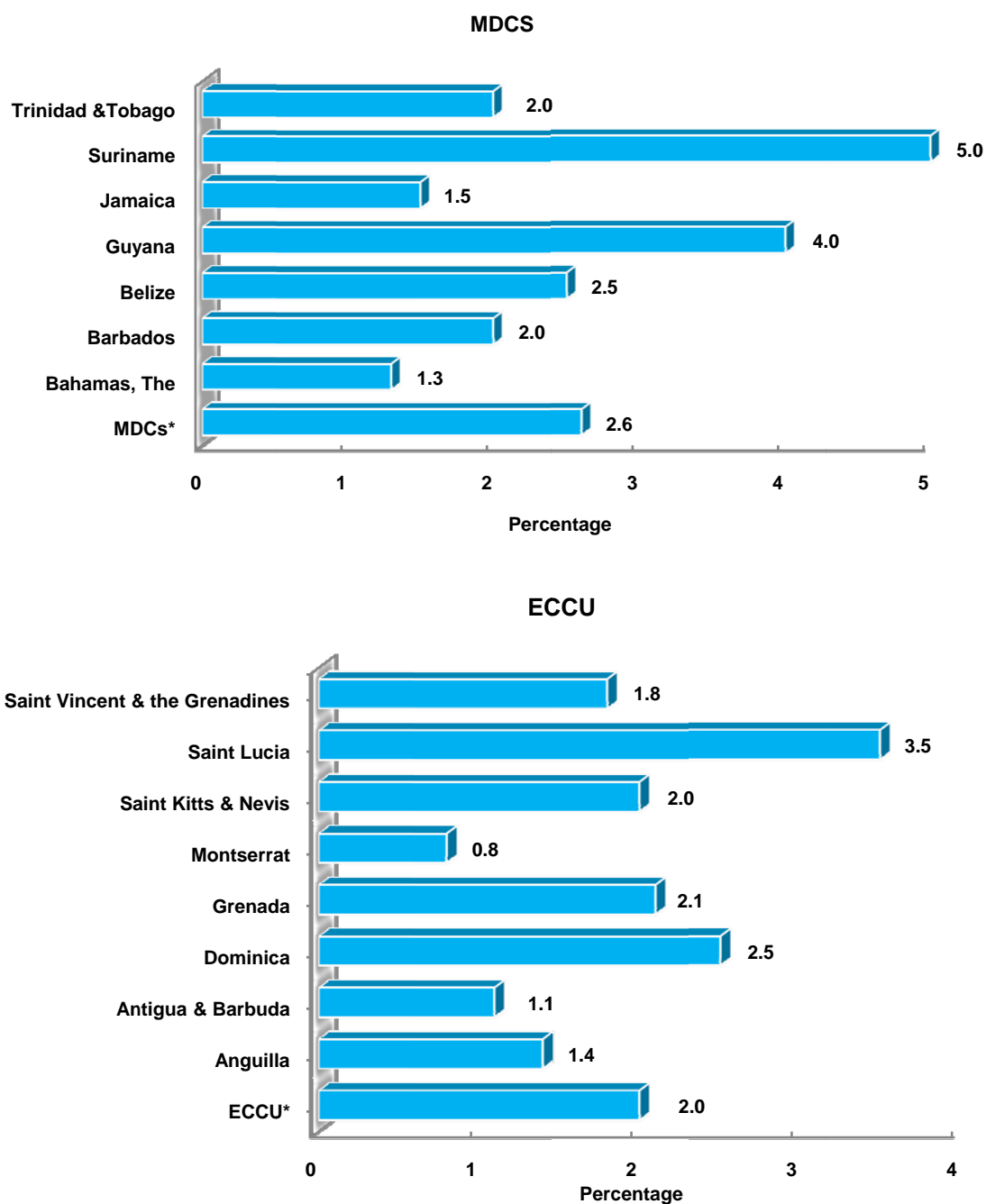
In light of the foregoing analysis, the subregion will face a number of challenges for some time. Among the most significant is the fact that the reduced tourist demand has impacted on a number of sectors including services, construction and distribution and this has depressed growth.

The second is that those countries that had more limited fiscal space were forced to abandon any major fiscal stimuli prematurely which contributed to depressing economic conditions. A number of countries turned to the IMF for balance of payments and budgetary support.

Thirdly, a variety of fiscal consolidation programmes have been implemented to raise revenue and reduce expenditure. The process, however, has been slow since it is much easier to increase expenditure than to reduce it. In addition, the difficulty of the situation has not allowed policy makers to get broad consensus on these policy shifts, thus these are major tensions with respect to wage restraint and other adjustments.

Fourthly, private sector recovery is slower than expected and excess credit conditions have not stimulated domestic investments. FDI flows have been returning to some countries and if this is sustained, unemployment rates should fall in the medium term.

**FIGURE 11**  
**GDP GROWTH RATE PROJECTIONS, 2011**



Source: Economic Commission for Latin America and the Caribbean, ECLAC, based on official figures

<sup>a</sup>Regional figures are computed as a simple average.

In spite of these challenges positive growth is expected to return to the Caribbean, however, this will be influenced heavily by improved external demand conditions (figure 11). The prediction is that growth in the MDCs will be 2.6% in 2011 and 3.2% in the ECCU region. The positive first quarter growth for most of the tourist dependent economies augurs well for growth in 2011, however, a few countries have had negative growth in arrivals. Among these were Dominica which posted a decline in arrivals of 5.6% and Saint Lucia with a decline of 1.1%.

## 1. Recommendations

In the context of a difficult external environment, the recommendations made here are designed to address short- and medium-term challenges.

In the short run the process of fiscal consolidation must continue in order to reduce the debt burden and excessive public spending. In addition, windfall revenues could be saved in stabilization funds, as a means of providing fiscal stimulus in the face of external shocks.

Fiscal consolidation programmes must be carefully crafted such that they do not erode the gains made with respect to the Millennium Development Goals. This could be achieved through the use of carefully targeted social programmes.

Over the medium term, a number of strategies are suggested as follows:

First, the response of the Caribbean to external shocks has been made difficult by the dependence on a few key markets and products. A strategy of market and product diversification is essential for sustained growth. This means carefully examining ways of building new sectors and expanding the domestic market and by extension the regional private sector. One approach is to promote a system of risk management that would properly evaluate the benefits and costs of new projects and activities.

Secondly, the improvement in domestic and regional competition is to be encouraged in all sectors and activities so that there are incentives for new activities and investment opportunities.

Thirdly, reliance on FDI for investment and foreign exchange inflows is important in this phase of Caribbean development, however, the productivity of such investment is essential for structural transformation. Incentive schemes towards FDI must target firms and activities that provide spillover effects that benefit local and regional firms and help them to become part of global value chains.

Countries that have done well such as Belize, Guyana and Suriname, for example, must be cautious and use the windfall revenue gains to diversify production and to buffer future external shocks since commodity booms are temporary.

Finally the lack of private sector response despite lower interest rates and excess liquidity underline the need for greater private and public sector partnerships as ways of reducing risks and making public activity more market sensitive.



## II. Country briefs

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### A. The Bahamas

#### 1. General trends

The Bahamian economy registered a modest recovery in 2010 with growth of 0.9%<sup>17</sup> following the 5.4% decline in 2009. The economy benefited from the spillover effects of the recovery in the United States, its major market, which led to a recovery in tourism. Improved tourism and buoyant activity in offshore financial services offset lower construction activity. Inflation declined in response to lower food and clothing prices. There are no official data, but employment, especially in tourism, was expected to pick up with improved economic activity. The fiscal situation deteriorated in fiscal year 2009/10 amid a sharper decline in revenues than in spending, but there was an improvement in 2010/11. Meanwhile, the balance of payments current account deficit contracted marginally to 11.6% of GDP, owing to higher tourism receipts that outweighed an increase in the trade deficit.

The economy is expected to continue recovering in 2011, with growth rising to 1.3%, propelled by continued improvement in tourism and FDI related construction. The construction of the The Baha Mar Resort Complex, the largest tourism project in the history of the Bahamas, started in February 2011. Baha Mar is expected to lead to B\$1 billion of spending and create 6,500-7,000 permanent jobs and attract 430,000 stopovers (a 30% increase) in its first year of operation. Inflation is expected to pick up due to higher fuel prices. The fiscal deficit is expected to increase marginally and the balance of payments current account deficit

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<sup>17</sup> The growth rate is based on the revised GDP that is based on the 2006 supply and use tables (SUT).

is projected to widen as a result of higher oil prices and imports payments related to major projects.

## **2. Economic policy**

### **(a) Fiscal policy**

In its 2010-2011 budget, government projected a deficit of B\$227 million, equivalent to 3% of GDP. Nevertheless, growth in revenue outstripped the increase in expenditure, leading to a fall in the deficit to an estimated B\$130 million (1.7% of GDP). Total revenue was estimated to exceed the budgeted amount by 10%, underpinned by B\$210 million receipts from the sale of government's 51% holdings in the Bahamas Telecommunications Company (BTC). Stamp tax proceeds were also bolstered by inflows from the sale of part of the stake in Bahamas Oil Refining Co. (BORCO) to Buckeye Partners of the United States. In addition, business and professional fees also advanced owing to higher proceeds from international business companies.

Total expenditure exceeded the budget by 3.1% to amount to B\$1.876 million. Recurrent spending increased partly due to government's contribution to the BTC Feeder Trust for pension benefit entitlements for employees and B\$25 million outlay for government's new job readiness and training programme. Meanwhile, capital expenditure was 12.5% below the budgeted amount, reflecting the slow pace of implementation of some projects and the decision not to proceed with the purchase of a property. As at June 2011, government debt was estimated at B\$3.5 billion, the equivalent of 45% of the revised GDP. The debt of the Bahamas remains significantly below the average for the countries of CARICOM. Nevertheless, the government is concerned about the speed of growth in the debt and has targeted medium-term debt consolidation.

By contrast, fiscal performance during FY<sup>18</sup> 2009/10 reflected a decline in government revenue that just outweighed the fall in expenditure. As a result, the overall deficit edged up from 3.1% of GDP in 2008/09 to 3.2% of GDP in 2009/10. Total revenues fell by 1.6% to B\$1.303 million, roughly 7% below the budgeted target amid declining tax receipts due to lacklustre domestic demand.

Total expenditure declines by 0.6% to B\$1.553 million, reflecting lower current spending as government moved to contain its consumption. This offset higher capital spending on the airport, harbour and other projects.

For FY 2011/12, government has projected a fiscal deficit of 3.0% of GDP, propelled by higher capital spending as recurrent expenditure is expected to remain stable. Public debt is projected to increase by around 7% to B\$3.779 million (46.2% of GDP).

### **(b) Monetary and exchange rate policy**

The monetary policy stance remained unchanged in 2010. External reserves were boosted by one-off foreign exchange inflows to capitalize the local subsidiary of a foreign bank. Further, there was no real threat of loss of reserves through imports as consumers remained cautious in spending. As a result, there was no pressure on the foreign exchange peg. In this context, the bank's policy discount rate remained at 5.25%, commercial bank's prime lending rate stayed at 5.5% and reserve requirements remained unchanged.

Credit grew by 5.2% in 2010 compared with 1.5% in 2009. Nevertheless, credit was driven by public sector demand for infrastructure projects, as credit to the private sector declined marginally, owing to continued weak investor confidence. Indeed, tourism, and construction registered average net

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<sup>18</sup> The fiscal year in the Bahamas runs from July 1 to June 30.

repayments of B\$61.5 million and B\$11.6 million, respectively. Consumer credit declined for a number of categories except debt consolidation loans, as households attempted to put their finances in order.

Underpinned by the weak recovery, the broad money supply grew by 2.6% in 2010. Growth in savings deposits improved with the increase in incomes and employment in tourism, while time deposits maintained a similar rate of growth to 2009.

In the wake of weak consumer demand and foreign currency inflows, including a one-off transaction to capitalize a local bank, liquidity in the banking system strengthened in 2010. This led to a build up of external reserves, which did not match last year's level, however, due to lower government borrowing in 2010. Commercial banks weighted average interest rate spread widened by 82 basis points to 7.61 percentage points, despite high levels of liquidity, as banks discriminated in their lending, owing to high levels of non-performing loans.

In 2010, banks continued to face credit quality challenges related to weak labour market conditions and business performance. Nevertheless, the rate of deterioration in loan quality slowed. Private sector loans at least 30 days in arrears rose by 5.2%, compared with growth of 42.4% in 2009. Moreover, banks remained profitable and liquid although net income was down by 2.3%, owing to higher loan loss provisions and a fall in interest income. The exchange rate remained stable in 2010, with B\$1.00 equal to US\$1.00.

### **3. The main variables**

#### **(a) Economic Activity**

Following the recovery in the United States, the economy grew by 0.9% in 2010, following the contraction of 5.4% in 2009. Real output in tourism expanded by 4.7% after the slump of 2009 and this had a positive spillover on distribution and other sectors. Total visitor arrivals rose by 13% to 5.2 million, spurred by marketing initiatives such as the 'companion fly free' programme. Valued added in the sector was propelled mainly by a 3.1% increase in high spending stay over visitors in 2010, reversing the 10% decline in 2009. In addition, a 10% rise in the number of port calls led to a further increase in cruise passenger arrivals in 2010.

Value added in construction plummeted (-23.5%) in 2010, partly offsetting the improvement in tourism. The sharp fall in construction reflected a downturn in foreign investment funded projects and domestic private investment as investors wait for the global and local recovery to strengthen. Underscoring the softness in the market, total loan disbursements for new construction and repairs fell by 37%, while mortgage commitments, an indicator of future activity declined in number by over 10%. Indicators suggest that activity in the offshore financial services sector remained stable in 2010. Despite the nascent recovery in major markets, investor sentiment towards the sector remained weak, as a number of institutions undertook debt consolidation.

The growth momentum gained in 2010 will pick up in 2011, with the economy expected to grow by 1.3%. Increased activity will be driven by higher stopover tourist arrivals underpinned by stronger demand in major markets. Construction activity is also expected to pick up with outlays on foreign funded tourism and other projects, including the Baha Mar Resort Complex that is set to almost double the room capacity on the island. Public construction will also strengthen with spending on the airport project and road infrastructure. Activity in the offshore financial services sector is also expected to improve following the firming of recovery in major markets.

## **(b) Prices, wages and employment**

Despite the firming of domestic demand and the hike in international fuel prices, the rate of inflation<sup>19</sup> fell marginally from 1.6% in 2009 to 1.5% in 2010. The impulses for lower prices came from the heavily weighted food and beverage subsector, along with clothing and footwear and miscellaneous goods and services. On the other hand the cost of housing, water, electricity, gas and other fuels and transport increased by 3.4% and 3.7%, respectively, propelled in part by the hike in international fuel prices.

Wage growth was contained in 2010 as salary increments for public officers were not paid and public employment was frozen in an effort to contain costs. Employment was expected to pick up in tourism and related segments of distribution as a result of the improvement in the tourism sector. Employment in construction and other sectors is expected to pick up in 2011 as work continues on the Baha Mar Resort Complex.

## **(c) The external sector**

The current account deficit of the balance of payments widened marginally relative to GDP in 2010. Although the deficit declined in nominal terms by US\$6.7 million based on the 2006 supply and use tables it increased slightly to 11.5% of GDP in 2010, up from 11.4% of GDP in 2009. The goods deficit widened by 3.4%, reversing the sharp contraction in 2009. However, this was partly offset by an improved services account associated with higher tourism receipts in keeping with the recovery in the sector. Imports picked up (2.1%) reflecting higher oil prices and also import volumes linked to the recovery in activity.

The services account surplus expanded by 14.3% to US\$1.223 billion, a significant turnaround from the 5.4% decline in 2009. Services inflows increased amid a rise in net tourism receipts. Lower net transportation outflows, partly linked to higher port fees and reduced outflows for government services also contributed to the surplus. On the other hand, increased net payments for insurance services and reduced net receipts from offshore companies' local expenses partly offset the increase in the surplus.

Increased interest and profit repatriations by domestic companies and workers remittance payments led to a 44.8% (US\$68.2 million) widening of the income account deficit.

The capital and financial account surplus contracted by almost 19% to US\$931.2 million. Erosion of the surplus resulted from a sharp decline in public sector inflows that offset higher private sector loan inflows and a recovery in FDI inflows. Public sector inflows had benefited from a US\$300 million bond issue and a substantial Special Drawing Rights (SDR) allocation under the IMF global initiative in 2009, since these extraordinary inflows were not repeated in 2010 public inflows declined sharply. In contrast, other private loan financing turned around to a net inflow of US\$115.4 million in 2010, following net outflows in 2009. Net FDI inflows grew by 31.1% to US\$870.6 million, a substantial turnaround from the sharp decline in 2009. Nevertheless, FDI was driven by inflows for the Baha Mar Resort Complex project and a one-off transaction involving a foreign entity's capitalization of a domestic bank. Indeed, land purchases were down amid continued sluggishness in the secondary home market.

The balance of payments current account deficit is projected to widen to 15% of GDP in 2011. The goods deficit is expected to expand owing to the hike in oil prices and higher non-oil imports of materials and equipment related to major FDI projects, including the Baha Mar project. This would only be partly offset by an improved services account based on the continued recovery in tourism. Meanwhile, the capital and financial account surplus is projected to expand in line with higher FDI inflows into tourism and to a lesser extent construction. External reserves declined by 31.9% to B\$859.58 million from April 2010 to April 2011.

<sup>19</sup> The rate of inflation is based on the new consumer price index that has been rebased to 2010.

## **B. BARBADOS**

### **1. General Trends**

Barbados seems to be slowly recovering from the negative impacts of the recent global financial crisis. According to estimates released by the Central Bank of Barbados, the economy returned to positive growth in 2010 after two years of negative real GDP. The economy grew by 0.3%. Tourism was the main contributor to this growth, with value added in the sector growing by 3%, a sector that now accounts for 14.7% of GDP. Although the fiscal deficit remained high by historical standards, there was a slight improvement as the deficit measured 8.1% of GDP. The government remained concerned about the public debt stock which reached 102% of GDP in 2010. Tourism sector growth is expected to remain important to the economy, but its performance should remain modest and tourism revenue is expected to remain below the levels that existed before the financial crisis. Nevertheless, supported by a recovery in the financial services sector and increased private capital flows to fund a number of projects, the Barbados economy is projected to grow by 2% in 2011. However, fiscal consolidation will remain a top priority for the government.

### **2. Economic policy**

#### **(a) Fiscal Policy**

During 2010, the government sought to engender some fiscal discipline while at the same time introduced measures to protect the most vulnerable. Measures were also introduced to maintain tourism competitiveness (such as marketing efforts and incentives directed at the United Kingdom stopover tourist market). Preliminary estimates from the Central Bank of Barbados suggest a small improvement in the public finances in the 2010/11 (April-March) fiscal year. The fiscal deficit to GDP is estimated to have narrowed to 8.1% compared with 9.4% a year earlier. Tax revenues rose by 4% in nominal terms, as a result of higher tax rates imposed during the fiscal year. These included higher rate of Value Added tax or VAT (from 15% to 17%), collections of which grew by 13%. There was also a 50% increase in excise taxes on gasoline and the removal of some allowances. Personal income tax revenue rose by just 2% while corporate tax revenue declined by 11% year on year.

On the expenditure side, capital expenditure contracted by 34% year on year as the government reduced expenditure on major projects. Wages and salaries were 3% lower than the year before and expenditure on goods and services fell by 13%. However, these categories of expenditure were partly offset by increased spending on pensions and transfers (which increased by 6%) as well as grants to public corporations, in particular the University of the West Indies. Interest payments also increased by 10% year on year as the government debt continued to rise. As in the previous year, the fiscal deficit was funded mainly from domestic sources, particularly the national insurance scheme and private non-bank entities. Foreign inflows, principally from the capital market and policy loans, provided the balance of funding. The public sector external debt increased by 12% year on year and domestic debt also increased by 12% over the review period. Total debt therefore surged to 102% of GDP at the end of 2010, and increased further to 105% of GDP at the end of March 2011, from 96.5% of GDP at the end of 2009. Fiscal consolidation is expected to continue in 2011, and the deficit is projected at 4% in 2011.

#### **(b) Monetary and exchange rate policy**

The priority of the Central Bank of Barbados remains that of supporting the exchange rate by ensuring that international reserves are adequate. At the end of 2010, the level of reserves reached US\$833.5 million. Monetary policy objectives also sought to manage liquidity and credit. This was designed to ensure that sufficient resources were available for economic growth to be achieved. As a result, domestic interest rates declined to stimulate aggregate credit growth. The average rate on domestic 3-month treasury bills fell by 0.09 percentage points to reach 3.4% in December 2010 compared with an average of 3.8% at the end of 2009. The commercial bank lending rate declined from 8.9% to 8.7%, reducing the

spread between deposit and lending rates to 6.1% in December. Although interest rates fell, due to weak economic performance of the economy, there was little improvement in credit demand. Total domestic credit outstanding declined from 90.9% of GDP in 2009 to 83.4% of GDP at the end of 2010. Private sector credit decreased to 68% of GDP from 72.2% of GDP while credit to the public sector decreased from 18.8% of GDP in 2009 to 15.2% of GDP at the end of 2010. Given the weak credit demand, liquidity (M3) decreased from 109% of GDP to 103% of GDP. Monetary aggregates decreased during the year. M1 decreased by BDS\$179 million while M3 decreased by BDS\$20 million, a reflection of the weak economic conditions which prevailed in the economy.

