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ECLAC SUBREGIONAL HEADQUARTERS FOR THE CARIBBEAN

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Abstract

The world economy posted positive growth of 3 per cent in 2015; however, this was a decline relative to 3.2 per cent and 3.4 per cent reported in 2013 and 2014 respectively. The projections for 2016 and 2017 suggest growth rates of 2.1 per cent and 3.2 per cent respectively (WEO 2016). The low growth normal is the result of a number of factors negatively impacting several economies. Among them are the drop in commodity prices and recession in a number of major emerging markets including Brazil and Russia. It was expected that commodity prices would begin to increase in 2016; however they may not attain the high levels of the last decade. Moreover, there was a precipitous decline in the price per barrel of crude oil between the second quarter of 2014 and the first quarter of 2016. During the first two quarters of 2016, the crude oil market in being over supplied by approximately 1 million bpd. OPEC announced plans for production cuts for 750,000 bpd, but this has done little to trigger significant rebound in oil prices. It is unlikely that there will be any sustained increase in oil prices, as the price of oil rises above US$50/bbl, it incentives shale oil producers to ramp up production. Thus, a cobweb cycle is occurring in the oil market. Additionally, despite low oil prices, there has been no appreciable increase in aggregate global demand.

With regard to the Caribbean region, low commodity prices have negatively impacted the economic growth of commodity exporting economies. Growth among the service producers averaged 1.6 per cent in 2015 but is projected at 2.5 per cent by year end in 2016. The region also struggles with high unemployment of 15.2 per cent in 2015. Trinidad and Tobago has an unemployment rate of 3.43 per cent, which is lower than the regional average, largely due to strong employment programes deployed by the government.

Within the Caribbean, fiscal priorities remain centred on adjustment and consolidation to reduce public debt and debt servicing costs. The economies, with the the largest deficits, notably: Saint Kitts and Nevis; Antigua and Barbuda; and Grenada, made the greatest effort at fiscal consolidation. Jamaica also implementing an IMF program which seeks to reduce its debt by 3.6 percentage points in 2015. Overall, the region managed to reduce its fiscal deficit to 3.8 per cent of GDP in 2015, from 4.1 per cent of GDP in 2014.

Fiscal flexibility in the region remains low, indicating that fiscal consolidation among the member states had little effect on the composition of public expenditure. Public debt remains a very large threat to growth and stability in the region, although consolidation efforts are slowly reducing such debt.

There was an improvement in financial sector liquidity in the Caribbean, with money supply (M2) increasing by 2.8 percentage points over the period 2014-15. Net credit to the private sector increased by 0.3 percentage points of GDP for the Caribbean, but declined by the same amount for the public sector.

The average inflation rate for the Caribbean in 2015 was 1.5 per cent a marginal decline from 1.8 per cent in 2014. Inflation declined in service producers but rose sharply for good producers. Trinidad and Tobago and Saint Lucia reported the largest decline in inflation from 2014 to 2015. Suriname experienced an inflationary shock from 2.3 per cent in January 2015, to 4.2 per cent in October 2015, largely due to the removal of energy subsidies and the floating of its currency. Despite the inflation being cost push in nature, the Central Bank of Suriname deployed a contractionary monetary policy.

The average current account balance in the Caribbean remained almost unchanged in 2015, down just 0.4 percentage points from 2014 to -14.0 per cent of GDP. The average current account deficit of the goods producers expanded from -6.6 per cent in 2014 to -8.6 per cent in 2015, while the average current account deficit of the service producers narrowed slightly from -17.3 per cent to -16.0 per cent.

The average financial and capital account in the Caribbean grew by just under one percentage point, from 14.8 per cent of GDP in 2014 to 15.4 per cent in 2015. This was even with a decline in the average FDI inflows to the Caribbean from 9 per cent to 7 per cent.

