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studies and perspectives

Caribbean economies 2006: a preliminary overview

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Abstract

Caribbean economies as a group recorded the best economic performance of the past 25 years, measured by the growth of GDP. The region is comprised of a very diverse set of economies which makes generalizations hazardous, but the strong performance was remarkably widespread. Favourable external conditions, such as low international interest rates, high prices for export commodities and strong tourism demand as well as increased public spending, resulted in this performance. While high by historical standards, Caribbean GDP growth in 2006 does not favourably compare with the global averages of developing countries and small island States.

The sustainability of the current growth path will depend essentially on the evolution of external accounts. Whereas in Latin America current economic growth, is accompanied by a surplus on the current account of balance of payments, in the Caribbean that is the case in only very few countries. There are signs that the increase in public spending is directly transmitted into a current account deficit on the balance of payments. Monetary policies are generally ineffective to reign in the strong expansion of demand. Prospects for 2007 are generally very positive, although much seems to depend on the economic outcome of the Cricket World Cup. ECLAC projects a GDP growth that will fall just short of the 2006 record performance.

This document gives a general regional overview of Caribbean economies in 2006, based on preliminary data and focused on the CARICOM economies, with the exception of Haiti. It contains individual country briefs that were also published in the ECLAC Preliminary Overview of Latin America and the Caribbean.

I. Regional overview

A. The economic performance in 2006[1]

The member countries of the Caribbean Development and Cooperation Committee (CDCC), for which preliminary estimates could be obtained, show a remarkable performance in terms of GDP growth for the current three-year period between 2005 and 2007 (table 1).

For example, estimated 2006 GDP growth in Caribbean Community (CARICOM) member countries as a group is the highest of the past 25 years, whether the average is weighted (6.3) or unweighted (5.2) (figure 1). The same is true for the Organisation of Eastern Caribbean States (OECS) member countries. Economic growth in 2006 was stronger than the previous year in all countries except Belize and St. Kitts and Nevis, where growth rates dropped, and also except Barbados and Saint Lucia, where growth is estimated at essentially the same rate as in 2005.

1 This overview analyzes primarily full members of the Caribbean Community except Haiti[1]. It must be noted that data for 2006 are for the most part preliminary estimates and that data for 2004 and 2005 may still undergo significant revisions. Also, data on balance of payments as well as GDP by expenditures are still scant for 2006, thereby significantly constraining the analysis of the external performance as well as the evolution of consumption and investment.

TABLE 1
CDCC: PRELIMINARY AND ESTIMATED GDP GROWTH RATES, 2005-2007

	2000-2005	2005	2006[c]	2007[d]
Anguilla	3.6	3.0		
Antigua and Barbuda	3.7	5.6	11.0	3.9
Aruba	1.4	3.2		
The Bahamas	1.8	2.7	4.0	4.5
Barbados	1.8	3.9	3.8	4.9
Belize	6.5	3.1	2.7	2.6
British Virgin Islands	4.5	9.4		
Cuba[a]	5.0	11.8	12.5	
Dominica	-0.2	3.6	4.0	3.0
Dominican Republic	4.5	9.2	10.0	7.0
Grenada	2.0	5.2	7.0	5.0
Guyana	0.0	-3.0	1.3	4.1
Haiti	-0.3	1.8	2.5	3.0
Jamaica	1.3	1.4	2.6	3.0
Montserrat	-0.7	2.8		
Netherlands Antilles	0.4	0.9		
Puerto Rico	1.8	2.0		
Saint Kitts and Nevis	3.8	7.0	5.0	4.1
Saint Lucia	1.9	7.3	7.0	4.0
Saint Vincent and the Grenadines	3.1	2.8	4.0	3.7
Suriname	5.2	5.7	6.4	4.4
Trinidad and Tobago	7.6	7.0	12.0	6.9
Turks and Caicos Islands[b]	8.6	13.9		
United States Virgin Islands	3.6	2.0	3.6	3.3
Weighted average:				
CDCC	3.2	5.5		
CARICOM	3.4	4.0	6.3	4.8
OECS	2.6	5.7	7.2	3.9
Unweighted average:				
CDCC	*2.9*	*4.7*		
CARICOM	*2.5*	*3.8*	*5.2*	*4.1*
OECS	*2.4*	*5.3*	*6.3*	*4.0*
Weighted Averages:				
Latin America and the Caribbean		4.5	5.0	4.2
Small Island Developing States (SIDS)		6.1	6.5	5.1
Developing Economies		6.4	6.5	5.9
World		3.5	3.8	3.2

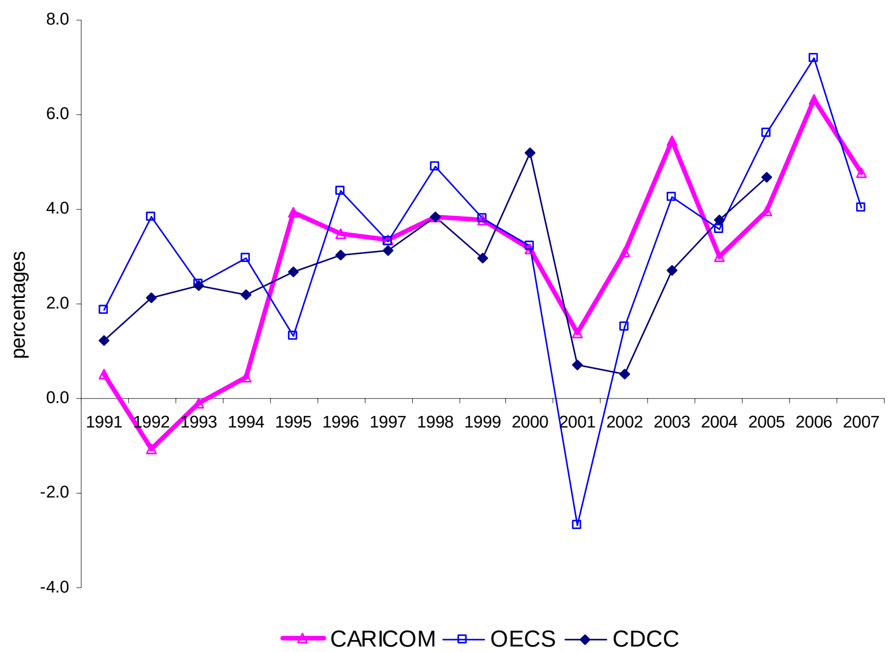
Source: ECLAC on the basis of official data and national forecasts; UNDESA and IMF.

[a] As reported by the Cuban authorities; ECLAC is currently reviewing the data
[b] Turks and Caicos recently joined ECLAC as associate member and may soon become a CDCC associate member country.
[c] 2006 figures are estimates
[d] 2007 figures are projections

The evolution of the current account of the balance of payments, of the fiscal performance as well as of price indices in some countries is cause for concern about the sustainability of this growth trend. The world economy is expected to slow and, therefore, after a record year of growth in 2006, projections for 2007 are lower for the 11 countries for which the Economic Commission for Latin America and the Caribbean (ECLAC) obtained available official 2007 estimates; in five countries growth is expected to pick up. Overall, growth rates should drop as the Caribbean economies are by nature highly vulnerable to a deterioration of external conditions.

While economic growth in 2006 in the Caribbean was high by historical standards, CARICOM's estimated 6.3 per cent GDP growth is a little short of the 6.5 per cent posted by developing countries as a group. Estimates indicate that the OECS member countries (7.2 per cent) performed better than other CARICOM groupings. CARICOM's average growth in 2006 is just below that of the group of Small Island Developing States (SIDS) (6.5 per cent), of which they form a part. It compares favourably, however, with the growth rate of developing countries in the western hemisphere all of which have recorded an estimated average GDP growth of 5.0 per cent. CARICOM's growth, however, is due mainly to a commodity boom, unusual activity in response to preparations for Cricket World Cup (CWC) and tourism dynamism and might not be sustainable in the medium term.

FIGURE 1
CDCC, CARICOM (7) AND OECS (6): GDP GROWTH 1991-2007



Source: ECLAC and the IMF

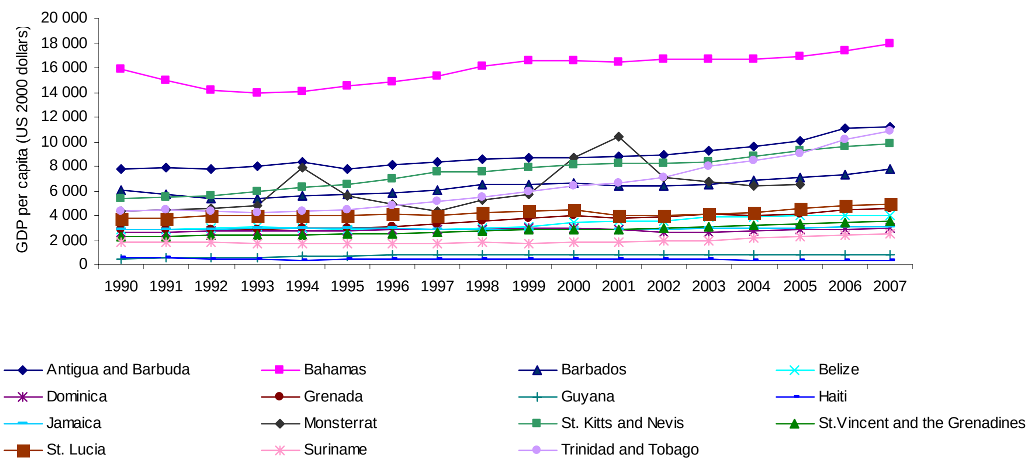
The CDCC countries including eight associate members with constitutional ties to the United States, the United Kingdom or the Netherlands, constitute an extremely diverse region. It includes the pair of developing countries of the western hemisphere with the highest and lowest GDP per capita, which, significantly, share a sea-border: the Bahamas and Haiti. Credit ratings for Caribbean economies range from selective default to investment grade. Several countries are among the most highly indebted in the world and one is a beneficiary in the multilateral initiative for Highly Indebted Poor Countries (HIPC), namely Guyana. On different global rankings, their indices span virtually the whole range, with Barbados scoring highest among the hemisphere's developing countries on the Human Development Index (HDI). Aspects of this diversity are captured in figure 5. The degree of variance in GDP per capita and growth rates is very high so that the analysis of averages is not very meaningful. This variance underscores the relative lack of economic convergence among member States within the CARICOM integration grouping.

The economic performance of CARICOM States results from the interplay between: external conditions; structural features, such as natural resource endowments and others; past and present policy choices. Figures 2 and 3 depict the level and growth of GDP per capita in terms of constant United States dollars of the year 2000. The region's diversity is apparent both in level and evolution of economic activity and renders it difficult to compare growth achievements. A four per cent growth rate in a high middle-income country such as the Bahamas is "unparalleled" according to the

Prime Minister; in Barbados it is a slight downturn from the previous two years; in a low middle-income country such as St Vincent and the Grenadines it is only just above average. Jamaica's estimated 2.6 per cent growth in 2006 reveals the best performance in 15 years and motivated the announcement that the economy is "out of the doldrums" whereas the same outturn in Belize is decidedly disappointing after several years of very high growth and is a result of strong fiscal adjustment measures currently being applied.

The economies of Trinidad and Tobago and Antigua and Barbuda were the region's most dynamic ones in 2006[2]; the former continuing a decade-long boom related to its natural resource endowments for energy production and the latter reflecting investments in construction related to the Cricket World Cup as well as strong demand for tourism services. Antigua and Barbuda and the surrounding islands in the north-eastern Caribbean (Leeward Islands), including St. Kitts and Nevis, Anguilla, St. Maarten and the British Virgin Islands, exhibit a more dynamic growth performance compared to the historic and current economic performance of the Windward Islands (southern) group of countries, which lag somewhat behind (figure 3).

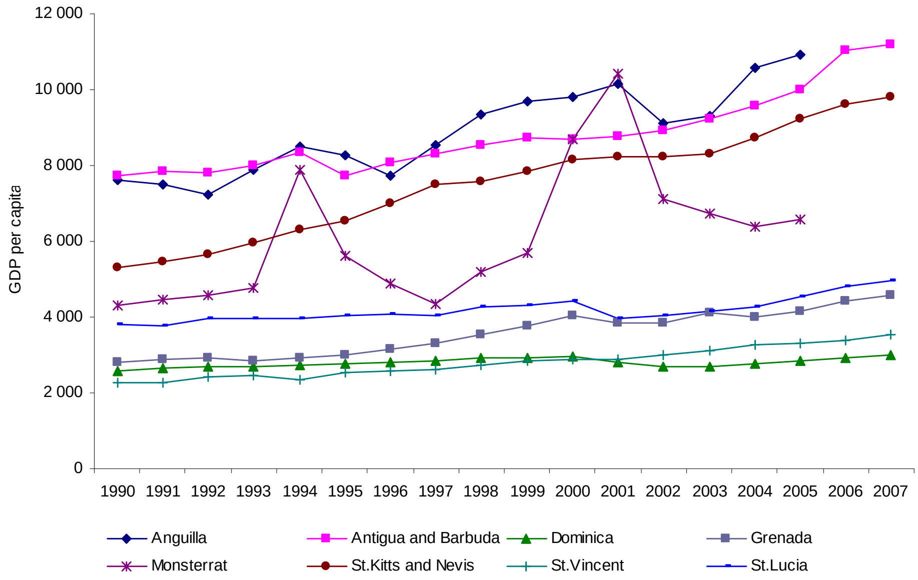
FIGURE 2
CARICOM (7): GDP PER CAPITA IN CONSTANT (2000) US DOLLARS



Source: ECLAC

2 Cuba posts high growth but their national accounts methodology may not be internationally comparable.

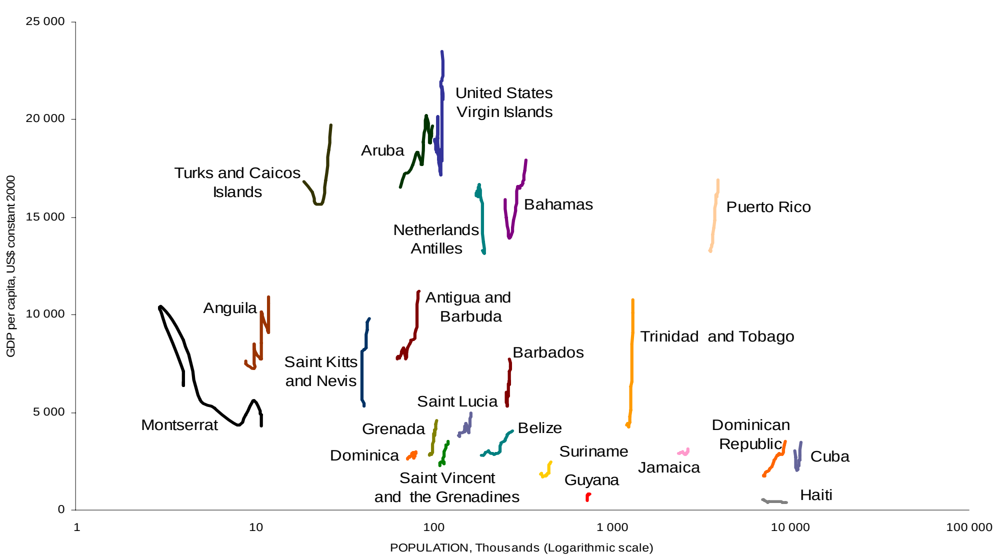
FIGURE 3
OECS (8): GDP PER CAPITA IN CONSTANT (2000) US DOLLARS



Source: ECLAC

The two CDCC countries on the South American continent, Suriname and Guyana, post different economic results in 2006. Suriname continued its recent buoyancy, buttressed by dynamic commodity exports, whereas Guyana struggled to overcome the impact of recent natural disasters.