Nevertheless, Barbados's financial system remains broadly sound and stable. At the end of 2010, the capital adequacy ratio for the banking system was above 18%, which was above the regulatory minimum of 8%. Banks remain liquid with the liquid asset ratio measuring 17% in 2010, up from 16% a year earlier. This occurred as a result of weak credit demand. However, asset quality deteriorated and non performing loans increased to 10% in 2010 from 4.3% in 2009. The problem asset seems to be concentrated in one financial institution and mostly relate to large commercial loans, mainly from the tourism sector. Loan loss provisions remains low at 15% of non-performing loans and 1.5% of total loans. This is good by regional and international standards.

In terms of policy, supervision and regulation in the banking sector remain solid. A recently concluded IMF Financial System Stability Assessment Update found that while the financial system remains broadly resilient, several reforms are still needed to increase the flexibility and stability of the financial system. These included the need to establish a clear legal framework for the consolidated supervision of banking groups; the need to update the regulations on capital adequacy, asset classification and loan-loss provisioning; and the need for ensuring that the mandate and structure of the Financial Services Commission (FSC) are adequate for the effective supervision of the nonbank financial sector.

### **3. Evolution of the main variables**

#### **(a) Economic activity**

Following two years of negative growth, the economy of Barbados appears to have bottomed out and grew by a modest 0.3% in 2010. However, business confidence still remained low in general. A 2.6% growth in long-stay arrivals, following two years of negative growth, contributed to the overall modest positive economic performance. The number of tourist arrivals from Canada and the United States increased by 13% and 17%, respectively, while British tourist arrivals declined by 6%. Overall, tourism grew by 3% in 2010 and contributed 14.7% of GDP. Marketing efforts and a number of events including the International Cricket Council World Cup Twenty-Twenty helped in attracting tourists to the island during the year, but these were events which will not be repeated in subsequent years. The tourism sector is expected to record a growth rate of 3% in 2011, supported by large investments such as the Four Seasons Hotel as well as new arrivals associated with the winter and summer seasons.

The international business and financial sector also contracted for a second year, but by less than 2009. For the first nine months of 2010, the number of new licenses issued to companies operating in the sector was 8% below the number issued for the corresponding period of 2009. The number of registered offshore banks declined by 6% during the year and total assets fell by 12%. The offshore sector is a sector with a lot of growth potential, and this has been enhanced by new double taxation treaties pursued with Latin American countries. Barbados also remains attractive to offshore companies as a result of the OECD "white list" which enhanced the reputation of Barbados. Barbados's inclusion on this list means that it is recognized as a jurisdiction that has substantially implemented the internationally agreed-to-tax standards. Barbados was one of only seven international business centers to be included on the "white list" out of 40 countries.

Meanwhile, the agriculture sector declined by 6.1% , and chemicals production declined by 8.3%. The construction sector, a major driver of growth and an important vehicle for job creation contracted by 12.5% in 2010, as projects were postponed or cancelled. However, mining and quarrying showed improvements. Quarrying increased by 10.9% and crude oil production rose by 7%. Output in distribution and retail service industries remained stagnant, owing to the the slow pace of economic growth occasioned by weak demand in the economy.

Factors expected to spur growth in the future includes the international business sector which should benefit from the general revival in global activity, as well as the signing of new tax treaties. Private capital inflows are expected to also pick up, to fund projects such as the Four Seasons Hotel and Port Ferdinand. These projects should serve to boost activity in the non-traded sectors, particularly wholesale and retail, as well as construction and contribute to the expected growth rate of 2% in 2011.

### **(b) Prices, wages and Employment**

The end-of-year inflation rate was 5.8% in 2010, compared with 4.4% in 2009. Factors contributing to the inflation rate were international oil and commodity prices along with the fiscal measures announced in the 2010/11 (April-March) Budget which caused prices of food, housing and transportation to increase. Wage rates remained largely unchanged in 2010 as the government extended a public sector wage freeze that was observed by the private sector. The private sector therefore decided not to increase wages during the year.

Meanwhile, according to the central bank's projections, the country's unemployment rate may not increase in 2011. Despite the economy leveling, the anaemic performance of north Atlantic economies, tourism and international business and financial services did not live up to expectations, and the knock-on effects depressed cash flows throughout the economy. As a result, unemployment increased to 11.2% in the third quarter of 2010, which was 0.7% higher than a year earlier. Two years of economic contraction made it difficult for private firms to avoid layoffs in spite of government's incentives in the form of an interest waiver programme which government introduced to assist employers with the management of their National Insurance contributions. It is expected that with the resumption in economic activity, the unemployment rate should remain at 11.2% in 2011 and prices are expected to stabilize, if the increase in oil and international commodity prices remain moderate.

### **(c) The External Sector**

Barbados's balance of payments reflect the country's dependence on tourism and commodity imports and its open nature. Consequently, the current account deficit widened to 8.9% of GDP in 2010, reflecting higher oil imports and only a marginal increase in tourism receipts. The trade imports (mostly oil-related), which accounts for more that 50% of total current account payment, rose by 8%, while travel receipts (48% of current account receipts) fell by 1.4%. Given the trend in commodity prices, the current account deficit is expected to stay at elevated levels, and is estimated at 9.3% of GDP in 2011 because of a rise in import spending in line with higher global commodity prices. FDI inflows was recorded at US\$150 million in 2010, up from US\$79 million in 2009, and consisted primarily of real estate sales, financing for several tourist projects and funding for a major manufacturing project. (Official inflows included a loan of US\$90 million from the IDB to support alternative energy production and a loan of US\$50 million from the CDB to support government's development programme). Additionally, government floated a US\$200 million bond issue in August, part of which was used to repay maturing debt obligations. At the end of the year, the foreign exchange reserves stood at US\$1.451 million.

## C. BELIZE

### 1. General Trends

The Belizean economy recovered from the stagnation in 2009 to grow by 2.9% in 2010, second only to Suriname (4.4%) in CARICOM. Activity was bolstered by a sharp rise in electricity generation and higher value added in transport and communication and distributive trade. Tourism demand also improved owing to the nascent recovery in the major markets. Despite the uptick in activity, inflation remained flat (0%) and higher employment was expected in recovering sectors. Although a challenge, owing to high debt levels and rising interest costs, the fiscal situation improved in 2010. Monetary policy aimed to stimulate commercial bank lending to the private sector to facilitate the economic recovery. Meanwhile, strong growth in exports alongside a modest rise in imports led to a narrowing of the current account deficit by more than 50%, relative to GDP.

The economy is expected to continue growing in 2011 with growth of 2.5%, driven by electricity, with the full operation of the Vaca Dam facility and the cogeneration plant, tourism and sugar. Inflation is expected to pick up to 2.0% led by higher fuel and other commodity prices and employment is expected to post modest gains. The fiscal deficit is projected to contract marginally to 1.3% of GDP, owing to stagnant growth in spending and a modest increase in revenue. A fall in service payments due to the downsizing of British military operations in Belize and reduced net exports of goods will lead to a larger current account deficit.

### 2. Economic policy

Economic management in 2010 and 2011 focused on supporting the recovery, while ensuring fiscal prudence. The government was focused on providing an environment in which the main productive sectors could strengthen their output and productivity. Nevertheless, with the increase in the interest rate on the super bond debt from 4.25% to 6.0%, which will raise debt servicing costs, the government was hard pressed to provide direct financial assistance.

#### (a) Fiscal policy

Fiscal performance reflected the government's robust revenue raising measures. The overall deficit shrank from 2.8% of GDP in 2009 to 1.5% of GDP in 2010. Total revenue rebounded to grow by 8.7% following a fairly sharp decline in 2009. Petroleum taxes accounted for 52.9% of the increase in government revenue reflecting the hike in prices and earnings. In addition, an increase in the GST rate from 10% to 12.5% led to a surge in tax receipts, however these receipts still fell below expectations owing to the zero rated items such as food and household appliances. Similarly, an increase in the business tax rate from 1.5% to 6.5% on the supply of electricity and an imposition of a social fee on the export processing zone fuel bolstered revenue from these sources. Likewise, Belize Telemedia Limited dividend payments and transfers from the Public Utility Commission and Financial Services Commission drove up non-tax receipts by over 17%.

On the other hand, growth in expenditure was more moderate at 3.6%. Current expenditure rose by 2.3%, owing to higher allocations for wages and salaries and goods and services. Government subsidies, principally to the Belize City Council and to the Belize Trade and Investment Development Service, pushed up transfers and subsidies by 6.5%. Interest payments on the debt registered a small decline, stemming from a sharp fall in government borrowing from the central bank and the use of low interest government securities debt. Capital expenditure rebounded from the slump of 2009 to grow by 11.2% (BZ\$13 million). However, most of this increase (BZ\$10 million) was due to a loan to the Belize Sugar Industries to finance the timely harvesting of the sugar crop. Expenditure on public infrastructure was constrained by implementation problems. Nevertheless, work continued on major projects including the Kendall Bridge and the Belize/Mexico international crossing.



Public sector debt increased from 87.2% of GDP in 2009 to 98.3% of GDP in 2010. Domestic debt (15% of the total) expanded by 9.3% stemming from greater issue of government securities, but the bulk of the proceeds were used to reduce the government's overdraft balance at the central bank.

In its budget for FY2011/12 the government projects that the fiscal situation will improve, with the overall deficit declining to 1.6% of GDP from 2.4% of GDP in the FY2010/11. Total revenues are projected to increase by 12.1% to BZ\$843.6 million, buttressed by petroleum tax revenues, while total expenditure is projected to be subdued with growth of only 0.8%. Nevertheless, these targets may prove challenging in a context a nascent recovery.

### **(b) Monetary and exchange rate policy**

Monetary policy was modestly expansionary in 2010. In the face of a substantial increase in commercial banks' excess liquidity, partly due to inflows from an improved external current account, the central bank moved to sterilize a part of these flows. A new security requirement was introduced, which required commercial banks to hold a minimum of 6.5% of their average deposit liabilities in the form of treasury bills. At the same time, the required cash reserve ratio, a policy rate, was reduced from 10.0% to 8.5% of average deposit liabilities. This provided extra funds to commercial banks, which enabled them to purchase treasury bills. Further, the issuance of treasury bills was raised to BZ\$75.0 million to allow the banks to increase their purchases.

Reinforcing the reduction in the cash reserve ratio, the minimum savings deposits rate was lowered from 4.5% to 3.5% to encourage lower cost lending to the private sector.

Nevertheless, in an environment of high commercial bank excess liquidity the commensurate decline in lending rates did not materialize. In fact, the weighted average lending rate only declined by 20 basis points to 13.8%, while the weighted average deposit rate fell by 51 basis points to 5.6% leading to an increase in the interest rate spread of 31 basis points. Nevertheless, non-performing loans rose sharply from 10.8% in 2009 to 16.1% of total loans in 2010, partly due to the soft real estate market.

Despite the pick up in economic activity, the broad money supply (M2) declined by 0.1%, owing to a contraction in net domestic credit related to a large one-off payment from one company. This led to a decline in loans to the private sector for the first time in 24 years. Buoyed by strong exports, growth in net foreign assets was dynamic (11.3%) but mainly contributed to banks' excess reserves in the context of the marginal decline in credit. The exchange rate remained unchanged at BZ\$2.00 to US\$1.00.

## **3. The main variables**

### **(a) Economic Activity**

Economic activity rebounded in 2010 with growth reaching 2.9% compared with 0% growth in 2009. The impetus came from a substantial increase in electricity generation, owing to the full operation of the Vaca Dam and the Belize Cogeneration Energy Limited bagasse cogeneration plant. Agriculture recovered marginally from the decline of 2009. Sugarcane deliveries expanded by 22.3% to 1,122,765 long tons due partly to an extended crop season. Papaya output rose sharply due to higher yields, while output of most of the other major crops including citrus and bananas declined.

After good growth in 2009, manufacturing declined by 4.7% in 2010. Despite the addition of a new well, low productivity from existing wells led to a 5.9% decline in petroleum production to 1,513,700 barrels. Sugar production was also lower because the cane/sugar ratio worsened from 9.93 in 2009 to 12.73 in 2010, due to, harvesting into the rainy season. Similarly, citrus juice output contracted due to lower deliveries and juice per box of fruit.

The services sector, including tourism and distribution turned around from the decline of last year to grow by 3.7%. Tourism recovered to grow by 5.5% amid the fledgling recovery in major markets. The high spending stay-over arrivals were up by 2.2% to 222,632, while cruise passenger arrivals rose by 8.4%. Net tourism receipts were up by 5.7% to US\$228 million amid the increase in visitor arrivals. Activity in wholesale and retail, transport and communication and government services were up, buoyed by the recovery in tourism.

The economy is projected to grow by 2.5% in 2011. Activity will be driven by increase citrus, sugar and papaya production. Citrus production is projected to increase by over 10%, while sugar production will rebound due to improved productivity. On the downside, petroleum output is forecasted to drop by over 3%, reflecting reduced productivity at ageing wells.

### **(b) Prices, wages and employment**

In spite of the pick up in demand and higher foreign prices, end of period inflation remained flat (0%) in 2010, following deflation in 2009. The prices of food and beverages and household goods and maintenance fell by 2.1% and 2.7%, reflecting the removal of import duties and GST on basic food and household goods. This outweighed higher price impulses from imported fuel, which increased the cost of transport and communication (3.2%) and distribution. In the context of the debt situation and the need for tight fiscal management, public sector wages were contained in 2010 with only the usual salary increments provided to public servants. A labour force survey was not undertaken in 2010, however, employment was expected to pick up in the more dynamic sectors including tourism and wholesale and retail trade. Inflation is expected to increase to 1.5% in 2011, propelled by the continued high fuel prices and the maintenance of domestic activity.

### **(c) The external sector**

The balance of payments continued to improve, with the current account deficit halving from 6.1% of GDP in 2009 to 2.9% of GDP in 2010. The trade deficit narrowed by over 26%, owing to dynamic growth in exports and contained growth in imports. Most products, including petroleum, citrus, banana and papaya earned higher export proceeds. The value of exports of citrus expanded by 28.8% to US\$46.9 million, amid higher prices owing to reduced supply from Florida. Banana exports also benefited from higher prices offered by the distributor Fyffes for the exclusive right to supply Belize's bananas. Exports of petroleum, the main export expanded by 71% to BZ\$103.1 million, reflecting the higher export volume and the hike in oil prices linked to higher demand and lower inventories in developed countries.

Bolstered by strengthened activity, imports increased by 4.7% following the contraction of 2009. Growth in imports was fuelled by the recovery in the cross border trade in the Corozal Free Zone. Outlays on imports of minerals, fuels and lubricants rose by US\$8.5 million, associated with the spike in international fuel prices. With respect to the direction of trade, there is a noticeable shift to trade with China, partly on account of affordability of its products.

Driven by the recovery in tourism, transportation, business, professional and government services; the services account surplus expanded by 9.5% to US\$200.1 million. Transportation also benefited from growth in tourism. The income account deficit widened as lower payments to foreign seasonal workers were offset by higher net outflows of investment income, linked to greater debt interest payments and profit remittances from the oil sector. Buoyed by fair trade receipts for the sugar industry and other private inflows that outweighed the decline in family remittances, current transfers improved in 2010.

The capital and financial account surplus shrank by almost two thirds to US\$44.9 million. FDI inflows slumped by over 10% to US\$97.5 million with the tapering off of investments into tourism, agriculture and petroleum. This was reinforced by net loan repayments by the government and the

private sector. Nevertheless, gross international reserves rose marginally to US\$218.1 million, equivalent to 4.5 months of imports.

The balance of payments current account deficit is projected to widen to 4.0% of GDP in 2011. The impetus for this would be a larger trade deficit and a weakened service account due to the reduced British military presence in Belize and higher public sector interest payments, owing to the rate increase on the super bond debt to 6.0%. These developments will offset a modest increase in FDI and remittances and loan inflows to the public sector.

## **D. Eastern Caribbean Currency Union<sup>20</sup>**

### **1. General trends**

In 2010, economic activity in the ECCU<sup>21</sup> contracted by 1.7%, a relative improvement from a contraction of 6.2% in 2009. This protracted downturn was due to the continued negative effects of the global crisis on economic activity in most member countries. With the exception of Dominica and Saint Lucia which recorded positive growth, all other member countries reported negative growth. The economies remain vulnerable to natural disasters as evidenced by the passage of Hurricane Tomas in the last quarter of 2010, which caused substantial infrastructure and crop damage in Saint Lucia and Saint Vincent and the Grenadines. Meanwhile, the establishment of the Organisation of Eastern Caribbean States Economic Union will provide the economies with more space and scope for effecting economic transformation.

The overall fiscal deficit (including grants) declined from 4.7% of GDP in 2009 to 1.5% of GDP as many countries curtailed expenditure. In fact a number of countries implemented some level of fiscal consolidation guided by the Eight Point Stabilization and Growth Programme<sup>22</sup>. The high level of public debt continued to be a major challenge especially given the small size of these economies. The total debt to GDP ratio was 82.2% in 2010, a slight decline from 82.3% in 2009. Monetary policy remained virtually unchanged as there were no alterations to the main policy rates. The current account deficit shrank in 2010 to 17.9% of GDP, relative to 21.6% of GDP in 2009, reflecting continued decline in imports due to slower economic activity. Based on preliminary estimates, economic activity is expected to rebound to 3.2% in 2011, driven by increased tourism and construction activity, as well as utilities and other service sectors. This growth will be spearheaded by the economies of Dominica, Grenada, Saint Kitts and Nevis and Saint Lucia.

### **2. Economic Policy**

#### **(a) Fiscal Policy**

Fiscal policy in 2010 was contractionary as most governments underwent some level of fiscal consolidation guided by the Eight Point Stabilization and Growth Programme. As a result, the overall fiscal deficit improved from 4.7% of GDP in 2009 to 1.5% of GDP in 2010. Total revenue increased by 4.3% to 26.5% of GDP. Current revenue, which decreased by 8% in 2009, increased slightly by 1.7% to 23.3% of GDP in 2010 mainly due to a 27.2% increase in non tax revenue fueled mainly by land sales. However, overall tax revenue declined slightly by 1.2% primarily due lower intake on income and profit taxes. The introduction of a value added tax in Grenada and Saint Kitts and Nevis of 15% and 17%, respectively, contributed to a marginal 3.2% increase in tax revenue on domestic goods and services.

<sup>20</sup> GDP figures have been rebased to 2006. As a result improvement in ratios may be reflective of this change.

<sup>21</sup> Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines

<sup>22</sup> [http://www.eccb-centralbank.org/about/ann26\\_eight.asp](http://www.eccb-centralbank.org/about/ann26_eight.asp)

Grants receipts increased by 25%. Total expenditure contracted by nearly 7% to 28.0% of GDP. Both current and capital expenditure declined by 1.3% and 28.4%, respectively. This substantial decline in capital expenditure was in line with the fiscal consolidation strategy. The marginal decline in current expenditure was due to decreases in goods and services, interest payments and transfers and subsidies while outlays on wages and salaries increased slightly by 0.9%, reflecting retroactive payments to civil servants in Saint Lucia and Saint Vincent and the Grenadines. The primary balance shifted from a deficit of 1.7% of GDP in 2009 to a surplus of 1.4% of GDP in 2010. On an individual country basis, the overall fiscal deficit improved in all countries except Saint Kitts and Nevis and Saint Vincent and the Grenadines which reported deficits of 4.2% of GDP and 3.5% of GDP, respectively. Dominica recorded an overall fiscal surplus of 1.4% of GDP.

In 2011, fiscal policy will continue to be guided by the Eight Point Stabilization and Growth Programme which will lead to efforts to strengthen fiscal stability, stimulate economic activity through effective implementation of the Public Sector Investment Programme and address the challenges of the financial sector. According to budget estimates from national budgets which are in line with this Programme, Antigua and Barbuda will record an overall fiscal deficit of 1.5% of GDP for the fiscal year 2011/12, as the country entered its second year of its fiscal consolidation programme supported by the IMF. Saint Kitts and Nevis will see an increase in its primary surplus to 8% of GDP for the fiscal year 2011/2012 as the value added tax introduced in November 2010 begins to yield higher levels of revenue alongside other fiscal measures aimed at halting the accumulation of debt. Dominica will record a smaller primary surplus of 2% of GDP for the fiscal year 2010/2011, as the country will aggressively implement its Public Sector Investment Programme while Grenada's overall fiscal deficit will increase to 6.7% of GDP due to a substantial increase in capital expenditure to spur economic growth and generate employment.