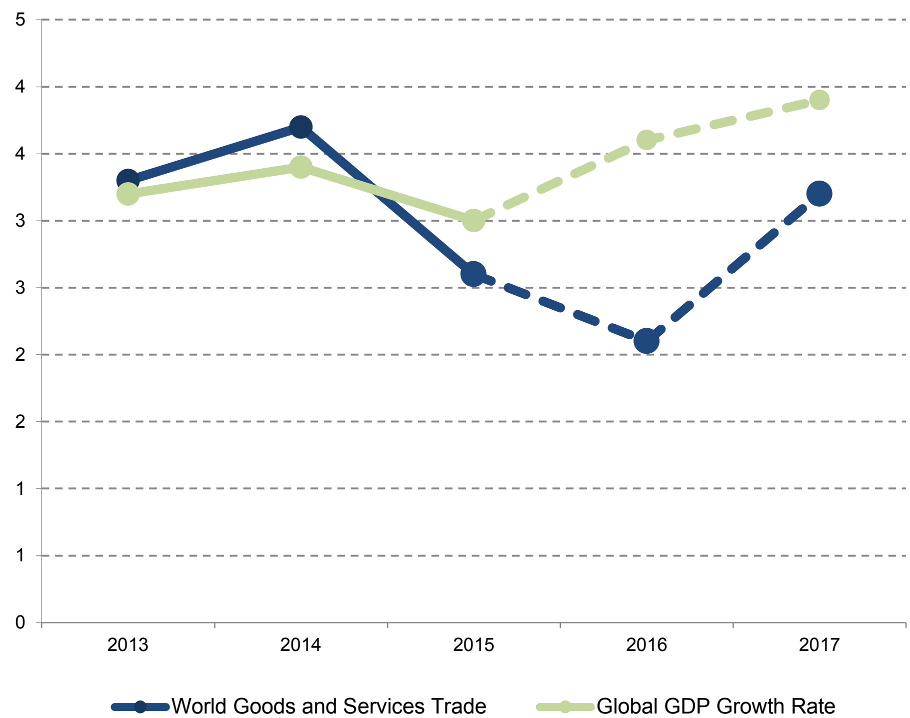
I. Subregional analysis and performance

The world economy posted positive growth of 3 per cent in 2015; however, this was a decline relative to 3.2 per cent and 3.4 per cent reported in 2013 and 2014 respectively. The projections for 2016 and 2017 as reported in figure 1 suggest growth rates of 2.1 per cent and 3.2 per cent respectively (WEO 2016). There is a strong positive correlation between GDP growth rates and the growth of world goods and service trade. As reported in figure 1 world goods and service trade has been expanding slowly as it grew by 3.4 per cent in 2014 then declined to 3 per cent in 2015. There is expected to be a recovery in 2016 and 2017 when growth is projected at 3.6 per cent and 3.9 per cent.

The low growth normal is the result of a number of ongoing downside risks. Among these are the drop in commodity prices and recession in a number of major emerging markets including Brazil and Russia.

It is expected that commodity prices will begin to increase in 2016 (see table 1) however they may not attain the high levels of the last decade. Figure 2 reports the precipitous decline in the price per barrel of crude oil between the first quarter of 2014 and the first quarter of 2016. There has been an increase in oil prices in the third quarter of 2016. In September 2016, OPEC announced its intension for a 750,000 bpd production cut (Smith et al. 2016). While the announcement triggered a 5 per cent jump in oil prices, it is unlikely to cause any sustained increase in oil prices since oil prices above US$50/bbl will incentivize shale oil producers to ramp up production (Ailworth and Puko 2016). Thus, the crude oil market is currently experiencing a cob-web cycle.Additionally, despite low oil prices there has been no appreciable increase in aggregate global demand. The IMF (WEO 2016) has pointed out that economic uncertainty has increased and suggests the need for a broad based policy response to improve growth and reduce economic vulnerabilities.

Figure 1
World trade annual growth and global growth rate, 2013-2017
(Percentage)



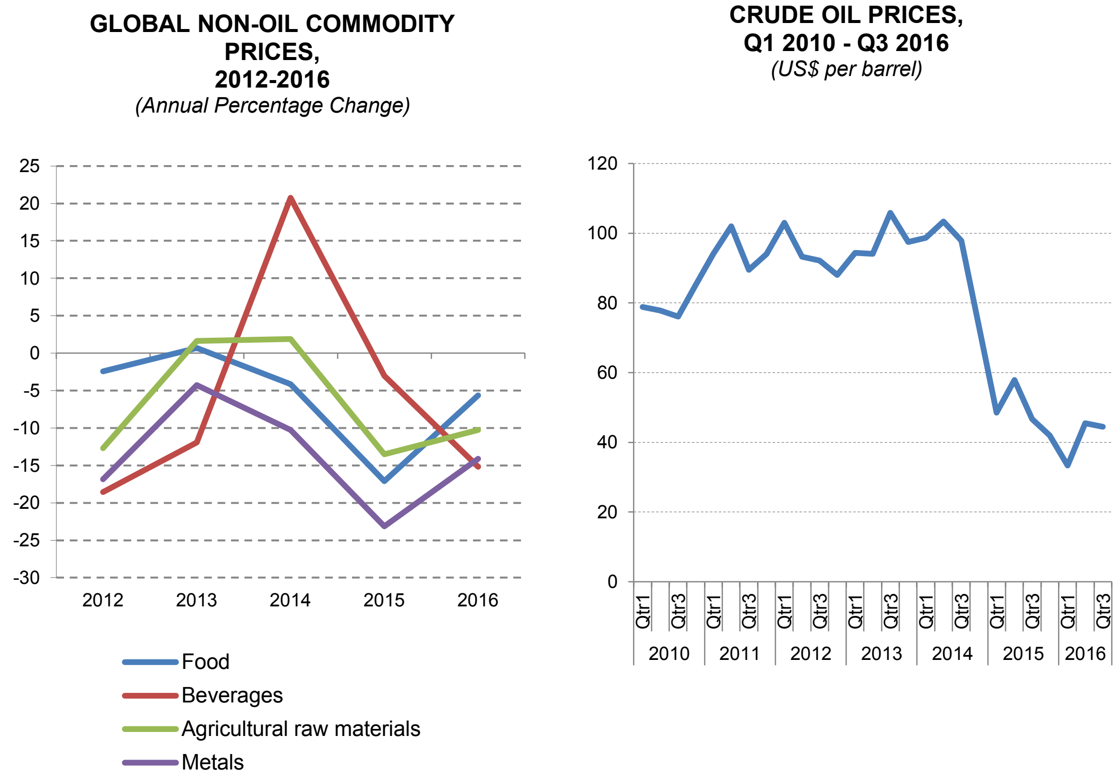
Source: Organization of Economic Co-operation and Development (OECD), Economic Outlook Volume 2016 Issue 1, World Economic Situation and Prospects 2016 and International Monetary Fund, World Economic Outlook Database, 2016.

