ISSN 1727-9917

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United Nations publication
ISSN 1727-9917
LC/L.3680
LC/CAR/L.410

Printed in United Nations

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Abstract

In the face of weak global growth in major export markets the Caribbean economies have underperformed. The situation is much more severe among service producers[1] which have suffered the decline in tourist arrivals and offshore banking services. The goods producers have benefited from the commodity boom and have tended to show more robust growth. The expectations for 2013 are that growth will be positive in the region with the service producers growing at 1.5per cent and the goods producers at 3.6per cent. This performance will depend heavily on improved performances in the major export markets.

The fiscal policy stance in most countries in the region in 2012 tended to be expansionary with the average deficit increasing from 3.1 per cent of GDP to 3.4 per cent. The economic structure was an indicator of fiscal health as the service producers had greater deficits. The central challenge on the fiscal side in the region is the large debt problem. Between 2011 and 2012 the average debt burden increased marginally from 64.2per cent of GDP to 65.5per cent of GDP and in a few cases the debt burden was in excess of 100 per cent of GDP. This situation calls for a consistent attempt at fiscal consolidation over the medium term.

With respect to monetary policy, the stance was mostly neutral given sluggish demand and stable prices. In a few cases, lending rates trended down slightly but deposit rates also declined and money supply remained practically constant. At the same time, domestic credit to both the private and public sector remained unchanged and the private sector remained risk averse.

[1] The goods producers are: Belize, Guyana, Suriname and Trinidad and Tobago. The service producers are Anguilla, Antigua and Barbuda, The Bahamas, Barbados, Dominica, Grenada, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines.

Inflation trends in 2012 were mixed but overall inflation remained relatively low.

The current account balance which is a source of growing concern, increased due to rising imports and sluggish exports. Elevated commodity prices helped to keep the cost of imports high .In terms of the financial and capital accounts, there was an increase in FDI inflows to the subregion but much of this was outside of the tourism sector.

I. Introduction

The economies of the Caribbean are expected to show improved performance in 2013 relative to 2012 with overall growth of 2per cent. This is very much below the post crisis performance of 4.8 per cent in 2008. The goods producers are expected to grow at 3.6 per cent while the service producers will post growth of 1.5 per cent. The latter performance will depend heavily on the improved demand in major markets for tourism and related services. The prospects for improved performance is also based on greater FDI inflows to the region from traditional sources

For many Caribbean economies, the large debt to GDP ratio will place considerable stress on public finances and will require bolder attempts at fiscal consolidation in order to reduce the debt burden over the medium term.

The stability of exchange rates, except for a few countries, and moderate import price increases will keep inflation stable and help maintain domestic demand. Assuming no major external shocks, the growth performance in 2012 should exceed that of 2013 which will also help to reduce the high unemployment in some countries.

A. The world economic prospects

Global growth has weakened in recent months and this has helped to maintain high unemployment levels. While it is not clear whether this slowdown will persist, its impact will be damaging to Caribbean economies which have only now emerged from the crisis. Of particular importance is the weak growth projection for the European Union (EU) and the United Sates which constitute the main markets for Caribbean goods and services. The concentration of Caribbean exports in these markets makes the region vulnerable to slowdown in these economies.

For a small number of Caribbean economies that are mainly goods producers, namely Guyana, Belize, Suriname and Trinidad and Tobago, elevated commodity prices have helped to sustain their positive growth.

In both the EU, the United States there was a marked decline in activity in the latter part of 2012, in the former; this was driven by financial difficulties in some countries and an increase in sovereign spreads.

Table 1 shows that relative to 2011 global output in 2012 was much lower but is expected to improve in 2013 to 3.6per cent.The prospects for growth in the Europe Union and the United Sates are positive but flat while emerging and developing economies a better performance is expected in 2013 relative to 2012.

TABLE 1
ACTUAL AND PROJECTED GROWTH RATES 2011-2013
(Percentages)

	Actual	Projections	
	2011	2012	2013
World output	3.8	3.3	3.6
Advanced economies [a]	1.6	1.3	1.5
United States	1.8	2.2	2.1
European Union	1.6	-0.2	0.49
Emerging and developing economies	6.2	5.3	5.6
India	6.8	4.9	6
China	9.2	7.8	8.2
Latin America [b] and the Caribbean	3.2	2.5	3.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures; International Monetary Fund (IMF) (2012), "World Economic Outlook database, October 2012.

[a] Advanced Economies includes Australia, Austria, Belgium, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong SAR, Iceland, Ireland, Israel, Italy, Korea, Luxembourg, San Marino, Malta, Netherlands, New Zealand, Norway, Portugal, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Taiwan Province of China, United Kingdom and United States.
[b] Latin America includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

In the case of the emerging and developing economies, growth rates in 2012 and 2013 are likely to be less than in 2011. Much of this growth has been driven by India and Chain which have experience substantial slowdown despite still positive performances.

B. Growth performance in the Caribbean

While it is expected that overall growth in the Caribbean will be slightly better than last year, the impact of hurricane Sandy may have some spill over effects into early 2013. This may see an increase in construction activity but an increase also in food prices due to its impact on agriculture. The region as a whole grew marginally relative to last year with the goods producers posting 3.2 per cent and the service producers 0.4per cent. Guyana, Belize and Suriname continue to post substantial growth rates buoyed up by high prices in gold and agricultural exports however among the service producers Anguilla, Montserrat, Jamaica and St Kitts and Nevis will post negative growth[2]. In 2013 for the first

[2] The situation in Jamaica is particularly delicate with slippage in the exchange rate and uncertainty surrounding the delays in a new IMF agreement.

time since the crisis we anticipate that all Caribbean countries will post positive growth with the service producers growing at 1.5 per cent and the goods producers 3.6 per cent. This performance is heavily dependent on improved performance in the European Unionand the United Sates which can translate into improved demand for tourism and other export services.

TABLE 2
LATIN AMERICAN AND CARIBBEAN GDP GROWTH RATES 2007-2013
(Percentages)

	2007	2008	2009	2010	2011	2012[a]	2013[b]
Anguilla	17.3	-0.3	-16.5	-5.8	-1.8	-3.1	1.0
Antigua and Barbuda	7.1	1.5	-10.7	-8.5	-3.0	0.9	2.4
Bahamas	1.4	-2.3	-4.9	0.2	1.6	2.5	3.0
Barbados	3.4	-0.2	-3.6	0.2	0.6	0.2	1.0
Belize	1.2	3.8	0.0	2.7	2.3	4.2	2.3
Dominica	3.9	7.8	-0.8	0.7	1.9	1.6	1.7
Grenada	6.3	1.7	-5.7	-1.9	0.4	0.2	1.2
Guyana	5.3	3.0	2.3	3.6	5.4	3.8	4.9
Jamaica	1.4	-1.3	-3.5	-1.5	1.3	-0.2	0.1
Montserrat	4.5	3.3	0.4	-3.8	1.8	-0.6	1.4
Saint Kitts and Nevis	4.9	3.9	-4.2	0.1	-1.9	-0.8	1.8
Saint Lucia	2.4	5.3	0.3	0.6	1.0	0.9	1.9
Saint Vincent and the Grenadines	3.0	-0.5	-2.2	-2.3	0.4	1.5	1.5
Suriname	5.1	4.1	3.0	4.1	4.7	3.6	4.7
Trinidad and Tobago	4.6	2.3	-3.5	0.2	-2.6	1.0	2.5
The Caribbean (15) [c]	4.8	2.1	-3.3	-0.8	0.8	1.0	2.1
Service Producers [c]	5.1	1.5	-4.7	-2.2	0.4	0.4	1.5
Goods Producers [c]	4.1	3.3	0.5	2.7	2.5	3.2	3.6
Latin America (16) [c, d]	6.5	5.4	0.0	5.5	5.6	4.0	4.3
South America (10) [c, d]	6.4	6.1	0.1	6.6	5.7	3.7	4.4
Central America (5) [c, d]	6.7	4.0	-0.2	4.2	5.0	4.7	4.1
Mexico	3.4	1.2	-6.0	5.6	3.9	3.8	3.7
Latin America and the Caribbean [a, b]	5.6	3.8	-1.6	2.4	3.2	2.5	3.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and Macroeconomic Report; Economist Intelligence Unit database.
[a] Preliminary estimates for 2012.
[b] Forecast.
[c] Regional or Producer aggregates are calculated as simple average.
[d] Preliminary estimates for 2011.
Service producers: Anguilla, Antigua and Barbuda, Bahamas, Barbados, Dominica, Grenada, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines.
Goods Producers: Belize, Guyana, Suriname, Trinidad and Tobago.
South America: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela.
Central America: Costa Rica, El Salvador, Guatemala, Nicaragua, Panama.
Latin America: South America, Central America.
The Caribbean: Anguilla, Antigua and Barbuda, Bahamas, Barbados Belize,, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines Suriname, Trinidad and Tobago.

Given the considerable impact of tourist arrivals on the performance of the Caribbean, Table 3 examines the situation for 2010-2012. The overall result is one of weak performance except for Belize, Suriname and Guyana for which tourist revenue are a relatively small share of earnings. In terms of 2013, the predicted arrivals of stopovers are not likely to be significantly improved given the challenges in major source markets. The impact of hurricane Sandy would also have impacted the arrivals in the last quarter of 2012 and the region in particular would have been affected by British tourists staying home for the Olympics.

TABLE 3
TOURIST STOP-OVER ARRIVALS
(Percentage change)

	Percentage Change		
	2010	**2011**	**2012**
Anguilla	7.1	6.1	-1.7 [a]
Antigua and Barbuda [b]	-1.9	5.0	1.7 [c]
Bahamas	3.3	-1.9	4.3 [d]
Barbados	2.6	6.7	-4.8 [a]
Belize	4.2	3.5	8.5 [a]
Dominica	2.1	-1.3	2.9 [c]
Grenada	-2.6	7.1	-5.1 [b]
Guyana	7.7	3.3	17.9 [b]
Jamaica	4.9	1.6	2.5 [b]
Montserrat	-5.2	-9.8	-6.7 [a]
Saint Lucia	9.9	2.1	-2.1 [a]
Saint Kitts and Nevis	...	...	...
Saint Vincent and the Grenadines	-3.9	1.9	2.3 [a]
Suriname	35.9	7.9	6.3 [c]
Trinidad and Tobago	-7.3	...	...

Source: Caribbean Tourism Organization - Latest Statistics, October 29, 2012.

[a] 2012 data refers to January-August.
[b] Non-Resident Air Arrivals.
[c] 2012 data refers to January-September.
[d] 2012 data refers to January –April.

C. Unemployment in the Caribbean

The weak growth performance has translated into weak employment possibilities except for a few countries. Although data are available for five countries at the moment, except for Guyana, Suriname and Trinidad and Tobago, unemployment rates are likely to remain elevated for some time within the range in 2012 of between 12 and 20 per cent.

TABLE 4
UNEMPLOYMENT RATES 2006-2012
(Percentages)

	2006	2007	2008	2009	2010	2011 [a]	2012 [a]
Bahamas	7.6	7.9	8.7	14.2	…	15.9	14.7
Barbados	8.7	7.4	8.1	10	10.8	11.2	12.2
Belize	9.4	8.5	8.2	13.1	…	…	14.4
Jamaica	9.6	9.4	10.6	11.4	12	12.8	12.8 [b]
Suriname	12.1	12	11.1	10	7.6	8.5	…
Saint Lucia	16.6	13.9	15.6	18.1	20.6	21.2	20.6 [c]
Trinidad and Tobago	6.2	5.5	4.6	5.3	5.9	5.1	…
Caribbean	10.0	9.2	9.6	11.7	11.4	12.5	14.9

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

[a] Preliminary data excluding Barbados in 2011.
[b] 2nd quarter data .
[c] 3rd quarter data.
… Data not available.