FIGURE 4
CARIBBEAN DIVERSITY: TRENDS IN POPULATION AND GDP PER CAPITA, 1990-2007



Source: CELADE, ECLAC

B. The external sector

The strong growth performance of Caribbean economies in 2006 builds on another year of favourable external conditions, such as dynamic demand for tourism and financial services, high prices for commodity exports, inflow of capital, and low financing costs stemming from lower international interest rates. The consequence of these conditions in small, developing economies with high import propensity is a persistently high and widening deficit on the current account of the balance of payments, as can be observed for the Bahamas, Guyana and the OECS economies as a group. In Belize, Barbados and Jamaica the current account deficit remains wide but the trend is stable. Preliminary data for Suriname report a modest surplus whereas that of Trinidad and Tobago continues to be extraordinarily high on account of exports of energy products. Overall, the Caribbean situation appears to differ from that of Latin America in that recent economic growth for the former is not necessarily accompanied by an improvement of the current account balance. Trinidad and Tobago and Suriname are more similar to the Latin American economies in this regard, whereas growth in the other economies seems to reflect itself in higher current account imbalances. This reflects the relatively higher import elasticity of growth compared with export elasticity.

TABLE 2
SELECTED CARIBBEAN ECONOMIES:
CURRENT ACCOUNT AS PERCENTAGE OF GDP

	2004	2005	2006
The Bahamas	- 5.4	- 9.9	- 11.3
Barbados	-12.0	-12.1	-11.8
Belize	-14.2	-13.6	-12.0
Guyana	-9.0	-21.3	-25.2
Jamaica	-5.7	-11.2	-11.1
OECS	-23.2	-28.7	-34.5
Suriname	-3.9	-8.3	3.6
Trinidad and Tobago	14.6	27.6	19.3

Source: ECLAC on the basis of official data and national forecasts.

On the export side prices of petroleum and natural gas appear to have reached a peak in early or mid-2006 (figure 5) but remain high by historical standards. Aluminium and gold prices also seem to have halted their increase and have stabilized since mid-2006. Relevant prices for agricultural commodities have been favourable for Caribbean exporters.

Trinidad and Tobago's energy exports almost doubled in value in 2006 but also non-energy exports increased as the country continues its drive to enhance its downstream processing capacity. Belize started to export petroleum. Jamaica, Suriname and Guyana have benefited from high aluminium prices. Suriname also registered a sharp increase in the value of gold exports.

Some agricultural exports also benefited from higher world market prices, such as sugar in Guyana and Belize, as well as rice in the former and citrus in the latter country and in Jamaica. Banana production increased in Saint Lucia and in most other banana producing countries; nutmeg, cocoa and mace exports from Grenada have started to recover from the impact of hurricane Ivan. Coffee exports from Jamaica have also expanded. Caribbean agricultural exports also showed a positive trend because of favourable weather conditions and a benign Hurricane season.

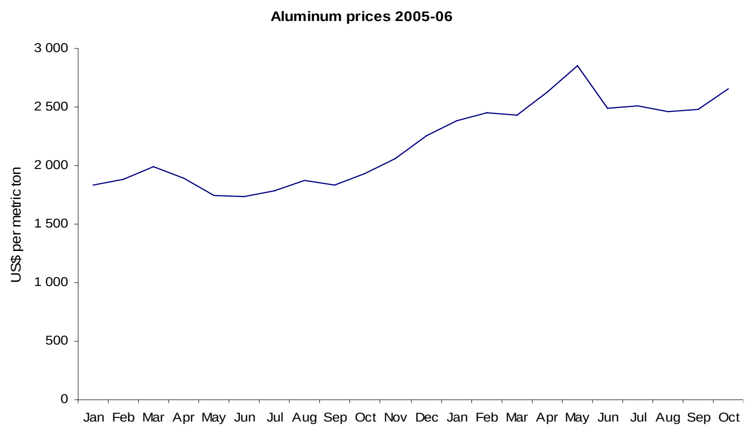
Tourism accounts for around half of the Caribbean's earnings from goods and services exports. In most countries, an increase in tourism related services is reported, even if in some cases the number of visitor arrivals actually decreased. Cruise-ship tourism, which contributes relatively less to GDP than stay-over tourists, registered a decline in the number of passengers in the first part of the year compared to the same period a year earlier. Stay-over tourists and their per capita expenditures increased, however, more than offsetting the drop in cruise-ship arrivals.

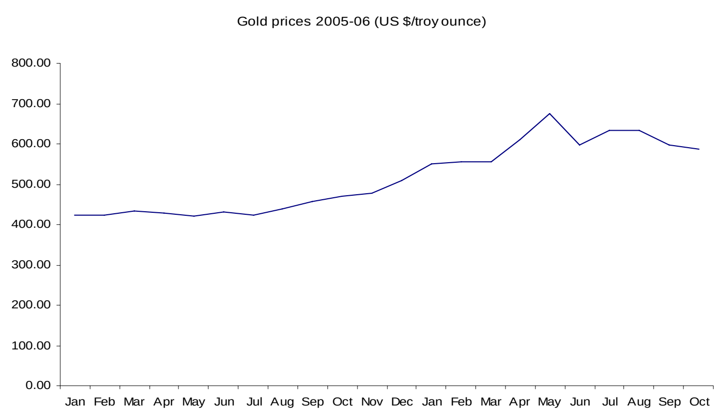
The upswing in export earnings was offset by the increase in imports, resulting in a widening of current account deficits in most countries. This result marks a clear difference from the situation in Latin America where economic growth was accompanied by an improvement on the current account of balance of payments in most countries. Construction activity and large-scale investment projects as well as private consumption and the increase in the prices of imported fuel during the first eight months of the year explain the steep surge of the import bill.

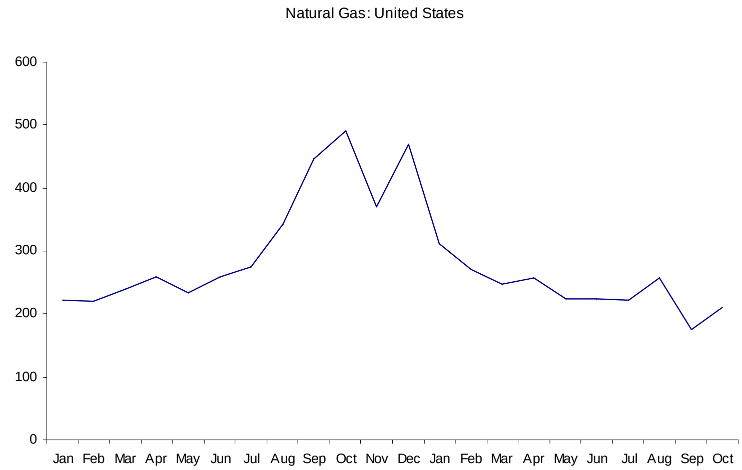
The financing gap was narrowed by an increase in private capital inflows, mostly related to tourism, both in large-scale projects and in private vacation homes; also bond issues (Jamaica) and debt forgiveness (Guyana) boosted the financial and capital account surpluses. A significant and increasing part of foreign investment in the Caribbean comes from the region itself, mostly from Trinidad and Tobago, where corporate holdings continue to increase their foreign assets. This became evident for example when Belize approached international creditors with a debt restructuring proposal. The Belize Creditor's Committee is composed of financial institutions from the Caribbean, mostly based in Trinidad but also in Barbados and Jamaica.

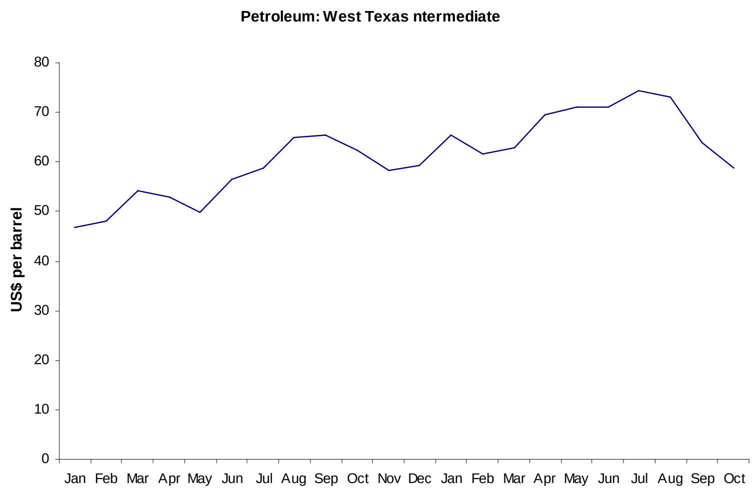
A decline in the net international reserves of the monetary authorities was reported in the Bahamas because of the import requirements of large-scale tourism construction projects; in Belize because of increasing debt service payments and in Barbados for both reasons.

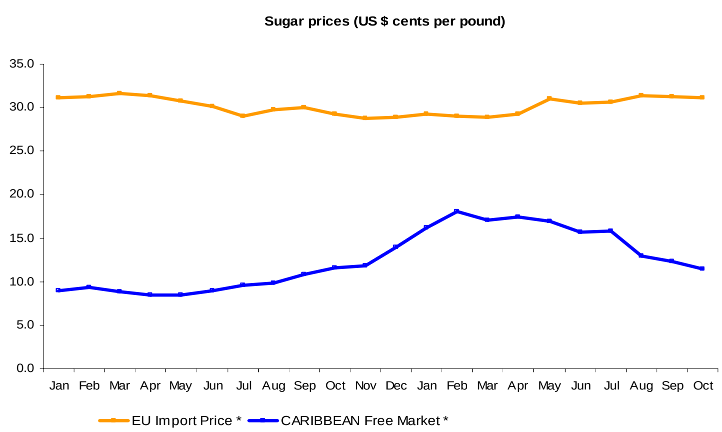
FIGURE 5
COMMODITY PRICES











Source: International Monetary Fund (IMF).

C. Monetary and exchange rate policies

Caribbean currencies are fixed in terms of their United States dollar value or otherwise pegged to it. That being the case, monetary policy has to closely follow the movement of international interest rates expressed in dollars since deviations would invite interest rate arbitration by domestic agents and motivate international capital flows. The increase in interest rates in the Caribbean therefore closely mirrors the trend set by the Federal Reserve System.

Monetary policy in most Caribbean countries in 2006 sought to dampen domestic demand, fuelled by the pick up in activity. In some countries, the main objective was to curb imports and protect the necessary level of international reserves; in others, it was to achieve price stability. In a few countries, it was possible to use monetary policy to stimulate demand. The instruments of monetary policy are reserve requirements, discount rates and repurchase agreements as well as open market instruments in countries with a sizeable capital market.

Barbados is an example of the first scenario, where monetary policy was aimed at dampening domestic demand in an effort to curb the import surge. At the end of 2006 the minimum deposit rate was raised, for example, to encourage savings and reduce credit expansion to the private sector, with the stated objective of curbing import growth and strengthening the balance of payments. The rate was equalled to the Fed Funds Rate.

The objective of dampening demand was also the prime motive behind monetary policy in Guyana and Belize, but of course under different circumstances than Barbados. Both countries were primarily concerned with the sustainability of external debt and therefore had to bring down the deficit on the current account and inflationary pressures. Guyana increased the benchmark rate but the measure failed to have effect on the interest levels in the market. Belize raised the reserve requirement twice by 1 percentage point, but this also failed to impact the lending rate.

The member countries of the Eastern Caribbean Central Bank (ECCB) and The Bahamas had similar motives to Barbados, which was to monitor the current account and the upsurge in imports, but it was not deemed necessary or effective to use instruments of monetary policy.

A different case altogether existed in Trinidad and Tobago, where the main objective was to absorb and sterilize excessive liquidity. Special deposit and secondary reserve requirements were used after the increases in the Repo rate proved insufficient to stem credit expansion.