Turning to the economic performance by major regions and countries, the United States posted growth of 2.4 per cent in 2015, however it is anticipated that growth will increase marginally by 2.5 per cent in 2017. There has also been improvement in the employment situation, which augurs well for the Caribbean since the US is the largest tourism source market for many countries.

In the case of the European Union, economic challenges continue to dampen robust growth (see figure 3) as the figures for 2015 and 2016 are lower than the 2.0 per cent posted in 2014. Overall advanced economies are showing some improvements in performance in 2016 while the emerging economies, which are the larger contributors to growth, are expected to show improvement in 2017 of 4.6 per cent relative to 4 per cent in 2015. For Latin America and the Caribbean the decline in commodity prices has been taking its toll.

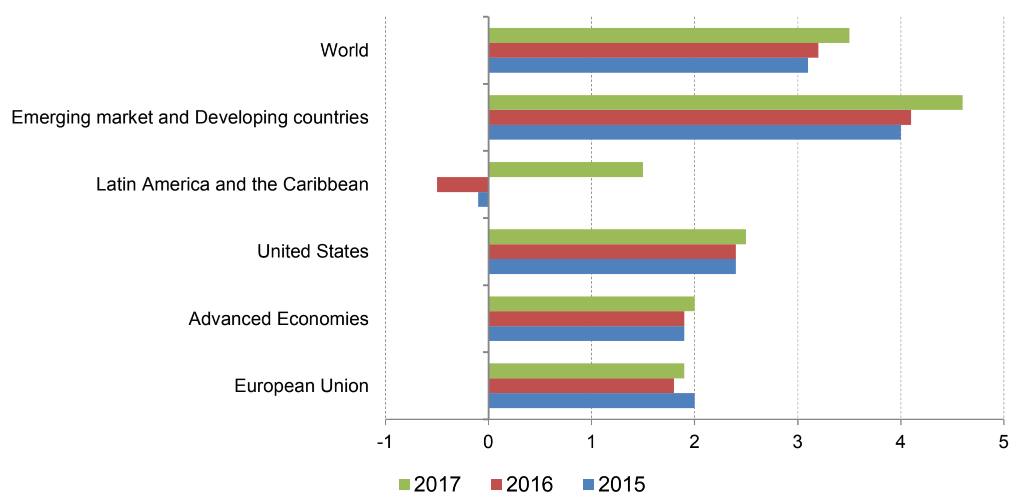
Growth in Latin America and the Caribbean was -0.1 per cent in 2015, and it is forecasted to remain negative at 0.5 per cent in 2016.It is only in 2017 that growth is expected to be positive at 1.5 per cent when commodity price are expected to post an increase. This poor growth performance also negatively impacted employment which showed strong growth in the period of the commodity boom especially in Latin America.

Figure 2
Global non-oil commodity prices and crude oil prices



Source: International Monetary Fund, World Economic Outlook Database, April 2016; U.S. Department of Energy Information Administration.

Figure 3
Global economic prospects, 2015-2017
(Percentage growth)



Source: Economic Commission for Latin America and the Caribbean, on the basis of United Nations, World Economic Situation and Prospects 2015, and International Monetary Fund, World Economic Outlook Database, April 2016.

A. Caribbean growth performance

Given the extreme vulnerability of the Caribbean to external shocks, the decline in commodity prices have negatively affected the growth rates of commodity exporters. On the other hand, the decline in oil prices has assisted the service producers by reducing import costs; however their recovery is quite fragile. Table 1 shows that overall growth, which was 2.8 per cent in 2014, fell to 1.3 per cent in 2015, and is anticipated to be 1.8 per cent in 2016.

Table 1
Carbbean GDP growth rates, 2011-2016
(Percentage)

	2011	2012	2013	2014	2015	2016
Anguilla	5.3	-6.1	-0.7	6.4	2.4	3.7
Antigua and Barbuda	-1.8	4.0	-0.3	4.8	3.7	3.5
Bahamas	0.6	3.1	0.0	1.0	-1.7	0.5
Barbados	0.8	0.3	-0.1	0.2	0.9	1.6
Belize	2.1	3.7	1.3	4.1	1.0	0.8
Dominica	1.0	-1.3	0.6	4.0	-3.0	4.2
Grenada	0.8	-1.2	2.4	5.7	5.1	1.9
Guyana	5.4	4.8	5.2	3.8	3.0	4.4
Jamaica	1.3	-0.5	0.2	0.5	0.8	1.2
Montserrat	5.5	3.5	2.5	2.4	-1.2	3.4
Saint Kitts and Nevis	1.7	-1.2	5.8	6.5	5.0	3.5
Saint Lucia	0.9	-1.1	0.1	0.4	4.2	2.3
Saint Vincent and the Grenadines	-0.4	1.4	1.7	0.7	1.5	2.1
Suriname	4.2	2.0	2.8	1.8	-2.4	-4.0
Trinidad and Tobago	-0.3	1.3	2.3	-1.0	0.2	-2.5
Caribbean	1.8	0.9	1.6	2.8	1.3	1.8
Goods Producers	2.9	2.9	2.9	2.2	0.5	-0.7
Service Producers	**1.4**	**0.1**	**1.1**	**3.0**	**1.6**	**2.5**