II. Macroeconomic policy

A. Fiscal policy

This section of the analysis evaluates fiscal policy, fiscal performance and their impact on public debt and debt servicing costs. The aim is to assess the extent to which countries are moving towards fiscal consolidation in order to reduce the debt burden,improve tax collection andrationalise public expenditure.

1. Fiscal balance

Fiscal policy was somewhat expansionary in 2012, with the average fiscal deficit increasing from 3.1per cent in 2011 to 3.4 per cent in 2012. The deficit was propelled by growth in expenditure led by capital spending in a number of countries, but also current spending in others, while revenues remained stagnant or declined in most countries

The fiscal performtmance differed by the structure of the economies, for example, the average deficit among goods-producers stood at 2.9 per cent of GDP (see table 5 and figure 1 below), while amongat in the service-producers it was 3.6 per cent of GDP.

Nevertheless, the increase in the deficit was marginally higher in the goods-producers (1.7 percentage points), compared with 1.6 percentage points in the service-based economies.

Indeed, 2012 was the first year that the deficit increased in the goods-producing economies since 2009. This indicates that fiscal management has become somewhat more difficult as international commodity prices have moderated, reflecting in part a slowdown in demand from China and other countries.

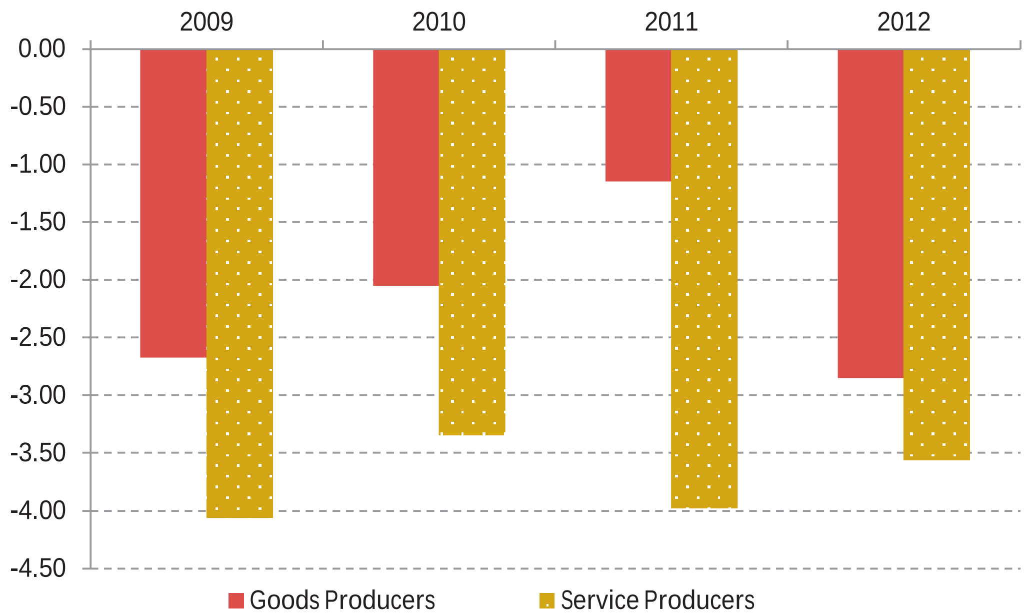
TABLE 5
FISCAL BALANCE[a] 2009-2012
(Percentage of GDP)

	2009	2010	2011	2012
Goods Producers [b]	**-2.68**	**-2.05**	**-1.15**	**-2.85**
Belize	-2.8	-1.8	-0.6	-2.0
Guyana	-3.7	-3.6	-3.1	-4.6
Suriname	0.8	-2.9	-0.1	-0.5
Trinidad and Tobago	-5.0	0.1	-0.8	-4.3
Service Producers [b]	**-4.06**	**-3.35**	**-3.98**	**-3.56**
Anguilla	-8.1	0.1	2.3	1.0 [c]
Antigua and Barbuda	-10.9	-1.4	-5.3	-0.6 [c]
Bahamas	-3.1	-4.4	-4.7	-3.8
Barbados	-7.9	-9.1	-5.3	-5.9 [d]
Dominica	-2.1	-6.6	-9.8	-5.6 [c]
Grenada	-4.9	-2.4	-3.0	-3.5 [c]
Jamaica	-5.8	-6.3	-3.6	-5.9
Montserrat	3.6	1.7	-6.5	-20.9 [c]
Saint Kitts and Nevis	-0.6	-4.1	0.8	12.0 [c]
Saint Lucia	-2.2	-0.6	-5.0	-3.3 [c]
Saint Vincent and the Grenadines	-2.7	-3.7	-3.6	-2.7 [c]

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

[a] A minus sign indicates a deficit.
[b] Annual simple average.
[c] January to June.
[d] April to September.

FIGURE 1
FISCAL BALANCE IN THE CARIBBEAN: GOODS AND SERVICE PRODUCERS 2009-2012



Source: ECLAC based on national data

Among the service-producers, roughly half of the countries improved their fiscal position, while fiscal performance deteriorated in the other half. Montserrat (14.4 percentage points) recorded the sharpest increase in the deficit, reflecting spending on outstanding pension payments to the Social Security Fund and higher outlays on capital projects. The deficit also expanded (2.3 percentage points) in Jamaica partly due to slippage with the failure to sign a new IMF agreement and high expenditure on rehabilitation after Hurricane Sandy. Meanwhile, in Antigua and Barbuda and St. Kitts and Nevis, which are on IMF Standby Agreements, the fiscal position strengthened, with deficit contracting by 4.7 percentage points in the former and the latter registering a large surplus of 12per cent of GDP. The improvement in Antigua and Barbuda stemmed from fiscal consolidation reflected in a sharp fall in capital expenditure and lower current expenditure, while St. Kitts and Nevis benefited from important debt forgiveness that was bolstered by fiscal consolidation. Meanwhile, Barbados and the Bahamas registered modest increases in their deficits, owing to stimulus programmes to boost domestic demand and employment in the wake of the weak recovery in export demand for tourism and other services.

By comparison, the deficit increased for all the goods-producers in 2012, following a decline in 2011. The increase was headlined by Trinidad and Tobago (3.5 percentage points) and Guyana (1.5 percentage points). The higher deficits in both Trinidad and Tobago and Guyana were propelled by a spike in capital spending in the former and capital and social expenditure in the latter aimed at both stimulating economic activity and improving social protection.

2. Central Government debt

High and in some cases unsustainable public debt continues to complicate economic management and to present a threat to growth in the Caribbean. In 2012, the debt burden in the region increased marginally, with Central government debt rising to 65.5per cent of GDP from 64.2per cent of GDP in 2011 (see table 6 and figure 2 below). Higher debt was driven by domestic debt as external debt declined marginally, reflecting in part the difficulty in accessing international markets given the deteriorating fiscal positions and adverse credit ratings in a number of countries. Growth in debt to GDP ratios was led by the service-producers (1.9 percentage points), reflecting debt financed government expenditure in the face of the sluggish recovery in tourism and other export receipts. The goods-producers were in a more favourable fiscal position, despite weakening terms of trade that led to a tapering off of growth in their commodity export receipts. As a result their debt increased only marginally.

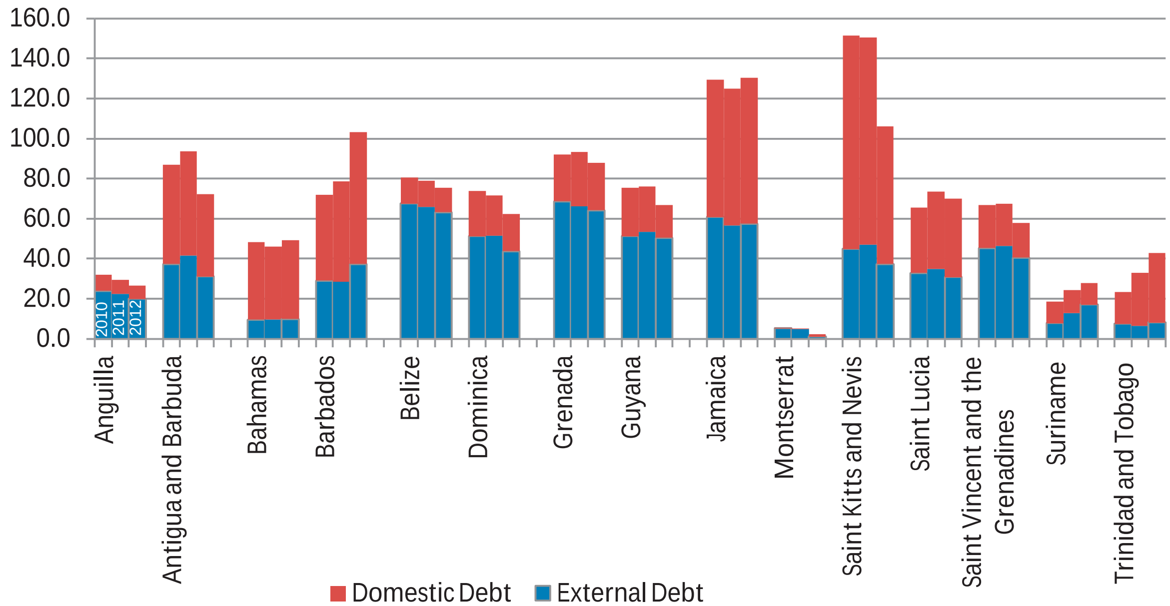
TABLE 6
CENTRAL GOVERNMENT DEBT IN THE CARIBBEAN 2010-2012
(Percentage)

	2010			2011			2012		
	External Debt	Domestic [a]	Total	External Debt	Domestic	Total	External Debt	Domestic	Total
Goods-producers									
Belize	67.5	13.2	80.7	65.7	13.2	78.7	63.2	12.3	75.5 [b]
Guyana	51.2	24.1	75.3	53.4	22.7	78.8	50.4	16.3	66.7 [c]
Suriname	7.8	10.8	18.6	12.9	11.3	24.2	17.0	10.7	27.7 [d]
Trinidad and Tobago	7.5	15.9	23.4	6.3	26.5	32.8	8.1	34.8	42.9 [e]
Average goods-producers	**33.5**	**16.0**	**49.5**	**34.6**	**18.4**	**53.0**	**34.7**	**18.5**	**53.2**
Service-producers									
Anguilla	22.1	7.9	30.0	22.0	7.4	29.4	21.9	7.2	29.1 [f]
Antigua and Barbuda	33	41.3	74.3	35.0	42.4	77.4	32.4	42.7	75.1 [f]
Bahamas	9.5	38.9	48.4	9.5	36.5	46.0	9.8	39.4	49.2 [e]
Barbados	28.6	38.6	67.2	31.9	48.2	80.1	30.2	52.7	82.9 [e]
Dominica	40.8	18.6	59.4	42.2	15.9	58.1	45.0	19.1	64.1 [f]
Grenada	67.0	17.0	84.0	66.2	22.2	88.4	66.5	24.5	91.0 [f]
Jamaica	60.9	68.4	129.3	56.7	68.1	124.8	57.4	73.1	130.5 [g]
Montserrat	1.3	0.3	1.6	1.2	0.1	1.3	1.1	1.3	2.4 [f]
Saint Kitts and Nevis	32.6	77.9	110.5	42.6	77.3	119.9	39.3	72.9	112.5 [f]
Saint Lucia	30.0	26.7	56.7	32.3	32.8	65.1	31.8	40.5	72.3 [f]
Saint Vincent and the Grenadines	40.1	15.6	55.7	42.2	16.0	58.2	42.7	18.3	61.0 [f]
Average service-producers	**33.3**	**31.9**	**65.2**	**34.7**	**33.4**	**68.1**	**34.4**	**35.6**	**70.0**
The Caribbean [h]	**33.3**	**27.7**	**61.0**	**34.7**	**29.4**	**64.2**	**34.5**	**31.1**	**65.5**

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

[a] Domestic debt includes private-public partnership debt.
[b] 2012 projection.
[c] Public sector debt ratio under rebased GDP. Q2 2012.
[d] Second quarter 2012.
[e] September 2012.
[f] Third quarter 2012.
[g] May 2012.
[h] Regional aggregates calculated as simple average.