In 2010, total public sector debt decreased slightly to 82.2% of GDP from 82.3% of GDP in 2009 (52% external and 48% domestic). External debt increased by 7.5% to 43.0% of GDP reflecting increased borrowing primarily from IMF, CDB and European Investment Bank. On the other hand domestic debt decreased by 6% to 39.3% of GDP primarily on account of debt repayments in Anguilla and Antigua and Barbuda. Total debt to GDP ratios increased in all countries with the exception of Antigua and Barbuda which is currently under an IMF Stand-by Arrangement. In 2011, debt will continue to increase as countries continue to borrow to support economic activity. For instance, Saint Lucia and Saint Vincent and the Grenadines benefited from the IMF Rapid Credit Facility of US\$8.19 million and US\$3.26 million, respectively, in the first quarter of 2011. Saint Vincent and the Grenadines also received financing from the World Bank in the amount of US\$5 million in January 2011.

### **(b) Monetary and Exchange rate policy**

The monetary policy stance of the ECCU remained unchanged during 2010. The focus of monetary policy continued to be the stability of the financial system and the maintenance of the credibility of the currency peg at EC\$2.7 to the US\$1.00. The central bank administered interest rates; the discount rate and the savings deposit rate remained unchanged at 6.5% and 3%, respectively. Commercial banks nominal deposit rate remained at 4.5% while the nominal lending rate increased slightly from 10.8% in 2009 to 11.2% in 2010.

Due to sluggish economic activity growth in broad money was minimal at 1.8% in 2010, at about the same rate as the previous year. There was a fall in M1 by 0.5% reflecting declines in both currency with the public and demand deposits. Credit to the private sector rose by about 2% to 87.3% of GDP in 2010, which is much lower than the 10% growth in 2008 and 38% in 2007. The highest allocation of private sector credit was for household uses namely house and land purchases, home construction and renovation and other personal loans. Net lending to the government declined significantly by over 100% as deposits increased due to foreign inflows.

In 2010, the ECCU continued to address a number of developments in the financial system which unfolded in 2009. The Bank of Antigua which was on the brink of failure was purchased by the Eastern Caribbean Amalgamated Bank (ECAB)<sup>23</sup>. The ECAB began successful operations in October 2010. The National Bank of Saint Vincent and the Grenadines, which was experiencing liquidity problems, was restructured as the government divested its majority shareholding by inviting new capital through the East Caribbean Financial Holdings Company Ltd. A number of countries established a Financial Services Regulatory Commission and enacted new insurance acts to allow for better supervision of the non-bank financial sector. Some progress, though slow has been made in tackling the issues related to the collapse of the Colonial Life Insurance Company Limited and British American Insurance Company. The property portfolio of British American Insurance Company was sold to Caribbean Alliance Insurance Company in 2010 while British American Insurance Company Health Insurance Support Fund was launched in May 2011.

## 2. Evolution of the principle variables

### (a) Economic Activity

The global economic crisis continued to negatively impact the economies of the ECCU in 2010. Construction, which is one of the key productive sectors of the economy, contracted again in 2010, this time by 16.0%, almost 6 percentage points lower than 2009. This decline was the result of limited availability of foreign financing, reduced inflows of FDI and a reduction in capital expenditure by government at approximately 28.4%. Declines were also recorded in mining which is closely associated with the construction sector, wholesale and retail, transport, storage and communication and financial intermediation. The agriculture sector contributed about 4% of GDP. This sector contracted by 5.2% primarily due to pest infestation and drought at the beginning of the year and Hurricane Tomas in the last quarter of the year. The hurricane which hit Saint Lucia and Saint Vincent and the Grenadines caused damage to the banana subsector of 88.0% and 27.2%, respectively. This contributed to an overall drop in banana output by 26%. Nutmeg production also declined by 45%. As a result, overall crop production fell by 9.8%. On a positive note there was a slight increase in livestock farming by 2.5%.

The tourism sector is another key sector of the economies of the ECCU and contributed roughly 9% of GDP, excluding linkages with other sectors. Activity in the tourism sector, proxied by hotels and restaurants, increased by 2.6% in 2010, compared to a contraction of 9.2% in 2009. Stay-over visitors, which comprise the higher end segment of the tourism market, increased by 3.4%, compared to a reduction of 12% of 2009. Stay-over visitors from the United States and Canada increased by 12.7% and 14.2%, respectively, while stay-over visitors from the United Kingdom and the Caribbean contracted by 6.4% and 5.2% respectively. On the other hand, cruise visitors declined by nearly 6%, compared to an increase of 19% in the previous year. Manufacturing output, which was approximately 4% of GDP, contracted by 5.5%. With the exception of Grenada, which saw growth in manufacturing output by 15%, all other countries experienced a decline. There were declines in the production of soap and paint in Dominica, electronics in Saint Kitts and Nevis, metal products and paper products in Saint Lucia and galvanized sheets, rice and packaging products in Saint Vincent and the Grenadines.

### (b) Prices, remunerations and employment

Inflation increased in 2010 (December to December) to 2.2% from 1.2% in 2009 mainly due to increased food prices and higher costs of fuel and electricity. The inflation rates varied among countries; the highest rates were recorded in Grenada<sup>24</sup> (4.2%) and Saint Kitts and Nevis (3.9%). In Grenada this was due to higher prices due to the initial effects of the introduction of the value added tax. In Antigua and Barbuda there was a slight increase in inflation from 2.4% in 2009 to 2.9% in 2010 due to the

<sup>23</sup> Consortium of indigenous banks

<sup>24</sup> The rate of inflation is based on the new consumer price index that has been rebased to 2010.

reduction in the number of zero rated items under the Antigua and Barbuda Sales tax. The inflation rate averaged 2% in Dominica, Saint Lucia and Saint Vincent and the Grenadines.

As per wages and salaries, Dominica increased the minimum hourly wage rate of non-established workers from EC\$5.00 to EC\$5.77 per hour, guaranteeing that all non established workers who worked for a minimum of 40 hours would receive no less than EC\$1,000 a month effected April 2010. In Saint Vincent and the Grenadines public servants were granted a 3% salary increase in January 2010. The unemployment rate increased slightly in Saint Lucia from 18.1% in 2009 to 20.6% in 2010. Grenada's recent labour survey showed an unemployment rate of 29% in 2010.

### **(c) The evolution of the external sector**

The sluggish state of the economies of the ECCU contributed to a slight improvement in the balance of payments current account deficit. The deficit narrowed from 21.6% in 2009 to 17.9% in 2010 or US\$960 million, mainly due to the reduction in imports fueled by lower domestic demand. This fall in imports caused the trade deficit to diminish by 3% to US\$1.674 million. Export earnings also fell by 2.3% due to lower exports of domestic products namely bananas, nutmeg, soap and rice.

The surplus on the service account increased by nearly 9% to US\$705 million or 13.2% of GDP representing a 5.4% rise in travel receipts as stay over tourist increased slightly by 3.4%. The surplus on the capital and financial account declined by 16.5% to reach US\$1.090 million or 20.4% of GDP (including errors and omissions). This was due to a drop in capital transfers to the government which declined by 16%. FDI also contracted by 17% to reach US\$576 million or 10.7% of GDP due to a reduction in equity inflows mainly linked to the tourism sector. The evolution of the current and capital and financial contributed to an overall balance of payment surplus of 2% of GDP, slightly lower than the amount recorded for 2009 (3% of GDP). Net international reserves amounted to US\$925 million, covering 3.7 months of imports.

In 2011, the balance of payment current account deficit will increase to approximately 19.2% of GDP as economic activity increases and international prices of commodities trend upwards.

## **E. Guyana**

### **1. General trends**

The Guyanese economy continued to show strong growth due to elevated commodity prices and rising domestic demand. Growth in 2010 was estimated at 3.6%, up from 3.3% in 2009. This growth occurred despite a decline of 5.5% in the sugar industry, a major contributor to production and foreign exchange earnings in Guyana. In fact, the non sugar economy grew by 4.3%. In 2011 growth is anticipated to be 4.6% with the non sugar economy growing by 2.8%. Given the continuing difficulties in the sugar industry growth is likely to be no more than 4%.

In line with the expansion in domestic activity the public finances also improved as tax revenues increased. Part of this improvement was due to the rebasing of the GDP however, that exercised suggested that the GDP was underreported. There were also significant foreign exchange inflows due to FDI and remittances which improved considerably relative to 2009. In this context there was stability in the foreign exchange market and monetary policy tended to be more relaxed and as a result interest rates declined which lead to credit expansion in a number of sectors.

Guyana also continued to pursue its low carbon development strategy and it is anticipated that support for this strategy will continue in 2011. Under the terms of a memorandum of understanding (MOU) signed with Norway to jointly implement the strategy, in 2010 the first performance based funds of US\$30 million was deposited with the Guyana REDD+ Investment Fund or (GRIF). Norway's

payments to Guyana may amount to approximately US\$250 million over the period to 2015, depending on Guyana's performance according to a methodology set out by the two countries in November 2009. This arrangement will certainly boost confidence in the economy and help guarantee future foreign exchange inflows.

## **2. Economic Policy**

### **(a) Fiscal Policy**

The fiscal policy stance was restrained after a period of expansion of public expenditure, especially in infrastructure. The fiscal deficit of G\$13.4 billion in 2010 was some 2.9% of GDP compared to a deficit of 3.7% of GDP in 2009. While these figures may reflect some aspects of the upward increase in GDP due to the recent rebasing of the series, that exercise demonstrated that Guyana's GDP was underestimated. The central government revenue in 2010 was G\$108 billion, an increase of 13% over 2009. At the same time, tax revenues increased by 13.3% and non tax revenue increased by 19.1%. These revenue increases reflected the vibrancy of the domestic private sector, resulting in large revenue increases.

Two taxes that showed elevated gains were corporate taxes (21.5%) and income taxes (16.9%) from the self employed which according to the budget of Fiscal Year 2010/2011 was due to higher reported profits. Meanwhile, revenue from pay-as-you-earn employees<sup>25</sup> increased by 15.8%. The increase in import duties also triggered larger increases in revenue from imports by as much as 20%. The increase in the value added tax was a more modest 8.2%.

Expenditure increases were moderate as government expenditure increased by 4.5% over 2009 to G\$133.3 billion with recurrent expenditure increasing by 7.4% to G\$84 billion. Meanwhile, capital expenditure was largely unchanged at G\$46 billion. On the other hand, grants were G\$11.7 billion, a reduction of 28.3% from the previous year.

The stock of both domestic and external debt increased, but as a share of GDP they were 22.1% and 46.6%, respectively, from 34% and 73.8%, respectively, in 2009. The recent rebasing to GDP in addition to consistent economic growth were factors contributing to a reduction of the debt stock

During 2010 Guyana also received debt relief in excess of US\$100 million through several sources including the Highly Indebted Poor Country Initiative (HIPC) and the Multilateral Debt Relief Initiative.

### **(b) Monetary policy**

In the context of increasing revenues and a relatively stable foreign exchange market, the monetary policy stance was largely to maintain a low inflation regime while focusing on lowering interest rates to enable access to credit by the private sector. Credit to both the private and public sector grew by 19% and 24%, respectively. Regarding the private sector, credit expansion was due to a 71.5% increase in credit to the mining and quarrying sector, a 32% expansion of credit to the agricultural sector and increases of 18.7%, 24.8% and 24% to the manufacturing, distribution and real estate sectors, respectively. These increases suggest the buoyancy of private investment especially in such areas as mining where the price of gold has been very high. Credit to the public sector also expanded by 24.9% in 2010 in order to finance government infrastructure projects.

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<sup>25</sup> These are workers whose taxes are deducted automatically by their employers.

In line with the positive economic performance, broad money expanded by 15% in 2010 compared to 9.7%, while M1 increased by 21.8%. These expansions reflected both the currency in circulation and private sector deposits, which increased by 19% and 12%, respectively, in 2010.

The benchmark rate which is the 91-day treasury bill rate, declined by 40 basis points to 3.78% and consequently interest rates declined as the weighted average lending rate fell to 11.97% from 12.18% in 2009. The small savings rate also declined, from 2.78% to 2.64%, and the interest rate spread remained relatively stable.

### **(c) Exchange rate policy.**

In 2010 there was relative exchange rate stability as the value of the Guyanese dollar appreciated by 0.12% against the United States dollar to reach G\$203.50 to US\$1.00. There was also an increase in the value of transactions on the foreign exchange market. The volume grew by 9.24% and reached US\$5,134.5 million, which was in line with increasing trade and foreign exchange inflows.

## **3. Evolution of main variables**

### **(a) Economic activity**

The Guyanese economy registered growth at 3.6% in 2010 and according to the budget of fiscal year 2010/11 it is anticipated that in 2011 growth will be 4.6% with the non-sugar economy expected to grow by 2.8%. There signs, however, that growth will be no more than 4% in 2011, given the heavy reliance on sugar and continuing industrial unrest in the industry. The positive economic performance in the last five years has been due to improved prices for commodities such as gold, sugar and rice and to increasing supply in the wake of price increases. In terms of the distribution of output, agriculture, forestry, fishing and hunting, contributed 20.9% of GDP, with mining at 10.5% and construction at 9.7%. In addition, the manufacturing sector contributed 7.0% to GDP and transport, storage and communication contributed 14.4%.

Sugar, is a major contributor to output (6% of GDP) and the industry experienced a decline in production and earnings in 2010. This decline was due to a fall in the price of sugar and the amount exported. Export earnings fell by 13.2% while the amount exported declined by 3.7%. The decline in production reflected a continuation of various problems in the industry, including industrial unrest and managerial problems, despite considerable investment in upgrading the industry. The industry is projected to grow by 35.5% which may be difficult in light of ongoing industrial and other difficulties.

The rice industry saw production of 360,996 tonnes in 2010, an expansion of 0.4% and was the second highest annual production for the industry in a decade. The rest of the agricultural sector grew by 2.5% in 2010, partly due to campaigns encouraging the growth of more food and also to the easing of transportation difficulties affecting farmers due to the construction of a bridge across the Berbice River.

The mining and quarrying sector as a whole declined by 6.9%. Bauxite production continued to experience difficulties as the year ended with a contraction of 27.1%. This was due to slow international demand and a build up of inventories in the industry. The picture was different for the gold industry. Because of rising gold prices, the declaration of gold increased by 2.9% and this was due to increased capacity from investment in the sector.

The manufacturing sector had mixed results as the overall sector grew by 0.3%, which was considerably better than the decline of 4.3% in 2009.

The construction sector has continued to perform well and recorded growth of 10.8% due to building activity in the commercial and industrial sector and the government's infrastructure projects



including housing construction. The sector is anticipated to grow by 4% in 2011 due to a continuation of government programs for capacity building.

Financial and other services grew by 9.3% which was slightly lower than last year and contributed 4% of GDP which reflected the increasing buoyancy in the domestic economy.

Among the other sectors, transportation, storage and communications, in which there was considerable investment, saw positive growth. Government services such as education, health and social services also expanded. It is expected that such spending on government services will also increase in 2011 since general elections are due at the end of that year.

## **(b) Prices, wages and employment**

The inflation rate was 3.6% in 2009 and 4.5% in 2010 (4% was predicted) and this reflected the dampened economic conditions abroad which moderated inflationary pressures in the latter part of the year. Prices were also moderated as government continued to apply concessional excise tax rates on fuel products, lowering the impact of the pass through from world fuel prices. These and other counter cyclical measures have been in place since the time of the crisis.

A number of categories of workers received wage increases of 5% in 2010 among these were public servants, the police and army personnel. Teachers received an additional 1% due to a prior agreement with respect to incentive payments as part of a multi-year agreement covering the period 2006-2010.

## **(c) The external sector**

In relation to the external sector, the current account deficit was slightly larger in 2010 relative to 2009. In 2010 it was US\$239 million as against US\$220 million in 2009, this was so despite improvements in many of the subaccounts. For example, merchandise imports increased by 21% to US\$1,417 million due to increased economic activity. Merchandise export earnings increased by 16% in 2010, to US\$891.1 million.

The goods and services deficit grew from US\$401 million to US\$525.8 million. Earnings from sugar were 13% below the 2009 level, due to a decline in prices and production, while other exports earnings showed improved performance in 2010. There was increased earnings of bauxite despite the decline in exports which was due to increased average prices. There was also a 45% improvement in the foreign exchange inflows from services.

According to the budget of fiscal year 2010/11 workers' remittances increased by 40.3% to US\$367.8 million and this was due to increased economic activity in major sending countries. There was also a deterioration in the capital account balance which declined from US\$454 million in 2009 to US\$339 million in 2010. It is important to note that FDI rose by 64% in 2010 which was US\$269.7 million or 18% of GDP and this was a continuation of general healthy FDI flows to Guyana.

In light of this, the overall external reserve position of the Bank of Guyana improved from US\$628 million in 2009 to US\$ 780 million in 2010, which amounted to 5.1 months of imports. The change in reserves in 2010 was US\$116.1 million.

The change in reserves is expected to have a smaller increase of US\$24.4 million in 2011 due to the widening of the current account deficit as a result of higher import commodity prices outweighing export earnings.

## F. Jamaica

### 1. General trends

Jamaica's external-sector economic indicators improved in 2010 largely due to inflows from multilateral institutions and improved prospects in its major export markets. Economic policy was guided by a programme of fiscal consolidation under a 15-month stand-by agreement with the IMF. This agreement, which sets a series of targets including fiscal targets, net international reserves and public debt, is monitored on a quarterly basis and is expected to result in inflows of some US\$1.2 billion over its duration. Even though there were substantial foreign-exchange inflows, the economy contracted by 1.2% in 2010. GDP is projected to grow by 1.5% in 2011 thanks to stronger demand for Jamaican exports and to the fact that domestic interest rates have been trending down, stimulating private investment.

However, there are risks, as credit demand by the private sector has yet to pick up and the debt burden continues to pose a severe challenge. In 2010, all sectors of the economy declined except for the agriculture, forestry and fishing sector and public services. This result was due to soft external and domestic demand on the heels of falling incomes and reduced consumer confidence.

The monetary policy of the central bank eased considerably as interest rates trended downward and inflationary expectations subsided. The rate of inflation rose to 11.7% in 2010 from 10.2% in 2009, but was far lower than the 16.9% rate recorded in 2008. On the other hand, the rate of unemployment inched up to 12.4%, a gain of 1 percentage point over the rate in 2009.

In the external sector, the current account deficit decreased while international reserves increased. In March 2011, reserves stood at US\$3.43 billion or 8.9 months' worth of imports. It should be noted that a significant proportion of these inflows came from multilateral sources.

### 2. Economic policy

#### (a) Fiscal policy

Under the IMF Stand-by Agreement and together with the government's Medium-Term Socio-Economic Policy Framework (MTF), a strategy of fiscal consolidation has been implemented. The outturns for fiscal year<sup>26</sup> 2010/11 was a deficit of 6.1% of GDP, slightly below the MTF target of 6.5%, and significantly lower than the 10.9% deficit recorded in fiscal year 2009/10. This outcome was possible because revenue growth outstripped that of expenditure. However, it exceeded by 1.5 percentage points the target set for the same period in the IMF stand-by agreement (a deficit of around 4.6% of GDP).

During fiscal year 2010/11, expenditure exceeded the budget target by 4.5% while revenues and grants exceeded the target by 3.6%. Recurrent and capital expenditure grew by 3.1% and 12%, respectively. At the same time, the revenue gains were due to a variety of tax increases early in 2010, which saw revenue as a share of GDP rise from 29.9% of GDP in fiscal year 2009/10 to 32.2% in 2010/11. The General Consumption Tax (GCT) was raised from 16.5% to 17.5% and a special rate of 10% was set for GCT on residential and commercial electricity use.

Central to the fiscal consolidation program was the reduction in the government debt which stood at J\$1.57 trillion at the end of fiscal year 2010/11. Meanwhile, the debt to GDP ratio declined to 127.5% moving from 129.3% in fiscal year 2009/10.

<sup>26</sup> The fiscal year runs from April through March of the following year.

A number of important measures were pursued in 2010 in order to restructure public finances and create greater fiscal space over the medium term. These included negotiations to divest a number of State-run corporations, the adoption of the fiscal responsibility framework in March 2010, and the design of mechanisms for better treasury management. High on the agenda is the reform of the tax system through consolidation of a number of tax administration agencies and a variety of taxes. For example the payroll taxes, of which there are several, would be consolidated into a single form.

In order to reinforce the process of fiscal consolidation the government is also contemplating a 24-month extension of the IMF Stand-by Agreement. It is not yet clear what this extension would entail, but it would be designed to restore confidence in the economy, and the country would also benefit from increased multilateral financial flows for budgetary support.

### **(b) Monetary and Exchange Rate Policy**

In the wake of the IMF agreement, a significant amount of resources from multilateral institutions including the IDB and the World Bank, were received for budgetary support. These funds boosted foreign-exchange inflows, stabilized the exchange rate and enabled the monetary authorities to adopt a more expansionary policy regime and to reduce interest rates. In addition, the successful launch of the Jamaica Debt Exchange in early 2010, an exchange of high-cost debt for new instruments of longer duration, paved the way for a general decline in interest rates.