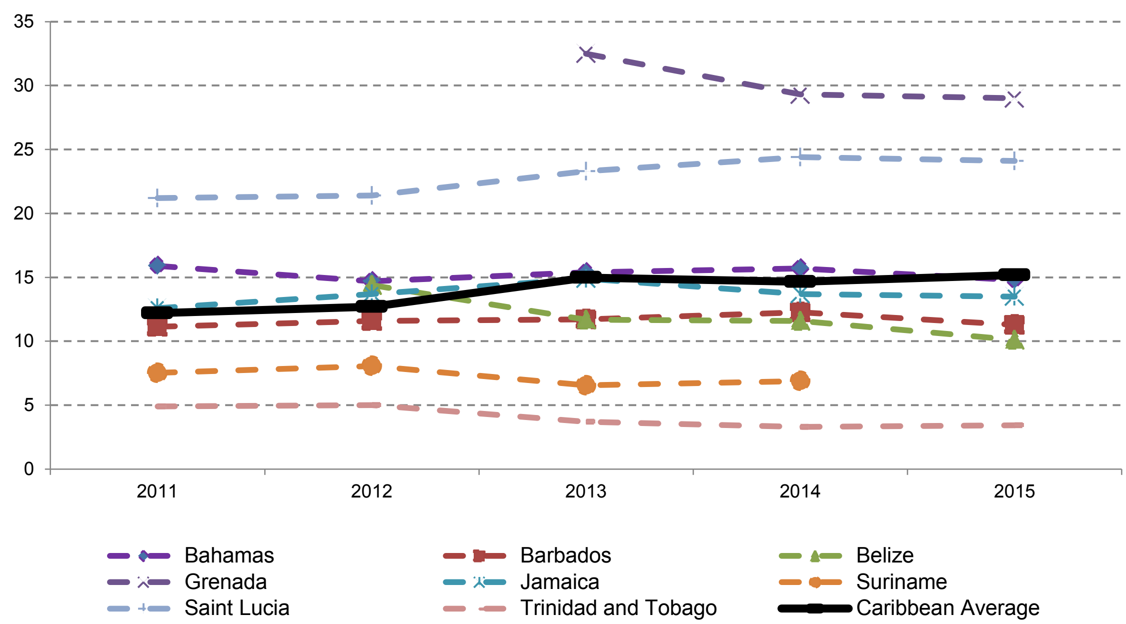
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Figures are computed as simple averages.

Meanwhile in 2014 growth among the service producers was 3 per cent, which fell to 1.6 per cent in 2015, and is projected to recover at 2.5 per cent in 2016. This strong performance in 2016 is premised on increasing tourism receipts, improved remittances and strong FDI flows. Among the goods producers, there was a gradual decline in growth from 2.2 per cent in 2014 to 0.5 per cent in 2015, which is projected to turn negative in 2016 (-0.7 per cent). Among the goods producers two countries Suriname and Trinidad and Tobago are in a recessionary phase. Their growth is expected to be negative at 4 per cent and 2.5 per cent respectively. Like the service producers, growth can only recover with improved commodity prices, strong investment growth and improved remittance inflows.

B. Unemployment

The slow recovery of the Caribbean is the aftermath of the global crisis of 2008-2009 is indicated by the stagnation in employment. This has been a period of so called jobless growth. To illustrate, figure 4 shows that the average unemployment rate has actually risen since 2013 for countries for which data are available.

Figure 4
Unemployment rates, 2011-2015
(Percentage)



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

Turning to table 2, it is observed that the average increased from 12.2 per cent in 2011 to 15.2 per cent in 2015. Grenada and Saint Lucia, which are service producers, posted the highest rates of 29 per cent and 24.1 per cent in 2015 respectively. Improved economic growth in the Bahamas, Barbados, Jamaica and Belize has led to a slight decline in unemployment rates.

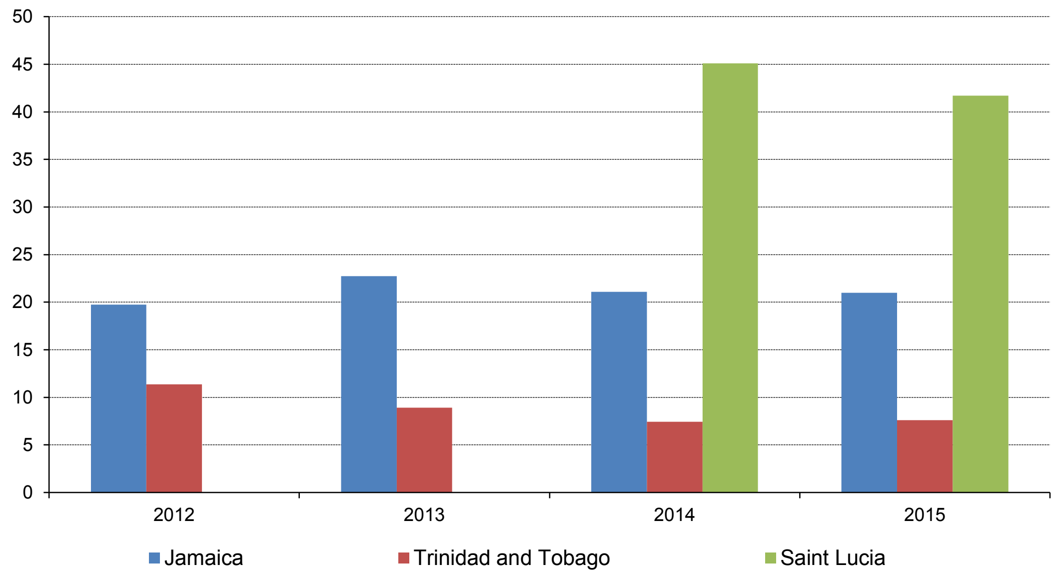
Table 2
Unemployment rates, 2011-2015
(Percentage)