In few countries were conditions such that monetary policy instruments could be used to stimulate economic activity. The cases in point were Jamaica and Suriname. Economic conditions in Jamaica were found to be more favourable than anticipated, because of the inflow of capital, the stability of the exchange rate and the drop in inflation. Suriname was also successful in bringing down inflation after the fuel price hike of September 2005 and preliminary data showed a surplus on the current account of the balance of payments. Monetary policy conditions were subsequently made more flexible.

TABLE 3
MONETARY POLICY IN 2006

Country	Nominal Interest rates	Domestic reserve requirements	Open market policies
The Bahamas	Stable	unchanged	
Barbados	Discount rate increased from 10 to 12 per cent. In December, minimum deposit rates were raised from 4.75 to 5.25 per cent. Deposit rate increased over the year from 4.1 to 4.7 per cent; lending rate stable 9.5 per cent	unchanged	
Belize	Deposit rate increased (5.4 to 5.7 per cent); lending rate dropped slightly (14.3 to 14.2 per cent)	Raised twice by one percentage point to 8 per cent; secondary reserve requirement unchanged at 24 per cent.	
Guyana	Central Bank raised benchmark rate but the deposit rate dropped (3.4 to 3.3 per cent) and lending rate remained flat	Unchanged at 12 per cent	
Jamaica	Interest rates on OMO instruments were cut. Deposit and lending rates dropped (5.9 to 5.4 per cent and 23.2 to 21.8 per cent, respectively)	Special Deposit requirement (at 1 per cent; after it was lowered from 5 to 1 per cent in 2005) was finally removed altogether.	Maturities of instruments were shortened.
OECS	n.a.	5 per cent; unchanged	
Suriname	Rates on treasury bonds and reserve requirements were lowered. Deposit rate (6.7 to 6.6 per cent) and lending rate dropped (16.3 to 15.6 per cent)	Reserve requirement on local currency reduced from 30 to 27 per cent and portion that can be met with long-term mortgage loans for social housing was increased from 7 to 8 per cent; mortgage ceiling was lifted; implying de facto a lowering of reserve requirements.	
Trinidad and Tobago	Central Bank increased Repo rate from 6.25 to 8 per cent. Deposit rate dropped (2.6 to 1.6 per cent) and lending rate increased (9.1 to 10.2 per cent)	Unchanged at 11 per cent; secondary reserve requirement introduced at 2 per cent of prescribed liabilities; a one-year interest bearing deposit of TT$ 500 million was introduced.	Ceiling on open market operations was increased from TT$8 to $15 billion.

Source: On the basis of official information.

D. The fiscal performance

The fiscal performance of Caribbean economies in 2006 shows mixed results. Virtually all economies benefited from economic growth and registered significant increases in current revenues. Some countries are in a long-term process of adjustment following a period of major fiscal imbalances in the more or less distant past and were able to achieve their fiscal aims more easily or more quickly by continuing to control fiscal expenditures. Cases in point are Jamaica and Dominica. The Bahamas also maintained expenditure restraint and stayed on track to reduce its fiscal deficit to the desired level. Suriname, in a long-term effort to reduce the size of the public sector, also maintained current expenditures in check and reported a fiscal surplus. Belize was forced to cut back drastically on capital expenditures since the government could not meet its debt service obligations.

A different situation is found in most of the countries preparing for Cricket World Cup 2007. Capital expenditures rose significantly in Barbados, in Guyana and in several of the member countries of the OECS. The ensuing fiscal deficit in Barbados, although lower than in the previous year, is still above target. Inflationary pressures and a deteriorating current account on the balance of payments prompted concerns about its credit rating.

TABLE 4
OVERALL FISCAL BALANCE AS PER CENT OF GDP

	2004	2005	2006
The Bahamas	-3.1	-3.0	-2.0
Barbados	-2.2	-3.9	-2.8
Belize	-5.9	-6.4	-3.3
Guyana	-4.8	-14.2	-17.7
Jamaica	-4.8	-3.3	-2.4
OECS	-4.0	-4.0	-6.0
Suriname	0.7	-1.3	1.4
Trinidad and Tobago	2.1	5.5	3.3

Source: ECLAC on the basis of official data and projections

The situation in Guyana and in several of the OECS countries is also a cause for concern about the manageability/sustainability of fiscal deficits. Despite important measures to strengthen tax administration as well as the benefit of debt relief in Guyana, fiscal deficit widened sharply due to capital outlays for the Cricket World Cup. With relatively weak growth limiting the buoyancy of tax receipts, fiscal consolidation based on expenditure management seems the primary means of ensuring a sustainable position.

Trinidad and Tobago continues to report high fiscal account surpluses due to the intake of revenues from companies in the energy sector. Fiscal expenditures soared in 2006, raising concerns over inflation as well as the vulnerability of the economy to energy price shocks. Moreover, the non-oil deficit has emerged as a major concern, as the current overall surplus hinges purely on petrochemical receipts. This is not sustainable, as a sizeable downward correction of oil prices could quickly erode the surplus and constrain public works and subsidy programmes. Table 3 gives an overview of measures of fiscal policy in the region.

TABLE 5
SELECTED FISCAL MEASURES IN 2006

Countries	Revenue		Expenditure	
	Direct taxes	Indirect taxes	Current	Capital
The Bahamas	No major changes		Expenditure restraint to lower fiscal deficit	
Barbados		Levy on extrarregional imports increased to 6 per cent; energy-saving tax incentives introduced		Capital outlays to prepare for CWC
Belize		9 per cent general sales tax established		Drastically reduced
Guyana		Preparations for introduction of VAT in January 2007	Multi-year agreement on teacher salaries	Significant increase preparing for CWC
Jamaica			MOU with trade unions to control expansion of wage bill	Reduction to meet fiscal balance targets
OECS	Personal income tax reintroduced (A&B)	VAT introduced (Dominica)	Wage rises (Anguilla, Saint Lucia) and higher interest payments (St. Kitts/Nevis) boosted current spending (7 per cent)	Capital expenditures posted 52 per cent growth in preparation of CWC
Suriname			Restraint in public sector wages; only fuel compensation introduced	
Trinidad and Tobago	Reduction in tax rates for individuals and corporations		Transfers to State enterprises and fuel subsidies soared; free tertiary education introduced	Infrastructure Development Fund and other measures boosted capital expenditures

Source: On the basis of official information

E. Inflation and unemployment

Fiscal adjustment and a stable exchange rate brought inflation in Jamaica down to the one-digit level for the first time in over three years (see figure 6). In Suriname, changes in the calculation of fuel prices had led to a price hike at the end of 2005 but inflation came quickly back to the level of one digit per annum in 2006. Average annualized price increases almost hit the 10 per cent mark in Guyana in April 2006 but falling oil prices and an improvement of food supplies following the impact of the February floods allowed the rate of price increases to slow somewhat.

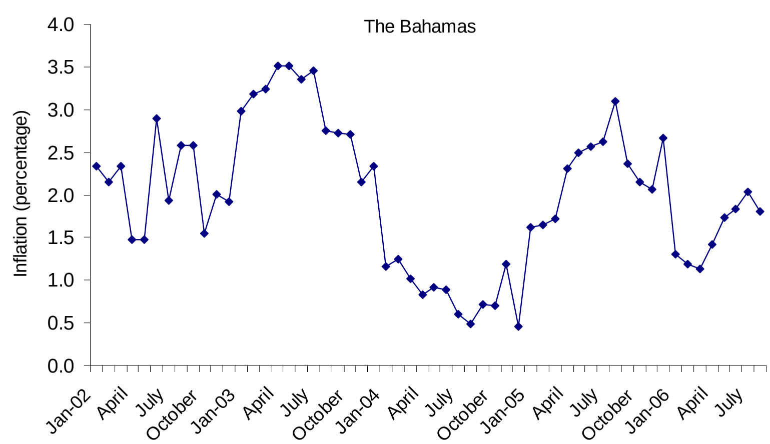
Accelerating price increases were a concern in Barbados (7.2 per cent), Belize (4.9 per cent) and even the Bahamas (1.8 per cent). Price increases are generally moderate in the OECS countries, although graph 12 shows that in St Vincent in the Grenadines in the second half of 2006 annualized inflation approached the historically high range of close to 5 per cent.

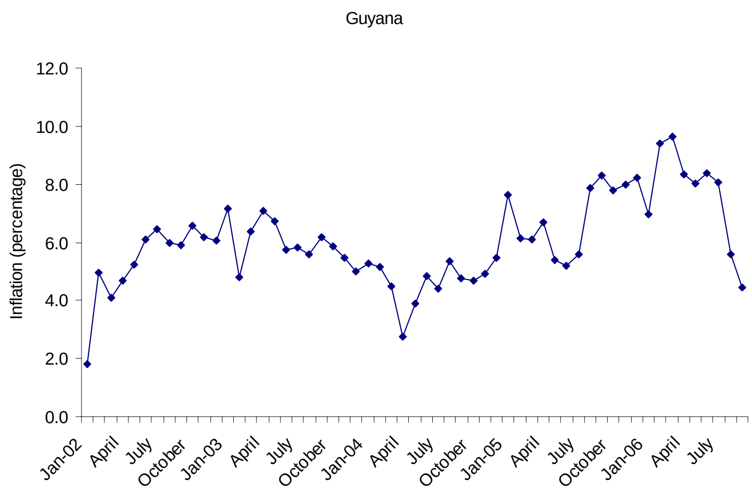
The situation looks particularly worrisome in Trinidad and Tobago where year-on-year inflation briefly surpassed the 10 per cent mark in October 2006 and is on a steady acceleration path since April 2004. Underlying this trend is of course the expansionary fiscal policy in the context of an economy that is operating at or beyond full capacity, creating supply shortages for factors, goods and services as well as speculative bubbles in real estate and on imperfectly contested markets. An especially worrying feature is the sharp spike in food prices that directly impinge on living standards, particularly for lower income groups. Monetary policy instruments, having been actively used, have proven clearly insufficient to rein in the expansion of money supply.

Unemployment did hit an all-time low of 7 per cent in Trinidad and Tobago and was considered by some to be close to the full employment mark. Very tight labor market conditions prevail for specific groups of skilled labor. The same situation holds in the Bahamas (7.6 per cent).

In Jamaica, the long-term unemployment trend is very encouraging (10.7 per cent in 2006, steadily down from 15.5 per cent in 2000) but the actual level is still high. Unemployment hovering just below 10 per cent is registered in Barbados and Belize.

FIGURES 6
YEAR-ON-YEAR MONTHLY INFLATION, 2002-2006, SELECTED COUNTRIES




Guyana
Inflation (percentage)
12.0
10.0
8.0
6.0
4.0
2.0
0.0
Jan-02
April
July
October
Jan-03
April
July
October
Jan-04
April
July
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Jan-05
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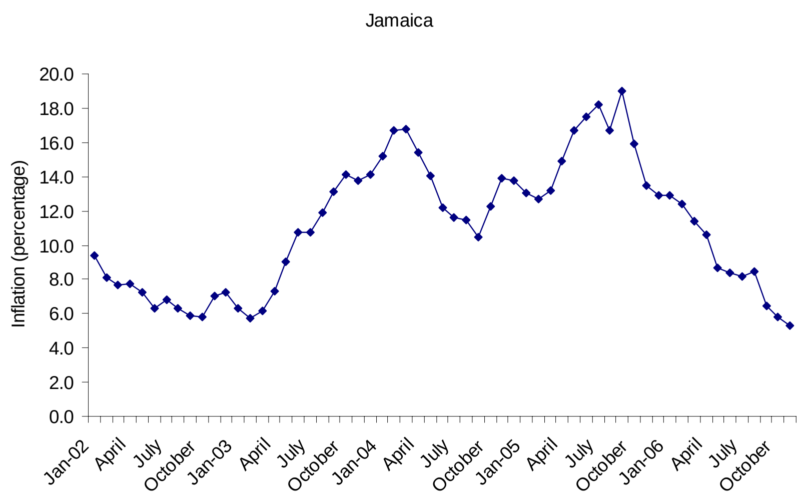
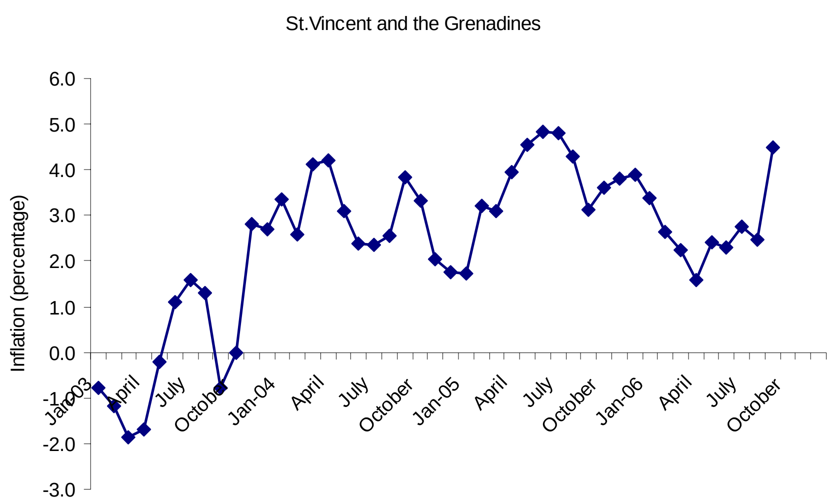
July
October
Jan-06
April
July


Jamaica
Inflation (percentage)
20.0
18.0
16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
Jan-02
April
July
October
Jan-03
April
July
October
Jan-04
April
July
October
Jan-05
April
July
October
Jan-06
April
July
October