In this context, the central bank lowered the interest rate on its 30-day certificate of deposit by some 300 basis points and reduced its cash reserve requirement and liquidity asset requirement against Jamaica dollar-prescribed liabilities of deposit-taking institutions from 14% to 12%. The rates for foreign currency liabilities were also lowered by 2 percentage points. As a result, market-determined rates declined. For example the yield on 30-day treasuries declined by 247 basis points to 7.48%. In addition, the overall average weighted loan rate fell from 22.5% in March to 20.43% in December 2010 while the overall weighted deposit rate over the same period declined from 5.7% to 2.9% and the interest rate spread also increased from 16.8% percentage points to 17.44 percentage points.

In 2010, nominal growth in M1 decelerated to 5.8%, compared with 7.2% in 2009. Growth in currency with the public was 6.2% in 2009 and 8.7% in 2010 while demand deposits grew by 13.9% and 3.4%, respectively, in 2009 and 2010. The weakness in real economic activity explains the decline in these indicators of financial activity and it would take some time for the private sector to adjust to an environment of lower returns given the high returns that were previously available for government securities.

In 2010, the stock of commercial loans and advances decreased by 2% in contrast to an increase of 4.2% in 2009. This reflected declines in loans to both the public and private sectors. However, given that loans to the private sector accounted for 87.6% of all loans, the softening of domestic economic activity is evident.

The significant financial flows released by the signing of the IMF agreement helped stabilize the exchange rate and the average selling rate of the Jamaican dollar relative to the United States dollar showed a 4.4% appreciation in 2010, in sharp contrast with the 10.2% depreciation in 2009. The exchange rate ended the year at J\$85.860 to US\$1.00. For 2011, a slight depreciation in the Jamaican dollar against the United States dollar is projected.

### **3. The main variables**

#### **(a) Economic Activity**

The contraction of the Jamaican economy was estimated at 1.2% in 2010, an improvement from the decline of 3.0% the previous year. Among the many reasons were the lacklustre economic growth among Jamaica's trading partners, especially the United States, weak domestic demand, and uncertainty among the private sector in terms of areas of investment. In addition, employment fell in some sectors.

Within the goods sector, agriculture, forestry and fishing was the only sector that experienced positive growth (0.8%), albeit far lower than the 13.9% recorded in 2009. The contribution of agriculture to GDP was just over 6%. Adverse weather conditions accounted for the fall-off in growth despite an aggressive programme of agricultural promotion.

Mining and quarrying, which contributed 1.7% to GDP, declined by 3.4% in 2010, but this was a far cry from the precipitous decline of 50.5% in the previous year, which was due to plant closures following a slump in international demand. The reopening of one of the three alumina plants that had been closed, together with increased production at the sole bauxite plant, augurs well in the medium term, but production may be limited in the short run owing to the build-up of substantial bauxite inventories.

Manufacturing and construction were down by 2.6% and 2.2%, respectively, but both sectors showed smaller declines than in 2009 and this may reflect an easing of the recessive conditions in the economy. These sectors contributed 7% and 6.6%, respectively, to real GDP in 2010.

Within the services sector, positive growth occurred in the hotel and restaurant subsector, attributable to fairly robust tourism performance, as growth in this sector was positive throughout the crisis period. Total stopover tourist arrivals grew by 4.9% and visitors from major markets such as Canada (12%) and the United States (6%) showed improvements in 2010, while Europe saw a small decline of 2%. However, cruise passenger arrivals declined for the fourth straight year, this time by 1.4% and have yet to begin to recover from the crisis. The tourism sector directly contributed 6% of GDP but this underestimates the true impact of the sector on the economy.

The largest overall decline occurred in indirect financial intermediation services (9.5%), followed by electricity and gas and water (4.3%) which reflected depressed domestic demand and low economic activity. These sectors contributed 4.1%, 3.3% and 18.4%, respectively, to real GDP in 2010. The economic forecast for 2011 calls for growth of 1.5%, spearheaded by the goods-producing sector with the service sector lagging behind. The leading contributors to this growth are expected to be mining and quarrying, agriculture, forestry and fishing, and hotels and restaurants.

#### **(b) Prices, Wages and Employment.**

The year-end 12-month inflation rate for 2010 was 11.7%, a slight increase from 2009, when inflation was 10.2%, but in general inflationary expectations have subsided due to the appreciation of the currency and the adjustments to expectations already internalized as a result of tax increases earlier in the year. In fact, the 12-month inflation rate in May 2011 had declined to 6.8%. Core inflation, which excludes the volatile components of food and fuel, stood at 8.2% for the 12 months through December 2010.

Higher prices in 2010 were due to escalating food and energy prices, which resulted from pressures at both the local and international levels. At the international level, supply constraints and higher crude oil prices pushed up grain prices, while at the domestic level, the tax package of 1 January 2010 caused price increases. These included rises in tax rates and higher bus and taxi fares plus weather-related shocks, which impacted on the cost of food. The sharpest increases were in transport,

(25.7%), and housing, electricity, water, gas and other fuels (8.4%). Within the food category, alcoholic beverages and tobacco rose by 14.4% due to tax hikes.

Under the medium term macroeconomic plan, inflation in 2011 is targeted to be no more than 7%. Accumulated inflation during the first quarter 2011 was just 1%, and barring any significant increase in fuel prices, the inflation target should be met.

In terms of wages, under an agreement in April 2009, public-sector wages were effectively frozen for three financial years, which will come to an end in March 2012, although scheduled increments to public servants have continued to be paid. In light of several rounds of price hikes last year, notably in the price of electricity, the government will ask IMF to revisit the possibility of amending this policy and raising wages. However, with the emphasis on fiscal consolidation, no significant wage increases are expected to be approved.

The impact of the recession is still being felt in terms of employment. The employed labour force declined by 30,600 persons, or 2.7%, while the unemployment rate increased by 1% to 12.4% in 2010. While the overall rate seems moderate, some age cohorts have higher than average unemployment rates. For example, the youth unemployment rate was 30%. In addition, while the male unemployment rate was virtually unchanged at about 9%, the female unemployment rose from 15.7% to 16.2% in 2010.

### **(c) The external sector**

The IMF agreement stimulated a large flow of complementary funds from other multilateral agencies and these funds have helped to fund the deficit on the balance of payments. In 2010 concessional loans totalling US\$850 million were obtained from IDB, the World Bank and the CDB. In addition, Jamaica received grants totalling US\$53 million. Foreign exchange inflows were also boosted by higher remittance inflows and tourist receipts. Net international reserves increased to US\$2.98 billion or 7.7 months of imports. The current account balance determined from a deficit of US\$912 million in 2009 to a deficit of US\$990 million in 2010 or 7% of GDP.

This was the result of improvements in the subaccounts with the exception of the merchandise trade subsector, which recorded a deficit of US\$ 3.26 billion, a deterioration of US\$ 171 million from 2009. However, in both 2009 and 2010 imports were only roughly 60% of imports in 2008, which suggests that the adjustment was being made by import compression due to reduced demand.

The services account increased by US\$75.1 million in 2010, which reflected higher tourism receipts and a reduction in expenditures by Jamaicans travelling abroad. Another improvement was the reduction in the deficit on the income subaccount, due to reduced official interest payments and profits remitted abroad.

The current transfers account also improved as a result of increases in net private transfers, which include higher remittances and grants from the EU for growth enhancement and debt reduction. The balance on the current transfers account was US\$2 billion, an increase of 7.9% relative to 2009; however, remittances have still not returned to their trend levels.

In 2010, there was an increase of US\$712.9 million in official investment and a decrease of US\$320.5 million in private investment in the financial account. The decline in private investment started in 2008 when it represented 15% of GDP and then fell to 6% in 2009 and later to 3% in 2010. Given the strong multilateral inflows and the desire on the part of the government to extend the IMF programme, confidence in the economy is likely to increase in the short term.

## G. Suriname

### 1. General Trends

The economy of Suriname continued its strong performance by recording a growth rate of 4.5% compared with a rate of 3.1% in 2009. This performance was driven by buoyant activity in the mineral sector, and increased government spending. However, despite the robust economic growth, the fiscal deficit is estimated to have widened from 3% of GDP in 2009 to 3.5% in 2010. The inflation rate rose to 10% at the end of 2010, owing to higher prices for food, fuel and civil service wage increases. By February 2011, the inflation rate increased to 18.8%, and remains a concern to policy makers. Meanwhile, in early 2011, the authorities devalued the Surinamese dollar by 20% in the official market bringing it on par with the rate in the parallel market. The current account surplus of the balance of payments is estimated to have improved significantly, increasing by 230.7% to US\$692.2 million or approximately 2% of GDP, owing to strong prices for mineral exports. Net international reserves rose by US\$34.3 million to US\$757.1 million at the end of the year, representing approximately 4 months of imports.

Economic policy is aimed at containing inflation through monetary channels, while at the same time facilitating economic growth through increased revenue from exports and other forms of investments while maintaining fiscal discipline. The main challenge facing the authorities is to ensure that inflation expectations do not become entrenched in the economy. Real GDP is expected to grow by 5% in 2011.

### 2. Economic policy

#### (a) Fiscal Policy

The overall fiscal balance widened from a deficit of 3% of GDP at the end of 2009 to 3.5% at the end of 2010. Although prices of minerals rose in 2010, and this boosted fiscal revenues for the government, it was not adequate to offset the increase in the wage bill (which represented 32.5% of total expenditure) and elevated levels of government spending not only on goods and services but also on capital expenditure (27.6% of total expenditure). The latter increased from 6.8% of GDP in 2009 to 10.3% of GDP in 2010 and most of this expenditure went into projects to enhance infrastructure as well as some social programmes. Total expenditure is estimated to have measured around 37.3% of GDP in 2010 compared with 30.4% a year earlier. The government also announced plans to create a bestemmingsfonds (an earmarked fund), to be used to support small entrepreneurs in the mining sector; and boasted of new infrastructure projects, a housing project (18,000 new homes), medical centres and free-trade zones.

This high level of spending has therefore been a concern to analysts who believe that if this spending continues, and it is not matched by corresponding increases in revenue, it may affect the solvency of the government. In order to compensate for the increased spending, and with greater calls for fiscal discipline, the government introduced a number of fiscal policy measures such as:

- Increased duty on fuel from SRD1.00 per litre to SRD1.5 per litre;
- Increased revenue tax by 2 percentage points, bringing the tax to 10% on the sale of goods and 12% on the sale of services;
- Re-introduction of a tax on motor vehicles;
- Increased excise duties on alcohol and tobacco products by 50%; and
- Doubling the presumption tax on casinos.

The government also plans to reduce expenditure by phasing out a wide range of subsidies, introduce a value-added tax (VAT) system from 2013 and reduce support to defunct state owned

enterprises. To compensate for the tough fiscal measures and the rapid increase in inflation, the government has provided some support to vulnerable groups in the society and some tariff incentives to encourage growth. The impact of these measures was however insignificant.

Public debt fell from 25.2% of GDP in 2008 to 21.5% in 2009. Foreign or external debt accounts for 8.7% of the current total public debt and represents bilateral arrears with the United States mainly. In January 2011, the government raised the legal limit for domestic debt from 15% of GDP to 25% of GDP, while lowering the foreign debt ceiling from 45% of GDP to 35% of GDP since most of the data showed that a large component of government debt has been borrowed locally in the past few years.

### **(b) Monetary and exchange rate policy**

The government and the central bank have agreed to be more transparent and consistent in their dealings and have agreed to phase out government borrowing from the central bank over a three year period. The government is expected to finance its own spending through the use of the financial markets. The foreign currency law will also be amended by parliament in 2011 to allow the central bank to become the only entity authorized to monitor and set exchange rate policy.

Liquidity in the financial system declined by 5.5% and was recorded at 39.4% of GDP while net domestic credit declined marginally from 22.7% of GDP in 2009 to 21.4% of GDP in 2010. Private sector credit declined to 25.5% of GDP in 2010 from 28.4% of GDP a year earlier while credit to the public sector increased marginally to 4.8% of GDP in 2010 compared with 4.3% of GDP in 2009. At the end of December 2010, M2 decreased by 2.6%. Lending rates increased marginally during the year. The average lending rate for commercial banks increased from 11.6% at the end of 2009 to 11.9% at the end of 2010. Deposit rates remained stable at 6.2%.

The central bank introduced a number of policy measures in order to ensure macroeconomic stability in the face of rapidly rising inflation. The official exchange rate (which was set as SRD2.8 to US\$1.00) was realigned with the free market rate, which had been trading at SRD3.4 to US\$1.00. The 20% devaluation of the official exchange rate to SRD3.35 to US\$1.00 was designed to help restrain domestic demand by lowering purchasing power and making imports more expensive. This devaluation of the exchange rate contributed to the removal of black market trading. The central bank also raised the reserve requirements for commercial banks on the foreign exchange holdings to 40% from 33%.

The banking sector as a whole appears to be well capitalized, but across the banking sector, there have been variations regarding compliance with regulatory norms. The collapse of the parent company of CLICO Suriname produced only temporary damage to the financial sector in Suriname and in 2010, CLICO-Suriname was acquired by a local insurance company.

## **3. The main variables**

### **(a) Economic activity**

According to official estimates, real GDP in Suriname is estimated to have increased from 3.1% in 2009 to 4.5% in 2010 due to a rebound in the prices of the country's exports of gold, petroleum and alumina. The increase in real GDP was also driven by elevated levels of government spending on goods and services as well as capital expenditure. The stoppage of aluminium production contributed to a 2.3% decline in mining and quarrying. The growth in manufacturing declined to 4.6% compared with a growth rate of 6.9% a year earlier, reflecting slower processing activity in aluminium. Output in construction increased by 9.6% in 2010 and reached 7.0% of GDP. This increase was due to the government construction programme which continued, inclusive of infrastructure improvements, hotel construction and some private sector homebuilding projects. The agriculture sector grew by 7.9% compared with 11.9% a year earlier. Prospects for this sector remain mixed. The banana industry has been restructured and appears to be in better shape but changes to the EU's import tax regime which will benefit banana

exporters in Colombia and Ecuador, will affect the industry's competitive advantage. However, Suriname will continue to enjoy quota-and duty-free access for its bananas to the EU. The rice industry remains saddled with heavy debt and operates at a high cost base. The sector is expected to remain weak after price declines in 2010 and 2011. Having said that, in 2009, the government had targeted this sector for special attention in 2011. Meanwhile, transport, storage and communications grew by 8.5% in 2010 compared with a decline of 7.6% and wholesale and retail trade increased by 7.1% reflecting increased demand for consumer durables. In 2011, GDP growth is forecast to accelerate to 5% as a result of continued strong performance in the external sector. Domestic consumption is expected to be affected by higher inflation, especially for food and fuel. Therefore, increases in gold production and higher prices for gold and oil and alumina together with sustained construction activity are expected to fuel the growth momentum.

### **(b) Prices, wages and employment**

Inflation increased from 1.5% at the end of 2009 to 10.0% at the end of 2010. The increase in the inflation rate continued in 2011, and was recorded at 18.8% at the end of February 2011 year-on-year according to the the General Bureau of Statistics. The increase in the inflation rate has been driven by increasing prices for food and fuel, which account for 55% of the total consumer basket. The implementation of the Functie Informatiesysteem Overheid (FIS)-2, a public-sector wage reform programme) added to domestic liquidity during the year and in turn put pressure on prices. Prices are expected to increase to 20% by the end of 2011 as a result of the next phase of the wage reform package as well as the impact of the depreciation which will affect food imports.

The unofficial unemployment rate was reported as 12% at the end of 2010 by the General Bureau of Statistics, but no real studies have been undertaken of this variable since 2006. However, the economic crisis of 2008/09 did have some impact on job opportunities and anecdotal evidence supports this claim, especially in the bauxite industry, where the number of permanent jobs declined from 1,117 workers in 2009 to 922 workers in 2010. Meanwhile, the government has reactivated the tripartite deliberations, which involves talks between the main economic agents of the government, labour and industry on fiscal and other major economic development issues. However, there is some dissatisfaction with the process as there was no consultation between the major partners before the fiscal measures were announced, and some commentators argue that the government is merely trying to legitimize the new measures.

### **(c) External Sector**

The current account of the balance of payments recorded an increased surplus reaching US\$692.2 million, or a 230.7% increase in 2010, driven by improvements in the trade balance as Suriname's main commodity exports - alumina, gold and oil - recorded increased earnings. The growth in the trade balance was boosted by a sharp rise in both output and prices, a reduction in import spending as a result of a weaker free market exchange rate which made imports more expensive to consumers. However, the services account deteriorated in 2010, recording a deficit of US\$17 million compared with a surplus of US\$1.0 million in 2010. This was largely due to a sharp drop on other private services credits, including communications and financial services. The income balance also recorded a deficit of US\$3 million largely on account of higher interest payments. Net current transfers continued to record a surplus amounting to US\$86.5 million in 2010. The majority of these transfers represent remittances from abroad which came from expatriates living in the Netherlands and this is expected to remain an important source of income in the future. Net international reserves increased by US\$34.3 million to reach US\$757.1 million, which represented approximately 4 months of imports cover.

All indications are that the current account will continue to remain in surplus in 2011. But this surplus depends on commodity exports such as oil, gold and alumina, the prices over which Suriname has little or no control in the international markets. Therefore, any change to global prices in the other



direction could affect the current balance, returning it into a deficit position. Suriname has to therefore focus on diversification of its economy into areas other than the mineral sector in the future.

## H. Trinidad and Tobago

### 1. General trends

Although there were expectations that the economy of Trinidad and Tobago would have rebounded in 2010, similar to developments in the international economy, Trinidad and Tobago recorded a decline in real GDP amounting to 0.3% in 2010, compared with a larger slowdown of 0.9% in 2009. Although the energy sector performed much better than the year before, this performance was not sufficient to compensate for the performance of the non-energy sector, in particular construction, manufacturing and retail services, as a result of the continuous decline in domestic demand. Headline inflation also posed a challenge to the authorities, increasing to as high as 13.4% year-on-year compared with 1.3% at the end of 2009 as a result of domestic supply side shocks. Nevertheless, by early 2011, the inflation rate started to trend downwards and this is encouraging. Prospects for a sustained recovery in economic growth still however remains weak and the central bank forecasts a growth rate not exceeding 2% for 2011.

According to preliminary estimates of the central bank available up until March 2011, the fiscal deficit for the year 2010/2011<sup>27</sup> was lower than expected (around 0.2% of GDP), as a result of lower than budgeted expenditure on goods and services and the capital programme, coupled with higher revenues (for gas and oil). The budget for fiscal year 2010/2011 foresees a deficit of 5.4% of GDP, but the deficit may actually turn out to be around 2.5% of GDP. In 2010, the current account of the balance of payments recorded a surplus of US\$2890 million or 18% of GDP. The surplus in the current account was closely linked to the recovery in the energy and petrochemicals prices.

In 2010, the policy mix consisted of an expansionary monetary and fiscal policy stance designed to stimulate economic activity which remained depressed. This combination of policies is expected to be maintained in 2011 provided that there is no resurgence in inflation and it will be buttressed by a strong foreign reserves position which has existed for the last decade. The government is expected to embark on a few large infrastructure projects which are seen as important to the development of the economy and will serve as a stimulus for the much needed recovery in the rest of the economy. Some attention will also be given to health and security since these areas remain of concern to the government.

### 2. Economic policy

#### (a) Fiscal policy

The outcome of the government's fiscal operations in the fiscal year 2010/11 did not coincide with budget projections. The central government had projected a deficit amounting to 5.4% of GDP. However, preliminary estimates by the central bank up to the end of March 2011 indicated that the fiscal deficit was lower than expected (around 0.2% of GDP) owing to delayed spending on goods and services and on the capital programme. It is expected that the pace of government spending would increase in the remainder of the fiscal year as the capital expenditure programme gains momentum and the central government settles some more of its outstanding obligations, including debt to contractors and outstanding levels of value added tax (VAT) refunds.

Revenue outturn was generally in keeping with budget projections/estimates. Although receipts from the non-energy sector (estimated at 23% of GDP) were weak, higher oil receipts was able to compensate for this shortfall such that total revenue amounted to TT\$20,019.2 million. The shortfall in

<sup>27</sup> The fiscal year runs from October 1 to 30 September in Trinidad and Tobago.

budgeted revenue in the non-energy sector was a reflection of weak activity in that sector and the negative effect which this had on VAT collections. Government expenditure was much lower than anticipated during the first half of the fiscal year 2010/11. Total expenditure amounted to TT\$20,226.7 million which was TT\$3,387.8 million lower than the budgeted level. The shortfall was reflected in the categories of expenditure such as goods and services, interest payments and the capital programme. The expenditure shortfalls were mainly the result of administrative delays, outstanding submission of invoices for payment and initial delays in the implementation of large capital projects.