	2011	2012	2013	2014	2015
Bahamas	15.90	14.70	15.40	15.70	14.80[a]
Barbados	11.15	11.60	11.73	12.28	11.30
Belize		14.40	11.70	11.60	10.11
Grenada			32.50	29.30	29.00
Jamaica	12.60	13.70	14.90	13.70	13.50
Suriname	7.52	8.07	6.55	6.89	
Saint Lucia	21.2	21.4	23.3	24.4	24.1
Trinidad and Tobago	4.9	5	3.7	3.30	3.43
CaribbeanAverage	12.2	12.7	15.0	14.6	15.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] November 2015

The challenges posed by falling commodity prices will eventually negatively impact the unemployment rates of the commodity exporting countries. Trinidad and Tobago in particular, which had the lowest unemployment rates in the Caribbean, will begin to post higher rates due to plant closures and reduced capacity of government to expand expenditure. While the overall average unemployment rates are high for a number of countries, youth unemployment rates are even higher.

Figure 5
Youth unemployment rates in the Caribbean, 2012-2015
(Percentage)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: Youth age ranges are – Jamaica 20-34; Saint Lucia 15-29; Trinidad and Tobago 15-24

Figure 5 examines the youth unemployment rate for three countries for which data are available. For the two service based economies Jamaica and Grenada, the youth unemployment rates are quite high relative to that of Trinidad and Tobago. While it has remained constant for Jamaica between 2014 and 2015 it declined in the case of Grenada. In the case of Trinidad and Tobago, youth unemployment rates have actually fallen between 2012 and 2015. High rates of youth unemployment are a matter of concern as it fuels crime and violence and contributes to the high rates of emigration among young people.

C. Fiscal policy and public debt

This section examines the evolution of recent fiscal performance in Caribbean. The section analyses changes in the fiscal deficit, public debt and debt service payments, with the aim of evaluating the extent of the fiscal effort which countries are making to reduce their fiscal deficits and public debt, in an effort to achieve fiscal consolidation.

Fiscal priorities remain centred on adjustment and consolidation to reduce public debt and debt servicing costs and to provide a platform for macroeconomic stability and higher economic growth. Nevertheless, the region continues to confront major headwinds to the adjustment process. These include a combination of weak growth, owing in part to sluggish global demand that have dampened export growth; and weak domestic private investment which has resulted in limited growth in employment. In this environment, though fiscally challenged, governments have had to balance growth and employment with fiscal adjustment. As a result, although the trend towards consolidation has been maintained, the pace has been modest.

In 2015, the Caribbean countries could be divided into three categories: i) those that did not make any real fiscal adjustment, i.e. there was an increase both in their deficits and debt ii) those that adjusted as evidenced by a decline in their deficit, but not public debt; and iii) those that achieved some measure of consolidation, marked by both lower deficits and debt. Indicative of the overall trend, 8 of the 15 countries achieved varying levels of fiscal consolidation. This led overall to a decline in the region's fiscal deficit by 1.3 percentage points from 2.8 per cent of GDP to 1.5 per cent of GDP. Public debt contracted marginally by 0.7 percentage points from 72 per cent of GDP to 71.3 per cent of GDP. Not surprisingly, those economies, including Saint Kitts and Nevis, Antigua and Barbuda and Grenada, which ran up the largest deficits and debt, made the largest effort at fiscal consolidation. This reflected staying the course after the completion of IMF programmes in the two former and continued IMF assisted programme in Grenada. Jamaica, which is also implementing an IMF programme was able to bring down its debt by 3.6 percentage points in 2015.

Guyana was the only goods producer which was able to achieve some measure of consolidation. Fiscal management in the goods producers has become more difficult with the collapse of the commodity super cycle, which has led to falling prices for their exports. On the other hand, Trinidad and Tobago, Barbados and Suriname and the Bahamas did not make any real adjustment as their deficits and debts increased in 2015.