FIGURE 2
CENTRAL GOVERNMENT DEBT AS PERCENTAGE OF GDP 2010-2012



Source: ECLAC based on national data

Growth in the debt ratio was spearheaded by Trinidad and Tobago (10.1per cent percentage points), St. Lucia (7.2per cent percentage points) and Jamaica (5.7 percentage points). The hike in Trinidad and Tobago's debt partly reflected the government's TT$10 billion bond settlement for CLICO shareholders. St. Lucia's debt trended upwards quickly as the government undertook a stimulus programme to boost growth and reduce high unemployment. Nevertheless, the introduction of the VAT along with expenditure restraint going forward should lead to improved government finances in the medium-term. Jamaica, on the other hand, contracted more debt to finance relief and rehabilitation after Hurricane Sandy.

As was the case with the fiscal balance, the contraction in debt was spearheaded by the two countries on IMF programmes-St. Kitts and Nevis and Antigua and Barbuda. St. Kitts and Nevis' debt declined from 119.9per cent of GDP in 2011 to 112.5per cent of GDP in 2012 as result of substantial debt relief under the Debt Exchange Offer which covered US$135 million of eligible debt and 13per cent of the total debt portfolio. This was also complemented by a land for debt swap with domestic creditors. Antigua and Barbuda's debt declined by 2.3 percentage points to 75.1 per cent of GDP reflecting fiscal retrenchment under the IMF programme.

B. Monetary policy

For most Caribbean countries, monetary stance remained generally neutral in 2012. This generally conservative policy approach was due to the prevailing sluggishness in most Caribbean economies arising from lower international demand, as the European economic crisis slowed the economic turn around which began in 2011.The discount rate was unchanged for Bahamas, Barbados, Jamaica, and the ECCU. However in Belize, the treasury bill rate was reduced from 2.4 per cent to 2.1 per cent, while Suriname tightened its policy stance by way of an alignment of its official and black market exchange rates to 3.30SDR to 1.00 US dollar. Trinidad and Tobago also moved towards a more accommodative monetary policy by lowering its repo rate from 3.00 to 2.75 per cent.

Some monetary authorities shifted focus towards stimulating domestic demand, and increasing liquidity, by reducing lending and deposit rates. In the ECCU, for instance, the average lending rate declined by one percentage point to 8.5 per cent between June 2011, and June 2012, while the average deposit rate declined slightly from 3.15 per cent to 3.12 per cent during the same period.

Overall, the lending rate for the sub-region (simple average) fell by 0.33 percentage points to 10.27per cent between 2011 and 2012. At the same time, deposit rates also declined by 0.27 percentage points averaging 2.95per cent during 2012. These shifts resulted in a narrowing of the overall spread from 7.38 to 7.32 percentage points. With respect to specific countries, the average lending rate fell marginally to 11.4 per cent in Guyana, 12.6 per cent in Belize, and 17.3 per cent in Jamaica. Suriname and Trinidad and Tobago however saw a slight departure from this pattern, with lending rates remaining stable at 11.8per cent throughout 2012, while increasing by 1.1per cent percentage point to 8.9per cent in Trinidad and Tobago. In the case of Barbados however, the average lending rate increased slightly to 9.3 per cent in 2012, while the deposit rate increased to 2.7 per cent.In spite of these adjustments, prevailing excess liquidity due to low level of level of economic activity continued to dampen credit demand, which remained largely unresponsive to interest rate adjustments in most Caribbean economies in 2012.

Table 6 shows the lending and deposit rates together with the spreads in 2011 and 2012, while Figure 1 shows monthly trends for lending rates for selected Caribbean countries in 2012.

Considering monetary aggregates, the share of M1 declined marginally on average for the sub-region, falling from 21.9per cent of GDP to 21.7per cent of GDP between 2011 and 2012. In the case of M1, some countries experienced increases, while the remainder reflected marginal declines or relative stability over the period. For instance, the share of M1 increased from 29.1per cent to 32.6per cent for the Bahamas, while Belize increased from 27.2per cent to 30.8per cent. Marginal increases in M1 were also observed for Montserrat (from 26.2per cent to 27.4per cent), Saint Kitts and Nevis (from 23.8per cent to 26.1per cent), Dominica (from 14.7per cent to 17.1per cent), and Grenada (from 15.4per cent to 15.5per cent). The largest declines were recorded for Antigua and Barbuda where M1 fell from 19.9per cent to 17.1per cent of GDP, Barbados where it fell from 43.0per cent to 34.3per cent and Guyana where it fell from 18.5per cent to 17.3per cent between 2011 and 2012. Grenada and Saint Lucia remained largely unchanged with M1 amounting to 15.5per cent and 20.4per cent of GDP respectively.

TABLE 7
LENDING RATE, DEPOSIT RATE AND SPREAD 2011-2012
(Percentage; Annual)

	2011			2012		
	Lending rate	Deposit rate	Spread[a]	Lending rate	Deposit rate	Spread[a]
Anguilla[b]	10.12	3.12	7.00	9.04	3.35	5.69
Antigua and Barbuda[b]	10.06	3.13	6.93	9.56	3.08	6.48
Bahamas[c]	11.1	3.4	7.70	10.9	1.84	9.06
Barbados[c]	8.8	2.5	6.30	9.3	2.7	6.60
Belize[d]	13.2	4.7	8.50	12.6	3	9.60
Dominica[b]	8.75	3.12	5.63	8.80	3.05	5.75
Grenada[b]	10.36	2.95	7.41	9.80	2.78	7.02
Guyana[e]	11.68	1.99	9.69	11.41	1.73	9.68
Jamaica[f]	18.3	4.3	14.00	17.3	3.7	13.60
Montserrat[b]	8.56	2.38	6.18	8.26	2.34	5.92
Saint. Kitts and Nevis[b]	9.18	3.38	5.80	8.58	3.47	5.11

Table 7 (concluded)

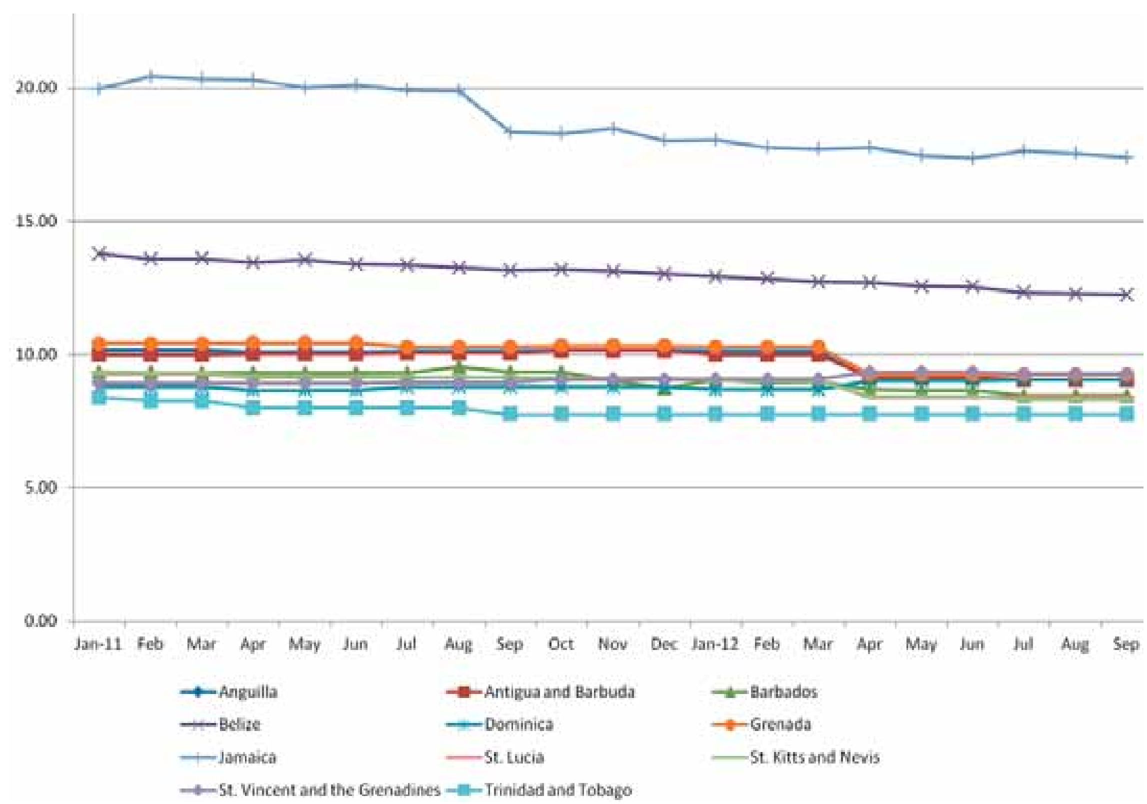
	2011			2012		
	Lending rate	Deposit rate	Spread[a]	Lending rate	Deposit rate	Spread[a]
Saint. Lucia[b]	9.15	3.09	6.06	8.48	2.99	5.48
Saint Vincent and the Grenadines[b]	8.96	2.89	6.08	9.20	2.77	6.43
Suriname[f]	11.5	6.7	4.80	11.9	6.8	5.10
Trinidad and Tobago[g]	9.3	0.67	8.63	8.89	0.58	8.31

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

[a] Lending rate minus deposit rate.
[b] 2012 data: January to June 2012.
[c] 2012 data: January to September annualized.
[d] 2012 data: January to May average.
[e] 2012 data: August 2012.
[f] 2012 data: Second quarter 2012
[g] 2012 data: January to September average.

Inflation trends in the Caribbean were mostly upwards between 2011 and 2012, on account of the effects of the brief global economic recovery in 2011. However, Barbados and the Bahamas showed a distinctly downward trend reflecting specific domestic economic conditions, while Guyana and Jamaica maintained largely stable prices over the period. In the case of the ECCU, the aggregate inflation index increased by 1.9per cent for the first half of 2012, relative to the same period in 2011. Price increases for food, fuel and light, household and furniture equipment and clothing and footwear were the principal drivers of inflation in the Caribbean.

FIGURE 3
LENDING INTEREST RATES 2011-2012
(Unit of measurement)



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

Within ECCU member countries, the largest price increases were felt in Antigua and Barbuda, where fuel price increases were the strongest, while Saint Kitts and Nevis showed the smallest increases on account of the general low level of economic activity during the period. In other Caribbean economies, Trinidad and Tobago's headline inflation rose 2.5per cent (year on year) to 7.7per cent by September, 2012, largely on account of increased food prices, while in Belize, inflation increased by 0.5per cent between January and September of the same year. In this instance, both fuel and food prices accounted for the increase. In the particular case of Suriname, the increase in inflation was estimated at 4.8per cent in 2012, and was seen to be mainly related to the unification of the official exchange rate.

On the other hand, inflation in Barbados fell by 2.3 percentage points (year on year) to 7.8per cent by the end of July 2012, while in the Bahamas inflation fell from 3.6per cent in August 2011, to 1.85per cent by August 2012. A moderation of fuel and international prices along with slow economic uptake was mainly responsible for this fall in prices. At the same time Jamaica and Guyana managed to maintain largely stable prices, with inflation rates of 6.3per cent between January and September for Jamaica, and 1.8per cent (year on year) as at June 2012 for Guyana. In the latter case, government's interventions to lower fuel taxes, as well as stringent management of liquidity levels were key in mitigating overall price increases.

With respect to domestic credit to the private sector, this remained unchanged for Caribbean economies, with an average of 69.8per cent of GDP in 2011, and 69.9per cent in 2012. While most countries experienced no significant changes over the period, Antigua and Barbuda recoded a 4.9per cent reduction to 75per cent of GDP during 2012, while Belize fell from 57.8per cent to 55.0per cent.