Nevertheless, the government intends to maintain an expansionary fiscal stance to support economic recovery and job creation and as a result, it is expected that during the second half of the fiscal year, the problems that constrained expenditure will be corrected so that the overall deficit would be in line with the budget projections for the year as a whole. The government's budget deficit calculation for the whole of the fiscal year was based on a real GDP growth rate of 2% and an annual inflation rate of 7%. International oil prices were budgeted at an average of US\$65 per barrel and natural gas prices are forecast to average US\$2.75 per million cubic feet. So far, prices have trended better than expected, and this augers well for the government's fiscal position where the revised forecasts by government is now for a fiscal deficit of 4% of GDP in 2010/11. But Trinidad and Tobago maintains a Heritage and Stabilization Fund (HSF) as well as other development funds totaling TT\$9.7 billion. There is therefore, enough scope for fiscal stimulus without substantially impairing public solvency ratios. It is expected that the government will finance the deficits with a combination of savings and new external and domestic borrowing. Total public debt stood at 37% of GDP at the end of 2010.

### **(b) Monetary policy**

Monetary policy management was challenged by weak economic activity in the non-energy sector in the aftermath of the global crisis which was complicated by high price increases, driven by food items affected by weather induced supply shocks over the year. Stripping out food prices, core inflation was more contained and remained around 4% in 2010. With core inflation remaining more or less the same and faced with the problem of a persistent problem of weak growth in the other sectors of the economy, the central bank conducted monetary policy with the aim of reviving domestic economic growth. Monetary policy was therefore, accommodative and the principal instrument of monetary policy was the repo rate which was reduced six times from January 2010, and ended the year at 3.75% in December. Responding to the reductions in the repo rate, the commercial banks' prime lending rate was reduced from 9.75% at the end of 2009 to 8.0% at the end of 2010. All other interest rates fell. The weighted average lending rate on all loans fell to 9.93% in December from 10.25% at the end of 2009. Similarly, the weighted average deposit rates declined from 1.57% at the end of 2009 to 0.85% at the end of 2010. In 2011, this rate continued to slide further, reaching 0.72% at the end of the first quarter of 2011.

The lower interest rate environment did not stimulate borrowing in the system and credit demand remained weak, particularly in the case of the business sector. Credit to major business categories such as manufacturing, construction, distribution and finance, insurance and real estate all contracted. Only in the real estate sector was there an increase in lending, where there was buoyancy of 7% year-on-year growth in 2010. In contrast to the business sector, there was a noticeable improvement in lending to consumers. Year on year, this category of lending grew by 5.2% in 2010, and the growth continued in 2011, where consumer lending grew by 3.9%. Disaggregated, the data shows that loans for the purpose of debt consolidation and refinancing rose by 21.2% and 10.4%, respectively, as consumers took advantage of the lower interest rates which prevailed in the economy. Since this represented new loans with longer maturities, it increased the consumer lending portfolio within the banking system.

Given the low demand for credit by the private sector, excess liquidity, measured as the commercial banks' reserves above the required levels stored with the central bank, was characteristic of the financial system for most of the year. As a result, in November of 2010, the central bank requested commercial banks to deposit a total of TT\$2.0 billion in an interest bearing account for 18 months. Additionally, the central bank removed TT\$5.7 billion from the domestic system through net open

market activity and foreign exchange sales. Bond issuance by the central government totaling TT\$1,394 million also assisted in the removal of liquidity from the financial system. The tightening of liquidity in late 2010 caused short-term interest rates to improve marginally. After declining to 0.28% in October 2010, the domestic three-month treasury bill rate moved up to 0.47% in April 2011.

In 2010, monetary aggregates M1 and M2 grew strongly with M-1 and M-2 expanding by 33.4% and 21%, respectively, over 2009 levels. The expansion of M-1 was propelled by demand deposits while M-2 grew owing to the growth of M-1 and an increase in savings deposits. However, growth in the monetary aggregates slowed in the first few months in 2011. M-1A increased by 16.2% in February 2011 year-on-year compared with 38.1% in February 2010 year-on-year. The broader measure of the money supply, M-2 also trended in a similar direction. On a twelve months basis, M-2 growth slowed to 6.9% in February 2011 from 22.1% in February 2010. This occurred because time deposits declined by 14.4% in February 2011. Similarly, foreign currency deposits declined by 16.2% and savings deposits recorded a slowdown of 11.1% during the same period.

### **(c) Exchange Rate Policy**

The quasi-fixed exchange rate regime remained unchanged in 2010 and this is expected to continue in 2011 supported by the central bank's strong reserves position. Rebounding international energy prices in 2010 buoyed energy sector earnings resulting in higher levels of foreign exchange inflows in the country. West Texas Intermediate oil prices averaged US\$79.41 per barrel in 2010 compared with US\$61.66 per barrel in 2009. It is estimated that the energy sector supplied US\$2.5 billion of foreign currency to the market in 2010 compared with US\$2.3 billion in 2009. Demand for foreign currency remained strong in 2010 although imports declined. During 2010, authorized intermediaries sold US\$5.5 billion or 1.9% less to the public when compared to 2009. High international energy prices sustained export earnings in foreign currency, and therefore relieved some of the pressure on the foreign exchange market, the result of which required less intervention from the central bank. Hence the bank's sales amounted to US\$1.5 billion or 18% lower than in the previous year. Nevertheless, these sales were 33.5% higher than the average for the last five years. In December 2010, the nominal exchange rate depreciated marginally, and the weighted average selling rate stood at US\$1.00 to TT\$6.4018. By March 2011, the Trinidad and Tobago dollar depreciated marginally, and the rate stood at US\$1.00 to TT\$6.4217. The real effective exchange rate also depreciated by 6.5% over the September 2010 to March 2011 period. This was as a result of a steady reduction in domestic prices relative to the price increase in Trinidad and Tobago's major trading partners.

## **3. Evolution of the main variables**

### **(a) Economic Activity**

Following upon two years of negative growth caused in a large measure by the international financial crisis, and with this crisis waning, most major markets showed some recovery in 2010. It was felt that the Trinidad and Tobago economy would have grown modestly in 2010 as well. However, the economy is estimated to have actually declined by 0.3% in 2010, compared with a real GDP decline of 0.9% in the previous year. Although activity in the energy sector increased, it could not compensate for the continued fall off in domestic demand which affected activity in construction, manufacturing and retail sales. The energy sector is estimated to have grown by 2.0% while the other sectors in the economy combined are estimated to have recorded a decline of 2.3%. Energy sector growth was spurred by higher production of natural gas (3.2%), LNG (1.4%)<sup>28</sup> and Natural gas Liquids (8.3%). However, there were declines in the production of crude oil (8.3%), petroleum refining (16.7%) and petrochemicals (0.7%). The completion of most major government projects and the slow pace of starting new ones (by both the

<sup>28</sup> Liquefied Natural Gas (LNG) is natural gas (mainly methane, CH<sub>4</sub>) that has been converted temporarily to liquid form for ease of storage or transport.

government and the private sector) contributed to a decline of 5.8% in construction while lower levels of retail and wholesale activity influenced a decline of 5.3% in commerce. Weather related problems caused agriculture to decline by 14.8% in 2010.

Notwithstanding, the increase in international prices, the volume of crude oil production declined in 2010 compared with 2009. Refinery output averaged 129 thousand barrels per day in 2010. However, there were initial signs of an improvement in 2011 refinery output averaged 143 thousand barrels per day in the first two months of 2011. During 2010, BHP Billiton temporarily cut production from its Angostura field to install and upgrade infrastructure. The restart of natural gas production from BHP Billiton led to an increase in production to 4,337mmcf/d from 4,200mmcf/d in 2010. Strong performance in the energy sector is expected to continue in 2011. But overall, growth is expected to remain below potential if consumer and business confidence does not improve, sufficient enough to spur growth in the rest of the economy. With manufacturing output expected to also remain weak, recovery will only gain momentum if government's construction projects intensifies assisted by the high international energy prices and other fiscal and monetary stimulus measures. Growth in the economy is projected at around 2% or less in 2011.

### **(b) Prices, Wages and Employment**

Inflationary pressures intensified in 2010, largely as a result of global food and commodity prices. The year-on-year inflation rate recorded a high of 14.2 % in August 2010. The major cause of inflation in was high food prices caused by weather conditions which led to crop damage and low yields. In light of the spiraling international food prices, domestic food price inflation is anticipated to gain momentum in 2011 as the price of some key global food items such as wheat and dairy products, corn, oils and fats and sugar have increased consistently in recent months. Core inflation has however, remained low, at a range consistently between 3% and 4% over the period. Inflation is expected to decline to single digit levels in 2011, owing to the waning of supply shocks and on the assumption that domestic demand remains subdued. In March 2011, on a year-on-year basis, headline inflation declined to 9.4% compared with 10.7% in the previous month and 12.5% in January. Inflation is forecasted to decline to an average of 6.5% in 2011. However, if upward price pressures persist anytime during the year, as a result of high prices for hard and soft commodities (particularly food, which makes up a large portion of the index), then the inflation rate may overshoot this target.

The central government increased the minimum wage from TT\$9.00 to TT\$12.50 in its 2010/11 Budget. The government also settled its wage dispute with a major trade union, the Public Service association (PSA). A 5% salary increase over the 3-year period, 2008-2010, as well as housing and medical benefits was agreed to. However, the labour relations climate remains tense as other government worker affiliated trade unions have rejected the 5% offer, and have threatened work to rule and other industrial relations action in the future.

Data on average weekly earnings show that wages in the manufacturing sector (as measured by the Index of Average Weekly earnings) increased by 5.3% in 2010, compared with 9.0% in 2009. The more substantial wage increases were recorded in wood products (38.9%), assembly-type and related products (17.8%) and exploration and production of oil and natural gas (32.9%) industry groupings.

Meanwhile, the unemployment rate increased to 6.4% in 2010 compared with 5.8% in 2009. Although official estimates have not yet been released, it is estimated that most of the job losses took place as a result of the slowdown in construction activity where employment in that sector fell sharply by 17,600 jobs. Similarly, in agriculture, 7,900 jobs were lost. During 2010, retrenchment notices amounting to 1,118 were filed by various firms compared with 3,075 retrenchment notices in 2009. The job losses which occurred in 2010 were mainly as a result of the slowdown in the domestic economy.

### **(c) External Sector**

Preliminary data for 2010 suggests that the balance of payments accounts registered an overall surplus of US\$418.4 million, compared with a deficit of US\$712.6 million in 2009. The strong performance of the external accounts owes much to an estimated current account surplus of US\$2.9 billion for the year since the capital account remained in deficit. Higher commodity prices (oil, gas) and a decline imports led to the surplus on the current account where the merchandise trade balance is estimated at US\$3.4 billion or 16.8% of GDP. There was also a surplus of US\$514.1 million or 2.5% of GDP on the services account which contributed to the positive performance of the current account. However, the capital and financial account (including net errors and omissions) recorded an overall deficit of US\$2.4 billion or 12.1% of GDP.

Net FDI declined to US\$549.4 million in 2010 compared with US\$709 million in 2009. Commercial bank assets held abroad increased by US\$32.8 million in 2010 compared with an increase of US\$675.2 million a year earlier. Central government principal repayments on external debt fell from US\$330.9 million in 2009 to US\$71.6 million in 2010 largely on account of a US\$230 million bond placement made in September 2009. Total public debt service amounted to US\$121.2 million, compared with US\$434.4 million in 2009. At the end of 2010, gross official reserves stood at US\$9.1 billion, representing over 14 months of goods import.

The positive outlook of the balance of payments accounts is expected to continue in 2011. Driven by high oil prices, a currents account surplus is expected again in 2011 (around 19.1% of GDP), but this performance will depend on the evolution of oil and gas prices for the remainder of 2011.



# **Annexes**

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## Annex 1

### Subregional Analysis

**TABLE 1**  
**GDP GROWTH RATE BY ECONOMIC SECTOR**  
(Percentages)

	Agriculture		Mining & Oil		Manufacturing		Construction		Services	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
<b>MDCs<sup>a</sup></b>	<b>3.7</b>	<b>1.0</b>	<b>-13.1</b>	<b>0.5</b>	<b>0.8</b>	<b>-1.5</b>	<b>-2.3</b>	<b>-3.2</b>	<b>-1.6</b>	<b>4.1</b>
Bahamas, The	0.5	-6.7	5.5	1.9	2.0	0.9	0.4	-23.5	-5.8	2.6
Barbados	3.6	1.0	-37.6	10.5	-12.8	-4.1	-22.6	-10.9	-2.1	1.5
Belize	-2.2	0.6	0.0	0.0	6.5	-4.7	18.8	-5.7	-2.5	15.5
Guyana	1.3	0.5	-2.9	-6.9	4.3	0.3	0.5	10.8	5.3	6.2
Jamaica	12.1	0.8	-50.2	-3.4	-4.6	-2.2	-4.6	-2.2	-0.8	-1.4
Suriname	11.5	7.9	-6.4	-2.3	6.9	4.6	4.5	9.6	0.1	5.7
Trinidad and Tobago	-1.0	3.0	1.6	4.0	2.8	-4.2	-14.9	1.6	-4.8	-2.1
<b>ECCU<sup>a</sup></b>	<b>1.1</b>	<b>-3.4</b>	<b>-12.3</b>	<b>-23.4</b>	<b>-5.2</b>	<b>-6.5</b>	<b>-18.2</b>	<b>-20.3</b>	<b>1.1</b>	<b>1.9</b>
Anguilla	-8.2	2.0	-39.0	-30.0	-16.9	-20.0	-50.2	-40.0	6.0	3.5
Antigua and Barbuda	-17.5	3.6	-25.4	-12.0	-5.3	-15.0	-8.7	-27.0	-5.2	-0.8
Dominica	1.3	-4.8	-11.0	-10.0	-5.0	-1.4	-9.3	-10.0	0.3	2.2
Grenada	12.1	-1.0	-40.8	3.0	-5.3	15.4	-47.6	-28.0	-2.9	-1.2
Montserrat	16.7	18.0	17.5	74.0	-10.2	-15.0	11.7	-26.0	-3.5	0.2
Saint Kitts and Nevis	-9.2	6.3	25.7	-52.1	-18.0	-15.0	-15.7	-28.0	-1.1	0.1
Saint Lucia	-5.4	-15.7	-17.5	-10.5	20.9	-4.0	-23.1	20.5	2.2	3.5
Saint Vincent and the Grenadines	6.4	-6.4	-7.9	-9.0	-1.4	-2.5	-7.9	-7.0	-0.4	0.1

Source: Economic Commission of Latin America and the Caribbean, ECLAC, based on official data



**TABLE 2**  
**CURRENT ACCOUNT BALANCE, 2006-2010**  
*(Percentages of GDP)*

	2006	2007	2008	2009	2010
<b>MDCs<sup>a</sup></b>	<b>-0.4</b>	<b>-1.8</b>	<b>-4.8</b>	<b>-3.9</b>	<b>-0.6</b>
Bahamas, The	-17.2	-15.8	-14.9	-11.4	-11.5
Barbados	-6.5	-4.5	-11.0	-6.3	-9.0
Belize	-2.1	-4.1	-10.7	-6.1	-2.9
Guyana	-17.2	-10.9	-16.7	-10.9	-10.7
Jamaica	-9.9	-15.9	-23.3	-7.5	-7.2
Suriname	10.4	13.9	11.2	6.5	23.0
Trinidad and Tobago	39.5	24.7	31.4	8.2	14.0
<b>ECCU<sup>a</sup></b>	<b>-25.1</b>	<b>-28.9</b>	<b>-33.5</b>	<b>-23.2</b>	<b>-19.6</b>
Anguilla	-50.8	-51.7	-60.1	-31.5	-23.5
Antigua and Barbuda	-25.1	-29.3	-25.9	-19.3	-9.3
Dominica	-12.6	-20.5	-26.8	-21.9	-20.8
Grenada	-32.3	-34.8	-33.1	-28.1	-28.2
Montserrat	-14.4	-19.1	-34.0	-21.5	-18.8
Saint Kitts and Nevis	-14.4	-17.2	-25.0	-22.7	-14.7
Saint Lucia	-31.4	-30.7	-30.5	-12.1	-12.6
Saint Vincent & the Grenadines	-19.5	-28.3	-32.8	-28.6	-29.2
<b>Primary Commodity Producers<sup>a</sup></b>	<b>7.7</b>	<b>5.9</b>	<b>3.8</b>	<b>-0.6</b>	<b>5.8</b>
<b>Service Producers<sup>a</sup></b>	<b>-21.3</b>	<b>-24.3</b>	<b>-28.8</b>	<b>-19.2</b>	<b>-16.8</b>
<b>Caribbean<sup>a</sup></b>	<b>-13.6</b>	<b>-16.4</b>	<b>-20.0</b>	<b>-14.2</b>	<b>-10.8</b>

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data

<sup>a</sup> Regional figures are computed as a simple average

**TABLE 3**  
**TRADE ACCOUNT, 2008-2010**  
*(Percentages of GDP)*

	Goods Balance			Service Balance			Trade Balance		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
<b>MDCs<sup>a</sup></b>	<b>-13.8</b>	<b>-13.6</b>	<b>-10.1</b>	<b>6.7</b>	<b>7.0</b>	<b>7.3</b>	<b>-7.0</b>	<b>-6.6</b>	<b>-2.8</b>
Bahamas, the	-27.2	-23.4	-24.5	13.7	13.7	15.9	-13.5	-9.7	-8.6
Barbados	-31.2	-23.4	-23.9	22.5	18.8	17.5	-8.6	-4.6	-6.4
Belize	-22.7	-17.5	-12.4	16.0	13.5	14.3	-6.7	-4.0	1.9
Guyana	-27.2	-19.8	-23.6	-5.9	-5.0	-4.3	-33.0	-24.8	-28.0
Jamaica	-36.0	-25.5	-23.8	2.6	6.1	6.2	-33.4	-19.4	-17.6
Suriname	14.4	3.4	20.7	-4.0	0.0	-0.6	10.4	3.4	20.2
Trinidad & Tobago	33.4	11.2	16.6	2.2	1.9	2.5	35.7	13.1	19.1
<b>ECCU<sup>a</sup></b>	<b>-42.7</b>	<b>-34.0</b>	<b>-32.6</b>	<b>6.8</b>	<b>8.7</b>	<b>9.9</b>	<b>-35.9</b>	<b>-25.3</b>	<b>-22.7</b>
Anguilla	-64.8	-42.2	-43.3	8.7	14.4	21.1	-56.0	-27.8	-22.2
Antigua & Barbuda	-44.4	-39.3	-33.4	21.1	21.9	23.8	-23.4	-17.4	-9.6
Dominica	-37.4	-34.6	-34.2	10.5	11.6	11.8	-26.9	-23.0	-22.4
Grenada	-35.9	-29.9	-32.8	4.3	5.5	4.8	-31.6	-24.4	-28.0
Montserrat	-50.8	-38.6	-32.3	-16.3	-9.8	-10.2	-67.1	-48.4	-42.5
Saint Kitts & Nevis	-30.9	-29.3	-21.9	5.8	4.8	5.4	-25.1	-24.5	-16.5
Saint Lucia	-38.9	-23.5	-26.3	13.1	14.7	15.5	-25.8	-8.8	-10.9
St Vincent & the Grenadines	-38.6	-34.8	-36.5	7.2	6.5	6.9	-31.4	-28.3	-29.6
<b>Primary Commodity Producers<sup>a</sup></b>	<b>-0.5</b>	<b>-5.7</b>	<b>0.3</b>	<b>2.1</b>	<b>2.6</b>	<b>3.0</b>	<b>1.6</b>	<b>-3.1</b>	<b>3.3</b>
<b>Service Producers<sup>a</sup></b>	<b>-39.6</b>	<b>-31.3</b>	<b>-30.3</b>	<b>8.5</b>	<b>9.9</b>	<b>10.8</b>	<b>-31.2</b>	<b>-21.5</b>	<b>-19.5</b>
<b>Caribbean<sup>a</sup></b>	<b>-29.2</b>	<b>-24.5</b>	<b>-22.1</b>	<b>6.8</b>	<b>7.9</b>	<b>8.7</b>	<b>-22.4</b>	<b>-16.6</b>	<b>-13.4</b>