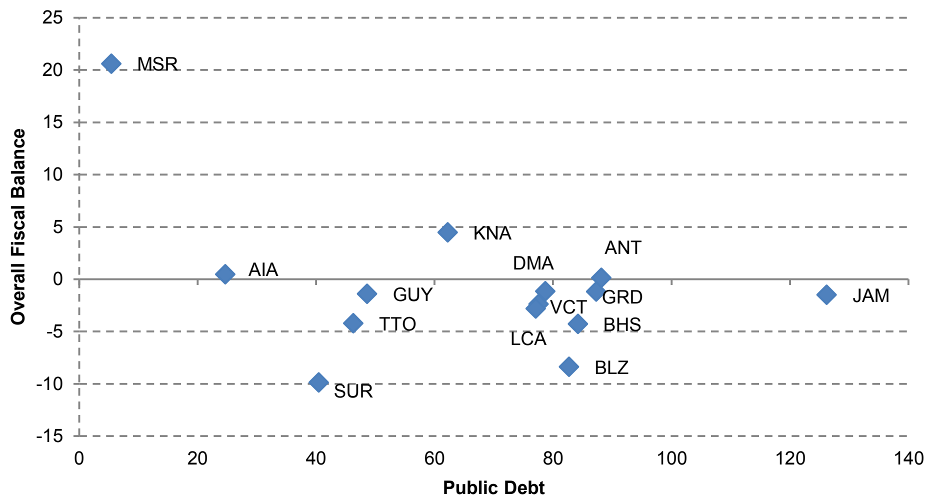
The average fiscal deficit declined from 2.8 per cent of GDP in 2014 to 1.5 per cent of GDP in 2015 (see table 3). Continuing the trend from 2014, the decline in the deficit was driven by the service producers, whose fiscal outturn changed from a deficit of 2.3 per cent of GDP in 2014, to a small surplus of 0.2 per cent of GDP in 2015. Montserrat recorded a large fiscal surplus of over 20 per cent of GDP, owing to a large increase in grants, which amounted to EC$136 million, which were provide by the UK government for budget support and capital programmes. Antigua and Barbuda and Grenada registered cuts in their deficits of 2.9 percentage points, reflecting fiscal adjustment after the IMF programme in former and under the current programme in the latter. Among the goods producers, only Guyana reduced it deficit (4.1 percentage points to 1.4 per cent of GDP), reflecting higher tax revenues and a sharp fall in capital spending.

Table 3
Caribbean central government fiscal expenditure by categories, 2014-2015 [a]
(Percentage of GDP)

	Current expenditure		Capital expenditure		Interest Payments	
	2014	2015	2014	2015	2014	2015
Anguilla	21.2	21.3	0.4	0.9	1.1	1.0
Antigua and Barbuda	21.8	21.5	1.7	1.5	2.7	2.9
Bahamas	18.5	19.3	2.9	3.2	2.5	2.6
Barbados	33.6	34.1	2.0	2.3	26.4	25.9
Belize	23.8	25.9	8.2	11.4	2.5	2.6
Dominica	24.8	26.3	8.6	5.9	1.8	1.6
Grenada	20.0	17.7	9.1	8.5	3.5	3.4
Guyana	21.0	22.6	8.0	4.7	1.0	1.0
Jamaica	25.6	19.4	1.5	1.6	8.1	5.5
Montserrat	25.1	15.7	25.1	15.7	0.0	0.0
Saint Kitts and Nevis	26.6	26.6	5.5	5.7	3.3	1.9
Saint Lucia	23.3	22.9	5.7	5.6	3.9	3.8
Saint Vincent and the Grenadines	25.8	25.2	6.4	4.9	2.3	2.2
Suriname	21.3	25.9	5.2	2.5	0.9	1.5
Trinidad and Tobago	31.3	31.9	4.9	5.0	1.8	1.8
Caribbean	**24.3**	**23.8**	**6.3**	**5.3**	**4.1**	**3.8**
Goods producers	**24.4**	**26.6**	**6.6**	**5.9**	**1.6**	**1.7**
Service producers	**24.2**	**22.7**	**6.3**	**5.1**	**5.0**	**4.6**

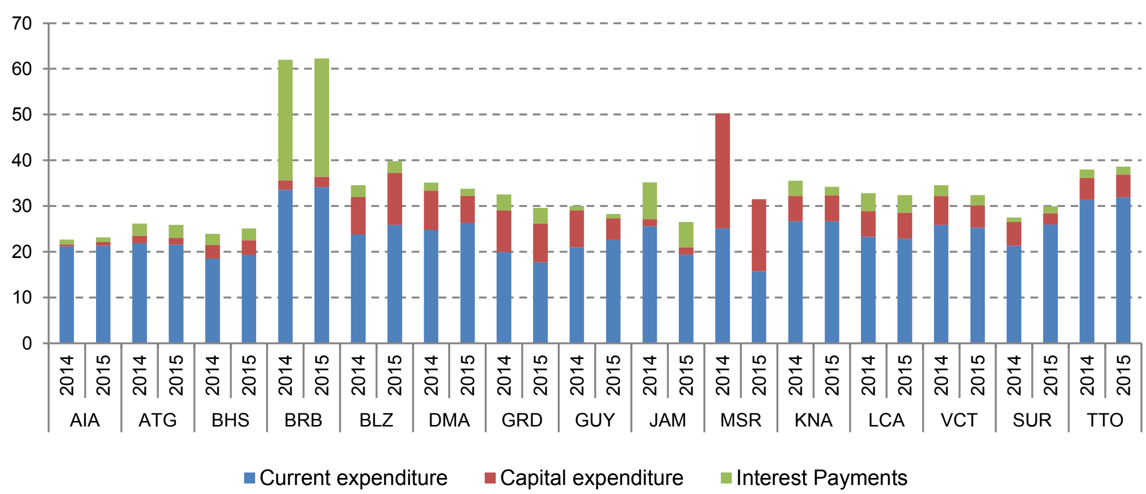
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Simple Average.