St.Vincent and the Grenadines
Inflation (percentage)
6.0
5.0
4.0
3.0
2.0
1.0
0.0
-1.0
-2.0
-3.0
Jan-03
April
July
October
Jan-04
April
July
October
Jan-05
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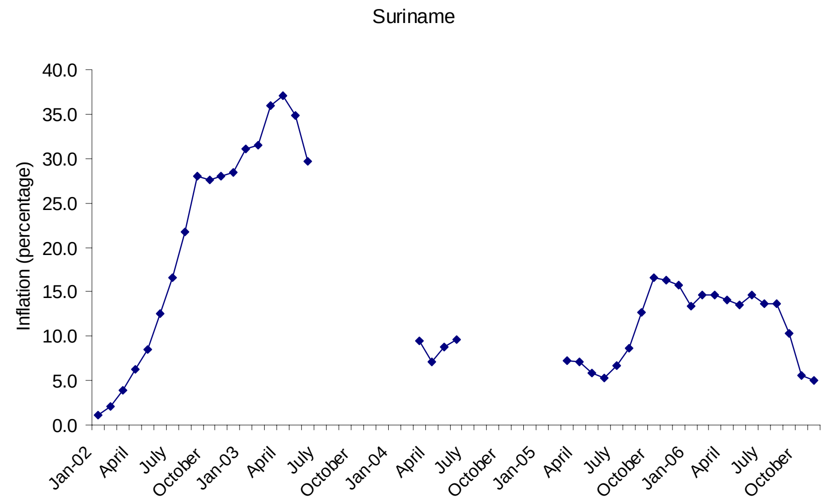
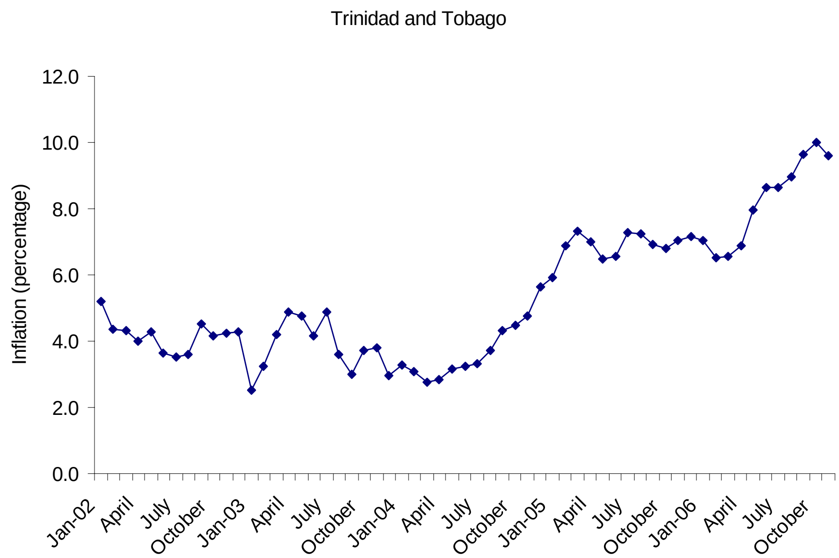
July
October
Jan-06
April
July
October





Source: ECLAC on the basis of official data.

F. The state of regional integration

The year 2006 was a landmark year for regional integration in the context of the Caribbean community. At the start of the year, six countries signed on to the Caribbean Single Market (CSM). This meant, among other implications, a removal of some remaining restrictions to intraregional trade; free movement of certain categories of people eligible for a Caribbean Skills Certificate; free movement of services and service providers; free movement of capital; the right of establishment for companies and other provisions. The effective implementation of these changes still requires some legal, administrative and procedural adjustment in the member countries but the entry into force of the single market is a very significant event.

The remainder of the CARICOM member countries, with the exception of Haiti which is not ready, and the Bahamas which has a trade policy of its own, joined the single market in the month of July 2006. This group comprises the OECS member States, which had postponed their adherence to the Single Market because of unresolved issues regarding the Regional Development Fund and restrictions to land ownership in the smaller islands. The OECS member countries deemed that there was enough progress on these matters to join the single market later in the year, expanding the number of participating countries to 12.

The agreements concerning the establishment of the Regional Development Fund were also an important step forward, with Trinidad and Tobago pledging the initial contributions to the Fund that aims to reach a capitalization of US$ 250 million in order to address the negative impact on vulnerable countries, regions and industries in the member States.

A previous major milestone was the start-up of activities of the Caribbean Court of Justice, in its original jurisdiction a tribunal with compulsory and exclusive jurisdiction for the interpretation of the Treaty of Chaguaramas. It also has an appellate jurisdiction which was already recognized by Barbados, replacing the Privy Council as its Supreme Court, and Guyana.

In the months of June and September 2006, two high-level conferences were organized by the Prime Minister of Barbados, the CARICOM Secretariat and the University of the West Indies (UWI), under the title Caribbean Connect. These were events of great symbolic importance, as they provided a clear signal that private sector leaders of all participating Caribbean countries, together with government representatives and regional organizations, as well as the leading academic institutions, are taking ownership of the process of preparations for the Caribbean Single Economy that should enter into force in 2008. Among the many topics discussed were far-reaching issues such as monetary union, the fusion of stock markets, common industrial policies, and an investment code, with particular emphasis in each case on the creation of road maps.

The OECS has announced its plans to establish a full-fledged economic union. A single financial space and the joint provision of public services would be key components of this initiative, thereby limiting the sovereignty and the autonomy of the member States.

G. Trade negotiations

Not just by coincidence, 2006 was also a very active year with respect to extraregional trade negotiations for the Caribbean, especially in the context of the CARIFORUM-European Union negotiations of an Economic Partnership Agreement (EPA) as envisaged in the Cotonou Agreement.

International agreements in the context of the World Trade Organization (WTO) have ruled out the type of preferential agreements that the Caribbean countries have with the European Union (EU), the United States and Canada. Discussions in Geneva in July 2006 about the renewal of waivers did not give much hope to the Caribbean.

The conclusion of an EPA with the European Union, that would be compatible with WTO rules, is therefore a pressing matter and a time schedule for EPA negotiations had been agreed for the agreement to enter into force by 2008. Principal negotiators from both regions had their fifth meeting in March 2006 in Barbados and trade ministers of CARIFORUM countries (CARICOM and the Dominican Republic) met with the European Commission (EC) Commissioner for Trade in Brussels in November 2006.

The partnership agreement rests on the idea that free trade in the CARIFORUM area is fully operational and hence the EPA negotiations added a sense of urgency to the establishment of the CSM and the further progress with the CARICOM-Dominican Republic Free Trade Agreement.

Important progress was achieved in the CARIFORUM-EU negotiations but major challenges remain regarding: the possibility of regional commitments instead of national commitments; tariff elimination for goods; services and investment; and, development cooperation to support EPA implementation.

Of prime importance is also the restart of negotiations in the context of the Doha Round. In that sense, discussions were held between Caribbean negotiators and their Latin American counterparts to explore possibilities to bridge their differences, especially regarding special market access arrangements for agricultural products.

The year 2007 will again be a very busy year for Caribbean trade negotiators as the EPA negotiations would need to be concluded. Discussions with the United States on the situation regarding the Caribbean Basin Economic Recovery Act (CBERA) and with Canada regarding CARIBCAN, may commence. In addition, discussion on the Doha Round may resume and bilateral or bi-regional free trade agreements such as with Central America will require attention.

II. Country reports

A. The Organisation of Eastern Caribbean States (OECS)[3]

Buoyed by dynamic domestic and external demand, economic growth in the OECS member countries is expected to have risen by at least 7.1 per cent in 2006,[4] compared with 5.7 per cent in 2005. This performance also reflected dynamism in tourist services and construction activities relating to preparations for the Cricket World Cup 2007 which, in turn, boosted domestic services such as transport and commerce.

The broad aim of economic policy in 2006 has been to strengthen the fiscal accounts in order to reduce public debt to sustainable levels and continue the process of structural transformation[5] of the economies to foster competitiveness.

In 2006 the fiscal deficit widened by over 74 per cent with respect to the 2005 figure. Current revenue posted a strong upturn (14 per cent), propelled by gains in both tax and non-tax revenues (15 per cent and 12 per cent, respectively). Notably, proceeds from taxes on income and profits registered growth of 17 per cent largely reflecting the reintroduction of personal income tax in Antigua and Barbuda. Receipts from taxes on domestic goods and services transactions rose,

[3] The members and associate members of the OECS are Anguilla, Antigua and Barbuda, British Virgin Islands, Dominica, Grenada, Montserrat, St Kitts and Nevis, Saint Lucia and St Vincent and the Grenadines. The analyses in this section refer to all members except the British Virgin Islands.

[4] Presentation by Sir Dwight Venner, 18 January 2007

[5] The closure of the sugar industry in St Kitts and Nevis in 2005 was a key plank of the structural change process in the region.

thanks to the introduction of value added tax (VAT) in Dominica and windfall proceeds from land sales in St Kitts and Nevis and Anguilla. VAT was introduced in Dominica in March 2006 at a rate of 15 per cent, replacing a number of taxes including those on consumption and sales.

Current spending was up by over 7 per cent in 2006. This was associated mainly with wage rises in Anguilla and Saint Lucia and higher interest payments on domestic debt contracted from the local banking system to fund public investment projects. Domestic interest payments increased sharply in St Kitts and Nevis, reflecting borrowing to fund severance payments to former workers upon the closure of the sugar industry.

The capital expenditure programme continues to pose a major challenge to fiscal consolidation within the monetary union. In the first quarter of 2006, capital expenditure posted growth of over 52 per cent. The subregion has undertaken an ambitious programme to build stadiums and infrastructure works for the Cricket World Cup 2007. This has led to installed capacity constraints and supply shortages in some countries, pushing up project costs.

The fiscal stance and debt sustainability have become issues of major concern in the OECS member countries. Some of the countries in the monetary union are among the most highly indebted in the world. Governments undertook countercyclical fiscal spending in the slow-growth period that came in the wake of the terrorist attacks of 11 September 2001 in the United States.

Monetary conditions have eased somewhat in 2006, with banks offering more favourable terms and conditions for credit. A year-on-year expansion of 15 per cent in domestic credit in the first quarter of 2006 was driven mainly by house construction. All the countries registered growth in private sector credit, reflecting increased business confidence. The OECS authorities have attempted to improve the regulatory framework, including creditors' rights and bankruptcy procedures, in order to boost bank lending to productive activities.

Driven by the upsurge in economic activity, broad money expanded by 9.4 per cent, the highest rate for the last five years. Interestingly enough, the highest growth rate (17 per cent) was registered in foreign-currency deposits, reflecting inflows of foreign direct investment for tourism and construction projects, especially in Anguilla, Antigua and Barbuda and Saint Kitts and Nevis.

Banking sector net international assets contracted by 1.7 per cent, on account of a 15.9 per cent decline in commercial banks' net foreign assets. Commercial banks drew down assets to finance domestic lending to the private and public sectors.

The growth impetus of 2005 continued in 2006, driven by construction (up by 14 per cent), tourism, agriculture and services, particularly wholesale and retail trade. Public sector activities centred on preparations for the Cricket World Cup 2007, especially the construction of cricket stadiums and the rehabilitation of roads, ports and sanitation infrastructure. Meanwhile, private sector investment went into hotels and villas to expand room capacity.

Tourism activity improved in 2006, reflecting a 2.3 per cent increase in long-stay visitors in the first half of the year, thanks to the reopening of some hotels in Grenada, strong marketing and additional airlift capacity from some tourist markets. The sector also benefited from improved price competitiveness linked to the depreciation of the United States dollar against the euro.

Agricultural output rose slightly in 2006, fuelled mainly by the upturn in banana production in Saint Lucia as a result of the control of the leaf spot infestation of 2005 and favourable weather conditions. Banana production increased in all the banana-producing countries, except St Vincent and the Grenadines where output declined by about 1 per cent, reflecting continued productivity problems. In Grenada, production of cocoa, nutmeg and mace expanded. Conversely, agricultural output plummeted in St Kitts and Nevis following the closure of the sugar industry in 2005. Manufacturing activity picked up in the wake of stronger demand associated with overall economic growth, with higher output of beer, rice and animal feed, electronic components and paper board.

The rate of inflation increased as a result of high international fuel prices, higher prices of food and building materials, including cement, and tight labour market conditions in the construction sector.

Unemployment is estimated to have declined in the subregion, consistent with the robust growth in activity, particularly in the construction and tourism sectors. Wages increased significantly in Anguilla and Saint Lucia.

The balance of payments is expected to post a small surplus in 2006, as larger inflows on the services and capital accounts offset a widening merchandise deficit. Imports expanded in 2006, reflecting the spike in petroleum prices and the high import propensity observed during boom periods. Exports expanded at a more moderate rate, with the increase in banana exports (4.8 per cent) offset by the drop in sugar exports from St Kitts and Nevis.

Gross travel receipts increased by 6 per cent during the first semester, which includes the active winter tourist season. Foreign direct investment expanded, as a result of the construction of hotels and holiday villas. Official grants were down from the previous year when Grenada had received additional funds for reconstruction after hurricane damage. External interest payments remained relatively stable in 2006.

B. The Bahamas

The Bahamian economy grew by an estimated 4 per cent in 2006, the highest rate for the past seven years. The country is experiencing a boom, after having successfully survived the onslaughts of the early years of the current decade, which dealt a blow to its two engines of growth: tourism and international financial services. Tourism was severely affected by the fall-out from the terrorist attacks of 11 September 2001 and financial services suffered from the harmful tax competition initiative and the fight against money laundering, undertaken by the Organisation for Economic Cooperation and Development (OECD). Investment in tourist projects amounted to US$12.6 billion, not including the construction of high cost residences. Personal banking services, wealth management and financial security for international investors benefited from a series of legislative reforms introduced in recent years, which are geared to modernizing both the regulations and the products, in order to enable the Bahamas to maintain a leadership position among low tax jurisdictions.

Economic policy sought to bring the fiscal deficit down from 3.4 per cent of GDP in 2002-2003 to below 2 per cent in 2006 and close to 1 per cent in 2008-2009. This was designed to reduce the public debt, which stood at practically 40 per cent of GDP, to the desired level of 30 per cent over the medium term, thereby guaranteeing stable growth and resilience to external shocks. Among other economic policies, the government hopes to prepare a proposal for the introduction of a national medical insurance scheme since there is no such scheme at present.