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data

<sup>a</sup> Regional figures are computed as a simple average

**TABLE 4**  
**CAPTIAL INFLOWS, 2006-2010**  
*(Percentages of GDP)*

	FDI					Financial Capital				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
<b>MDCs<sup>a</sup></b>	<b>4.6</b>	<b>4.8</b>	<b>7.8</b>	<b>5.7</b>	<b>4.5</b>	<b>-1.8</b>	<b>-0.4</b>	<b>-1.0</b>	<b>1.2</b>	<b>-5.0</b>
Bahamas, the	8.9	9.0	10.4	8.5	11.3	7.4	6.3	5.8	6.2	0.8
Barbados	5.2	6.3	6.6	2.0	3.7	3.8	7.0	-0.1	4.6	3.2
Belize	8.9	10.9	12.3	8.0	6.9	-2.8	-2.3	2.8	0.6	-4.9
Guyana	7.0	6.3	9.3	8.1	12.1	11.4	3.4	6.7	14.3	3.1
Jamaica	7.4	7.6	15.5	6.6	3.6	4.2	4.8	6.7	0.8	3.7
Suriname	-7.7	-10.2	-7.6	2.9	-8.5	-0.3	-0.4	0.4	-2.2	-26.3
Trinidad & Tobago	2.8	3.8	7.7	3.6	2.7	-36.2	-21.4	-29.2	-16.0	-14.7
<b>ECCU<sup>a</sup></b>	<b>21.0</b>	<b>20.9</b>	<b>19.3</b>	<b>12.4</b>	<b>11.6</b>	<b>6.0</b>	<b>8.7</b>	<b>12.8</b>	<b>13.0</b>	<b>11.0</b>
Anguilla	49.9	33.4	28.1	15.6	25.3	3.0	19.2	29.6	14.6	0.0
Antigua & Barbuda	30.9	25.7	12.6	9.4	4.7	-3.6	3.8	12.8	9.4	5.1
Dominica	6.6	9.5	12.2	8.9	6.6	7.5	10.0	11.4	13.6	16.0
Grenada	12.8	20.6	17.1	13.5	8.2	19.7	14.2	14.6	14.8	16.0
Montserrat	7.6	12.6	21.9	4.3	3.8	7.5	6.3	6.8	25.0	29.0
Saint Kitts & Nevis	18.7	20.8	25.3	19.4	19.6	-1.3	-3.0	4.4	9.5	2.2
Saint Lucia	23.8	25.6	14.3	13.2	10.1	9.0	8.7	15.7	3.2	3.6
Saint Vincent & the Grenadines	17.9	19.1	22.7	15.2	14.2	6.3	10.4	7.4	13.7	16.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data

<sup>a</sup> Regional figures are computed as a simple average



## Annex 2

### Statistical Annex

**TABLE A-1**  
**ANTIGUA AND BARBUDA: MAIN ECONOMIC INDICATORS**

	2006r/	2007r/	2008r/	2009r/	2010a/
	<b>Annual growth rates b/</b>				
<b>Gross domestic product</b>	13.6	10.7	0.7	-11.3	-5.2
<b>Per capita gross domestic product</b>	10.8	6.3	0.3	-11.2	-7.6
<b>Gross domestic product, by sector</b>					
Agriculture, livestock, hunting, forestry and fishing	15.0	9.2	-2.0	-17.5	3.6
Mining	76.5	9.5	0.3	-25.4	-12.0
Manufacturing	12.4	9.1	-8.0	-5.3	-15.0
Electricity, gas and water	3.0	10.4	5.7	1.5	2.4
Construction	46.1	7.4	0.6	-8.7	-27.0
Wholesale and retail commerce	9.6	14.7	5.0	-21.5	-7.0
Hotels and Restaurants	1.6	5.3	2.3	-8.1	-0.8
Transport, storage and communications	6.3	5.4	-1.8	-9.4	-5.9
Financial intermediation, real estate, renting and business activity	13.5	12.5	2.5	-8.8	-1.1
Public Administration, Defence and Compulsory Social Security	7.3	-1.8	3.8	-4.7	1.0
Other community, social and personal services	4.9	5.7	20.9	4.9	2.9
<b>Balance of payments</b>					
	<b>Millions of US dollars</b>				
Current account balance	-292	-386	-358	-242	-113
Goods balance	-486	-590	-612	-493	-405
Exports, f.o.b.	74	59	58	35	35
Imports, f.o.b.	-548	-640	-670	-528	-440
Services trade balance	219	242	290	275	289
Income balance	-47	-53	-60	-51	-32
Net current transfers	22	15	25	27	36
Capital and financial balance c/	316	388	350	236	120
Net foreign direct investment	359	338	174	118	58
Other capital movements	-42	50	176	118	62
Overall balance	15	0	-6	-10	12
Variation in reserve assets d/	-15	0	6	10	-12
<b>Other external-sector indicators</b>					
Net resource transfer	246	333	297	191	81
Gross external public debt	321	501	524	496	458
<b>Prices</b>					
	<b>Percentages</b>				
Variation in consumer prices (December-December)	0.0	5.2	0.7	2.4	2.9
Nominal deposit rate e/	4.0	3.9	4.0	4.0	4.0
Nominal lending rate f/	10.8	10.5	10.5	10.5	10.5

(continued)

Table A-1  
concluded

	2006r/	2007r/	2008r/	2009r/	2010a/
	<b>Percentages of GDP</b>				
<b>Central government</b>					
Total income g/	21.8	21.1	20.7	17.7	21.4
Current income	19.2	20.4	19.8	17.6	19.6
Tax income	18.1	19.4	18.6	16.9	17.6
Capital income h/	0.7	0.1	0.1	0.1	0.5
Total expenditure	28.6	26.7	26.6	28.3	22.5
Current expenditure	21.8	21.1	20.6	23.1	20.9
Interest	3.1	2.9	2.8	2.8	2.4
Capital expenditure i/	6.8	5.6	6.0	5.2	1.6
Primary balance	-3.7	-2.7	-3.2	-7.8	1.3
Overall balance	-6.8	-5.6	-5.9	-10.6	-1.1
Total public debt	90.5	79.7	80.1	92.8	82.6
External	45.5	36.5	31.6	35.4	37.8
	<b>Percentages of GDP</b>				
<b>Money and credit j/</b>					
Domestic credit	64.6	66.5	73.5	89.7	89.1
To the public sector	-1.0	0.6	4.7	14.6	11.9
To the private sector	65.6	65.9	68.8	75.1	77.3
Liquidity (M3)	83.1	82.0	80.1	88.6	91.9
Currency outside banks and local currency deposits (M2)	75.5	72.5	72.9	76.6	78.7
Foreign-currency deposits	7.5	9.5	7.2	12.0	13.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2006 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) denotes an increase in reserves.

e/ Average of the minimum and maximum rates.

f/ Prime lending rate, average of the minimum and maximum rates on savings.

g/ Includes grants.

h/ In 2000, includes grants.

i/ Includes net lending.

j/ The monetary figures are end-of-year stocks.

r/ revised

**TABLE A-2**  
**BAHAMAS: MAIN ECONOMIC INDICATORS**

	2006	2007	2008	2009	2010a/
			<b>Annual growth rates b/</b>		
<b>Gross domestic product</b>	2.5	1.4	-1.3	-5.4	0.9
<b>Per capita gross domestic product</b>	2.0	0.8	-3.0	-5.4	...
<b>Gross domestic product, by sector</b>					
Agriculture, hunting, forestry and fishing	-8.2	-7.3	3.2	0.5	-6.7
Mining and quarrying	15.3	-11.7	24.5	5.5	1.9
Manufacturing	10.8	-12.6	-2.2	2.0	0.9
Electricity, gas and water	-2.3	3.7	3.6	-3.0	8.0
Construction	20.5	-34.7	13.8	0.4	-23.5
Wholesale and retail commerce, restaurants and hotels	2.3	8.7	1.5	-10.3	6.1
Transport, storage and communications	2.7	-11.2	-8.6	-6.7	20.2
Financial institutions, insurance, real estate and business services	-3.6	11.5	-2.1	-3.4	-4.7
Community, social and personal services	-3.5	3.8	-1.9	-3.1	3.2
<b>Gross domestic product, by type of expenditure</b>					
Final consumption expenditure	2.8	1.0	-1.0	-4.1	21.8
Government consumption	1.8	-0.2	5.1	7.1	-1.3
Private consumption	2.9	1.3	-2.1	-6.2	28.1
Gross domestic investment	22.0	-2.6	-16.6	-8.6	n.a
Exports (goods and services)	1.9	-1.4	-2.0	-6.3	5.2
Imports (goods and services)	15.2	-3.1	-6.5	-12.7	5.0
<b>Balance of payments</b>					
			<b>Millions of US Dollars</b>		
Current account balance	-1,374	-1,314	-1,229	-893	-887
Goods balance	-2,033	-2,154	-2,243	-1,825	-1887
Exports, f.o.b.	694	802	956	711	702
Imports, f.o.b.	-2,727	-2,956	-3,199	-2,535	-2590
Services trade balance	825	1,020	1,131	1,070	1224
Income balance	-218	-231	-78	-152	-220
Net current transfers	52	52	-39	14	-3
Capital and financial balance c/	1,295	1,269	1,338	1,146	931
Net foreign direct investment	706	746	860	664	871
Other capital movements	588	522	478	482	61
Overall balance	-79	-46	109	253	45
Variation in reserve assets d/	79	46	-109	-253	-45
Net resource transfer	1,077	1,037	994	...	...
Gross external public debt	334	337	443	767	898

continued

Table A-2  
concluded

	2006	2007	2008	2009	2010a/
<b>Employment</b>			<b>Percentage</b>		
Unemployment rate e/	7.6	7.9	8.7	14.2	...
<b>Prices</b>					
Variation in consumer prices (December-December)	1.8	2.4	4.6	1.6	1.5
Nominal deposit rate f/	3.4	3.7	3.9	3.8	3.4
Nominal lending rate g/	10.0	10.6	11.0	11.7	11.1
<b>Central government h/</b>			<b>Percentages of GDP</b>		
Total income	15.3	16.1	17.3	17.0	16.9
Current income	15.3	16.1	17.3	17.0	16.9
Tax income	13.7	14.5	15.4	14.5	14.4
Capital income i/	0.0	0.0	0.0	0.0	0.0
Total expenditure j/	16.0	17.5	18.5	20.0	20.2
Current expenditure	14.4	15.5	16.3	18.2	18.1
Interest	1.5	1.5	1.7	2.0	2.3
Capital expenditure	1.5	2.0	2.1	1.8	2.0
<b>Primary balance</b>	0.8	0.2	0.6	-1.1	-0.9
<b>Overall balance</b>	-0.6	-1.5	-1.2	-3.1	-3.2
Public external debt	4.2	4.0	5.4	9.8	11.7
<b>Money and credit k/</b>			<b>Percentages of GDP</b>		
Domestic credit	82.7	89.0	95.7	102.5	109.3
To the public sector	13.4	14.6	16.6	18.3	24.2
To the private sector	69.3	74.4	79.0	84.2	85.1
Liquidity (M3)	63.6	67.4	71.5	76.9	79.9
Currency outside banks and local currency deposits (M2)	61.6	64.9	69.1	73.9	77.0
Foreign-currency deposits	2.0	2.4	2.4	3.0	2.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2006 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) denotes an increase in reserves.

e/ Percentage of the economically active population; nationwide total. Includes hidden unemployment.

f/ Deposit rate, weighted average.

g/ Lending and overdraft rate, weighted average.

h/ Fiscal years.

i/ Includes grants

j/ Includes net lending.

k/ The monetary figures are end-of-year stocks.

... not available



**TABLE A-3**  
**BARBADOS: MAIN ECONOMIC INDICATORS**

	2006	2007	2008	2009	2010 a/
			<b>Annual growth rates b/</b>		
<b>Gross domestic product</b>	3.6	3.8	-0.2	-4.8	0.3
<b>Per capita gross domestic product</b>	4.4	5.4	-1.3	-1.6	...
<b>Gross domestic product, by sector</b>					
Non-Sugar Agriculture and fishing	-2.9	2.8	2.9	3.6	1.0
Mining and quarrying	-3.1	-5.9	-7.9	-37.6	10.5
Manufacturing	-0.7	-1.2	-2.2	-12.8	-4.1
Electricity, gas and water	9.5	1.3	-0.4	0.6	2.1
Construction	-0.4	0.1	-7.9	-22.6	-10.9
Wholesale and retail commerce, restaurants and hotels	7.0	6.5	-0.8	-5.3	2.1
Transport, storage and communications	5.5	6.1	2.9	-2.9	0.2
Community, social and personal services c/	4.3	4.2	2.7	-0.2	1.4
<b>Balance of payments</b>					
			<b>Millions of US dollars</b>		
Current account balance	-252	-183	-438	-244	-364
Goods balance	-1003	-1084	-1242	-913	-973
Exports, f.o.b.	353	405	369	379	422
Imports, f.o.b.	1513	1608	1710	1294	1390
Services trade balance	810	911	899	734	711
Income balance	-142	-66	-121	-87	-121
Net current transfers	83	56	27	20	20
Capital and financial balance d/	348	539	259	258	279
Net foreign direct investment	200	256	265	79	150
Other capital movements	148	283	-5	179	129
Overall balance	41	279	-249	39	46
Variation in reserve assets e/	-41	-279	249	-39	-46
<b>Other external-sector indicators</b>					
Real effective exchange rate (index: 2000=100) f/	104.0	104.9	102.9	...	...
Net resource transfer (millions of dollars)	149.0	359.8	47.4	...	...
Gross external debt (millions of dollars)	1850.9	1994.3	2238.9	2513.5	2988.6
<b>Employment</b>					
			<b>Percentages</b>		
Labour force participation rate g/	67.9	67.8	67.6	67.0	66.6
Unemployment rate h/	8.7	7.4	8.1	9.9	10.8

continued

Table A-3  
concluded

	2006	2007	2008	2009	2010 a/
<b>Prices</b>					
<i>Variation in consumer prices</i>					
<i>(December-December)</i>	5.6	4.7	7.3	4.4	5.8
<i>(annual average)</i>	7.3	4.0	8.1	3.6	...
<i>Nominal deposit rate i/</i>	5.1	4.8	4.1	2.7	2.6
<i>Nominal lending rate j/</i>	10.9	10.6	10.3	9.7	9.0
<b>Central Government</b>					
			<b>Percentages of GDP</b>		
<i>Total income k/</i>	29.3	30.2	31.6	31.2	28.4
<i>Tax income</i>	28.0	28.6	29.8	28.3	26.5
<i>Total expenditure l/</i>	31.0	31.8	36.7	40.6	36.6
<i>Current expenditure</i>	26.2	28.8	33.1	37.0	34.4
<i>Interest</i>	4.2	3.9	4.9	5.5	5.7
<i>Capital expenditure</i>	3.4	2.5	3.6	3.6	2.2
<i>Primary balance</i>	2.5	2.3	-0.2	-4.0	-2.4
<i>Overall balance</i>	-1.6	-1.6	-5.1	-9.4	-8.1
<i>Public external debt</i>	21.2	21.3	24.9	28.8	30.7
			<b>Percentages of GDP</b>		
<b><i>Money and credit m/</i></b>					
<i>Domestic credit</i>	73.2	76.4	85.5	90.9	83.4
<i>To the public sector</i>	13.7	14.7	16.9	18.8	15.2
<i>To the private sector</i>	59.6	61.8	68.7	72.2	68.3
<i>Liquidity (M3)</i>	91.4	101.4	105.5	109.3	103.3
<i>Currency outside banks and local-currency deposits (M2)</i>	100.2	118.3	118.7	119.5	111.6
<i>Foreign-currency deposits</i>	9.2	16.9	13.2	10.2	8.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 1974 prices.

c/ Includes financial institutions, insurance, real estate and business services.

d/ Includes errors and omissions.

e/ A minus sign (-) denotes an increase in reserves.

f/ Annual average, weighted by the value of goods exports and imports.

g/ Economically active population as a percentage of the working-age population.

h/ Percentage of the economically active population. Includes hidden unemployment.

i/ Prime lending rate.

j/ Interest rate for savings.

k/ Includes grants and post office revenues.

l/ Includes net lending.

m/ The monetary figures are end-of-year stocks.

... not available

**TABLE A-4**  
**BELIZE: MAIN ECONOMIC INDICATORS**

	2006	2007	2008	2009	2010a/
			<b>Annual growth rates b/</b>		
<b>Gross domestic product</b>	4.7	1.2	3.8	0.0	2.9
<b>Per capita gross domestic product</b>	2.4	-0.9	1.9	-3.7	...
<b>Gross domestic product, by sector</b>					
Agriculture, hunting, forestry and fishing	-6.4	-20.7	0.1	-2.2	0.6
Mining and quarrying	0.0	0.0	0.0	0.0	0.0
Manufacturing	36.4	3.6	5.5	6.5	-4.7
Electricity, gas and water	41.3	2.4	3.0	17.1	19.7
Construction	-1.9	-3.0	35.8	18.8	-5.7
Wholesale and retail commerce, restaurants and hotels	0.8	2.5	2.2	-6.2	6.0
Transport, storage and communications	3.5	14.0	1.7	-2.7	2.9
Financial institutions, insurance, real estate and business services	5.6	2.6	4.9	2.2	0.2
Community, social and personal services	-4.4	3.9	4.2	4.2	6.3
<b>Gross domestic product, by type of expenditure</b>					
Final consumption expenditure	-2.3	4.9	...	...	...
Government consumption	-0.9	11.1	...	...	...
Private consumption	-2.6	3.7	...	...	...
Gross domestic investment	1.8	5.0	...	...	...
Exports (goods and services)	11.0	-6.2	...	...	...
Imports (goods and services)	0.5	-0.3	...	...	...
<b>Balance of payments</b>			<b>Million of US Dollars</b>		
Current account balance	-25	-52	-145	-83	-41
Goods balance	-185	-216	-308	-237	-174
Exports, f.o.b.	427	426	480	384	476
Imports, f.o.b.	612	642	788	621	650
Services trade balance	211	230	217	183	200
Income balance	-125	-159	-165	-108	-159
Net current transfers	74	93	112	79	92
Capital and financial balance c/	75	75	203	130	45
Net foreign direct investment	108	139	167	108	96
Other capital movements	-34	-30	39	9	-69
Overall balance	50	23	58	47	4
Variation in reserve assets d/	-50	-23	-58	-47	-4
<b>Other external-sector indicators</b>					
Net resource transfer	-50.1	-83.9	50.3	...	...
	985	973	958	1016	1009

continued

Table A-4  
concluded

	2006	2007	2008	2009	2010a/
<b>Employment</b>					
Unemployment rate e/	9.4	8.5	8.2	13.1	...
<b>Prices</b>					
Variation in consumer prices (November-November)	3	4.1	4.4	-0.4	0
Nominal deposit rate f/	5.8	5.9	6.4	6.1	5.6
Nominal lending rate g/	14.2	14.3	14.1	14.0	13.8
<b>Money and credit h/</b>					
			<b>Percentages of GDP</b>		
Domestic credit	64.7	70.2	71.1	74	69.6
To the public sector	8.9	9.2	7.5	7.5	6.9
To the private sector	55.8	61	63.6	66.5	62.7
Liquidity (M3)	62.0	67.7	72.4	77.3	74.6
<b>Central government</b>					
Total income i/	23.7	26.5	29.5	25.8	27.1
Current income	23.3	25.4	26.9	24.2	26.3
Tax income	21.2	22.5	22.7	21.3	22.9
Capital income	0.4	1.1	0.3	0.4	0.5
Total expenditure	26.7	31.1	27.9	28.6	28.7
Current expenditure	22.7	24.8	22.7	24.4	24.2
Interest	5.9	5.3	3.9	3.6	3.4
Capital expenditure	4.0	6.3	5.2	4.2	4.5
Primary balance	2.9	0.7	5.4	0.8	1.9
Overall balance	-1.9	-1.2	1.5	-2.8	-1.5
Total public debt	93.5	89.1	83.1	87.2	98.3
Domestic	12.4	13.2	12.6	12.2	15.2
External	81.2	75.9	70.5	75.0	83.1

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2000 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) denotes an increase in reserves.

e/ Percentage of the economically active population. Nationwide total.

f/ Rate for savings.

g/ Weighted average rate for loans.

h/ The monetary figures are end-of-year stocks.

i/ Includes grants.