Figure 6
Public debt vs fiscal balance, 2015
(Percentage of GDP)



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

Figure 7
Caribbean central government fiscal expenditure by categories, 2014-2015
(Percentage of GDP)



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

Fiscal consolidation and adjustment in 2015 were driven by declines in current and capital expenditure and interest payments. Current expenditure contracted by 0.5 percentage points, while capital spending fell by 1.0 percentage (see figure 7). This is in keeping with the trend after the crisis, where cuts in capital spending have been the main means of fiscal adjustment. Given the larger multiplier effect of capital spending on growth, governments need to focus more on cutting current spending, while at the same time maintaining important social programmes. Interest payments fell by 0.3

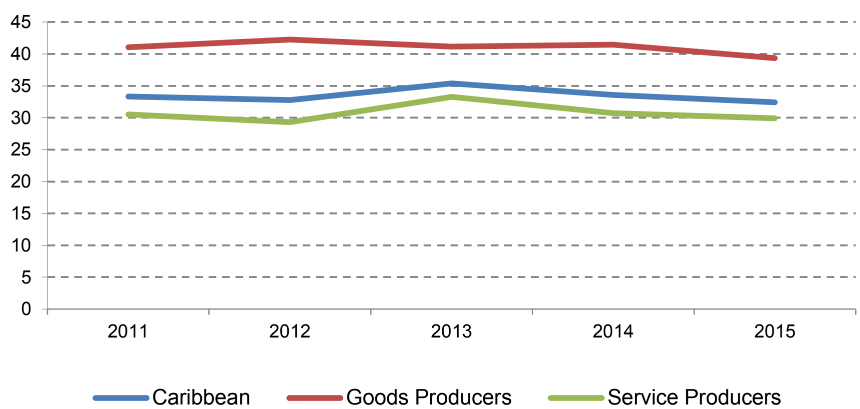
percentage points to 3.8 per cent of GDP. In line with the overall fiscal trend, the adjustment was driven by the service producers where current and capital spending declined by 1.5 and 1.2 percentage points. In the goods producing economies, current spending and interest payments increased by 2.2 and 0.1 percentage points, while capital spending fell by 0.7 percentage points. This might suggest that these economies have found it easier to cut capital expenditure in adjusting to lower commodity prices, rather than current spending on items such as subsidies and 'make work' programmes.

1. Fiscal flexibility

The fiscal flexibility index[1] is a measure of government's discretionary spending as a proportion of total expenditure. The structural flexibility indicator in the Caribbean is low, suggesting that non-discretionary spending over, which the government has little control such as outlays on wages and salaries, some aspects of goods and services and debt interest payments command the bulk of government expenditure. Fiscal adjustment and consolidation among a number of economies did not have much effect on the composition of expenditure, as a result, fiscal flexibility actually declined from 33.6 per cent to 32.4 per cent (see figure 8). The decline in flexibility was largely accounted for by the goods producers, where the index fell by 2.2 percentage points, relative to 0.8 percentage points in the service producers. The deteriorating index in the goods producers was driven by higher non-interest and interest current spending, reflecting, which was only partly offset by lower capital spending. Nevertheless, the relative situation in the goods producers is much better, as their flexibility index is almost 10 percentage points above the service producers.

Limited fiscal flexibility in the Caribbean is reinforced by pro-cyclical fiscal policy, where governments tend to overspend during economic booms and are forced to reduce spending during downturns. Therefore, these two features of fiscal policy have the effect of reducing fiscal space, thereby making countercyclical fiscal policy, which is an important tool of macroeconomic stabilization almost impossible without governments contracting debt. Fiscal space and macro-stability could be advanced in the Caribbean by governments committing themselves to a set of clear and well targeted fiscal rules.

Figure 8
Caribbean fiscal flexibility, 2011-2015



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
Note: Fiscal Flexibility Index is calculated using the formula: (1-(fiscal expenditure on wages and salaries + interest payments+transfers and subsidy payments) total expenditure) * 100.

[1] The fiscal flexibility index Is defined as :
FFI = (1-NDE/TGE)*100, NDE is non-discretionary expenditure defined as outlays on wages and salaries, transfers and interest payments and TGE is total government expenditure. The maximum value of the uncorrected index is 100, reflecting total fiscal flexibility. IMF (2012) "The Challenges of Fiscal Consolidation and Debt Reduction in the Caribbean", Amo-Yartey et.al, Working Paper WP/12/276.

2. Public debt

The region continues to slowly reduce its large public debt, which is now arguably the most important macroeconomic threat to growth and stability. The improved performance reflects the limited scope to contract more debt in a number of countries and efforts at fiscal consolidation under IMF-supported or home-grown adjustment programmes. In light of this, average public debt contracted from 72 per cent of GDP in 2014 to 71.3 per cent of GDP in 2015. Debt declined by 3.1 percentage points to an average of 77.4 per cent of GDP in the service producers, but this was partly offset by a 5.7 percentage points increase in debt in the goods producers to 54.5 per cent of GDP. Debt reduction in the service producers was led by some of the most indebted countries, including Antigua and Barbuda (-14.4 percentage points), Saint Kitts and Nevis (-13.7 percentage points) Grenada (-10.1 percentage points) and Jamaica (-3.6 percentage points). Debt reduction in these economies has been locked-in under IMF supported or home-grown adjustment programmes, which have established targets for primary balances and debt levels.