The budget for fiscal year 2006-2007 envisages a 14 per cent increase in expenditure, including a rise in a reserve for debt repayment.[6] The budget gives priority, first and foremost, to personal security (administration of justice and the police) and, second, to job creation and the provision of public services in education, housing and health. The increase in tax collection is more than enough to offset the increase in expenditure. The fiscal revenue depends almost exclusively on import tariffs as well as on stamp tax on financial and legal transactions. There are no taxes on income, profit, capital gains or inheritance. This implies that the tax system might be fairly regressive, even though it might facilitate productive activity. Higher-than-forecast revenues in the first quarter of the 2006-2007 budget, which covers the period July to

[6] This fiscal year runs from July 2006 to June 2007.

September 2006, resulted in a 1.8 per cent surplus on the current account, which enabled authorities to pay off debt and balance their fiscal accounts.

The monetary authority evaluated the advantages and drawbacks of the current economic situation. The credit increase was reflected in a substantial increase in imports, which strengthened the fiscal situation, but affected the balance-of-payments current account. The central bank closely monitors trends in external reserves, but has not modified its principal monetary policy instruments. Interest rates have remained stable for over a year.

Bolstered by the boom in construction of residential as well as tourist projects, economic activity expanded strongly. According to information on mortgage loans, in the middle of 2006 this sector recorded 10 per cent growth over the figure for the same period in 2005. Foremost among the tourist projects is the construction of the third phase of the Atlantis complex, which involves an investment in excess of US$1 billion. The government's policy objective is to establish in each of the inhabited islands an "anchor tourism project" around which development will be structured. Several of these projects contemplate investments that exceed US$1 billion and have already had an impact on the economy as a result of the real estate transactions and legal and design services they entail.

Up to September 2006, visitor arrivals were down by 3.5 per cent, owing to a decline in cruise-ship passengers, the category of tourist that contributes least to the local economy. Nevertheless, since the number of long-stay visitors increased (1.1 per cent), as did tourist spending per person, a positive outcome is expected at the close of the year.

As regards international financial services, a sector estimated to account for 20 per cent of economic activity, the number of banks and trust companies licensed to operate in the Bahamas increased from 249 in January 2006 to 256 in June of the same year. Tax revenue from licences to international corporations rose by 15 per cent in 2006.

Prices varied only marginally. To August, 12-month inflation was 2.5 per cent, practically the same as in the previous year, despite sharp rises in gasoline prices and electricity rates. Curiously enough, transport and communications rates declined. According to the annual labour survey, the unemployment rate fell from 10.2 per cent in 2005 to 7.6 per cent in 2006. The number of employed persons increased by 7,500 and the labour force by 3,000.

In 2006, the Bahamas' external accounts reflected the impact of large-scale investment projects. The surplus on the overall balance is expected to disappear almost entirely and the current account deficit is slated to increase. The deficit recorded to June 2006 exceeded the figure recorded in 2005. In 2006, merchandise imports expanded and the surplus on the services account is expected to decline, reflecting corporate services contracted abroad. In addition, a surplus is projected on the capital account as a result of the sharp increase in foreign direct investment (FDI). By June 2006, FDI had already exceeded the amount of inflows in 2005. At the end of June, international reserves were equivalent to 18 weeks of merchandise imports, compared with 23 weeks in the previous year. Bearing in mind the 50 per cent statutory requirement for liabilities in local currency, the amount of uncommitted reserves was US$16 million less than that recorded in 2005.

C. Barbados

In 2006, the Barbadian economy recorded 3.8 per cent growth, the same rate as in 2005. In an attempt to moderate domestic demand, economic policy was geared towards improving the balance-of-payments position and containing inflation, which flared up in the second half of 2005. Thus, fiscal incentives and monetary restraint measures were applied and a further move was made towards liberalization of the exchange control system.

Higher inflows from tourism are expected in 2007 with the celebration of the Cricket World Cup and should contribute significantly to economic growth (4.2 per cent) and a strengthening of the country's external accounts.

At the end of 2006, the fiscal deficit will be equivalent to 2.8 per cent of GDP, which represents an improvement with respect to 2005 (3.9 per cent of GDP). This deficit reflects expenditure on Cricket World Cup activities and the greater weight of the central government debt.

At the beginning of 2006, the fiscal adjustment intensified. In the first six months of the year, collections expanded significantly, which translated into a surplus on the current account as opposed to the deficit recorded in the same period of 2005. At the end of September, the current account again showed a deficit (B$74.2 million), albeit a smaller one than in 2005 (B$141 million). Fiscal revenue expanded, owing mainly to the higher tax collections from international finance companies. Personal income tax also increased and collections of property tax were up, following changes in assessment and the expansion of the tax base.

Expenditure rose by 4.7 per cent in the first nine months of 2006, which reflects a certain moderation with respect to the same period of the previous year in which the fiscal expansion was 11.1 per cent.

In order to face the rise in energy costs, the government introduced a series of incentives to stimulate the use of more efficient technologies. For example, tax incentives were applied for the import and use of automobiles that consume diesel fuel, as well as the use of more effective refrigeration systems and fluorescent lighting. In addition, the public-sector energy conservation programme was launched.

Another important fiscal measure for 2006 was the decision to increase the levy on extraregional imports, known as the cess, from 3 per cent to 6 per cent. This was done to protect domestic manufacturers and to raise funds to finance the formation of a new export promotions entity. The cess is expected to be removed by April 2007. The question though, is whether this short –duration cess would provide enough funds to materially contribute to enhanced competitiveness of the fledgling manufacturing sector.

The government continued its practice of borrowing on the domestic market in order to avoid further deterioration in the external accounts. Even though net borrowing overall was down by B$48 million compared with the previous year, net lending by the central bank to the government increased by B$128 million.

The tight monetary policy started in 2005 was maintained in 2006 and appeared to be achieving its objective. The expansion in credit to the private sector was 7.1 per cent in 2006, less than half the growth recorded in the same period of 2005. Interest rates trended upwards in the first six months of 2006, consequently, deposits in the banking system grew by a higher rate than in 2005.

Steps were taken towards greater liberalization of the exchange control system. Residents who earn foreign exchange can now hold foreign currency accounts up to B$20,000 without prior authorization. Commercial banks now have full autonomy to grant foreign exchange to residents wishing to travel within the CARICOM.

The sectors which contributed the most to economic growth were tourism, construction, manufacturing and financial services.

Tourism picked up in the first three quarters of 2006 as value-added rose by 1.9 per cent after falling by 3.1 per cent in 2005. Stay-over visitors increased by 4.0 per cent. There were also significant increases in cruise ship arrivals, compared with the previous year.

For the second year in a row, construction was boosted by infrastructure spending in preparation for the Cricket World Cup. At 2.8 per cent, growth in manufacturing was lower than the rate recorded in 2005 and was fuelled mainly by increases in the output of non-metallic mineral products and chemicals. Financial services received a strong boost with the registration of over 224 new international business companies, six more than in the corresponding period for 2005.

Inflation continued to be a major concern as prices soared (7.7 per cent in the 12 months to July 2006). This was partly due to high energy prices, which have continued to take a toll on the economy. With the decline in oil prices, inflation is expected to moderate.

The first three months of 2006 saw unemployment decline to 8.1 per cent, down from 9.9 per cent in March 2005. The labour force participation rate fell, however, from 68.9 per cent to 67.3 per cent (1.6 percentage points) during this period.

The balance-of-payments current account deteriorated during the first half of 2006. By year end, the external current account deficit is expected to decline slightly to 11.7 per cent of GDP, compared to 11.9 per cent of GDP in 2005. This improvement could be attributed to the effects of the temporary increase in tariffs on extraregional imports. Increased spending on imports of fuel and capital goods, together with increased debt service payments, led to a decline in the net international reserves of the monetary authorities.

D. Belize

According to the most recent official estimates, economic growth of 2.7 per cent is expected for Belize in 2006.[7] GDP in the first half of 2006 was only 0.9 per cent higher than in the same period in the previous year, but the quarterly calculations do not include new oil production and are based on partial information in the tourist sector. The high growth rates of the period from 2001 to 2004, which were accompanied by a sharp increase in external debt, were not sustainable. In addition to incurring direct debt to finance reconstruction work after the passage of several hurricanes, the government had to absorb the debts of State enterprises and privatized public utility companies. Adjustment had begun in 2005, with public spending cuts and tax increases giving rise to more moderate growth (3.5 per cent). At the same time, a successful international bond issue improved the management of external accounts, but a general strike affected the government’s position and revenue collection diminished.

In 2006 there was virtually no access to new international capital and the government encountered great difficulty with debt servicing, despite the primary surplus achieved by maintaining and extending the fiscal adjustment measures which it had begun to apply in the previous year. At times, international reserves were less than the equivalent of one month of imports. Solidarity-based assistance, first from Taiwan province of China and then from the Government of the Bolivarian Republic of Venezuela, helped Belize to avoid suspending payments. In August, the government announced that it would seek cooperation from private creditors for debt restructuring, as it would not be possible to comply with the 2007 payments schedule; negotiations on debt rescheduling seemed to have come to a favorable outcome just before the end of the year. Economic activity continued to grow slowly, thanks to the onset of oil production, demand for tourist services and high prices for agricultural exports.

Fiscal policy was mainly oriented to tackling the high level of public debt. Spending, especially capital spending, grew more slowly and a series of measures was adopted to make revenue collection more efficient. Policies for ensuring more sustainable capital spending are crucial to building up public infrastructure that impinges on the competitiveness of the economy. In

[7] Government of Belize, *Economic and Financial Update*, August 2006.

July a new 9 per cent general sales tax was established, one percentage point higher than the tax it replaced. The primary surplus is expected to rise from 1.3 per cent in 2005 to 3 per cent in 2006 as a percentage of GDP. The global deficit will probably reach 3.3 per cent of GDP in 2006, compared to deficits of over 10 per cent a few years previously and close to 6 per cent in 2004 and 2005. The fiscal adjustment was not backed by a loan from the International Monetary Fund (IMF), but assistance in the form of policy-based lending is being requested from the Inter-American Development Bank (IDB) and the Caribbean Development Bank (CDB).

Monetary policy was intended to temper demand, in order to slow imports and reduce the balance-of-payments current-account deficit. The legal reserve requirement was raised on two occasions, by one percentage point each time. The commercial banking system reacted as expected, offering foreign currency to the central bank. The central bank also acquired treasury bills in order to resell them to the commercial banks and thereby have more control over liquidity. Domestic credit fell slightly as a percentage of GDP.

As for foreign-exchange policy, the fixed parity of two Belize dollars for one United States dollar was maintained, but the central bank gave greater facilities to tourist service providers in terms of accounts in foreign currency. The authorities understand that devaluation of the Belize dollar would not help to solve the problem of debt payment. Nor would it benefit tourism, as it would bring prices down, but destabilize society, thereby increasing insecurity. Nor would it contribute significantly to improving the competitiveness of sugar or bananas, among other commodities. A recent mission from the IMF also concluded that Belize did not have an urgent problem in terms of price competitiveness.

Fiscal and monetary contraction was reflected in the modest economic performance. One notable exception was the onset of oil production at Spanish Lookout by Belize Natural Energy Ltd. Electricity production increased by 27 per cent thanks to the commissioning of the hydroelectric plant in Chalillo. The completion of the dam works meant a drop in construction activity. Primary production showed varying results: production of sugar cane increased, while citrus fruits and banana production fell. Price trends, however, were favourable in these subsectors.

Consumer prices showed an upward trend, influenced by fuel prices. The 12-month variation to August 2006 was 4.9 per cent, which is much higher than usual in Belize. An open unemployment rate of 9.4 per cent is estimated for April 2006, which is much lower than the 11 per cent of the previous year. This result is due in part to a reduction in the labour participation rate, from 59.4 per cent to 57.6 per cent, and in part to the creation of some 4,000 new jobs.

External accounts benefited from the favourable sugar and citrus prices in addition to the start of oil exports. These exports amounted to US$60 million, equivalent to 15 per cent of total exports in the first half of the year. Crude was sold to Central America, which significantly expanded trade relations with that subregion. The value of external sales of goods increased by almost 30 per cent in the first half of 2006, compared to that of the same period in the previous year. Income from tourist services also showed a positive trend and remittances increased. Nevertheless, the balance-of-payments current account deficit continued to be high. In view of the fact that almost no new international loans were disbursed, the net inflow to the current account declined sharply, which led the government to meet with creditors to restructure the debt.

E. Guyana

The economy grew by 1.3 per cent in 2006 following the 3 per cent contraction recorded in 2005, due to the impact of the floods. Contrary to all predictions, the elections were held in an atmosphere of calm, which eased political tensions and restored confidence among economic agents. The central government's fiscal position deteriorated reflecting higher election year spending and capital outlays on projects in preparation for the 2007 Cricket World Cup. Debt relief within the framework of the multilateral debt reduction initiative helped to increase the overall balance-of-payments surplus, despite the wider current-account deficit.

Fiscal policy was directed towards strengthening tax administration, in particular the collections systems and tax reform. This included establishing the legal and administrative system for the introduction of VAT in January 2007. With respect to outlays, the multi-year agreement for increases in teachers’ salaries will introduce an element of stability and reduce budget vulnerability to unforeseen salary rises.

Nevertheless, the overall fiscal deficit widened by more than 35 per cent to approximately 13 per cent of GDP. Revenues grew by a remarkable 9.6 per cent thanks to improved assessment methods and more effective tax and tariff administration. Expenditure rose more sharply, however (20.6 per cent). Above all, capital expenditure linked to the renewal and expansion of infrastructure ahead of the Cricket World Cup increased significantly. Debt forgiveness within the framework of the multilateral initiative provided some compensation. The government is seeking substantial relief from the IDB, the country’s foremost creditor.