At the same time the Bahamas, Montserrat and Saint Lucia all showed marginal increases in domestic credit of 4.8per cent, 3.1per cent and 2.4per cent respectively.

In the case of domestic credit to the public sector, this remained virtually unchanged at -2.5per cent (simple average) for the sub-region between 2011 and 2012. Increases were noted for the Bahamas (3.5per cent), and Suriname (1.1per cent), while significant reductions were noted for Saint Kitts and Nevis (7.5per cent) and Anguilla (9.4per cent). Overall however, the limited movement in this area demonstrated the limited fiscal capacity of Caribbean governments to undertake public sector projects during the period. Monetary aggregates and domestic credit are summarized in Table 7 below.

TABLE 8
MONETARY AGGREGATES AND DOMESTIC CREDIT TO PRIVATE AND PUBLIC SECTOR 2011-2012
(Percentage of GDP)

	M1[a]		M2[b]		Domestic credit to private sector		Domestic credit to public sector	
	2011	2012[c]	2011	2012[c]	2011	2012[c]	2011	2012[c]
Anguilla	5.7	5.2	126.9	128.8	176.8	175.6	-20.6	-30.0
Antigua and Barbuda	19.9	17.1	98.5	93.2	80.1	75.0	13.6	12.2
Bahamas	29.1	32.6[d]	72.3	75.2[d]	77.6	82.4[d]	29.1	32.6[d]
Barbados	43.0	34.3[e]	155.4	137.0[e]	75.4	74.6[e]	18.7	18.9[e]
Belize[f]	27.2	30.8	74.6	74.6	57.8	55.0	-3.4	-3.1
Dominica	14.7	17.1	80.4	84.8	59.3	60.0	-8.6	-9.3
Grenada	15.4	15.5	87.8	87.0	85.4	84.2	-0.8	0.8
Guyana	18.5	17.3	51.5	49.8	25.6	26.3	-0.5	-4.6
Jamaica	0.9	…	2.0	…	1.3	…	1.1	…
Montserrat	26.2	27.4	122.3	131.6	43.4	46.5	-46.7	-45.1

Table 8 (concluded)

	M1[a]		M2[b]		Domestic credit to private sector		Domestic credit to public sector	
	2011	2012[c]	2011	2012[c]	2011	2012[c]	2011	2012[c]
Saint Kitts and Nevis[b]	23.8	26.1	104.4	108.0	69.8	70.5	15.2	7.7
Saint Lucia[b]	20.6	20.4	83.5	84.0	118.9	121.3	8.8	-6.7
Saint Vincent and the Grenadines	17.8	17.1	59.5	59.0	53.5	53.6	-5.0	-5.0
Suriname	25.2	23.4[g]	47.7[h]	44.2[g]	25.2[h]	25.1[g]	0.4[h]	1.5[g]
Trinidad and Tobago	20.7	19.9	42.6	43.3	27.9	27.9	-5.5	-5.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures; Bank of Jamaica database; Eastern Caribbean Central Bank database.

[a] M1 is defined as currency with the public.
[b] M2 is defined as M1 plus savings and time deposits except where indicated.
[c] Data up to August 2012, unless noted otherwise.
[d] Data as of September 2012.
[e] Data as of July 2012.
[f] Projected data for 2012.
[g] Data as of June 2012.
[h] Preliminary figures.
… Data not available.

III. The external sector

A. Balance of payment

The slowdown of the global economy and continuing recovery of the Caribbean economy led to the mixed outcome in the external sector of the sub-region in 2012. Both in goods-based and service-based economies, the export sector was affected by the sluggishness of the world economy, especially in Europe, while import rose considerably. Service exports improved marginally, and FDI inflows continued to increase in 2012, and these factors helped to offset the deficit in current account.

1. Current account

The sub-region experienced a larger deficit in the balance of goods in 2012 compared to 2011, as imports increased and exports were sluggish. The expansion of goods import was mainly due to the improvement of consumer import demand, reflecting the gradual recovery of the economies. Commodity prices which remained high throughout the year also contributed to the increasing cost of goods import. In addition, import for construction projects grew sharply in some countries where government-led or FDI-related projects were ongoing. On the other hand, export did not improve enough to offset the increase of import in many countries. The main reason of sluggish recovery of their export was recession of the global economy, especially in the EU. Export to EU, one of the main trade partners for the Caribbean, shrank sharply in 2012.

The service sector showed slight recovery both in goods-based and service-based economies. Although the EU was still in recession, the moderate growth of the US made a positive impact on the balance of services of the sub-region.

TABLE 9
COMPOSITION OF THE CURRENT ACCOUNT BALANCE 2011-2012
(Percentage of GDP)

	Balance of goods		Balance of services		Balance of income		Balance of transfers	
	2011[a]	2012[a]	2011[a]	2012[a]	2011[a]	2012[a]	2011[a]	2012[a]
Anguilla	-43.2	-44.8	21.0	25.0	0.0	-0.1	3.8	0.6
Antigua and Barbuda	-34.1	-33.5	24.6	23.7	-3.2	-2.8	2.0	1.9
Bahamas	-25.2	-31.6	15.5	17.9	-2.8	-3.1	-0.4	0.5
Barbados	31.1	…	19.2	…	-2.9	…	1.0	…
Belize	-12.0	-12.2	11.6	12.3	-7.6[b]	…	5.8[b]	…
Dominica	-33.5	-32.9	13.7	17.5	-2.2	-2.3	4.2	4.1
Grenada	-33.3	-32.6	6.7	6.9	-4.7	-5.5	-5.6	3.4
Guyana	-24.9	-25.4	-5.3	-7.2	-0.4	-0.4	16.1	16.8
Jamaica	31.3	28.4	4.9	6.6	3.8	0.7	14.7	14.2[b]
Montserrat	-43.0	-44.0	-9.5	-10.0	-6.2	-6.6	42.1	32.3
Saint Kitts and Nevis	-21.9	-22.3	10.3	10.7	-4.1	-3.6	7.7	7.0
Saint Lucia	-36.0	-34.2	14.3	14.2	-3.4	-3.5	1.7	1.5
Saint Vincent and the Grenadines	-36.4	-35.4	7.4	7.4	-2.5	-2.4	1.5	1.3
Suriname	20.9[c]	8.8[b]	-7.4[d]	-3.1[b]	-5.2[c]	-1.8[b]	2.5[c]	0.9[b]
Trinidad and Tobago	24.5	14.3[b]	1.3	2.3[b]	-14.8	-10[b]	0.1	0.6[b]

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

Note: Data calculated using GDP and BOP in Current market prices.

[a] Data for 2011 & 2012 are estimates unless noted otherwise.
[b] Data refers to January-June.
[c] Preliminary data.

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The current account balance of many countries in the sub-region experienced a wider deficit in 2012, mainly due to the expansion of imports and sluggishness of exports mentioned above. Exceptions include Jamaica and some ECCU countries where goods import decreased in 2012 due to relatively weak recovery of their economies. Belize is another exception with a strong performance in service exports which offset the increase in goods import. On the whole, the gap between improving economy of the sub-region and sluggish global economy caused a wider current account deficit of the sub-region.

TABLE 10
CURRENT ACCOUNT BALANCE 2011-2012
(Percentage of GDP)

	Balance on current account	
	2011 [a]	**2012 [a]**
Anguilla	-18.3	-19.3
Antigua and Barbuda	-10.7	-10.8
Bahamas	-12.9	-16.2
Barbados	-9.2	…
Belize	-2.9	-1.6
Dominica	-17.8	-13.7
Grenada	-27.8	-27.8

Table 10 (concluded)

	Balance on current account	
	2011 [a]	2012 [a]
Guyana	-14.5	-16.1
Jamaica	-15.5	-9.4 [b]
Montserrat	-16.5	-28.3
St Kitts and Nevis	-8.1	-8.2
Saint Lucia	-23.4	-22.0
St Vincent and the Grenadines	-30.0	-29.1
Suriname	1.9	4.8
Trinidad and Tobago	11.2	7.2 [b]

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

Note: Data calculated using GDP and BOP in local current market prices

[a] Preliminary estimates.
[b] Data refers to January- June 2012.

B. Financial and capital account

Foreign Direct Investment (FDI) inflows to the sub-region continued to increase in 2012. This suggests that investors' confidence in the economic recovery of the Caribbean has been improving steadily. However, while investments were made in various sectors including mining, agriculture, financial services and communications, FDI inflows to the tourism sector did not improve enough due to the slow recovery of the economies of source countries such as EU or United States of America. As a result, economies which rely on the tourism, such as ECCU countries, received less investment in 2012.

On the whole, gradual recovery of the Caribbean economies caused a slight increase in financial capital inflows into the sub-region. The su rplus of capital and financial account expanded in many countries in the sub-region and partly offset the current account deficit in 2012.

TABLE 11
COMPOSITION OF CAPITAL AND FINANCIAL ACCOUNT 2011-2012
(Percentage of GDP)

	Foreign direct investment		Financial account balance		Capital account balance	
	2011 [a]	2012 [a]	2011 [a]	2012 [a]	2011 [a]	2012 [a]
Anguilla	3.7	5.6	11.8	13.8	4.1	5.5
Antigua and Barbuda	5.1	5.3	12.2	10.1	1.1	0.7
Bahamas	7.9	6.4	11.3	13.2	-0.1	-0.1
Barbados	…	…	6.6	…	1.3	…
Belize [a]	-6.4	-5.4	-1.2	-3.9	4.9	4.3
Dominica	7.2	6.2	14.2	11.5	3.6	2.1
Grenada	5.3	8.2	20.1	19.8	8.0	7.9
Guyana [a]	11.9	12.6	13.3	13.8	1.2	3.0
Jamaica	1.1	1.4 [b]	10.0	…	10.0	…
Montserrat	5.9	5.3	9.1	12.1	17.4	16.2
Saint Kitts and Nevis	15.3	9.0	13.6	6.7	1.5	1.5

Table 11 (concluded)

	Foreign direct investment		Financial account balance		Capital account balance	
	2011 [a]	2012 [a]	2011 [a]	2012 [a]	2011 [a]	2012 [a]
Saint Lucia	6.7	11.0	21.8	19.1	3.3	2.9
Saint Vincent and the Grenadines	15.9	15.1	20.8	23.0	6.6	6.1
Suriname	4.9	0.8	-1.6	1.8	0.9	-0.1
Trinidad and Tobago	4.7	10.1 [b]	-15.9	-18.1	0	0

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

Note: Data calculated using GDP and BOP in current market prices.

[a] Financial Account Balance excludes FDI.
[b] Data refers to Jan - June 2011.
… Data not available.

IV. Conclusion

Caribbean economies as a whole have been showing positive growth in the aftermath of the global recession but the fiscal crisis has been the source of considerable difficulty. The prospects for 2013 are much better than 2012, how ever the growth outcomes are likely to be uneven. The subregion as a whole is expected to grow at 2.1per cent while the service and goods based economies are expected to grow at 1.5 and 3.6per cent respectively.

The programmes of fiscal consolidation must be perused in order to bring down the debt, but such programmes must be developed as part of a credible medium term strategy for enhanced growth and employment creation. At the same time well targeted social protection programmes must be maintained and strengthened where necessary so that the most vulnerable are protected.

The challenges of a large debt and reduced fiscal space imply that debt reduction has to be a medium term strategy. In this context, concessionary assistance and debt restructuring where possible must be perused vigorously. The r ationalization of expenditure and the improvement in tax collection, while reducing tax expenditures, must form part of the overall strategy of fiscal consolidation in the short run.

Ultimately, however, the deteriorating current account balance requires considerable effort at raising competitiveness and building the capacity to export in existing and new markets both regionally and internationally.