... not available

**TABLE A-5**  
**DOMINICA: MAIN ECONOMIC INDICATORS**

	2006r/	2007r/	2008r/	2009r/	2010a/
	<b>Annual growth rates b/</b>				
<b>Gross domestic product</b>	4.6	5.5	6.6	-0.4	0.1
<b>Per capita gross domestic product r/</b>	3.3	2.9	5.8	-1.8	-2.3
<b>Gross domestic product, by sector</b>					
Agriculture, livestock, hunting, forestry and fishing	1.1	-8.7	14.5	1.3	-4.8
Mining	11.3	27.6	25.2	-11.0	-10.0
Manufacturing	5.4	-4.0	-12.2	-5.0	-1.4
Electricity, gas and water	1.4	1.9	2.1	6.8	6.2
Construction	9.1	26.3	32.6	-9.3	-10.0
Wholesale and retail commerce	-4.2	17.6	8.9	-5.2	-0.4
Hotels and Restaurants	9.1	0.1	1.6	-6.4	4.6
Transport, storage and communications	7.6	7.9	5.5	-3.3	0.3
Financial intermediation, real estate, renting and business activity	1.6	5.0	2.0	0.3	2.0
Public Administration, Defence and Compulsory Social Security	2.1	1.8	-2.7	5.7	0.1
Other community, social and personal services	4.4	1.6	-2.1	1.4	3.5
<b>Balance of payments</b>					
	<b>Millions of US dollars</b>				
Current account balance	-50	-87	-124	-102	-97
Goods balance	-103	-133	-173	-161	-159
Exports, f.o.b.	44	39	44	37	34
Imports, f.o.b.	-147	-172	-217	-198	-194
Services trade balance	48	45	48	54	55
Income balance	-15	-20	-18	-14	-12
Net current transfers	20	21	19	19	20
Capital and financial balance c/	55	83	109	105	106
Net foreign direct investment	26	40	57	41	31
Other capital movements	30	42	53	63	75
Overall balance	13	-1	-3	21	5
Variation in reserve assets d/	-13	1	3	-21	-5
<b>Other external-sector indicators</b>					
Real effective exchange rate (index: 2000=100) e/	113.2	116.8	119.1	...	...
Gross external public debt (millions of dollars)	225	221	217	219	236
Net resource transfer (millions of dollars)	35	67	106	88	85
Gross international reserves (millions of dollars)	63	61	55	64	66
<b>Prices</b>					
Variation in consumer prices	<b>Percentages</b>				
(December-December)	1.8	6.0	2.0	3.2	2.3
Nominal deposit rate f/	3.6	3.8	3.8	3.8	3.8
Nominal lending rate g/	9.3	9.3	9.3	9.3	9.3

continued

Table A-5  
concluded

	2006r/	2007r/	2008r/	2009r/	2010a/
<b>Central government</b>					
			<b>Percentages of GDP</b>		
Total income h/	31.3	32.3	33.2	32.8	32.7
Current income	25.2	27.3	26.9	27.8	27.9
Tax income	23.2	24.9	24.5	25.5	26.0
Capital income i/	0.1	0.1	0.0	0.0	0.1
Total expenditure	30.5	33.2	35.8	34.9	31.3
Current expenditure	22.9	23.4	23.6	22.9	24.3
Interest	3.2	2.5	2.0	1.1	1.7
Capital expenditure j/	7.6	9.8	12.2	12.0	7.0
Primary balance	4.1	1.6	-0.7	-1.0	3.0
Overall balance	0.8	-0.9	-2.6	-2.1	1.4
Total public debt r/	89.4	80.2	71.7	68.6	72.8
External	63.1	56.9	50.5	47.6	50.5
<b>Money and credit k/</b>			<b>Percentages of GDP</b>		
Domestic credit	40.8	38.3	37.5	40.8	45.9
To the public sector	-9.8	-11.1	-11.3	-11.2	-11.0
To the private sector	50.6	49.3	48.8	52.0	57.0
Liquidity (M3)	72.3	73.7	70.2	77.3	80.2
Currency outside banks and local-currency deposits (M2)	71.1	72.9	69.1	75.9	77.9
Foreign currency deposits	1.1	0.9	1.2	1.1	2.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2006 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) denotes an increase in reserves.

e/ Annual average, weighted by the value of goods exports and imports.

f/ Average of the minimum and maximum rates on savings.

g/ Prime rate, average of the minimum and maximum lending rates.

h/ From 2001 on, includes grants.

i/ In 2000, includes grants.

j/ Includes net lending.

k/ The monetary figures are end-of-year stocks.

r/ revised

... not available

**TABLE A-6**  
**EASTERN CARIBBEAN CURRENCY UNION (ECCU): MAIN ECONOMIC INDICATORS**

	2006r/	2007r/	2008r/	2009r/	2010a/
	<b>Annual growth rates b/</b>				
<b>Gross domestic product</b>	7.0	6.3	3.0	-6.2	-1.7
<b>Gross domestic product, by sector</b>					
Agriculture, livestock, hunting, forestry and fishing	5.8	0.0	10.3	-0.3	-5.2
Mining	46.7	15.9	-0.5	-22.4	-12.2
Manufacturing	0.1	6.8	-1.8	-1.7	-5.5
Electricity and water	2.8	6.4	1.5	2.9	1.5
Construction	12.0	3.2	6.2	-21.7	-16.0
Wholesale and retail commerce	7.5	9.0	3.8	-13.6	-2.6
Hotels and Restaurants	7.2	5.6	-1.7	-9.2	2.6
Transport, storage and communications	1.0	8.9	2.1	-4.2	-3.2
Financial intermediation, real estate, renting and business activity	5.6	6.4	1.7	-0.5	1.4
Public Administration, Defence and Compulsory Social Security	7.5	5.3	6.2	2.0	3.2
Other community, social and personal services	7.3	5.2	10.7	6.7	2.5
	<b>Millions of US dollars</b>				
<b>Balance of payments</b>					
Current account balance	-1,234	-1,579	-1,740	-1,150	-960
Goods balance	-1,845	-2,101	-2,269	-1,728	-1,674
Exports, f.o.b.	361	362	449	432	422
Imports, f.o.b.	-2,206	-2,463	-2,718	-2,160	-2,096
Services trade balance	638	621	636	648	705
Income balance	-197	-237	-268	-238	-181
Net current transfers	170	138	161	168	191
Capital and financial balance c/	1,334	1,584	1,639	1,306	1,091
Net foreign direct investment	1,077	1,198	983	694	576
Other capital movements	257	386	657	612	514
Overall balance	92	46	-20	156	105
Variation in reserve assets d/	-92	-46	20	-156	-105
<b>Other external-sector indicators</b>					
Gross external public debt (millions of dollars) r /	2,230	2,122	2,100	2,140	2,300
	<b>Prices</b>				
Variation in consumer prices (December-December)			<b>Percentages</b>		
	1.5	5.5	3.9	1.2	2.2
Nominal deposit rate e/	3.2	4.3	4.5	4.5	4.5
Nominal lending rate e/	9.9	11.3	10.7	10.8	11.2

continued

Table A-6  
concluded

	2006r/	2007r/	2008r/	2009r/	2010a/
<b>Central government</b>					
			<b>Percentages of GDP</b>		
Total income f/	26.2	25.5	26.6	25.6	26.5
Current income	23.3	23.5	23.7	23.0	23.3
Tax income	20.9	21.2	21.2	20.7	20.3
Capital income	0.1	0.3	0.7	0.2	0.3
Total expenditure	30.4	28.8	29.4	30.3	28.0
Current expenditure	22.2	21.3	22.3	24.1	23.6
Interest	3.1	2.9	2.8	2.9	2.9
Capital expenditure g/	8.2	7.5	7.1	6.2	4.4
Primary balance	-1.1	-0.5	0.1	-1.7	1.4
Overall balance	-4.2	-3.4	-2.7	-4.7	-1.5
Public sector total debt	83.0	76.6	75.0	82.3	82.2
Public-sector debt external r/	46.0	40.0	37.4	40.3	43.0
<b>Money and credit h/</b>					
			<b>Percentages of GDP</b>		
Domestic credit	70.0	76.0	79.9	88.5	86.1
To the public sector	-1.3	-0.4	0.5	2.6	-1.2
To the private sector	71.3	76.4	79.4	85.9	87.3
Liquidity (M3)	82.7	82.2	80.4	86.3	87.2
Currency outside banks and local-current deposits (M2)	68.4	67.8	67.8	72.9	73.8
Foreign-currency deposits	14.3	14.5	12.6	13.5	13.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in Eastern Caribbean dollars at constant 1990 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) denotes an increase in reserves.

e/ Weighted averages.

f/ Includes grants.

g/ Includes net lending.

h/ The monetary figures are end-of-year stocks.

r/ revised



**TABLE A-7**  
**GRENADA: MAIN ECONOMIC INDICATORS**

	2006r/	2007r/	2008r/	2009r/	2010a/
	<b>Annual growth rates b/</b>				
<b>Gross domestic product</b>	-4.2	5.8	1.4	-8.3	-0.8
<b>Per capita gross domestic product</b>	-5.5	5.2	1.5	-8.2	-3.2
<b>Gross domestic product, by sector</b>					
Agriculture, livestock, hunting, forestry and fishing	31.1	1.6	9.9	12.1	-1.0
Mining	40.8	-1.9	-2.5	-40.8	3.0
Manufacturing	-2.6	1.8	-4.9	-5.3	15.4
Electricity, gas and water	9.5	6.4	3.5	1.2	-0.6
Construction	-32.5	-5.6	-7.0	-47.6	-28.0
Wholesale and retail commerce	5.7	2.9	0.6	-17.8	-14.0
Hotels and Restaurants	69.7	2.4	3.0	-7.6	-4.9
Transport, storage and communications	-14.6	11.2	-1.5	-10.1	-4.6
Financial intermediation, real estate, renting and business activity	-3.7	5.4	0.7	-0.1	1.5
Public Administration, Defence and Compulsory Social Security	10.3	10.4	3.6	-2.4	2.0
Other community, social and personal services	0.1	4.0	2.2	-1.6	2.5
<b>Balance of payments</b>					
	<b>Millions of US dollars</b>				
Current account balance	-227	-264	-274	-214	-218
Goods balance	-265	-287	-298	-228	-253
Exports, f.o.b.	32	41	40	35	31
Imports, f.o.b.	-297	-328	-339	-263	-284
Services trade balance	25	40	36	42	37
Income balance	-29	-43	-47	-45	-45
Net current transfers	42	26	26	37	38
Capital and financial balance c/	228	265	264	215	187
Net foreign direct investment	90	157	142	103	64
Other capital	138	108	121	112	124
Overall balance	6	11	-8	26	-10
Variation in reserve assets d/	-6	-11	8	-26	10
<b>Other external-sector indicators</b>					
Net resource transfer	198	221	227	169	173
Gross external public debt r/	481	502	513	542	538
<b>Prices</b>					
	<b>Percentages</b>				
Variation in consumer prices (December-December)	1.7	7.4	5.2	-2.4	4.2
Nominal deposit rate e/	3.5	3.1	3.5	3.5	3.5
Nominal lending rate f/	9.3	11.3	10.2	9.9	9.8

continued

Table A-7  
concluded

	2006r/	2007r/	2008r/	2009r/	2010a/
<b>Central government</b>			<b>Percentages of GDP</b>		
Total income g/	25.9	21.9	23.0	21.0	23.9
Current income	20.4	20.9	20.7	19.6	20.1
Tax income	19.0	19.7	19.4	18.5	18.9
Capital income h/	0.0	0.0	0.0	0.0	0.0
Expenditure	31.1	27.2	28.0	26.0	25.6
Current expenditure	16.8	16.9	18.5	20.3	19.9
Interest	1.5	1.6	1.6	2.2	1.9
Capital expenditure i/	14.3	10.3	9.5	5.7	5.7
Primary balance	-3.6	-3.7	-3.4	-2.8	0.2
Fiscal balance	-5.2	-5.3	-5.0	-5.0	-1.7
Public sector debt r/					
External	87.5	83.4	79.3	91.7	93.0
	64.6	61.8	58.0	67.3	69.5
<b>Money and credit j/</b>			<b>Percentages of GDP</b>		
Domestic credit	63.8	68.9	71.4	79.9	81.4
To the public sector	-1.9	-0.6	0.2	-1.3	-3.0
To the private sector	65.7	69.5	71.2	81.2	85.8
Liquidity (M3)	80.2	82.2	78.3	88.6	88.0
Currency outside banks and local-currency deposits (M2)	75.9	75.9	72.6	82.0	82.6
Foreign-currency deposits	4.2	6.3	5.6	6.5	5.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2006 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) denotes an increase in reserves.

e/ Average of the minimum and maximum rates on savings.

f/ Prime rate, average of the minimum and maximum rates.

g/ From 2001 on, includes grants.

h/ In 2000, includes grants.

i/ Includes net lending.

j/ The monetary figures are end-of-year stocks.

r/ revised

**TABLE A-8**  
**GUYANA: MAIN ECONOMIC INDICATORS**

	2006	2007	2008	2009	2010a/
	<b>Annual growth rates b/</b>				
<b>Gross domestic product</b>	5.1	7.0	2.0	3.3	3.6
<b>Per capita gross domestic product</b>	5.2	17.1	13.9	2.1	8.4
<b>Gross domestic product, by sector</b>					
Agriculture, livestock, hunting, forestry and fishing	6.5	0.6	-2.9	1.3	0.5
Mining	-21.6	14.7	-0.1	-2.9	-6.9
Manufacturing c/	5.2	3.1	-4.4	4.3	0.3
Construction	12.0	7.3	2.2	0.5	10.8
Wholesale and retail commerce, restaurants and hotels	10.1	8.7	4.5	9.8	10.2
Transport, storage and communications	10.0	16.3	7.7	1.3	6.7
Financial institutions, insurance, real estate and business services	7.9	-1.3	9.5	10.7	9.3
Community, social and personal services	7.9	18.1	14.2	9.3	6.0
	<b>Millions of US dollars</b>				
<b>Balance of payments</b>					
Current account balance	-250	-189	-321	-220	-239
Goods balance	-300	-365	-522	-401	-526
Exports, f.o.b.	585	698	802	768	892
Imports, f.o.b.	885	1,063	1,324	1,169	-1418
Services trade balance	-98	-100	-113	-102	-97
Income balance	-69	-11	14	17	13
Net current transfers	216	287	329	300	371
Capital and financial balance d/	269	169	309	454	339
Net foreign direct investment	102	110	179	164	270
Other capital movements	166	58	130	290	70
Overall balance	43	-1	6	234	117
Variation in reserve assets e/	-61	-37	-43	-271	-155
Other financing	18	39	38	37	38
<b>Other external-sector indicators</b>					
Net resource transfer	242	215	329	...	...
Gross external public debt	1,043	719	834	933	1,043

continued

Table A-8  
concluded

	2006	2007	2008	2009	2010a/
<b>Prices</b>					
Variation in consumer prices (December-December)	4.2	14.1	6.4	3.6	4.5
Variation in nominal exchange rate (annual average)	0.2	1.1	0.6	0.5	0.1
Nominal deposit rate f/	3.3	3.2	3.1	2.8	2.5
Nominal lending rate g/	14.9	14.1	13.9	14.0	15.1
<b>Central government</b>					
Total income h/	27.4	26	25.4	23	23.8
Current income	21.4	22.8	21.1	23	23.7
Tax income	20.1	22	20.2	21.6	22.2
Capital income i/	0	0	0.1	0	0.03
Total expenditure	35.6	30.5	29.2	30.8	29.3
Current expenditure	21.3	18.4	20	19.5	19
Interest	2.4	1.8	1.7	1.6	1.7
Capital expenditure	14.3	12.2	9.2	11.4	10.3
Net capital expenditure	-5.8	-2.8	-2.1	5.1	6.4
Overall balance	-8.2	-4.5	-3.8	-3.7	-2.9
Public-sector external debt	114	67	72.0	...	...
Public-sector external debt ratio under re-based GDP	72	41	43.4	46.3	46.8
<b>Money and credit</b>					
Domestic credit	14.8	12.8	15.3	11.5	12.2
To the public sector	-3.6	-5.4	-4.7	8	-9
To the private sector	21.2	20.8	22.8	22.8	24.7
Others	-6.9	-6.4	-6.2	-7.2	-7.2
Liquidity (M3)	49.2	46.4	47	48.9	51.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2006 prices.

c/ Includes electricity, gas and water.

d/ Includes errors and omissions.

e/ A minus sign (-) denotes an increase in reserves.

f/ Small savings rate.

g/ Weighted average prime rate.

h/ From 2002 onwards, includes grants.

i/ Up to 2001, includes grants.

j/ The monetary figures are end-of-year stocks.

... not available

**TABLE A-9**  
**JAMAICA: MAIN ECONOMIC INDICATORS**

	2006	2007	2008	2009	2010a/
			<b>Annual growth rates b/</b>		
<b>Gross domestic product</b>	3.0	1.4	-0.9	-3.0	-1.2
<b>Per capita gross domestic product</b>	2.1	0.9	-1.1	-3.3	...
<b>Gross domestic product, by sector</b>					
Agriculture, livestock, hunting, forestry and fishing	19.5	-7.5	-6.3	13.9	0.8
Mining	0.9	-2.6	-2.5	-50.5	-3.4
Manufacturing	-2.2	0.7	-1.3	5.7	-2.6
Electricity, gas and water	3.2	0.6	0.9	2.2	-4.3
Construction	-1.9	4.6	-6.7	-6.5	-2.2
Wholesale and retail trade, repairs & installation of machinery	2.2	1.4	-0.2	-2.3	-0.7
Hotels and Restaurant	10.1	0.3	2.2	2.1	3.4
Transport, storage and communications	4.5	3.3	-2.7	-4.3	-2.3
Finance and insurance services	2.3	3.3	1.3	1.3	3.9
Real estate, renting and business activities	1.9	3.2	1.1	-0.7	-0.9
Community, social and personal services	2.3	1.5	0.4	0.0	-0.2
<b>Balance of payments</b>					
			<b>Millions of US Dollars</b>		
Current account balance	-	-2,038	-3,223	-912	-992
	1,183				
Goods balance	-	-3,841	-4,981	-3,123	-3,259
	2,943				
Exports, f.o.b.	2,134	2,363	2,761	1,386	1,370
Imports, f.o.b.	5,077	6,204	7,742	4,510	4,629
Services trade balance	628	425	355	752	844
Income balance	-616	-662	-680	-586	-580
Net current transfers	1,749	2,040	2,083	2,045	2,004
Capital and financial balance c/	1,413	1,598	3,118	912	992
Net foreign direct investment	797	...	...	...	375
Other capital movements	616	...	...	...	617
Overall balance	230	-440	-105	-44	-442
Variation in reserve assets d/	-230	440	105	44	-442
Other financing	0	0	0	0	0
<b>Other external-sector indicators</b>					
Real effective exchange rate (index: 2000=100) e/	104.8	108.5	101.8	...	...
Net resource transfer (millions of dollars)	797	937	2,438	...	...
Gross external public debt (millions of dollars)	5,794	6,123	6,344	6,594	8,390
<b>Employment</b>					
			<b>Percentages</b>		
Labour force participation rate f/	64.7	64.9	65.4	63.6	61.8
Unemployment rate g/	10.3	9.8	10.6	11.4	12.0

continued

Table A-9  
concluded

	2006	2007	2008	2009	2010a/
<b>Prices</b>					
Variation in consumer prices (December-December)	5.8	16.8	16.9	10.2	11.7
Variation in nominal exchange rate (annual average)	5.5	5.0	5.7	13.1	1.3
Nominal deposit rate h/	5.3	5.0	5.1	5.7	2.9
Nominal lending rate h/	22.0	22.0	22.3	22.5	20.4
<b>Money and credit i/</b>					
<b>Percentages of GDP</b>					
Domestic credit	30.2	30.4	34.4	34.1	27.1
To the public sector	14.9	12.8	15.4	16.3	11.3
To the private sector	15.8	18.2	19.8	19.2	17.8
Others	-0.4	-0.6	-0.8	-1.4	-2.0
Liquidity (M3)	32.5	33.7	29.9	27.6	27.4
Currency outside banks and					
local-currency deposits (M2)	23.0	22.7	20.1	19.9	19.6
Foreign-currency deposits	9.5	11.0	9.8	13.6	9.2
<b>Central government j/</b>					
<b>Percentages of GDP</b>					
Total income k/	26.8	28.8	26.4	24.3	26.8
Current income	26.2	27.3	25.5	23.0	25.6
Tax income	23.9	24.7	23.5	21.7	23.8
Capital income	0.4	1.1	0.2	0.6	0.3
Total expenditure l/	31.5	33.1	33.6	30.1	33.1
Current expenditure	28.5	28.4	29.6	27.1	17.7
Interest	12.4	11.4	12.0	11.8	0.3
Capital expenditure	3.0	4.7	3.9	3.0	3.4
Primary balance	7.8	7.2	4.8	6.0	4.6
Overall balance	-4.6	-4.2	-7.2	-5.8	-6.3
Public-sector external debt	55.9	53.9	48.7	54.2	62.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2003 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) denotes an increase in reserves.

e/ Annual average, weighted by the value of goods exports and imports.

f/ Economically active population as a percentage of the working-age population.

g/ Percentage of the economically active population. Includes hidden unemployment. Nationwide total.

h/ Average rates.

i/ The monetary figures are end-of-year stocks.

j/ Fiscal years.

k/ Includes grants.

l/ Includes statistical discrepancy.