The Bank of Guyana raised the benchmark 91-day treasury bill by 11 basis points during the first half of the year, in order to absorb local currency and mop up liquidity within the banking system, as well as to trigger an increase in interest rates. This measure was aimed at reducing the risk of inflation and other risks linked to depreciation of the local currency. However, it had little impact as the principal lending rate remained unchanged and the average lending rate actually dropped by 66 basis points.

Broad money grew by 14.1 per cent at the end of the third quarter 2006, compared with the same quarter for 2005. Credit to the private sector increased by 13 per cent, maintaining the recovery from 2005. There was an expansion in credit for productive activity in manufacturing and agriculture.

The net international assets of the banking system increased sharply during the year. Commercial banks’ net foreign assets grew by almost 6 per cent, reflecting increased investments abroad for portfolio diversification and more favourable returns in some instances. Bank of Guyana net foreign assets expanded substantially owing to reduced foreign liabilities following debt relief. With these developments, international reserves cover more than three months’ exports of goods and non-factor services.

Economic activity picked up slightly (1.3 per cent) in 2006, driven by construction and personal services. Growth in construction (4.5 per cent) was buoyed by public investments in infrastructure, including roads and bridges and also public low-cost housing in the context of an urban renewal programme. Work also continued on the Cricket World Cup stadium and accommodation for visitors to this event. Nevertheless, shortages of cement and higher costs for labour and other inputs put a damper on the sector’s performance.

Agricultural growth was very sluggish (0.4 per cent) owing to the impact of further floods in February 2006. Sugar production was up by 5.1 per cent and rice, by 8.1 per cent. Manufacturing maintained steady growth of 2 per cent, reflecting increased production of pharmaceuticals, paints and fabrics. The increase in the production of alcoholic beverages was partly counterbalanced by a decrease in that of non-alcoholic beverages. Mining output contracted by 15.5 per cent, following the closure of the Omai gold mine in 2005, and could not be offset by increased production of diamonds. The forestry and fishing sectors posted growth rates of 4 per cent and 1 per cent, respectively. Ironically, shrimp production decreased significantly at a time when Guyana had just secured a lucrative market for this product in the United States.

Inflation fell to 5.3 per cent in the 12 months to September 2006, compared with 8.2 per cent in 2005. Food shortages abated somewhat and, though high, oil prices moderated in the latter part of the year.

Public sector employment contracted in 2006 following a 5.4 per cent cut in staff by the State-owned Guyana Sugar Corporation (GUYSUCO) as part of its restructuring initiative. Public sector wages increased in line with the 7 per cent salary rise granted in December 2005. Private sector wages were also expected to improve as a result of strong demand for labour in the construction sector.

The overall balance of payments improved in 2006 with the surplus increasing by almost 15 per cent. Net capital inflows (including errors and omissions) showed robust growth of 67 per cent, although the current account deficit widened by 70 per cent, owing mainly to higher imports and a marginal decline in exports.

On the merchandise account, imports of intermediate and capital goods registered a strong increase associated with new and on going public and private sector projects. On the exports side, earnings from sugar and rice increased thanks to higher prices, as export volumes actually declined. Bauxite receipts were up, owing to higher export volumes and an 11.3 per cent rise in prices.

Growth in tourist receipts from the Cricket World Cup and improved productivity in sugar and rice linked to competitiveness measures should contribute to a stronger balance-of-payments position in 2007.

F. Jamaica

Jamaica's economic performance improved compared to the previous year (2.6 per cent in 2006, up from 1.4 per cent in 2005), with the upturn led by agriculture and tourism. Mining slowed and construction and manufacturing stagnated. Favourable growth prospects, the decline in the inflation rate and rising capital inflows allowed the Bank of Jamaica to lower interest rates and shorten its maturity structures. This led to a decrease in the yield on treasury bills, which eased the burden of interest payments on public debt. The containment of current expenditure and, especially, capital expenditure in the early months of the year underpinned the government's efforts to narrow the fiscal deficit (from 3.3 per cent in fiscal year 2005-2006 to 2.4 per cent for 2006-2007).[8] The external sector performed well, since the capital and financial account surplus more than offset the current account deficit and the stock of net international reserves therefore increased.

The main objective of Jamaica's economic policy is to reduce the public debt stock, which constitutes an obstacle to growth and development. The government's target is to reduce the fiscal deficit from 3.3 per cent of GDP for FY 2005/2006 to 2.4 per cent for FY 2006/2007. The budgeted figures are based on expenditure restraint and, to a lesser degree, on measures to broaden the tax base and improve tax administration. In the first six months of the fiscal year the government remained on track towards its target, with the fiscal gap at 1.2 per cent of GDP. This was mainly due to expenditure control efforts, since fiscal revenues fell below target.

Expenditure trends were attributable to the reduction of capital spending and, to a lesser extent, current expenditures, reflecting lower than expected wage payments. In May, the government signed a Memorandum of Understanding with the Jamaica Confederation of Trade Unions with a view to controlling the expansion of the wage bill for 2006-2008. Revenues reflected delays in tax payments to pension fund schemes and a decrease in consumption tax receipts due to the closure of the country's only cigarette factory. The delay in disbursements of grants flows from the European Union was also a contributing factor.

8 Fiscal year 2005-2006 (FY2005/2006) runs from 1 April 2005 to 31 March 2006.

The deficit was financed mainly from domestic sources. External debt obligations were serviced through the issue of a Eurobond. The debt stock rose from US$842 billion to US$884 billion between January and August 2006.

The Bank of Jamaica adopted a conservative monetary policy in the first quarter of the year and switched to an expansionary stance thereafter. The factors prompting the change of course included favourable international conditions, rising international reserves and exchange-rate stability (the exchange rate depreciated by 5 per cent between September 2005 and the same month in 2006), as well as a tight fiscal policy, the economic upswing and the fall in the rate of inflation.

In April the Bank of Jamaica shortened open market instrument maturities and cut interest rates. The central bank eliminated 280- and 365-day instruments and turned its focus to shorter-term papers (with maturities of 30 to 180 days). It reduced interest rates by 650 and 700 basis points, respectively, on 30- and 180-day instruments between April and September. This was reflected in a reduction in the rates on treasury bills (690 basis points from March to September 2006), which reduced the cost of servicing domestic debt towards late 2006.

The decline in the central bank's key rates did not lower the cost of credit and thus failed to stimulate demand for loans. Personal loans constitute the largest component of private credit (46 per cent of the total).

The pace of economic activity rose with respect to 2005, led mainly by agriculture and tourism. The performance of agriculture (down 7.3 per cent in 2005 and up 14 per cent in 2006) reflected the sector's recovery following the damage caused by natural disasters the year before. The recovery was most visible in the traditional export products, including bananas, coffee and citrus. Mining slackened its pace of growth slightly with respect to the previous year (2.8 per cent in 2005 and 2.5 per cent in 2006). In general, the sector benefited from the increase in external demand. The positive effects of fuller utilization of capacity in bauxite plants were partly offset by technical difficulties in aluminum refineries.

Manufacturing contracted by 1.3 per cent in 2006 (after shrinking by 1 per cent in 2005), reflecting the closure of Jamaica's only cigarette factory and the decline in cement supply in the first two quarters. Construction (7 per cent in 2005 and -2.0 per cent in 2006) reflected the shortage of cement, which caused postponements and delays in infrastructure projects. Tourism saw a strong upswing of 14 per cent in 2006, as a result of favourable international conditions, improved marketing efforts and the hosting of leisure events.

The rate of inflation trended downwards to reach one-digit levels (12.9 per cent and 5.8 per cent in 2005 and 2006), thanks to moderate price rises for food products, lower international oil prices and exchange-rate stability. Food and drink is the most influential component in prices (69 per cent of the total), followed by housing and other home expenditures (14 per cent of the total). The rate of unemployment fell slightly, in line with the overall performance of the economy.

The balance of payments posted an overall surplus, since the current account deficit was more than offset by the capital and financial account surplus. As a result, the stock of net international reserves rose by US$240 million. The wider current account deficit (US$1.117 billion in 2006, compared with US$1.079 billion in 2005) was attributable mainly to a large rise in merchandise imports (16 per cent) which cancelled out the gains in exports of traditional goods and growth in the tourist sector. The capital and financial account surplus reflects the rise in private capital flows (US$674 million in 2006, up from US$582 million in 2005), mainly to the tourist sector, and the resources generated by an international bond issue.

G. Suriname

Average growth of the Surinamese economy since 2003 has exceeded 6 per cent per year. The estimate for 2006 is for 6.4 per cent growth, while a 5.3 per cent expansion is forecast for 2007. This significant expansion is due to the favourable international context and robust demand for gold, alumina and petroleum, its three main exports. Political stability has contributed to an increase in foreign investment, while fiscal restraint and monetary expansion have boosted domestic demand. Per capita GDP is expected to exceed US$4,000, more than double the level recorded at the beginning of the decade, helped by the real appreciation of the Suriname dollar (SR$). [9]

President Venetiaan completed the first full year of his third term in 2006. The National Assembly approved the 2006-2011 five-year plan in August 2006. Some decisive economic policy initiatives, such as the public sector reform and sectoral development programmes, are being implemented within the framework of projects conducted jointly with the IDB or bilateral cooperation with the Government of the Netherlands.

According to estimates, a fiscal surplus equivalent to 1.4 per cent of GDP will be recorded in 2006 (compared with a deficit of 1.3 per cent of GDP in 2005), since government revenue outstripped expenditure. Tax contributions by primary product exporters were up thanks to high prices on international markets. The government benefited from the transfer of windfall profits earned by the central bank in past financial years, which had been pending. Receipts from excise taxes on tobacco and non-alcoholic beverages also increased.

Expenditure was much lower than projected. The only item that pushed up expenditure was the compensatory bonus for fuel prices awarded to civil servants since the end of 2005.

The government has taken advantage of these circumstances to relieve the burden on the public debt. Domestic debt increased nominally owing to higher issues of treasury bonds, among other factors. Practically no new external debt was contracted, however, and the authorities made efforts to solve the problem of arrears. An agreement was reached with the Italian insurance company, Servici Assicurativi del Commercio Estero (SACE), in September 2006 for the forgiveness of the interest and half of the principal of a longstanding loan. This negotiation is expected to pave the way for the solution of other outstanding international loans and improving access to the international capital market. Overall, public debt diminished from almost 40 per cent of GDP to 36 per cent, while external debt declined from 22 per cent to 20 per cent.

There was practically no change in the exchange rate policy and the rate remained at between SR$2.7 and SR$2.8 to the United States dollar. The monetary authorities adopted a more expansionary policy. The interest rate on treasury bonds and the rate paid for the reserve requirement in local currency fell from 12.5 per cent to 10 per cent. In turn, the reserve requirement was reduced from 30 per cent to 27 per cent. The portion of the reserve requirement that can be met with mortgage loans was raised from 7 per cent to 8 per cent. The maximum value of such mortgage loans increased from SR$70,000 to SR$100,000. As a result, the commercial banks were able to reduce the interest rates and increase the flow of credit to the public.

Growth in output was driven by exports of primary products. Bauxite production was up by 20 per cent following investments in the new mine at Kaaimangrassie. Meanwhile, the Rosebel gold mine processed 31 tons of gold ore, 40 per cent more than in the previous year.

According to projections by the National Planning Office, the most buoyant sectors after mining are construction and transport. The latter has benefited from the progressive liberalization of air transport. According to preliminary estimates, the agricultural sector also expanded. Rice production, an important activity for employment generation, expanded by 22 per cent.

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9 Inflation was close to 10 per cent and the rate of the local currency against the United States dollar remained fixed.

Heavy rains in central and southern regions of the country in May caused several rivers to overflow their banks. Such high water levels had not been seen since 1949. Almost 200 indigenous and Maroon communities in the interior of the country were flooded out. More than 30,000 people (6 per cent of the population) were affected. Since the communities in question are for the most part self sufficient and scarcely participate in the monetary and formal economy of the country, the disaster had little impact on GDP, except on the budding tourism sector. Substantial assistance from abroad was received in the form of emergency food aid and resources for reconstruction work on almost 30 damaged schools.

Prices varied by 5.6 per cent between October 2005 and October 2006. This represented a return to a more stable trend after the upturn in inflation in 2005 (15.8 per cent).

Curiously, unemployment rose from 8.4 per cent in 2005 to 11 per cent in 2006. This trend may be attributable to two factors: in the first place, the redefinition of the labour survey, based on the 2004 population census, could mean that the time series is no longer compatible. Second, the floods in the interior of the country may have led inhabitants of self-sufficient communities to seek work in the city in order to earn money for food.

The balance of payments shows a sharp expansion in alumina and gold exports and a considerably lower increase in imports, which resulted in a surplus on the current account for the first time in five years. The figure for the capital account balance corresponds almost exactly to the total of errors and omissions but with the opposite sign. The central bank’s net international reserves strengthened and stood at 2.6 months of import cover in September 2006, compared with 1.6 months in September 2005.

H. Trinidad and Tobago

The Trinidad and Tobago economy will register 12 per cent growth in 2006. This is the twelfth consecutive year of economic expansion and the second year of double digit growth in the past five years. The main driving force in this impressive growth trend continues to be the energy sector, which recorded 16.9 per cent growth in exploration and production of oil and natural gas and a 37.4 per cent increase in refining of these products.

The economic policy combines fiscal expansion and a tight monetary policy, with the latter aimed primarily at counteracting the effects of the former. Total expenditure plus net lending expanded by approximately 39 per cent between fiscal year 2005-2006 and the preceding year.[10] Tax rates were reduced for individuals and corporations and tax receipts from individuals contracted by TT$1 billion. However, receipts from non-energy companies increased by 27 per cent, while receipts from the energy sector expanded by 64 per cent.