Country notes

A. Bahamas

The modest recovery of 2011 is expected to strengthen in 2012, with economic growth increasing from 1.6per cent to 2.5per cent. Activity picked up in the first three quarters of 2012, underpinned by dynamic growth in the high value added stopover tourism and FDI- and public sector driven construction activity and buoyancy in the offshore financial services sector. However, reflecting a lag, growth in activity has not resulted in a commensurate decline in unemployment. The policy environment remains challenging, with the authorities finding it difficult to embark on fiscal consolidation in the face of a limited recovery. The financial sector remains quite liquid as private sector credit demand has just started to recover, and current account deficit of the balance of payments widened due to larger merchandise deficit. The upside projection is for growth of 3.0per cent in 2013, based on continued improvement in tourism that is linked to the recovery in the United States.

The policy of the new government has centred nurturing the nascent recovery. In this regard, government has reduced the stamp duty on conveyances over B$250,000 from 12per cent to 10per cent to stimulate the real estate market. Also, government has established a B$50,000 ceiling on real property tax on owner-occupied residence to stimulate construction activity. The hotel occupancy tax in Grand Bahama, which was badly affected by the recession, has been lowered by 50per cent for 10 years to boost the hotel sub-sector. Government has also undertaken to draft a White Paper on Tax reform to consider options for broadening the tax base and increasing the revenue base. A Debt Management Committee has also been established to develop a debt strategy aimed at constraining the growth in debt and securing lower borrowing costs.

During the first two months of FY2012/13[3], the fiscal deficit expanded by 49.5per cent year-on-year in nominal terms to B$81.6 million. Although revenues increased by 8.5 per cent underpinned by growth in international tax receipts from higher imports, they were offset by growth in spending, reflecting expanded capital infrastructure spending and outlays on wages and salaries. During the previous year, the fiscal position worsened with the deficit expanding from 2.6per cent of GDP in 2010/11 to 3.8per cent of GDP in 2011/12 year to date to May. Revenues increased by 4.8per cent due to higher tax receipts, partly reflecting repayment of arrears by a public corporation and increased non-tax receipts. However, gains in tax receipts were offset by an 11per cent expansion in expenditure on government road works, the airport and other projects and higher spending on wage and goods and services. Central government debt increased by 11.9per cent to 49.2per cent of GDP in nominal terms September-on-September to 2012. The 2012/13 budget projects an expansion in the deficit as an increased revenue effort based on a Centralized Tax Administration System is offset by higher capital spending and current consumption. The fiscal deficit is expected to widen to over 4per cent of GDP in 2012/13, as government B$25 million job creation programme, and revenue capacity remains constrained in the face of a lack of tax reform.

The monetary policy stance of the Central Bank remained unchanged in 2012, as in the face of continued weak domestic demand, import pressures did not present a threat to the fixed exchange rate, therefore, the discount rate was held at 4.5per cent. Liquidity and external reserves declined back to trend levels during the first nine months of 2012, compared with 2011, when they were bolstered by one-off receipts from the sale of the Bahamas Telecommunications Company (BTC). Nevertheless, liquidity is still high in the face of weak private sector credit demand. Therefore the weighted average deposit rate declined by 22 basis points surpassing the decline in the lending rate. Growth in private credit demand continues to be affected by high unemployment, investor uncertainty and higher loan loss provisions by banks which have been affected by high non-performing loan levels. Non-performing loans (NPLs) increased by 37 basis points to 13.4per cent year-on-year from January to September 2012 over 2011.

[3] In the Bahamas, the fiscal year runs from July 1 to June 30.

Partly to provide relief for homeowners and to reduce the level of non-performing loans, the government and commercial banks have developed a Mortgage Relief Plan. The plan entails government providing relief to past due mortgage holders in the amount of B$7,500 each to help cover deferred debt. The plan is expected to cover about a quarter of mortgages held.

The economic recovery strengthened in 2012, with growth projected at 2.5per cent in 2012, compared with 1.6per cent in 2011. Growth was buoyed by an 8.4per cent increase in high value added air arrivals, which were bolstered by the recovery in demand from the United States the main market. Hotel room revenues increased by 5.5per cent August-on-August, buoyed by increased arrivals, as the average daily room rate declined by 2.0per cent, owing to discounting at some properties. There was also strong growth (8.7per cent) in cruise passenger arrivals. Growth was also supported by FDI-based construction, especially the ongoing construction of the US$3.4 billion Baha Mar Resort and public infrastructure, including roads and the airport. Activity in the offshore financial services sector improved marginally owing to greater business from the recovering United States market and marketing in Brazil, Mexico and Panama.

Inflation moderated from 3.6per cent in 2011 (August-August) to 1.85per cent in 2012. This reflected a decline in transport costs, relative to a sharp increase in the previous year, on account of a moderation in international fuel costs. However, food prices increased by 3.4per cent percentage points, despite a softening of international food prices. Reflecting the limited recovery unemployment declined from 15.9per cent in 2011 to 14.7per cent in 2012. Employment gains were concentrated in the tourism and construction sectors.

The current account deficit expanded from 10.1per cent of GDP in the first half of 2011 to 11.6per cent of GDP in the first half of 2012. Sharp growth in imports for construction projects, and a recovery in consumer import demand as a result of improved incomes led to 19.9per cent increase in the trade deficit. This more than offset the improvement in both the services surplus on account of moderate growth in tourism receipts and higher merchandise exports. The income account deficit increased by 6per cent to 2.8per cent of GDP, while balance on transfers shifted from a deficit to a surplus, owing to a return to trend, after very high other transfers outflows in 2011. For the full year, the deficit is projected to expand from 13.5per cent of GDP in 2011 to around 15.0per cent of GDP in 2012. International reserves declined by 22.6per cent to US$756.65 million, after being bolstered by one-off receipts from the sale of BTL and shares in BORCO in 2011. The current account deficit is expected to widen in 2013, propelled by stronger import demand as growth continues to recover.

TABLE 12
BAHAMAS: MAIN ECONOMIC INDICATORS

	2009	2010	2011	2012[a]
		Annual growth rates		
Gross domestic product	-4.9	0.2	1.6	2.5
Consumer prices	4.6	2.1	2.5	1.85
Money (M1)	-1.7	0.3	-1.2	7.2 [b]
		Annual average percentages		
Unemployment rate	14.2	…	15.9	14.7
Central government overall balance/GDP [c]	-5.2	-4.8	-4.1	-3.8
Weighted average deposit rate[d]	3.8	3.4	2.6	1.84[e]
Weighted average lending rate [f]	11.7	11.1	11.0	10.9[e]
		Millions of dollars [g]		
Exports of goods and services	3,061.5	3,196.0	3,439.7	1845.4
Imports of goods and services	3,731.4	3,770.7	4257.3	2243.4
Current account	-808.6	-811	-1089.8	-489.5
Capital and financial account [h]	1,061.5	856.5	1114.2	532.5
Overall balance	253	44.5	162.1	-3.5

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

Note: Data are from the Central Bank of the Bahamas, Central Statistical Office and the Ministry of Finance of the Bahamas.

[a] Preliminary data.
[b] Twelve month variation to July.
[c] Fiscal Year.
[d] Deposit rate, weighted average.
[e] Average from January to September Annualised.
[f] Lending and overdraft rate, weighted average.
[g] Data for 2012 is from January to June.
[h] Includes errors and omissions.

B. Barbados

The economy of Barbados maintained an extremely sluggish trajectory during 2012, recording a mere 0.2per cent growth up to the third quarter of the year. This performance reflected the protracted weakness of the global economy, resulting in a small decline in tourism value-added, the country's main economic driver, manufacturing, and agriculture. The economy was however bolstered by modest expansion in construction and international finance. The overall low level of economic growth was apparent in a declining rate of inflation, a slight increase in unemployment, an increased fiscal deficit and a marginal increase in public debt. Declining retained imports improved the current account balance, though it remained in deficit. A moderate drop in net capital inflows reduced foreign exchange reserves to US$1.31 billion as at September, 2012, representing 4 months of import cover. Given the continued sluggishness in the US and European economies, the prospects for economic growth remain limited at best for Barbados in 2013.

The fiscal deficit stood at 5.9per cent of GDP during the period April to September, 2012 representing an increase of 1.2 percentage points over the same period in 2011. This was on account of a 2per cent reduction in overall tax revenue as personal income taxes and VAT fell by 13per cent and 4per cent respectively , which in turn reflected the low level of economic activity in the real sector during the period. Total expenditure also increased by 1per cent, driven primarily by a 3per cent rise in interest payments, and a 13per cent increase in individual transfers. These transfers include rebates to farmers, as well as tax credits for health care. The widening of the fiscal gap was however tempered by a doubling of property taxes due to enhanced collection efforts, as well as lower capital spending. Financing of the fiscal deficit resulted in an increased gross government debt to GDP ratio of 79.3per cent compared to 76.1per cent as at September, 2011.

In light of the slow growth of economic activity, the Central Bank maintained a generally loose monetary policy , with only a review of its guidelines for intervention and credit risk management during the first three quarters of 2012. In light of the protracted economic activity, credit growth averaged less than 1per cent across the sector, while domestic deposits grew by only 0.7per cent between September 2011 and September 2012. Residential mortgages however performed better than personal loans having increased by 6.5per cent during the period. Bank liquidity remained high as the excess liquidity ratio increased from 9.6per cent in 2011 to 14.5per cent in 2012. The average loan rate fell marginally from 9.3per cent to 8.7per cent, while the 3-month treasury-bill rate remained unchanged at 3.5per cent during the period.

As the mainstay of the Barbados economy, tourism continued to perform below par in 2012. Long-stay arrivals fell by 5per cent, while cruise passengers declined by 2.1 per cent during the first three quarters of 2012, reflecting the difficult economic conditions in the main source markets of Europe and the United States. Reduced airlift into the Caribbean also contributed to this decline. Manufacturing slowed by a further 4per cent since 2011, while overall agriculture contracted marginally in spite of a 4.4per cent increase in sugar production in 2012. International finance posted a 3.2per cent increase in the number of newly registered companies between September, 2011 and 2012. While there was a slight increase in residential construction activity, wholesale and retail activity remained flat for the first three quarters of 2012.

Inflation fell by 2.3 percentage points from the end of 2011 to 7.8per cent in July, 2012, reflecting a moderation of food and international fuel prices during the period. Average unemployment however trended slightly upwards from 11.5per cent in September, 2011, to 12.2per cent by July, 2012. Most job losses occurred in the accommodation, airline and food services sub-sectors.

The current account deficit fell from 7.5per cent to 5.4per cent of GDP between September, 2011 and 2012. A 19per cent reduction in retained imports along with a 5.3per cent boost of exports largely accounted for this change. The balance on capital and financial account which stood at USD150 million by September, 2012, also fell by 6.7per cent during the period reflecting significant declines in real estate inflows (by 7.6per cent). Loan and equity flows also fell by 62per cent, after the major boost occasioned by the sale of BL&P shares last year. International reserves fell by 6.6per cent, to USD 600 million at September, 2012, representing roughly 16 week of import cover at that time.

The Barbados economy continues to suffer from the economic fallout of repeated global crises , having maintained marginal growth of 0.2per cent during the first three quarters of 2012. Moderate overall growth is also predicted from construction , along with a slight boost in long-term tourism capital inflows towards the end of 2012. Expectations are for growth of roughly 1per cent in real output during 2013, contingent on the economic prospects in the main tourism source markets of Europe and the United States.

TABLE 13
BARBADOS: MAIN ECONOMIC INDICATORS

	2010	2011[a]	2012[b]
	Annual percentage growth rates		
Gross domestic product	0.2	0.6	0.2
Per capita groos domestic product	-1.4	…	…
Consumer prices	5.8	7.0[b]	7.0[b]
Money (M1)	7.1	9.5[c]	8.2[c]
Real effective exchange rate[d]	-0.9[e]	…	…
	Annual average percentages		
Open unemployment rate[f]	10.8	11.2	11.5[g]
Non-financial Public Sector overall balance/GDP[h]	-8.7	5.3[i]	
Nominal deposit rate[j]	2.7	2.5	2.7[k]
Nominal lending rate[l]	9.4	8.8	9.3[k]
	Millons of dollars		
Exports of goods and services	1886	1854	1374[k]
Imports of goods and services	2317	2463	2239[k]
Current account	-366	-506	-181[k]
Capital and financial account[m]	335	452	150[k]
Overall balance	-30	285	311.5[k]

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

Note: Data are from the Central Bank of Barbados, the Barbados Statistical Service and the Ministry of Finance, Economic Affairs and Energy of Barbados.