... not available

**TABLE A-10**  
**SAINT KITTS AND NEVIS: MAIN ECONOMIC INDICATORS**

	2006r/	2007r/	2008r/	2009r/	2010a/
			<b>Annual growth rates b/</b>		
<b>Gross domestic product</b>	3.9	6.7	6.1	-6.3	-5.0
<b>Per capita gross domestic product</b>	0.9	7.9	4.3	-6.3	-6.1
<b>Gross domestic product, by sector</b>					
Agriculture, livestock, hunting, forestry and fishing	-31.3	-9.1	12.9	-9.2	6.3
Mining	6.9	-12.3	5.2	25.7	-52.1
Manufacturing	-12.4	6.1	10.2	-18.0	-15.0
Electricity, gas and water	-17.0	11.3	-11.6	5.7	1.5
Construction	8.2	14.6	4.2	-15.7	-28.0
Wholesale and retail commerce	-0.2	-3.4	6.9	-9.8	-16.0
Hotels and Restaurants	10.5	30.3	2.2	-28.3	-2.0
Transport, storage and communications	6.0	12.2	15.2	-2.4	-2.9
Financial intermediation, real estate, renting and business activity	7.2	7.1	-2.0	6.4	2.9
Public Administration, Defence and Compulsory Social Security	1.9	12.1	14.4	7.0	3.5
Other community, social and personal services	3.1	3.8	5.8	2.6	3.0
<b>Balance of payments</b>					
			<b>Millions of US dollars</b>		
Current account balance	-85	-111	-175	-153	-96
Goods balance	-161	-182	-217	-197	-143
Exports, f.o.b.	59	58	69	54	58
Imports, f.o.b.	-220	-240	-286	-251	-201
Services trade balance	76	71	41	32	35
Income balance	-32	-30	-32	-33	-32
Net current transfers	32	29	33	46	43
Capital and financial balance c/	103	115	209	195	143
Net foreign direct investment	110	134	178	131	128
Other capital movements	-7	-19	31	64	15
Overall balance	17	7	15	26	33
Variation in reserve assets d/	-17	-7	-15	-26	-33
<b>Other external-sector indicators</b>					
Net resource transfer	54	81	152	130	74
Gross external public debt r/	310	319	329	308	299
Gross international reserves	89	96	110	123	156
<b>Prices</b>					
Variation in consumer prices			<b>Percentages</b>		
(December-December)	7.9	2.1	7.6	1.0	3.9
Nominal deposit rate e/	4.3	4.3	4.3	4.3	4.3
Nominal lending rate f/	8.8	8.8	8.8	11.3	11.2

continued

Table A-10  
concluded

	2006r/	2007r/	2008r/	2009r/	2010a/
<b>Federal government</b>					
			<b>Percentages of GDP</b>		
Total income g/	33.0	33.2	33.4	34.2	32.7
Current income	30.9	29.5	28.6	29.5	28.9
Tax income	23.5	22.9	22.2	21.7	19.5
Capital income h/	0.4	2.1	3.3	1.0	0.8
Total expenditure	34.9	35.1	33.7	34.8	36.9
Current expenditure	30.0	28.6	28.3	29.6	29.8
Interest	6.9	6.6	6.8	6.7	7.1
Capital expenditure i/	4.8	6.5	5.4	5.2	7.1
Primary balance	4.9	4.7	6.5	6.1	3.0
Overall balance	-2.0	-1.9	-0.3	-0.6	-4.2
Public-sector debt	149.5	141.5	134.5	145.3	156.3
External	51.9	46.1	46.8	45.5	46.4
<b>Money and credit j/</b>					
			<b>Percentages of GDP</b>		
Domestic credit	90.5	89.6	84.9	92.3	101.1
To the public sector	24.6	22.5	19.3	21.0	23.2
To the private sector	65.9	67.1	65.6	71.3	78.0
Liquidity (M3)	91.2	92.9	87.1	96.8	104.7
Currency outside banks and local-currency deposits (M2)	64.9	66.9	66.1	76.2	84.1
Foreign-currency deposits	26.3	26.0	21.0	20.6	20.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2006 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) denotes an increase in reserves.

e/ Average of the minimum and maximum rates.

f/ Prime rate, average of the minimum and maximum rates.

g/ From 2001 on, includes grants.

h/ In 2000, includes grants.

i/ Includes net lending.

j/ The monetary figures are end-of-year stocks.

r/ revised



**TABLE A-11**  
**SAINT LUCIA: MAIN ECONOMIC INDICATORS**

	2006r/	2007r/	2008r/	2009r/	2010a/
			<b>Annual growth rates b/</b>		
<b>Gross domestic product</b>	7.8	1.2	5.4	-1.1	3.1
<b>Per capita gross domestic product</b>	6.1	0.3	4.6	-2.5	3.6
<b>Gross domestic product, by sector</b>					
Agriculture, livestock, hunting, forestry and fishing	7.8	-5.0	31.4	-5.4	-15.7
Mining	368.0	60.1	-23.9	-17.4	10.5
Manufacturing	3.0	13.0	-4.9	20.9	-4.0
Electricity, gas and water	3.0	4.5	1.9	4.4	-1.7
Construction	42.2	-28.0	38.5	-23.1	20.5
Wholesale and retail commerce	14.7	2.8	0.9	-13.1	14.5
Hotels and Restaurants	-2.1	0.5	-3.0	-0.7	7.1
Transport, storage and communications	-5.0	13.4	1.8	2.9	-0.1
Financial intermediation, real estate, renting and business activity	4.6	3.9	2.0	1.5	3.4
Public Administration, Defence and Compulsory Social Security	14.2	8.1	6.4	1.3	10.0
Other community, social and personal services	13.1	9.8	12.6	15.9	2.1
			<b>Millions of US dollars</b>		
<b>Balance of payments</b>					
Current account balance	-309	-345	-347	-133	-150
Goods balance	-424	-440	-439	-260	-315
Exports, f.o.b.	97	101	166	191	206
Imports, f.o.b.	-521	-542	-605	-451	-522
Services trade balance	158	150	148	163	185
Income balance	-54	-68	-72	-48	-35
Net current transfers	12	14	16	12	15
Capital and financial balance c/	322	365	339	182	164
Net foreign direct investment	234	272	161	146	121
Other capital movements	88	93	178	35	43
Overall balance	13	19	-11	33	32
Variation in reserve assets d/	-13	-19	11	-33	-32
<b>Other external-sector indicators</b>					
Net resource transfer	255	277	275	85	115
Gross external public debt	365	375	364	375	393
<b>Prices</b>					
Variation in consumer prices			<b>Percentages</b>		
(December-December)	-0.6	6.8	3.8	1.0	1.9
Nominal deposit rate e/	3.8	3.6	3.6	3.6	3.6
Nominal lending rate f/	9.8	9.8	9.8	11.3	11.3

continued

Table A-11  
concluded

	2006r/	2007r/	2008r/	2009r/	2010a/
<b>Central government</b>			<b>Percentages of GDP</b>		
Total income g/	24.4	24.7	26.5	26.7	26.2
Current income	24.3	24.4	25.6	25.8	24.0
Tax income	22.7	23.0	23.8	24.3	22.5
Capital income h/	0.0	0.0	0.2	0.0	0.3
Total expenditure	30.3	26.7	26.5	28.9	26.9
Current expenditure	20.9	19.2	20.6	22.2	22.4
Interest	3.0	2.8	2.6	3.0	2.9
Capital expenditure i/	9.5	7.5	5.9	6.7	4.5
Primary balance	-2.9	0.9	2.6	0.8	2.2
Overall balance	-5.9	-2.0	0.0	-2.2	-0.6
Total public debt	64.6	64.7	61.9	64.0	65.5
External	39.9	37.5	32.3	33.8	32.8
<b>Money and credit j/</b>			<b>Percentages of GDP</b>		
Domestic credit	89.5	108.5	113.4	115.8	105.4
To the public sector	-9.3	-7.9	-7.5	-9.7	-12.1
To the private sector	98.8	116.4	120.8	125.5	117.6
Broad money (M3)	81.0	80.3	81.0	83.7	79.1
Currency outside banks and local-currency deposits (M2)	72.8	75.1	75.8	78.9	74.4
Foreign-currency deposits	8.3	5.2	5.2	4.8	4.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2006 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) denotes an increase in reserves.

e/ Average of the minimum and maximum rates.

f/ Prime rate, average of the minimum and maximum rates.

g/ From 2001 on, includes grants.

h/ In 2000, includes grants.

i/ Includes net lending.

j/ The monetary figures are end-of-year stocks.

r/ revised

**TABLE A-12**  
**SAINT VINCENT AND THE GRENADINES: MAIN ECONOMIC INDICATORS**

	2006r/	2007r/	2008r/	2008r/	2010a/
			<b>Annual growth rates b/</b>		
<b>Gross domestic product</b>	7.7	3.6	1.7	-1.2	-1.3
<b>Gross domestic product per capita</b>	8.4	4.6	0.7	-1.0	-0.2
<b>Gross domestic product by economic activity</b>					
Agriculture, livestock, hunting, forestry and fishing	3.5	11.0	-4.3	6.4	-6.4
Mining	5.0	13.8	5.1	-7.9	-9.0
Manufacturing	0.0	-4.5	-0.4	-1.4	-2.5
Electricity, gas and water	2.3	4.0	-1.6	0.5	-1.1
Construction	8.6	13.0	-10.4	-7.9	-7.0
Wholesale and retail commerce	4.9	9.1	3.9	-3.4	3.0
Hotels and Restaurants	25.0	-0.3	-5.5	-15.4	-2.3
Transport, storage and communications	10.3	-0.4	1.5	0.2	-5.3
Financial intermediation, real estate, renting and business activity	5.2	-0.8	3.1	1.3	0.1
Public Administration, Defence and Compulsory Social Security	6.4	6.3	8.0	3.9	2.5
Other community, social and personal services	15.4	-4.7	18.3	2.9	2.9
<b>Balance of payments</b>					
			<b>Millions of US dollars</b>		
Current account balance	-119	-194	-230	-200	-206
Goods balance	-197	-237	-271	-243	-257
Exports, f.o.b.	41	51	57	53	44
Imports, f.o.b.	-238	-288	-329	-294	-298
Services trade balance	83	47	51	45	48
Income balance	-26	-24	-23	-16	-13
Net current transfers	20	20	13	11	13
Capital and financial balance c/	148	201	211	202	215
Net foreign direct investment	109	130	159	106	100
Other capital movements	39	71	52	95	115
Overall balance	12	-2	-3	5	25
Variation in reserve assets d/	-12	2	3	-5	-25
<b>Other external-sector indicators</b>					
Net resource transfer	94	170	207	184	193
Total gross external debt	220	219	232	255	305
<b>Prices</b>					
			<b>Percentages</b>		
Variation in consumer prices (December-December)	4.8	8.3	8.7	-1.6	2.0
Deposit nominal interest rate e/	3.8	3.8	4.5	4.5	4.5
Lending nominal interest rate f/	10.0	10.0	10.0	10.0	10.0

continued

Table A-12  
concluded

	2006r/	2007r/	2008r/	2008r/	2010a/
<b>Central government</b>					
			<b>Percentages of GDP</b>		
Total income g/	24.5	25.1	29.0	27.7	25.6
Current income	23.8	23.5	25.8	24.5	24.8
Tax income	21.9	21.8	23.6	22.7	21.6
Capital income h/	0.4	0.1	0.8	0.1	0.1
Total expenditure	27.7	27.6	29.6	30.3	29.1
Current expenditure	21.5	20.5	22.7	24.7	25.2
Interest	2.6	2.4	2.5	2.6	2.7
Capital expenditure i/	6.1	7.1	6.9	5.6	3.9
Primary balance	-0.6	0.0	1.8	0.0	-0.8
Overall balance	-3.2	-2.5	-0.6	-2.6	-3.5
Public-sector debt	62.3	55.5	58.1	62.2	63.8
External	41.8	32.0	33.4	37.3	43.3
<b>Money and credit j/</b>					
			<b>Percentages of GDP</b>		
Domestic credit	48.3	50.5	52.0	54.5	46.9
To the public sector	0.5	1.9	3.1	4.6	-3.6
To the private sector	47.8	48.6	48.8	49.9	50.4
Others	-15.1	-12.4	-15.8	-16.1	-13.3
Liquidity (M3)	59.2	57.1	56.5	57.5	58.5
Currency outside banks and local-currency deposits (M2)	57.2	54.9	54.5	56.0	56.2
Foreign-currency deposits	1.9	2.2	1.9	1.6	2.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2006 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) denotes an increase in reserves.

e/ Average of the minimum and maximum rates.

f/ Prime rate, average of the minimum and maximum rates.

g/ From 2001 on, includes grants.

h/ In 2000, includes grants.

i/ Includes net lending.

j/ The monetary figures are end-of-year stocks.

p/ preliminary projections

r/ revised

**TABLE A-13**  
**SURINAME: MAIN ECONOMIC INDICATORS**

	2006	2007	2008	2009	2010/a
			<b>Annual growth rates b/</b>		
<b>Gross domestic product</b>	3.8	5.1	4.7	3.1	4.5
<b>Gross domestic product, by sector</b>					
Agriculture, livestock, hunting, forestry and fishing	5.2	5.6	-6.1	11.5	7.9
Mining	7.6	18.2	4.7	-6.4	-2.3
Manufacturing	1.8	-2.2	-2.6	6.9	4.6
Electricity, gas and water	8.4	6.3	7.9	4.1	6.2
Construction	5.3	15.4	4.3	4.5	9.6
Wholesale and retail commerce, restaurants and hotels	7.2	9.3	11.9	0.7	7.1
Transport, storage and communications	-1.8	2.7	2.6	-7.6	8.5
Financial institutions, insurance, real estate and business services	1.7	1.6	3.1	2.1	3.2
Community, social and personal services	4.0	0.1	1.2	2.1	4.1
			<b>Millions of US dollars</b>		
<b>Balance of payments</b>					
Current account balance	221	335	427	210	692.2
Merchandise trade balance	272	314	439	109	625.7
Exports, f.o.b.	1175	1359	1744	1404	2,069
Imports, f.o.b.	-903	-1045	-1304	-1296	-1,443
Services trade balance	-33	-65	-123	1	-17
Income balance	-54	8	21	5	-3.0
Net current transfers	36	77	91	94	87
Capital and financial balance c/	-170	-255	-222	23	-1048
Net foreign direct investment	-163	-247	-234	93	-256
FC d/	-7	-9	12	-70	-792
Overall balance	96	175	62	193	34
Variation in reserve assets e/	-96	-175	-62	-193	-34
<b>Other external-sector indicators</b>					
Net resource transfer (percentages of GDP)	...	...	...	...	...
Total gross external public debt (millions of dollars)	391.1	297.9	319.3	269.1	333.9
Total gross external public debt (percentages of GDP)	22.9	16.6	12.5	...	31.6
			<b>Percentage</b>		
<b>Employment</b>					
Unemployment rate g/	12.1	12.0	11.1	10.0	...

continued

Table A-13  
concluded

	2006	2007	2008	2009	2010/a
<b>Prices</b>					
Variation in consumer prices (December-December)	4.8	8.3	9.4	1.5	10.0
Variation in nominal exchange rate (December-December)	0.0	0.0	0	0.0	0.0
Nominal deposit rate h/	6.6	6.4	6.3	6.2	6.1
Nominal lending rate i/	15.6	13.3	12	11.6	11.7
<b>Central government</b>			<b>Percentages of GDP</b>		
Total income	29.7	35.6	28.0	32.9	27.8
Current income	27.0	29.3	25.1	29.0	23.2
Tax income	21.3	23.4	20.4	20.8	16.7
Capital income	...	...	...	...	...
Total expenditure	30.2	29.5	26.3	30.4	37.3
Current expenditure	25.0	25.0	20.7	23.6	26.8
Interest	1.7	1.5	0.7	1.0	0.9
Capital expenditure	5.2	4.5	5.5	6.8	10.3
Primary balance	2.0	4.3	4.4	5.4	-3.6
Overall balance	-0.4	6.1	1.7	3.0	3.5
Public sector debt	37.0	28.5	25.2	25	21.5
Domestic	14.1	12.0	12.5	14.6	12.8
External	22.9	16.6	12.7	10.4	8.7
<b>Money and credit j/</b>					
Domestic credit	21.7	20.6	19.5	22.7	21.4
To the public sector k/	6.9	4.0	0.0	4.3	4.8
To the private sector	20.9	25.0	26.6	28.4	25.5
Other	-6.1	-8.4	-7.1	-10.0	-8.9
Money (M1)	16.1	17.7	16.1	19.0	17.3
Currency in circulation and local-currency deposits (M2)	24.1	27.2	24.6	29.2	26.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 1990 prices (1996-1998: guilders; 1999-2004: Suriname dollars, new currency in circulation since January 2004).

c/ Includes errors and omissions.

d/ Refers to the capital and financial balance (including errors and omissions), minus net foreign direct investment.

e/ A minus sign (-) denotes an increase in reserves.

f/ Refers to net investment income as a percentage of exports of goods and services as shown on the balance of payments.

g/ Percentage of the economically-active population, nationwide total.

h/ Deposit rate published by IMF.

i/ Lending rate published by IMF.

j/ The monetary figures are annual averages.

k/ Refers to net credit extended to the public and private sectors by commercial banks and other financial and banking institutions.

... not available

**TABLE A-14**  
**TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS**

	2006	2007	2008	2009	2010a/
			<b>Annual growth rates b/</b>		
<b>Gross domestic product</b>	13.5	4.6	2.3	-0.9	-0.3
<b>Per capita gross domestic product</b>	13.1	4.2	1.9	-1.3	..
<b>Gross domestic product, by sector</b>					
Agriculture, hunting, forestry and fishing	-10.1	8.6	10.7	-1.0	3.0
Mining and quarrying c/	21.8	1.7	-0.4	1.6	4.0
Manufacturing	12.4	14.0	5.2	2.8	-4.2
Electricity, gas and water	-0.4	6.5	3.0	-1.1	1.4
Construction d/	6.2	8.9	3.1	-14.9	1.6
Wholesale and retail commerce, restaurants and hotels	15.1	3.3	9.8	-12.7	-10.9
Transport, storage and communications	9.5	5.7	-4.1	-6.1	19.8
Financial institutions, insurance, real estate and business services	1.6	10.4	3.9	1.0	-4.9
Community, social and personal services	1.2	2.7	-1.3	-0.3	-2.2
<b>Balance of payments</b>					
			<b>Millions of US dollars</b>		
Current account balance	7,271	5,364	8,519	1,614	2890
Goods balance	7,700	5,721	9,064	2,202	3428
Exports, f.o.b.	14,217	13,391	18,686	9,175	9862
Imports, f.o.b.	6,517	7,670	9,622	6,973	6434
Services trade balance	451	546	610	382	515
Income balance	-936	-964	-1,202	-996	-1120
Net current transfers	55	60	47	27	-67
Capital and financial balance e/	-6,152	-3,824	-5,813	-2,440	-2472
Net foreign direct investment	513	830	1,638	709	549
Other capital movements	-6,665	-4,654	-7,451	...	...
Overall balance	1,119	1,541	2,706	-713	418
Variation in reserve assets f/	-1,119	-1,541	-2,706	713	-418
<b>Other external-sector indicators</b>					
Real effective exchange rate (index: 2000=100) g/	89.1	87.6	83.0	...	146
Net resource transfer (millions of dollars)	-7,087	-4,787	-7,016	-3,691	...
Gross external public debt (millions of dollars)	1,295	1,278	1 445	1 281	1561
<b>Employment</b>					
			<b>Percentages</b>		
Labour force participation rate h/	63.9	63.5	63.5	62.9o/	61
Unemployment rate i/	6.2	5.5	4.6	5.8	6.4

continued

Table A-14  
concluded

	2006	2007	2008	2009	2010a/
<b>Prices</b>					
Variation in consumer prices (December-December)	9.1	7.6	14.5	1.3	13.4
Variation in nominal exchange rate (annual average)	0.3	0.1	-0.6	0.7	0.4
Nominal deposit rate j/	2.2	2.7	3.0	2.2	2.5
Nominal lending rate j/	9.7	10.6	11.2	9.75	8.0
<b>Money and credit k/</b>					
<b>Percentages of GDP</b>					
Domestic credit	8.3	15.8	10.1	18.1	25.5
To the public sector	-17.5	-11.8	-16.3	-12.7	-3.8
To the private sector	25.7	27.5	26.4	30.8	29.3
Liquidity (M3)	35.5	35.8	35.7	49.6	41.0
Currency outside banks and local-currency deposits (M2)	26.9	27.1	25.8	34.8	40.0
Foreign-currency deposits	8.6	8.7	9.9	14.9	14.7
<b>Central government l/</b>					
<b>Percentages of GDP</b>					
Total income	34.7	31.3	36.5	27.2	31.7
Current income	34.7	31.3	36.5	27.2	31.7
Tax income m/	13.7	13.5	15.0	13.4	5.7
Capital income	0.0	0.0	0.0	0.0	0.0
Total expenditure	27.8	29.5	28.7	32.5	32.0
Current expenditure	23.7	23.4	22.5	26.8	27.5
Interest	2.2	2.1	1.9	2.5	2.3
Capital expenditure n/	4.1	6.1	6.2	5.7	4.4
Primary balance	9.1	3.9	9.7	-2.8	2.1
Overall balance	6.9	1.8	7.8	-5.3	0.0
Public-sector external debt	6.9	6.1	5.5	6.0	1.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2000 prices.

c/ Refers only to the oil industry.

d/ Includes quarrying.

e/ Includes errors and omissions.

f/ A minus sign (-) denotes an increase in reserves.

g/ Annual average, weighted by the value of goods exports and imports.

h/ Economically active population as a percentage of the working-age population; nationwide total.

i/ Percentage of the economically active population. Includes hidden unemployment; nationwide total.

j/ Weighted average.

k/ The monetary figures are end-of-year stocks.

l/ Fiscal years.

m/ Refers to tax revenues from the non-petroleum sector.

n/ Includes net lending.

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