The sharp increase in outlays was due to transfers to State enterprises, higher petroleum subsidies and loans to CARICOM neighbours. Transfers increased from TT$13.3 billion to TT$20.7 billion. Financing for higher education doubled with the introduction of a policy for free tertiary education. Capital expenditure soared by approximately 73 per cent, from TT$3 billion to TT$5.25 billion. This figure includes expenditure of TT$3.2 billion from the Infrastructure Development Fund.

Despite the large increases in spending, windfall intakes of revenues still made it possible for the central government to register an overall surplus equivalent to 3.3 per cent of GDP. The stock of public-sector debt also fell to 32.6 per cent of GDP. External public-sector debt declined from TT$1.2 billion to TT$1.1 billion.

[10] The fiscal year runs from October to September.

The overall positive fiscal picture led to an upgrade in the country's foreign currency bond rating from Baa2 to Baa1 by Moody's Investor Services in July. During fiscal year 2006-2007, the central government is expected to increase its domestic borrowing partly in an attempt to stimulate the local capital market.

In its continued effort to sterilize the excessive liquidity in the system, the central bank adopted a tighter monetary policy stance. Initially, the focus was on the Repo rate, which moved from 6.25 per cent to 8 per cent in the first nine months of the year with steady increases every month except April. At the same time, commercial banks raised their lending rates without effecting corresponding increases in deposit rates, thus creating a wider interest rate spread. Interest rates on mortgages and consumer loans held steady. This was perhaps reflective of greater competition in these segments of the market.

The failure of the increases in the Repo rate to moderate the credit expansion was recognized by mid-year. Hence, various other measures were introduced to soak up the excess liquidity. These included: (a) a requirement that commercial banks deposit TT$500 million into an interest-bearing account at the central bank for a minimum of one year; (b) the introduction of a secondary reserve requirement of 2 per cent of prescribed liabilities; and (c) an increase in the open market limit of government borrowing from TT$8 billion to TT$15 billion.

The exchange rate remained fairly stable, as it had for the past eight years. This was due, in no small part, to interventions by the central bank. For the period January to October 2006, the bank injected over US$1.1 billion into the market.

The economy grew by 8.0 per cent in 2005 and is expected to record 12.0 per cent growth in 2006. Given the continued buoyancy in energy prices and increased production and refining, growth of about 8 per cent is predicted for 2007.

Manufacturing grew by 11.6 per cent in 2005 and is expected to end 2006 with a growth rate of 11.8 per cent. The sector is expected to receive a boost from the Cricket World Cup in 2007 as other CARICOM States increase their demand for products from Trinidad and Tobago.

Agricultural production showed mixed results in 2006. Output of rice, tomatoes and citrus increased significantly over the previous year. On the other hand, there were sharp declines in other categories, which resulted in very high retail price increases for vegetables (69 per cent).

Growth in the construction sector is estimated at 14.5 per cent, driven by the government's involvement in several large projects including the Waterfront Project and the Brian Lara Multi-purpose Complex.

Towards the end of the year, annualized inflation was 10 per cent, significantly overshooting the announced target of 5 per cent. The annualized increase in retail food prices up to September was 27 per cent. The government plans to introduce a number of initiatives to bring inflation down from 7 per cent in 2007 to 5 per cent in 2008.

Given the buoyancy of the economy, wage increases in the non-energy sector have thus far been fairly moderate, averaging between 3 per cent and 5 per cent per year for contracts negotiated in 2005. Available data for the construction sector, however, show that wages for both skilled and unskilled labour have risen by 50 per cent to 100 per cent.

Unemployment rates fell to their lowest ever levels during 2006. This has resulted in fairly tight labour market conditions. The main areas of job growth were in the services sector, followed by distribution and finance. For the first six months of the year, 14,500 new jobs were created. The unemployment rate dipped to 6.8 per cent in the first quarter but had risen to 7.2 per cent by the last quarter.

The external accounts strengthened significantly during 2006 compared with the previous year. There were increases in both energy and non-energy exports. For the first six months of the year, energy exports almost doubled. Total exports increased by 46 per cent (to US$6.5 billion), while imports increased by 22 per cent. This contributed to a current account surplus of US$3.3 billion in the first half of the year.

On the other hand, there was a major increase in outflows from the capital account from US$1.2 billion to US$2.1 billion. This is a continuation of a trend that emerged in the past two to three years as domestic agents increased their foreign assets.

Net international reserves increased to US$5.2 billion, representing over nine months of import cover. The outlook for 2007 is for a continued strong positive showing on the country's external accounts.

III. Statistical annex

Table A-1
ORGANIZATION OF EASTERN CARIBBEAN STATES

	2002	2003	2004	2005	2006 a/
	Annual growth rates b/				
Gross domestic product	0.5	3.0	4.1	5.8	6.8
Per capita gross domestic product	-0.1	2.4	3.4	4.7	
	Annual percentages				
Prices					
Variation in consumer prices					
(end of period)	-0.1	1.0	1.7	4.2	1.2
Central government	**Percentages of GDP**				
Total income c/	35.0	35.0	37.0	38.0	43
Current income	34.0	35.0	36.0	38.0	42
Tax revenue	29.0	30.0	32.0	34.0	38
Capital income	1.0	1.0	1.0	1.0	0
Total expenditure	49.0	46.0	46.0	47.0	53
Current expenditure	37.0	36.0	37.0	36.0	38
Interest	5.0	5.0	6.0	5.0	6
Capital expenditure and net lending	13.0	10.0	9.0	10.0	15
Primary balance	-6.0	-1.0	2.0	9.0	11
Overall balance	-12.0	-6.0	-4.0	4.0	6
Money and credit					
Domestic credit	98.0	94.0	97.0	105.0	107
Public	-1.0	-4.0	-3.0	-1.0	-3
Private	102.0	100.0	101.0	106.0	110
Liquidity (M3)	112.0	118.0	128.0	130.0	128
Currency in circulation and local-currency deposits (M	97.0	103.0	110.0	113.0	155
Foreign-currency deposits	15.0	16.0	18.0	20.0	21

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 grants.

Table A-2

BAHAMAS: MAIN ECONOMIC INDICATORS

	2002	2003	2004	2005	2006 a/
	Annual growth rates b/				
Gross domestic product (constant prices)	2.3	1.4	1.8	2.7	4.0
Per capita gross domestic product	1.0	0.2	0.2	1.1	2.3
Real sector indicators					
Tourist arrivals	5.3	4.3	8.9	0.6	-3.5
Electricity generation (MWh)	5.6	5.4	-0.8	5.5	5.0
Balance of payments	**Millions of dollars**				
Current account balance	-423	-472	-305	-582	-703
Merchandise trade balance	-1,327	-1,331	-1,428	-1,636	-1,021
Exports, f.o.b.	422	427	477	522	322
Imports, f.o.b.	-1,749	-1,757	-1,905	-2,158	-1,342
Services trade balance	1,046	962	1,013	1,133	417
Income balance	-184	-153	-141	-163	-133
Net current transfers	42	49	251	85	34
Capital and financial balance c/	484	583	489	493	768
Overall balance	61	111	184	-89	65
Variation in reserve assets d/	-61	-111	-184	89	-65
Other external-sector indicators					
Central Government foreign currency debt	284	287	288	286	286
(percentage of GDP)	5.3	5.2	5.1	4.9	4.6
Employment	**Average annual rates**				
Open unemployment rate e/	9.1	10.8	10.2	10.2	7.6
Prices	**Annual percentages**				
Variation in consumer prices					
(December-December)	1.9	2.4	1.9	1.2	1.8
Nominal deposit rate f/	4.1	3.9	3.8	3.3	3.3
Nominal lending rate f/	11.3	12.0	11.3	10.4	9.5
Central government g/	**Percentages of GDP**				
Current income	16.7	16.9	18.2	19.3	21.4
Current expenditure	18.7	18.7	19.9	20.1	21.0
Net capital expenditure	-1.6	-1.2	-1.4	-2.2	-2.5
Overall balance h/	-3.5	-3.0	-3.1	-3.0	-2.0

Table A-2 (concluded)

	2002	2003	2004	2005	2006 a/
Money and credit	**Percentages of GDP**				
Domestic credit	88.9	87.6	89.8	97.9	98.9
To the public sector	16.1	15.9	15.6	16.0	16.1
To the private sector	72.8	71.7	74.2	81.9	82.8
Liquidity (M3)	69.4	70.8	76.3	80.4	81.5
Currency in circulation and local-currency deposits (M2)	67.7	68.9	74.6	77.9	78.6
Foreign-currency deposits	1.7	1.8	1.7	2.5	2.9

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

a/ International Monetary Fund (IMF) projections.

b/ Based on figures in local currency at constant 1991 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/ Weighted average.

g/ Based on fiscal year figures.

h/ Includes interest.

Table A-3

BARBADOS: MAIN ECONOMIC INDICATORS

	2002	2003	2004	2005	2006 a/
		Annual growth rates b/			
Gross domestic product c/	0.5	1.9	4.8	3.8	3.9
Per capita gross domestic product	0.1	1.6	4.5	3.4	3.4
Gross domestic product, by sector					
Agriculture, livestock, hunting, forestry and fishing	-4.2	-5.6	-5.0	4.6	0.4
Mining	-6.6	-8.5	7.7	4.3	-4.1
Manufacturing	0.2	-0.7	1.6	2.4	2.4
Electricity, gas and water	1.8	2.8	2.2	5.0	4.8
Construction	3.1	16.1	2.5	13.4	10.3
Wholesale and retail commerce, restaurants and hotels	-0.7	5.4	7.5	1.9	2.9
Transport, storage and communications	-2.9	1.2	7.7	4.5	5.4
Community, social and personal services d/	-2.3	4.4	3.8	2.8	2.2
Balance of payments		**Millions of dollars**			
Current account balance	-192	-170	-337	-368	-399
Merchandise trade balance	-714	-816	-980	-1069	-1,142
Exports, f.o.b.	241	250	278	359	357
Imports, f.o.b.	955	1,066	1,258	-1428	-1,499
Services trade balance	538	632	672	725	780
Income balance	-102	-107	-107	-148	-148
Net current transfers	86	93	96	81	100
Overall balance	89	188	-170	-43	-41
Other external-sector indicators					
Real effective exchange rate (index: 2000=100) e/	100.1	103.4	107.9	…	…
Gross external public debt (millions of dollars)	733.0	738.0	788.0	874	831.0
Gross external public debt (percentage of GDP)	28.7	29.8	29.2	31.1	27.0
Employment		**Average annual rates**			
Labour force participation rate f/	68.5	69.2	69.5	69.1	68.1
Open unemployment rate g/	10.3	11.0	9.8	9.1	9.4
Population	269,384	270,327	271,271	272,214	273,100
Prices		**Annual percentages**			
Variation in consumer prices					
(December-December)	1.6	1.6	1.4	6.1	7.2
(annual average)	0.2	1.6	1.4	6.1	6.5
Nominal deposit rate	2.6	2.6	2.5	4.1	4.7
Nominal lending rate	7.9	8.4	7.8	9.5	9.5

Table A-3 (concluded)

	2002	2003	2004	2005	2006 a/
Non-financial public sector	**Percentages of GDP**				
Income	34.6	34.5	33.7	33.1	32.8
Expenditure	40.9	37.2	35.9	37.0	35.5
Overall balance	-6.4	-2.7	-2.2	-3.9	-2.8
Money and credit					
Domestic credit	59.4	57.1	63.5	67.1	70.0
To the public sector	6.9	8.5	9.1	5.0	7.7
To the private sector	52.5	48.7	54.4	62.2	62.3
Currency in circulation and local and foreign currency deposits (M2)	49.8	49.1	52.4	52.2	53.9

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 1974 prices.

c/ Based on revised data.

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

e/ Annual average, weighted by the value of merchandise 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. corregir

Table A-4

BELIZE: MAIN ECONOMIC INDICATORS

	2002	2003	2004	2005	2006 a/
			Annual growth rates b/		
Gross domestic product	5.1	9.3	4.6	3.5	2.7
Per capita gross domestic product	2.1	5.9	0.9	0.3	-0.3
Balance of payments			**Millions of dollars**		
Current account balance	-166	-176	-150	-152	-144
Merchandise trade balance	-187	-207	-175	-238	-216
Exports, f.o.b.	310	316	306	318	379
Imports, f.o.b.	-497	-522	-481	-556	595
Services trade balance	44	70	87	141	139
Income balance	-69	-85	-114	-111	-123
Net current transfers	47	46	51	56	56
Capital and financial balance c/	160	146	119	170	117
Net foreign direct investment	25	-11	103	107	65
Financial capital d/	135	158	16	63	52
Overall balance	-5	-30	-31	18	-26
Other external-sector indicators					
Total gross external debt (millions of dollars)	577	754	851	933	962
Total gross external debt (percentage of GDP)	62	76	81	84	80
GDP @ Mkt Price in US$	932	988	1,055	1,111	1,198
GDP @ Mkt Price in Belize dollar	1,864.2	1,975.4	2,110.5	2,221.7	2,395.6
Employment			**Average annual rates**		
Open unemployment rate e/	10.0	12.9	11.6	11.0	9.4
Population	262.7	271.1	281.1	289.9	298.6
	2.9	3.2	3.7	3.1	3.0
Prices			**Annual percentages**		
Variation in consumer prices					
(December-December)	2.3	2.6	3.1	3.7	4.9
Nominal deposit rate f/	4.3	4.9	5.2	5.4	5.7
Nominal lending rate g/	14.8	14.2	14.0	14.3	14.2
Central government			**Percentages of GDP**		
Current income	28.9	21.4	21.9	23.0	22.5
Current expenditure	26.9	19.9	22.2	25.0	22.9
Current balance	2.1	1.5	-0.3	-2.0	-0.4
Net capital expenditure h/	-5.7	-12.4	-5.7	-4.4	-2.8
Overall balance i/	-3.6	-10.9	-5.9	-6.4	-3.3