[a] Preliminary estimates.
[b] Twelve month variation to September, 2012.
[c] Twelve month variation to July, 2012.
[d] A negative rate indicates an appreciation of the currency in real terms.
[e] Year on year variation, January to October average.
[f] Includes hidden unemployment.
[g] Figure for the second quarter.
[h] Fiscal Year – April to March.
[i] Data for 2012 is from April to September.
[j] Interest rate for savings annualized.
[k] Average from January to September.
[l] Prime lending rate annualized.
[m] Includes errors and omissions.

C. Belize

Belize continues to register a stronger recovery than most of its Caribbean counterparts. Nevertheless, high debt and fiscal weakness presents a challenge to economic management. Growth is projected at 4.2per cent in 2012, relative to 2.3per cent in 2011, driven by a rebound in agriculture and dynamic growth in stay-over visitor arrivals and spending. Employment gains in tourism, agriculture and distribution was expected to lead to a decline in the unemployment rate. However, the fiscal deficit is projected to expand to 2.0per cent of GDP in calendar 2012. Given the high costs of servicing the US$544 million Superbond debt, government has embarked on a restructuring process with creditors, which could advance fiscal sustainability. Monetary conditions have improved with a pick-up in credit demand, particularly to the public sector. The external current account deficit expected to contract from 2.9per cent of GDP in 2011 to 1.6per cent of GDP in 2012, reflecting improved tourism inflows and lower income payments. Growth is projected to slow to 2.3per cent in 2013, owing to reduced petroleum production and construction activity.

The main thrust of policy in 2012 was the setting of the ground for a sustainable fiscal path that could facilitate the recovery and lead to manageable a debt burden. The key plank of this policy was government's effort to negotiate a restructuring of the US$544 million superbond. Government has put forward three scenarios. The first option entails lengthening the maturity to 2062, with a 15 year grace on payment of principal and a 2per cent interest rate. The second is a 30-year, option with a 45per cent discount and with a step up in interest rates from 1per cent to 4per cent. The third is a 30-year option with a 45per cent discount at 3.5per cent interest and a 5 year principal grace period. Reflecting the dire fiscal situation, the government paid a good-faith (US$11.7 million) interest payment, half of the amount due on the superbond in September, after an extension by creditors. Government hopes that a favourable deal can be reached with creditors that lead to fiscal sustainability and create space for growth-enhancing public investment.

Fiscal policy in 2012 was aimed on increasing revenues and containing expenditure to reduce the debt level, however this more likely to be achieved in the medium-term. Government also embarked on a debt restructuring programme for the Superbond in an effort to achieve a sustainable fiscal position over the medium-term. Reflecting buoyancy due to growth in the economy and improved collections, revenues increased by 11.1per cent in the first half of the year, which was just offset by an 11.2per cent expansion in spending leading small overall deficit of BZ$9.0 million (0.6per cent of GDP). However, revenue growth is expected to slow in the latter half of the year, and with the full payment of interest on the superbond, the fiscal deficit is projected to expand from 0.6per cent of GDP in 2011 to 2.0per cent of GDP in 2012. Central government debt was projected to increase by BZ$33.5 million nominal terms, but decline from 78.7per cent of GDP in 2011 to 75.5per cent of GDP , due to the growth in GDP.

Monetary policy was geared towards facilitating increased credit to the private sector for productive business activity, but this had limited impact. The Treasury-bill rate was lowered from 2.4per cent to 2.1per cent during the year, but this had little effect on lending rates, in an environment of high banking sector liquidity that impinges on the transmission of monetary policy. Net domestic credit was projected to grow by 2.9per cent in 2012, compared with a 1.5per cent decline in 2011. Credit to the private sector rose by 1.6per cent, associated with slight increase in business confidence as the economy recovers, while credit to the public sector increased by 13.8per cent. Broad money expanded by 4.3per cent based on growth in domestic credit, as growth in net foreign assets slowed due to lower oil tax receipts and higher debt servicing costs. Non-performing loans declined to 13.2per cent as June 2012, from 14.5per cent at the end of 2011. Interest rate spreads widened as a 1.7per cent decline in average deposit rates offset the 0.6per cent decline in lending rates.

The economy is expected to grow by 4.2per cent in 2012, compared with 2.3per cent in 2011. Dynamic growth of 7.4per cent was registered in the first half of the year, but this has slowed in the second half. Improved activity was driven by a rebound in agriculture, headlined by strong growth in sugar cane deliveries (38.9per cent up to May) and increased citrus and banana production. Sugar production surpassed the 100,000 long ton level for the first time since the 2005/06 harvest. Growth was also bolstered by an 8.2per cent increase in stay-over tourist arrivals, linked to strong marketing by Belize Tourism and increased airlift. Meanwhile, petroleum production continues to decline owing to declining output from the main Spanish Lookout field.

Inflation was expected to increase to 2.0per cent from 1.5per cent in 2011, reflecting higher domestic of higher fuel and food prices and stronger domestic demand. Inflation increased by 0.5per cent year-on-year January to September, stemming from higher costs of food, health and recreational services. These were partly offset by reduced prices of Transport (-1.6per cent) and education (-2.2per cent). Prices are expected to pick-up further during the last quarter of the year buoyed in part by Christmas shopping demand. The rate of unemployment declined to 14.4per cent at April 2012 with gains in employment expected in agriculture, tourism and distribution.

Growth in commodity exports and improved tourism receipts were expected to result in a narrowing of the current account deficit to 1.6per cent of GDP from 2.9per cent of GDP in 2011. The result reflected an 11.2per cent improvement in the services account surplus, driven by a 17.5 per cent expansion in the travel surplus, owing mainly to higher tourism receipts from stay-over arrivals and expenditure. This more than offset the increase (7.2per cent) in the trade deficit associated with higher import payments for fuel and machinery and transport equipment for infrastructure projects. The income account improved due to a recovery in remittances in line with the modest recovery in the United States economy and also reduced petroleum dividend payments abroad with the decline in production and earnings. The capital and financial account balance shifted to a deficit of US$68.0 million, owing to 11.0per cent decline in FDI to US$76.5 million and increased errors and omissions. International reserves expanded by 10.9per cent to US$ 262 million, covering 4.5 months of imports. The current account deficit is projected to narrow to 0.6per cent of GDP in 2013, as higher tourism inflows and remittances, offset a larger trade deficit.

The recovery in the Belizean economy continued in 2011 with growth projected at 2.5per cent compared with 2.7per cent in 2010. Growth was fuelled by manufacturing, electricity, water and gas sectors and improved tourism activity. Inflation moderated to 1per cent, despite stronger domestic demand and higher fuel prices, while unemployment was expected to ease with growth in activity. The fiscal position strengthened as growth in revenues from improved petroleum tax receipts and import duties outpaced growth in spending. Nevertheless, monetary conditions remained subdued with marginal decline in credit, reflecting weak private sector confidence. Meanwhile, the release of import demand was expected to lead to a widening of the external current account deficit. The economy is expected to grow by 2.9per cent in 2012, driven by broad based growth in agriculture, electricity generation, transportation and distribution.

Fiscal policy continued to focus on increasing revenues and containing spending to curtail growth in the debt, while maintaining social programmes aimed at reducing poverty. Buoyed by receipts from the petroleum sector and import duties stemming from the recovery in import demand, the overall fiscal deficit is expected to decline from 1.9per cent of GDP in 2010 to 1.1per cent of GDP in 2011. Revenue is expected to remain relatively stable at around 27per cent of GDP, while expenditure is projected to decline from 29per cent of GDP to 28.3per cent of GDP. During the first nine months of 2011, the fiscal deficit contracted by almost 75per cent to BZ$13 million, reflecting moderate growth in revenues associated with the triggering of windfall gains from the petroleum sector with oil prices above US$90 per barrel solid growth in import duty and non-tax receipts. With government paying off some debt at banks with part of windfall gains, public sector debt fell from 85per cent of GDP at the end of December to 82per cent of GDP.

The Central Bank sought to provide some monetary stimulus by lowering its lender of last resort rate from 18per cent to 11per cent and reducing the securities requirement of the commercial banks from 5per cent to 3per cent to encourage banks to increase their lending to the private sector. Nevertheless, in an environment of weak business confidence, private sector credit grew by only 2per cent. Therefore, the 4.2per cent growth in the broad money supply was fuelled net foreign assets, associated with receipts from sales in the Corozal Free Zone (CFZ) and tourism receipts with the pickup in activity in the sector. Therefore, liquidity in the banking system remained high, but Non-performing loans remained elevated at 15.2per cent of the total loan portfolio, leading the Central Bank to embark on plans to tighten regulations in the banking sector.

The recovery in real activity continued in 2011 with projected growth of 2.5per cent, marginally lower than the 2.7per cent in 2010. Growth was driven by a pick-up in manufacturing, the electricity and tourism sectors. Manufacturing was bolstered by an 11.7per cent increase in sugar production, despite lower sugarcane deliveries, as the productivity increased by over 32per cent[4]. Similarly, citrus juice production expanded by 11.1per cent to 31.1 million pound solids, reflecting a sharp improvement in average yield per box of fruit. Output of marine products also increased as a result of higher

[4] The net cane/sugar ration fell from 12.70 to 8.57 due to the long dry ripening season and quality improvements.

production of lobster, fish, conch and farmed shrimp. Tourism was boosted by 2.1per cent increase in stay-over visitor arrivals year-on-year to August, underscoring the nascent recovery in major markets. However, cruise passenger arrivals fell by 1.2per cent due to unsettled contractual problems between Carnival Cruise Line and local tender operators. Petroleum output contracted by 3.4per cent to 984,203 barrels, reflecting reduced output from the maturing Spanish Lookout field.

Growth is expected to improve marginally to 2.9per cent in 2012, underpinned by continued recovery in tourism and the electricity sector and a rebound in agriculture. However, relative weakness in major markets poses a downside risk to this forecast.

Despite the hike in international fuel prices and improved domestic demand, inflation moderated to 1.0per cent at the end of May 2011 from 1.8per cent a year earlier. This reflected the removal of the general sales tax from fuel imports. This was reinforced by declines in prices (4.2per cent) of household goods and maintenance and food and beverages (0.8per cent). Meanwhile, higher fuel prices were still partly transmitted in transport and communication and rent, fuel and water whose costs increased by 3.6per cent and 1.4per cent, respectively. The rate of unemployment was expected to decline, owing to the multiplier effects of improved tourism, manufacturing and activity in the Free Zone.

The balance of payments current account deficit was projected to expand from 0.8per cent of GDP in 2010 to 2.2per cent of GDP in 2011. Nevertheless, the actual outcome might be better than projected, as a surplus of 3.3per cent of GDP was registered during the first half of the year, buttressed by a dynamic (36.1per cent) growth in exports that offset the 24.5per cent increase in imports. Sugar exports expanded by 84.2per cent to US$39.1 million on account of higher volume and improved prices. Petroleum export earnings increased by 72.7per cent to US$80.1 million due to the above average oil prices. Following import compression in the previous year, imports rebounded owing to higher payments for more expensive fuel products and increased imports of machinery & equipment and imports from the CFZ. Higher payments for freight and business services influenced by the resurgence in imports and stagnant travel receipts, due to dampening effect of lower cruise visitor arrivals, led to a 9.7per cent reduction in the services account surplus. Influenced by a sharp fall in FDI linked to weak investor sentiment, the capital and financial account[5] posted a deficit of BZ$24.5 million. The current account deficit is expected to widen to US$69.1 million in 2010 driven by a larger merchandise deficit, as imports increase for ongoing projects. In 2012, the current account deficit is projected to expand to 4.5per cent of GDP largely on account of higher imports and reduced merchandise imports.

