

EASTERN CARIBBEAN CURRENCY UNION (ECCU)

Overall economic growth in ECCU slowed to 2.2% in 2015 from 3.5% in 2014. However, there was significant heterogeneity in growth between individual countries. Thus, there was a 2.7% year-on-year contraction in the economy of Dominica due to the effects of Tropical Storm Erika. The other ECCU economies all generated positive economic growth, as output in the construction, hotel and restaurant and agriculture sectors trended upward. Furthermore, a continuation of cross-ECCU fiscal consolidation initiatives resulted in an overall fiscal surplus, with a concomitant decline in the public debt stock. In addition, the merchandise trade deficit narrowed in the first half of 2015, as imports declined by 4.6% and export receipts increased by 16.8%. There was deflation (-1.3%) across ECCU, with price falls across all economies. ECCU growth is projected at 3.3% in 2016, with economic activity in the tourism, construction and agricultural sectors strengthening.

The fiscal performance of ECCU improved over the first half of 2015 relative to the same period in 2014, as a larger fiscal surplus coupled with decreased capital spending led to an overall surplus of EC\$ 57.6 million, against a deficit of EC\$ 45.4 million during the first half of 2014. Moreover, the fiscal position of Antigua and Barbuda moved from deficit to surplus as non-tax revenues more than doubled to EC\$ 55.3 million because of increased revenues from the Citizen by Investment Programme (CIP), while the central government continued to institute fiscal consolidation measures, including the reining in of concessions. In addition, Saint Lucia and Grenada generated smaller deficits. The improved fiscal performance of the latter was indicative of early gains under the home-grown structural adjustment programme, which are expected to strengthen with the implementation of the fiscal responsibility legislation and the revised legislation on the tax regime approved by Parliament in June 2015.

During the first half of 2015, year-on-year, the average ECCU fiscal current account balance improved from a surplus of EC\$ 156 million to one of EC\$ 239 million as increased current revenues outstripped current spending growth. Central government revenues rose 5.1% to EC\$ 2.1 billion, largely because of an 8.0% increase (EC\$ 133.4 million) in tax revenue across all major categories.

The improved fiscal position was accompanied by a 3.0% decline in the total public debt stock of the ECCU member countries, bringing it down to EC\$ 12.855 billion by the end of June 2015. This fall in the public debt stock was primarily attributable to an overall contraction in both domestic and external debt. Dominica, however, experienced a marginal increase (2.0%) in total disbursed outstanding public sector debt. More specifically, an 8.9% increase in the domestic stock of central government debt, the result of a rise in commercial bank financing, more than offset a 2.2% contraction in the external debt stock. Notwithstanding, there was a 67.5% increase (to EC\$ 720.9 million) in debt service payments across ECCU, as principal payments more than doubled year-on-year.

Financial sector liquidity increased by 3.6 percentage points during the period under review. Further, the decision by the Eastern Caribbean Central Bank Monetary Council to lower the minimum deposit rate on savings to 2.0% from 1 May 2015 had a greater impact on deposit than on lending rates. Thus, the weighted average interest rate spread widened by 21 basis points to 6.54% as the weighted average lending rate across the currency union fell by 0.32 of a percentage point year-on-year to 8.60% and the weighted average deposit rate by 0.53 of a percentage point to 2.05%. However, domestic lending contracted by 4% to EC\$ 10.96 million over the first two quarters of 2015 compared with the same period in 2014. This was primarily due to an 8% reduction in lending to the private sector, as business lending declined. However, lending to central government more than doubled, with commercial bank credit increasing by 48.3%.

The merchandise trade deficit narrowed during the first half of 2015 as imports declined by 4.6% or EC\$ 156.4 million and export receipts rose by 16.8% to EC\$ 591.3 million, which compares with an 8.5% expansion over the first half of 2014. The contraction in import payments was largely driven by a 24.6% drop in the value of fuel imports, while the positive export outcome was underpinned by strong banana production and manufacturing exports in Saint Lucia and Saint Vincent and the Grenadines.

The first half of 2015 saw a quickening in the pace of economic activity in the tourism and agriculture sectors in general, as well as in the manufacturing sector in Grenada, Saint Lucia and Saint Vincent and the Grenadines, with positive growth spillovers in the construction, hotel and restaurant, transportation and communication and wholesale and retail sectors. Moreover, gross travel receipts expanded by 4.8% as economic activity in the tourism industry accelerated during the first six months of 2015, with the number of arrivals increasing by 10% to 2.4 million year-on-year. This notwithstanding, stay-over visitor growth slowed to 2.6% from the 6.6% recorded in the first half of 2014. With the exception of Antigua and Barbuda (-3.6%) and Dominica (-0.1%), all ECCU members recorded increases in the number of stay-over arrivals.

Overall economic growth in ECCU slowed to 2.2% in 2015 from 3.5% in 2014. There was significant heterogeneity in growth between individual countries. The fall-off in overall economic activity in ECCU was largely precipitated by the 2.7% contraction in the Dominican economy due to the impact of Tropical Storm Erika. All the other ECCU economies generated positive economic growth. ECCU economic output is forecast to expand by 3.3% in 2016, with economic activity in the tourism, construction and agricultural sectors strengthening and the Dominican economy returning to positive growth.

There was deflation in the ECCU during the first six months of 2015, with a 1.3% decline in the consumer price index (CPI) across all economies of the currency union, compared with a 1.1% increase over the same period of 2014. Falling food and oil prices were the main drivers of the decline in the CPI. Official unemployment statistics for ECCU are for the most part unavailable. Notwithstanding, the unemployment rate in Saint Lucia is estimated at 25%, with youth unemployment (ages 15 to 24) of 43% and female unemployment of 27.5% as of the end of June 2015. These figures represent declines on year-earlier figures of 25.4%, 46.3% and 28.9%, respectively. For Grenada, the overall unemployment rate dropped from 33.5% to 28.9% year on year. Similarly, youth unemployment (ages 15 to 24) fell from 55.6% to 45.3%. At the end of June 2015, employment among women stood at 30.6%.

EASTERN CARIBBEAN CURRENCY UNION ^a: main economic indicators, 2013-2015

	2013	2014	2015 ^b
Annual growth rate			
Gross domestic product	1.4	3.5	2.2
Consumer prices	-0.3	0.7	-1.1 ^c
Money (M1)	5.6	8.5	8.3 ^d
Annual average percentage			
Central government			
Overall balance / GDP	-3.4	-1.3	-2.1
Nominal deposit rate ^d	2.9	2.6	2.2 ^e
Nominal lending rate ^d	8.9	9.0	8.7 ^e
Millions of dollars			
Exports of goods and services	2,038	2,108	2,187
Imports of goods and services	2,923	2,901	2,956
Current account balance	-886	-794	-776
Capital and financial balance ^f	979	1,082	776
Overall balance	93	287	...

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

a Refers to six countries: Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines.

b Estimates.

c Figures as of June.

d Weighted average rate.

e Figures as of September.

f Includes errors and omissions.