Table A-4 (concluded)

	2002	2003	2004	2005	2006 a/
Money and credit					
Domestic credit	51.0	57.2	64.1	63.5	63.4
To the public sector	3.2	5.7	10.5	9.3	9.6
To the private sector	47.8	51.5	53.6	54.2	53.8
Currency in circulation and local-currency deposits (M2)	57.0	55.7	59.1	59.9	60.8

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

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

f/ Saving rate.

g/ Weighted average rate for loans.

h/ Includes grants.

i/ Includes interest.

j/ august-august

Table A-5

GUYANA: MAIN ECONOMIC INDICATORS

	2002	2003	2004	2005	2006 a/
		Annual growth rates b/			
Gross domestic product	1.1	-0.6	1.6	-3.0	1.3
Per capita gross domestic product	0.9	-0.8	1.4	-3.1	
Gross domestic product, by sector					
Agriculture, livestock, hunting, forestry and fishing	3.4	-2.3	2.8	-10.8	1.9
Mining	-6.9	-8.7	-6.5	-17.8	-15.4
Manufacturing c/	10.9	-0.5	2.5	-13.8	2.0
Construction	-3.9	5.6	4.1	9.4	4.5
Wholesale and retail commerce, restaurants and hotels	-0.9	-2.6	1.9	8.6	4.0
Transport, storage and communications	4.5	4.9	3.6	9.4	4.0
Financial institutions, insurance, real estate and business services	-0.8	1.6	1.0	6.1	2.0
Community, social and personal services	-0.8	1.1	1.2	3.4	2.0
Balance of payments		**Millions of dollars**			
Current account balance	-106	-86	-71	-167	-216
Merchandise trade balance	-68	-59	-58	-237	-310
Exports, f.o.b.	496	513	589	549	540
Imports, f.o.b.	563	572	647	-785	-850
Services trade balance	-24	-15	-86	-83	-96
Income balance	-55	-55	-39		
Net current transfers	40	43	74	153	190
Capital and financial balance d/	31	44	39	181	242
Net foreign direct investment	44	26	30	77	101
Financial capital e/	-13	18	16	98	125
Overall balance	-25	-9	-43	8	9
Prices		**Annual percentages**			
Variation in consumer prices (December-December)	6.1	5.0	5.5	8.2	6.0
Variation in nominal exchange rate (December-December)	1.2	2.0	2.2		0.4
Nominal deposit rate f/	4.3	3.8	3.4	3.4	3.3
Nominal lending rate g/	17.3	16.6	16.6	14.5	14.5

Table A-5 (concluded)

	2002	2003	2004	2005	2006
Central government	**Percentages of GDP**				
Current income	32.2	31.5	33.0	35.7	35.9
Current expenditure	32.3	32.4	30.0	36.1	35.9
Current balance	0.0	-0.9	3.0	-0.4	0.0
Net capital expenditure h/	7.1	5.7	7.9	22.4	28.7
Primary balance					
Overall balance i/	-7.1	-6.6	-4.8	-14.2	-17.7

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 1988 prices.

c/ Includes electricity, gas and water.

d/ Includes errors and omissions.

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

f/ Small savings rate.

g/ Weighted average prime rate.

h/ Includes external grants.

i/ Includes interest.

Table A-6

JAMAICA: MAIN ECONOMIC INDICATORS

	2002	2003	2004	2005	2006 a/
	Annual growth rates b/				
Gross domestic product	1.1	2.3	0.9	1.4	2.6
Per capita gross domestic product	0.6	1.8	0.5	1.0	…
Gross domestic product, by sector					
Agriculture, livestock, hunting, forestry and fishing	-7.0	4.8	-8.9	-7.3	13.8
Mining	3.3	4.9	2.6	2.8	2.5
Manufacturing	-0.9	-0.9	3.0	-1.0	-1.3
Electricity, gas and water	4.6	4.7	-0.1	4.1	3.5
Construction	2.6	1.5	5.0	7.0	-2.0
Wholesale and retail commerce	0.1	1.0	1.3	1.1	7.2
Transport, storage and communications	6.2	3.6	0.9	1.2	4.6
Financial institutions, insurance, real estate and business services	4.0	3.3	0.3	1.0	2.0
Community, social and personal services c/	0.5	2.3	2.0	1.6	0.4
Balance of payments	**Millions of dollars**				
Current account balance	-1,074	-773	-509	-1,079	-1,117
Merchandise trade balance	-1,871	-1,943	-1,945	-2,581	-2,911
Exports, f.o.b.	1,309	1,386	1,602	1,664	2,016
Imports, f.o.b.	3,180	3,328	3,546	4,245	4,927
Services trade balance	315	552	572	600	788
Income balance	-605	-571	-583	-676	-663
Net current transfers	1,087	1,189	1,446	1,578	1,670
Capital and financial balance d/	832	342	1,203	1,079	1,117
Net foreign direct investment	407	604	542	582	674
Overall balance	-242	-432	694	229	240
Other external-sector indicators					
Gross external public debt (millions of dollars)	4,348	4,192	5,120	5,376	5,618
Gross external public debt (percentage of GDP)	51.3	51.2	58.0	53.0	52.5
Employment	**Average annual rates**				
Labour force participation rate e/	63.6	64.4	64.3	63.9	…
Unemployment rate f/	14.2	11.4	11.7	11.3	10.7
Prices	**Annual percentages**				
Variation in consumer prices (December-December)	7.3	14.1	13.7	12.9	7.0
Variation in nominal exchange rate (December-December)	6.0	20.7	2.0	4.5	5.0
Nominal deposit rate g/	9.1	8.3	6.7	5.9	5.4
Nominal lending rate g/	26.1	25.1	25.1	23.2	21.8

Table A-6 (concluded)

	2002	2003	2004	2005	2006a/
Central government	**Percentages of GDP**				
Total income h/	28.0	30.3	31.1	29.4	24.6
Current income	26.2	28.7	29.3	27.9	23.8
Tax revenue	24.6	26.5	27.0	25.6	21.9
Capital income	1.6	1.4	1.0	1.3	0.4
Total expenditure i/	35.7	36.1	35.9	32.7	27.0
Current expenditure	33.8	35.0	33.9	30.3	23.8
Interest	14.9	17.8	16.7	13.9	10.4
Capital expenditure	1.9	1.1	2.0	2.4	3.2
Primary balance	7.2	12.0	11.9	10.6	8.0
Overall balance	-7.6	-5.8	-4.8	-3.3	-2.4
Money and credit j/					
Domestic credit k/					
To the public sector	40.2	43.4	43.3	40.6	41.0
To the private sector	31.9	32.4	29.6	25.8	26.2
Other	10.2	13.0	15.2	15.6	16.1
Liquidity (M3)	-1.9	-2.0	-1.5	-0.9	-0.1
Currency in circulation and local-currency deposits (M2	39.6	38.3	39.1	34.6	35.2
Foreign-currency deposits	28.9	26.0	25.8	22.8	23.1
	10.6	12.4	13.3	11.8	12.4

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 1996 prices.

c/ Restaurants and hotels are included in community, social and personal services.

d/ Includes errors and omissions.

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

f/ Unemployment rate as a percentage of the economically active population. Includes hidden unemployment; nationwide total.

g/ Average rates.

h/ Includes grants.

i/ Includes statistical discrepancy.

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.

Table A-7

SURINAME: MAIN ECONOMIC INDICATORS

	2002	2003	2004	2005	2006 a/
	Annual growth rates b/				
Gross Domestic Product	2.6	6.0	8.0	5.6	6.4
Per Capita Gross Domestic Product	1.3	4.6	5.8	4.3	5.0
Gross Domestic Product, by Sector					
Agriculture, livestock, hunting, forestry and fishing	-3.9	4.3	0.7	-0.3	-0.3
Mining and quarrying	-8.6	0.0	29.4	14.7	20.7
Manufacturing	-3.6	5.6	10.5	3.1	4.0
Electricity, gas and water	14.6	-1.4	10.0	3.0	7.3
Construction	0.6	17.0	10.1	8.6	10.5
Wholesale and retail trade, restaurants and hotels	8.4	32.2	6.0	7.8	6.3
Transport and communication	12.6	2.8	7.2	8.1	10.8
Financial intermediation, real estate, renting and business activities	3.9	2.5	5.3	4.4	2.5
Community, social and personal services, including Government	0.9	0.0	-1.4	5.6	0.6
Balance of Payments	**Millions of Dollars**				
Current Account	-60	-141	-59	-144	311
Merchandise Trade Balance	52	-30	167	22	312
Exports, FOB	529	639	871	1,212	1,644
Imports, FOB	477	669	703	1,189	1,331
Service Trade Balance	-128	-133	-130	-148	-48
Income Balance	-44	-49	-161	-40	7
Net Current Transfers	59	71	64	22	41
Capital and Financial Balance c/	68	132	126	-6	-206
Other External-Sector Indicators					
Gross External Public Debt (millonsof dollars)	371	382	383	382	399
Gross External Public Debt (percentage of GDP)	34.3	30.0	25.6	21.9	20.1
Employment	**Annual Average Rate**				
Rate of Unemployment d/	9.7	6.5	8.4	11.0	
Prices	**Annual Percentages**				
Variation in Consumer Prices (December-December)	28.4	13.1	9.1	15.8	10.3
Variation in Nominal Exchange Rate (December-December)	15.4	4.4	3.5	2.0	0.0
Nominal Deposit Rate	8.4	8.5	8.1	6.7	6.6
Nominal Lending Rate	21.3	21.0	19.1	16.3	15.6

Table A-7 (concluded)

		2002	2003	2004	2005	2006a/
Central Government		**Percentages of GDP**				
Total revenue		27.1	27.9	29.3	26.9	26.9
Total expenditures		31.6	27.1	28.7	28.1	25.5
Overall Balance		-4.5	0.7	0.7	-1.3	1.4
Public Debt	...	47.4	42.2	44.3	39.6	35.9
Internal	...	13.1	12.2	18.6	17.7	15.8
External	...	34.3	30.0	25.6	21.9	20.1
Money and Credit		**Percentages of GDP**				
Domestic Credit		26.8	22.0	23.0	23.1	23.7
To Public Sector e/		10.6	6.5	6.0	6.0	5.8
To Private Sector		16.1	17.4	18.7	19.0	19.8
M1		20.0	14.7	15.2	14.9	15.2
M2		28.8	22.3	22.6	22.2	22.6

Source: Economic Commission for Latin America and the Caribbean, on the basis of official data & projections.

a/ Projections by Stichting Planburo Suriname and Suriname Debt Management Organization

b/ Based on figures in local currenty at constant 1990 prices.

c/ Include errors and omissions.

d/ Unemployed as percentage of economically active population, Paramaribo and suburbs

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

Table A-8

TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS

	2002	2003	2004	2005	2006 a/
	Annual growth rates b/				
Gross domestic product	7.9	14.4	8.8	8.0	12.0
Gross domestic product, by sector					
Agriculture, livestock, hunting, forestry and fishing	8.7	-15.3	-25.3	9.7	-0.6
Mining c/	13.5	31.4	8.2	8.4	20.6
Manufacturing	3.8	12.2	8.6	11.6	11.8
Electricity, gas and water	8.7	5.3	3.2	6.2	2.2
Construction d/	-5.1	23.4	12.6	15.6	14.5
Wholesale and retail commerce, restaurants and hotels	1.0	1.8	3.4	5.9	3.1
Transport, storage and communications	9.5	5.4	1.9	9.4	4.0
Financial institutions, insurance, real estate and business services	11.5	7.3	21.7	9.9	7.5
Community, social and personal services	2.7	2.7	0.1	1.6	1.2
Balance of payments (q)+⁄	**Millions of dollars**				
Current account balance	76	985	1,788	3,972	3340
Merchandise trade balance	238	1,293	1,509	3,948	3232
Exports, f.o.b.	3,920	5,205	6,403	9,672	6500
Imports, f.o.b.	3,682	3,912	4,894	5,725	3268
Services trade balance	264	314	671	527	308
Income balance	-480	-681	-450	-554	-223
Capital and financial balance e/	39	-627	-1,054	-2079.0	-2069
Overall balance	116	334	734	1893.0	1271
Other external-sector indicators					
Gross external public debt (millions of dollars)	1,549	1,553	1,351	1280.8	1145.0
Gross external public debt (percentages of GDP)	16.3	14.4	12.6	8.5	6.3
Employment	**Average annual rates**				
Labour force participation rate f/	60.9	61.6	63.0	63.7	63.7
Unemployment rate g/	10.4	10.5	8.4	8	7.2
Prices					
Variation in consumer prices (December-December)	4.3	3.0	5.6	6.9	9.0
Variation in nominal exchange rate (December-December)	0.3	0.0	-0.4	0.0	0.0
Nominal deposit rate	12.3	11.4	1.9	2.6	1.6
Nominal lending rate	3.5	2.5	9.3	9.1	10.2

Table A-8 (concluded)

	2002	2003	2004	2005	2006 /a
Central government **Percentages of GDP**					
Current income	26.1	24.0	29.0	34.6	33.5
Current expenditure	24.1	22.0	24.0	25.7	28.4
Net capital expenditure	-1.3	-1.2	-2.2	3.4	4.6
Money and credit h/ i/					
Domestic credit j/	35.1	30.4	31.7	33.8	27.3
To the public sector	5.0	3.0	2.8	4.3	3.0
To the private sector	30.0	27.3	28.9	29.5	24.3
Liquidity (M3)	40.9	34.0	36.2	39.1	38.0
Currency in circulation and local-currency deposits (M2)	31.1	27.6	27.1	31.0	33.4
Foreign-currency deposits	9.8	6.4	9.1	8.1	10.2

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

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

h/ Weighted average.

i/ The monetary figures are annual averages.

j/ 2006 data is for the first 2 quarters, Jan-Jun

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