[5] The capital and financial account includes errors and omissions.

TABLE 14
BELIZE: MAIN ECONOMIC INDICATORS

	2009	2010	2011	2012[a]
	Annual growth rates			
Gross domestic product	0.0	2.7	2.3	3.3
Consumer prices	-1.1	0.9	1.5	2.0
Money (M1)	1.0	-0.7	13.0	19.8[b]
	Annual average percentages			
Unemployment rate	8.2	13.1	…	14.4
Central government overall balance/GDP [c]	-2.8	1.7	-0.6	-2.0
Nominal deposit rate[d]	6.2	7.4	4.7 [f]	3.0[e]
Nominal lending rate [f]	14.1	14.0	13.2 [f]	12.6[e]
	Millions of dollars [h]			
Exports of goods and services	728.3	829.6	938.7	1012.3
Imports of goods and services	782.2	778.6	-943.1	-939.7
Current account	-82.8	-11.9	-42.2	-25.0
Capital and financial account [i]	130.1	16.2	25.2	-68.0
Overall balance	47.3	4.3	18.8	25.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on official figures.
[a] Preliminary data.
[b] Twelve month variation to September.
[c] Calendar year .
[d] Deposit rate, weighted average.
[e] Data for 2012 are from January to May.
[f] Lending and overdraft rate, weighted average.
[g] Includes errors and omissions.

D. Guyana

Although unfavourable weather condition affected agricultural sector in the first half of the year, a rebound in the second half helped the Guyanese economy post relatively robust growth in 2012. Expo rts of key commodities are expected to contribute to the estimated growth of 3.8per cent. While current account deficit is likely to expand owing to an increase in imports, a surplus in the capital and financial account, thanks to robust FDI inflows, is expected to partially offset it.

The government seeks to keep the economy on course with the largest budget with projected fiscal deficit of 4.6per cent of GDP. Guyana continues to push Low Carbon Development Strategy under which the government will receive funds for major infrastructural projects. The government also pursues the improvement of social services by increasing benefit of public assistance and old age pensions.

Increased tax receipts and delays in spending resulted in higher surplus in central government’s fiscal operation in the first half of 2012, compared to the same period in 2011. In spite of the tariff reduction in 2011, collection from customs and trade administration increased owing to the expansion of import levels. Nevertheless, the fiscal balance is expected to turn into a deficit which was projected to reach 4.6per cent of GDP compared to 3.1per cent in 2011. The government targets a record level of expenditure which was projected to expand by 25.7per cent from the previous year, aiming to keep growth robust by implementing major infrastructure projects and improving social systems.

The rising fiscal deficit is a matter of concern, as the debt-GDP ratio remains relatively high at 78.8 percent at the end of 2011. However, external debt will be decreased at the end of 2012 thanks to the debt compensation agreement between Venezuela, as well as multilateral debt relief initiatives.

The Bank of Guyana continued to focus on the stability of price and provision of adequate liquidity in the banking system. As of the end of August, both M1 and M2 expanded compared to the end of 2011, by 2.2 percent and 5.8 percent respectively. Private sector credit grew by 12.3per cent from the end of 2011 to the end of August, due to strong growth in mining and service sectors.

Inflation has been stable, thanks to the effective management of liquidity levels and government's interventions to lower taxes on fuel products. The year-on-year inflation rate at the end of the first half of 2012 was relatively low at 1.8per cent in spite of upward pressure in food and fuel prices. Although a seasonal rise in prices is expected toward year-end, the inflation rate at the end of the year is likely to be manageable at around 4-5per cent.

Exchange rate between Guyana dollar (G$) and US dollar has been stable, with only marginal depreciation from G$203.75 at the end of 2011 to G$204.50 at the end of August 2012. The Bank of Guyana sold US$61.0 million during the first half of the year to ensure the exchange rate stability.

Following the robust expansion of 5.4per cent in 2011, the growth of Guyanese economy in 2012 was projected to be 4.1per cent in the budget presented in March. However, preliminary data showed that the growth in the first half of the year was limited to 2.8per cent, compared to 5.9per cent for the same period in 2011. As a result, the growth rate for 2012 was slightly revised downward, but still robust at 3.8per cent. The outturn of the first half of the year was mainly owing to unfavourable weather condition which affected agricultural sector adversely. Sugar output was 33.4per cent lower in the first half compared to 2011, while forestry activities declined by 10.3per cent. On the other hand, mining and quarrying sector recorded 16.4per cent growth, thanks to increases in bauxite and gold production and high international prices. The service sector also showed strong growth, especially in transportation and storage (20.2per cent) and wholesale and retail commerce (11.6per cent). In the second half of the year, bauxite production was affected by social unrest which forced some producers to stop their operation for a month. However, the agricultural sector showed a remarkable rebound due to favourable weather condition, which made the growth rate of 3.8per cent feasible. The economy is expected to grow even more strongly in 2013, by 4.9per cent, assuming a strong performance of the agricultural sector and investments made in large infrastructure projects.

Increase in goods exports due to high commodity prices was negated by expansion in goods imports in the first half of 2012. Although export earnings from agricultural products are expected to increase in the second half, further increase in import related to infrastructure projects will result in an expansion of current account deficit from 14.2per cent of GDP in 2011 to 15.6per cent in 2012. On the other hand, the capital and financial account surplus is expected to widen, thanks to higher FDI inflows targeting the mining and telecommunications industries. Overall balance was a deficit of US$50.5 million at the end of the first half, but is expected to turn into a surplus of around US$ 19.0 million, owing to high FDI inflows and an increase of capital flows from bilateral and multilateral agencies.

E. Jamaica

The Jamaican economy continues to experience low growth and fiscal stress due to the large debt to GDP ratio and a substantial fiscal deficit. Economic conditions have been aggravated by the lack of a new IMF agreement which would secure international funding for balance of payments and other forms of support. The damage from Hurricane Sandy in October will also complicate matters as public fund will be needed to rebuild damaged infrastructure. While inflation has been relatively stable the exchange rate has seen some slippage in the June quarter. The projected growth for 2012 is -0.2per cent given that the first quarter growth was - 0.1per cent, second quarter growth was -0.2per cent and growth in the last quarter is also likely to be negative. The projected growth for 2013 is 0.1 per cent assuming that an agreement is signed with the IMF. Such an agreement will have a strong emphasis on fiscal restraint and reforms in the public sector which may also imply job cuts.

The budget of fiscal year 2012/13 was presented with the understanding that fiscal consolidation was necessary to encourage growth. This is not likely however, given the demands on expenditure due to Hurricane damage in October. The budget for 2012/13 was programmed at J$612.4billion of which 55per cent was to be financed from taxes and of the rest 60per cent was to be financed from the domestic financial market and 40per cent from overseas borrowing. For the period April to September 2012, a ctual revenue was less than those projected by 4per cent, while expenditure was also below forecast by 4per cent. The revenue shortfall occurred in all major categories while on the expenditure side the largest decline was in capital spending. In addition, the decline in the general consumption tax (GCT) rate from 17.5per cent to 16.5per cent did not seem to stimulate greater domestic demand. It is noted that for the period April to September 2012/13 revenues were 1.5per cent below a similar period last year. The fiscal deficit which was some 5.9per cent of GDP in the last fiscal year is likely to be slightly higher at 6per cent in 2012/13.

In terms of the public debt stock the external debt at May 2012 was 44per cent of total debt stock which increased marginally from January to May by 2per cent.This significant foreign exchange component of the debt makes the debt burden susceptible to currency depreciation of the Jamaican dollar. The debt to GDP ratio remained high at 130.5per cent of GDP and is likely to remain elevated given the lack of robust growth of the economy.

The lack of robust growth has continued to affect unemployment. Unemployment rates shifted from 14.1per cent in January 2012 to 14.3per cent in April 2012 and down to 12.8per cent in July, which represents a 0.5per cent increase from July last year. This upward tendency may persist in the face of low growth. Meanwhile, the male unemployment rate moved over this period from 9.4 to 10.8 per cent while the female rate jumped from 16.9 to 18.4 per cent. Given that a new IMF agreement will emphasise fiscal restraint and possible public sector cuts, this will aggravate the already high unemployment rate in 2013.

The weak domestic demand and uncertainty surrounding an IMF agreement created bouts of instability in the foreign exchange market especially in the second quarter of 2012. Th e pace of depreciation of the weighted average selling rate of the $US versus the Jamaican dollar depreciate by 1.57per cent in the June quarter relative to .80per cent in the preceding quarter. The bank was forced to enter the market and sold $US134 million. By the end of the June quarter the exchange rate was $J88.7 per $US 1.00 and in November the rate is hovering at $J90.1 per $US 1.00. This situation may deteriorate further in light of the uncertainty surrounding the negotiations with the IMF.

In terms of monetary policy the Bank of Jamaica maintained its po licy rate which is t he 30 d ay Certificate of deposit at 6.26per cent and there was a decline in most measures of money supply in the September quarter reflecting weak economic activity. Meanwhile the weighted average lending rate declined from 18.34per cent in September 2011 to 17.36per cent in 2012. In the June quarter 2012, credit to the private sector increased by 4.2per cent while relative to 1.1 in the preceding quarter .Much of this increase was due to personal and other lending rather than business lending.

Growth rates in the first and second quarters of 2012 were -0.1per cent and -0.2per cent respectively. In both quarters the sector agriculture grew by 6.5 a nd 6.9 r espectively while mining and quarrying and construction declined by 5.0per cent and 10.2 per cent respectively. Other significant sectors that have declined in both quarters are Manufacturing and other manufacturing, construction, transport storage and communication and government services. In light of the hurricane damage, agriculture is l ikely to decline, while construction might see some improvement. The projection for 2012 is a negative growth of 0.2per cent and for 2013, positive growth of 0.1per cent assuming an early IMF agreement.

Inflation continued to be relatively stable with inflation over the period January to October at 6.3per cent and the point to point inflation at 7.2, with the largest increases coming from categories food and beverages and clothing and footwear which increased by 10.8 and 11.2 per cent respectively. Inflation in the food and beverage category is likely to be much higher next year given the damage to agricultural crops during the hurricane.

Over the period January to June there was a current account deficit of $US639.3 million which was an improvement over the corresponding period and represented an improvement in all subsectors except services. The improvement in the goods sectors was due to a reduction in imports of 1per cent. In this period current transfers increased by $US 23.6 million to US$1003.6 million due largely to an increase in private transfers. Meanwhile remittances have continued to increase with gross remittances reaching US$1519.7 million or 1.1per cent increase over the same period in 2011.Such inflows are a significant addition to the foreign exchange inflows notwithstanding the weak performance of the United Sates Economy, a major source of remittances to Jamaica. Overall however, the gross international reserves at the end of September was US$2.1 billion or 14 weeks of projected goods and services imports. Some deterioration is likely in 2012 however, given the uncertainty surrounding the lack of an IMF agreement.

TABLE 15
JAMAICA: MAIN ECONOMIC INDICATORS

	2010	2011	2012 [a]
	Annual percentage growth rates		
Gross domestic product [b]	-1.5	1.3	-0.2
Gross domestic product per capita	-1.7	1.1	.8
Variation in consumer prices [c]	11.7	6	6.7
Money (M1)	9.2	9.2	7.1 [d]
	Annual average percentages		
Unemployment [e]	12	12.8	13.7 [f]
Central government overall balance/GDP	3.2	-3.6	-3.5
Nominal deposit rate	6.4	4.3	3.7
Nominal lending rate	20.4	18.3	17.9
	Millions of dollars [d]		
Exports of goods and services	4005.2	4285.0	866.1 [g h]
Imports of goods and services	-6451.4	-7872.8	-2800 [g h]
Current account	-930.8	-2109.8	-637.4
Capital and financial account [i]	1200.2	1349.8	689.7
Overall balance	442.0	-205.1	425.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on official figures.
[a] Preliminary values based on first and second quarter.
[b] Based on figures in local currency at constant 2003 prices.
[c] December to December.
[d] percentages p.a. for the month of August.
[e] Percentage of the economicall active population.
[f] Based on average of January, April and July rates.
[g] relates to goods only .
[h] Preliminary values based on first and second quarter.
[i] Includes errors and omissions .

F. Suriname

The Surinamese economy continues to post robust growth as a result of elevated commodity prices especially in the mining sector namely gold; activities in the oil sector, including public investment and growing domestic demand. Growth in 2012 is expected to be 3.58per cent and 4.7per cent in 2013. The inflation rate which was some 20per cent due to the devaluation of the official exchange rate and an increase in fuel taxes will likely be under 5per cent in 2012 with a projected rate of 4.7per cent in 2013.Among the other important changes were the alignment of the official and unofficial exchange rates and the continuation of a conservative fiscal policy stance with a sustainable public debt. The government is also in the process of establishing a sovereign wealth fund in recognition of the terminal nature of mining and the volatility of long term commodity prices.

The fiscal balance which posted a deficit of 3per cent in 2011 will be much smaller in 2012 at 0.9per cent of GDP. In 2012, most revenue categories showed increases in both quarters one and two in 2012 relative to 2011. For example cumulative tax revenue in quarters one and two in 2012 grew by 42per cent, relative to a similar period for 2011. At the same time income from state owned enterprises mainly oil revenue increased by 47per cent. Public debt remains at sustainable levels with the foreign debt in August 2012 at 17per cent and the domestic debt at 10.7per cent.This was slightly lower than the overall debt burden for the last quarter of 2011 in which the domestic the foreign and domestic debt were 17.1 and 11.1per cent respectively. These ratios are also below the statutory limits of 35per cent and 25per cent for the foreign and domestic debt respectively. In addition in May 2012 the authorities cleared long standing arrears with the United States of America which improved the country's economic outlook and caused the rating agencies to upgrade Suriname's sovereign debt rating.

Monetary policy has been neutral in light of the devaluation of the exchange rate due to the alignment of the official and parallel market rates and the subsequent lowering of inflation The exchange rate has been relatively stable at 3.30 SDR=US$1.00 and the official and unofficial rates have practically converged . In addition, in relation to interest rates, average lending rates were relatively stable between 11.9 and 11.8 percent in 2012, while deposit rates rose slightly from 6.7 to 6.9per cent by the end of September. Thus interest rate spreads remained relatively large.

The monetary base grew by 12 per cent between quarters one and two in 2012 and between July to September the rate of growth was 2per cent. In terms of domestic credit, the bulk of credit (85per cent) went to the areas of trade, transport storage and communication, services and housing construction while the primary sector received the rest. Within the latter sector, the share of credit to mining rose from 3per cent in the last quarter of 2011 to 6.8per cent in 2012.

Growth in 2012 is projected at 3.6per cent with all sectors contributing positively to growth. The largest contribution to growth of 11.0per cent is expected to be in hotels and restaurant(3.5per cent of GDP) but of the major sectors, manufacturing whose share is 23.7 per cent of GDP will grow at 4.88per cent;wholesale and retail (19.75per cent of GDP) will grow at 4.1per cent; and mining a quarrying which contributes (10per cent of GDP) will grow at 1.3per cent.In 2013, growth is projected at 4.7 per cent with higher growth expected in agriculture, hunting and forestry(6.1per cent), fishery(6.1) and manufacturing(5.9per cent) relative to 2012.

The year on year inflation rate which rose as a consequence of the unification of the official exchange rate and the black market premium was projected at 3.4per cent in 2012 and 7.0per cent at 2013.This is likely to hold given the stable domestic conditions including the production of domestic energy. There are no unemployment figures for 2012 however, given that growth will continue to be positive the unemployment rate is not likely to be below the 8.5per cent in 2011.

The prospects for the external sector are positive with FDI increasing and the export sector showing much expansion. One negative will be the lack of any new bauxite output in the short term due to the time it takes to effect new supplies. The positive current account balance was maintained in 2012 driven largely by the positive goods balance in each quarter and the balance on transfers. The goods balance grew by 1.3per cent and 41.4per cent in quarters one and two in 2012 relative to 2011. There may however be some deterioration in the BOP in 2013 due to important expansion to meet new investment and bottled up domestic demand. Despite this international reserves will continue to accumulate as the country adds to its reserves. Gross reserves were US$929.9 million in 2012 or just over 5 months of import cover.

TABLE 16
SURINAME: MAIN ECONOMIC INDICATORS

	2010	2011	2012 [a]
	Annual percentage growth rates		
Gross domestic product [b]	4.1	4.7	3.6 a
Gross domestic product per capita	2.8	3	2.9 a
Variation in consumer prices	10.3	15.3	3.4 a
Money (M1)	25.1	25.2	25.2 [c]
	Annual average percentages		
Unemployment	7.6	8.5	…
Central government overall balance/GDP	-2.9	-0.1	-0.5 [c]

Table 16 (concluded)

	2010	2011	2012 [a]
Nominal deposit rate	6.2	6.6	6.8 [c]
Nominal lending rate	11.8	11.7	11.9 [c]
		Millions of dollars	
Exports of goods and services	2325.5	2667.5	1977.1 [d]
Imports of goods and services	-1649.8	-2241.6	-1624.4 [d]
Current account	650.7	251.1	393.72
Capital and financial account	-447.7	-49.9	140.1
Overall balance	35	124.1	95.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Projected growth for full year.
[b] 12-month inflation (December to December).
[c] Preliminary values for first half of 2012.
[d] Preliminary values for first three quarters.

G. Trinidad and Tobago

Positive growth in the non-energy sector led by the services subsector offset decline in the energy sector, resulting in a 1.2 per cent expansion of the economy in 2012.Growth is expected to be 2.5 per cent in 2013, once major repairs in the energy sector are completed, industrial action is limited and the government investment projects are implemented. Unemployment in the first quarter decreased slightly from 2011 and inflation increased in the first half of the year before declining to more moderate levels. The government of Trinidad and Tobago's budget for 2012/2013 is projected to be a deficit of TT$ 7.7 billion or 4.6 per cent of GDP.

In fiscal year 2011/2012 (October September) the government ran a fiscal deficit of $TT 6.7 billion, or 4.3 per cent of GDP. Total Revenue and Grants is estimated at TT$ 47.7 billion and Total Expenditure and Net-Lending at TT$ 54.4 billion. Total revenue increased by 0.4 per cent while total expenditure increased by 10.6 per cent. Government increased its capital spending by 7.3 per cent from the previous year in order to stimulate economic growth. Spending went to infrastructural projects through the Public Sector Investment Programme, such as the Accelerated Housing Programmes, the Early Childhood, Primary and Secondary Modernisation Programme and the rehabilitation of roads and bridges. The budget announcement for 2012/2013 projects another deficit, this time of TT$7.7 billion or 4.6 per cent of GDP. Revenue is projected to be TT$ 50.7 billion, of which TT$ 20 billion will be oil revenue, and TT$ 30.7 billion will be non-oil revenue. Expenditure is expected to be TT$ 58.4 billion. The budget is predicated on crude oil and gas prices of US$ 75 per barrel (WTI) and US$ 2.75 per mmbtu respectively.

Public Sector Debt is estimated to be 46.6 per cent of GDP, up from 36per cent in fiscal 2011. In addition to the continued deficit budgets, part of the reason for the increase in debt was the government's settlement efforts for policy holders of the failed Colonial Life Insurance (Trinidad) Limited (CLICO). Over TT$ 10 billion was issued in settlement, through cash payments and zero-coupon 1-20 year bonds. Public debt could continue rising as the government aims to produce budget deficits until 2016.

Real GDP in Trinidad and Tobago declined by 3.6 per cent (year-on-year) in the second quarter of 2012. This was due to a 7.3 per cent contraction in the energy sector and a smaller, 0.7 per cent decrease in the non-energy sector. These declines were due mainly to maintenance work in the energy sector and industrial action in the non-energy sector. A three month strike at Trinidad Cement Limited led to a shortage in cement that impacted the construction and manufacturing industries. Despite these early declines real GDP growth in the country is estimated at 1.2 per cent for 2012. This growth will be boosted by 1.9 per cent growth in the non-petroleum sector, offsetting a decline 1.0 per cent decline in the petroleum industry. The non petroleum sector is growing, despite a decline in agriculture and manufacturing, due to an increase in services of 2.4 per cent. The economy is projected to grow by 2.5 per cent in 2013. While the energy sector is expected to rebound with

1.8 per cent growth, the non-energy sector is projected to remain the primary driver, with 2.9 per cent growth. These estimates for 2012 and 2013 are contingent upon a cooling of the industrial relations climate, the implementation of the Public Sector Investment Programme and the completion of maintenance in the energy sector.

The Central Bank continued its accommodative monetary policy from last year, lowering its repo rate to 2.75 per cent. This is down from the 3.00 per cent implemented in 2011. Commercial bank lending rates remained at 7.75 per cent up to the end of the second quarter of 2012. Credit to the private sector grew by 2.7 per cent in August 2012, up from 1 per cent in August of the previous year. Business credit demand made a turnaround from its decline in 2011, increasing by 2.4 per cent in August. Commercial banks excess reserves peaked at $6.6 billion on March 9th 2012, due partly to an estimated net domestic fiscal injection of $2.5 billion in the first quarter. This was up from $4.6 billion in September 2011.

Headline inflation stood at 7.7 per cent (year-on-year) as of September 2012. This is a marked increase from the 2.5 per cent measured over the same period in the previous year, and a slight decrease from the 9.1 per cent measured in March 2012. The headline inflation was driven by increasing food prices, particularly vegetables and meat. Core inflation has continued its stable trend, measuring 2.8 per cent (year-on-year) in September. Inflation is projected to be 5.8 per cent in 2013.

Unemployment was measured at 4.9per cent in 2011. Official measures placed it at 4.2 per cent in the first quarter of fiscal 2012, down from 5.2 per cent in the third quarter of 2011 and 6.3 per cent in December 2010. This decrease in unemployment may have been due to the short term government projects in construction and agriculture.

The current account surplus decreased from US$ 4.2 billion (20.3 per cent of GDP) in 2010 to US$ 2.3 billion (9.7 per cent of GDP). This decrease was due to increasing imports lowering the merchandise surplus and decreasing net services. The capital account deficit also decreased, from US$ 3.8 billion (18 per cent of GDP) in 2010 to US$ 1.5 billion (6.4 per cent of GDP) in 2011. Increasing inflows of foreign direct investment of US$ 1.1 billion, up from US$ 549.4 million in 2010 and increased net foreign balances of commercial banks contributed to the decline. Trinidad and Tobago's foreign reserves stood at US$ 9.7 billion by June 2012, down from US$ 9.8 billion in 2011. This value would cover 12 months of prospective imports.

TABLE 17
TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS

	2010[a]	2011[a]	2012 [b]
Gross domestic product (%)	0.2	-2.6	1.2
Per capita gross domestic product growth (%)	6.8	13.0	1.6
Consumer prices	13.4	5.3	7.7[c]
Money (M1) (%)	10.0	11.0	19.9
Central government overall balance/GDP	0.1	-0.8	-4.3
Nominal deposit rate	2.5	2.5	…
Nominal lending rate	8.38	7.8	7.5 [d]
Exports of goods (US$ mn)	11,239	15,066.6	8,448.7[e]
Imports of goods (US$ mn)	6,504	9,304	5,372[e]
Current account balance (US$ mn)	4,172	2,258.5	430 [f]
Capital account (US$ mn)	-3,753.9	-1,505.9	-368 [f]
Overall balance (US$ mn)	418.4	752.6	62 f

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures
[a] Revised.
[b] Preliminary estimates.
[c] September 2012 (year-on-year).
[d] June 2012 .
[e] October 2011-June 2012.
[f] January-March 2012.

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