Both Jamaica and Grenada have legislated fiscal rules to lock-in prudential fiscal targets and create a culture of fiscal accountability and responsibility. Jamaica is aiming to bring down public debt to 60 per cent of GDP by 2025/26. In line with this goal, the government is targeting a primary surplus of 7.0 per cent of GDP over the medium-term. This is quite large and will limit the space available for government spending. Also, investment by public bodies will be constrained by a public management system to improve transparency and accountability. However, flexibility will be provided by allowing a suspension of the fiscal rule in the event of major shocks such as natural disasters and severe economic downturns. Grenada fiscal rule is aimed at achieving debt sustainability. It has set a debt ceiling of 55 per cent to GDP by 2022, which is even below the wider ECCB target of 60 per cent by 2030. This might prove to be too ambitious given slow growth and the need to maintain minimum levels of spending. On average the target is predicated on a primary surplus of around 3.5 per cent of GDP and growth in expenditure of not more than 2 per cent in real terms.

There were spikes in debt in Suriname (13.7 percentage points), Barbados (9.0 percentage points), Belize 6.2 percentage points and Trinidad and Tobago (6.1 percentage points). In Suriname, the government engaged in fiscal expansion to stimulate the economy, in the wake of the recession triggered by depressed commodity prices. The deficit was also enhanced by election spending.Indeed, the expansionary fiscal expenditure led to a spike in public debt. Suriname entered into a Stand-by Arrangement with the IMF to provide balance of payments support, and fiscal reforms to reduce its debt.

Barbados continues to be challenged by fiscal imbalance, despite the modest recovery in economic activity. The increase in the debt in 2015 resulted from the higher fiscal deficit, which stemmed in part from increased transfers to state owned enterprises. Owing to the unfavourable debt and macroeconomic outlook, Moody's Investor Service downgraded Barbados' government bond rating to Caa1.

Growth in public debt in Belize resulted from deficit spending to financethe nationalization of BEL and BTL; wage settlement; and infrastructure projects. Trinidad and Tobago's debt, while still low by regional standards has risen sharply post the global recession and financial crisis[2]. Intially this was an attempt to prevent massive contraction in the Trinidad and Tobago's economy from the global economic recession. However, the deficit eventually persisted as government revenue was unable to match government expenditure. In 2015, the debt continued to rise with the near doubling of the fiscal deficit, necessitating higher borrowing.

2 Trinidad and Tobago's public debt has increased from 20.8 per cent in 2008 to 46.3 per cent in 2015.

Table 4
Caribbean: total public sector debt, 2013-2015
(Percentage of GDP)

	2013			2014			2015		
	Foreign	Domestic	Total	Foreign	Domestic	Total	Foreign	Domestic	Total
Anguilla	22.2	7.9	30.1	20.0	6.4	26.4	18.9	5.8	24.7
Antigua and Barbuda	48.0	51.4	99.5	45.8	56.7	102.5	44.8	43.4	88.2
Bahamas	19.0	55.5	74.5	24.3	61.0	85.3	24.5	59.7	84.2
Barbados	31.2	95.1	126.3	32.7	98.1	130.7	32.4	107.3	139.7
Belize	66.6	11.9	78.5	65.5	10.9	76.5	68.3	14.4	82.7
Dominica	53.9	23.1	77.0	54.2	23.3	77.5	54.3	24.4	78.7
Grenada	67.7	36.5	104.2	64.3	33.1	97.3	61.4	25.9	87.3
Guyana	41.7	16.1	57.8	39.5	12.3	51.9	36.1	12.5	48.6
Jamaica	58.3	73.7	132.0	62.1	67.8	129.8	73.6	52.5	126.2
Montserrat	4.1	0.0	4.2	3.7		3.7	5.5		5.5
Saint Kitts and Nevis	40.7	58.9	99.5	32.8	43.2	76.0	23.1	39.1	62.2
Saint Lucia	36.6	39.9	76.5	37.4	38.8	76.2	34.7	42.8	77.5
Saint Vincent and the Grenadines	49.2	26.7	75.9	52.7	27.0	79.7	50.6	26.5	77.1
Suriname	14.1	14.8	28.9	15.8	11.0	26.8	20.1	20.4	40.5
Trinidad and Tobago	7.0	31.3	38.3	8.6	31.6	40.2	9.2	37.1	46.3
Caribbean	**37.3**	**36.2**	**73.5**	**37.3**	**37.2**	**72.0**	**37.2**	**36.6**	**71.3**
Goods Producers	**32.4**	**18.5**	**50.9**	**32.4**	**16.5**	**48.8**	**33.4**	**21.1**	**54.5**
Service Producers	**39.2**	**42.6**	**81.8**	**39.1**	**45.5**	**80.5**	**38.5**	**42.7**	**77.4**

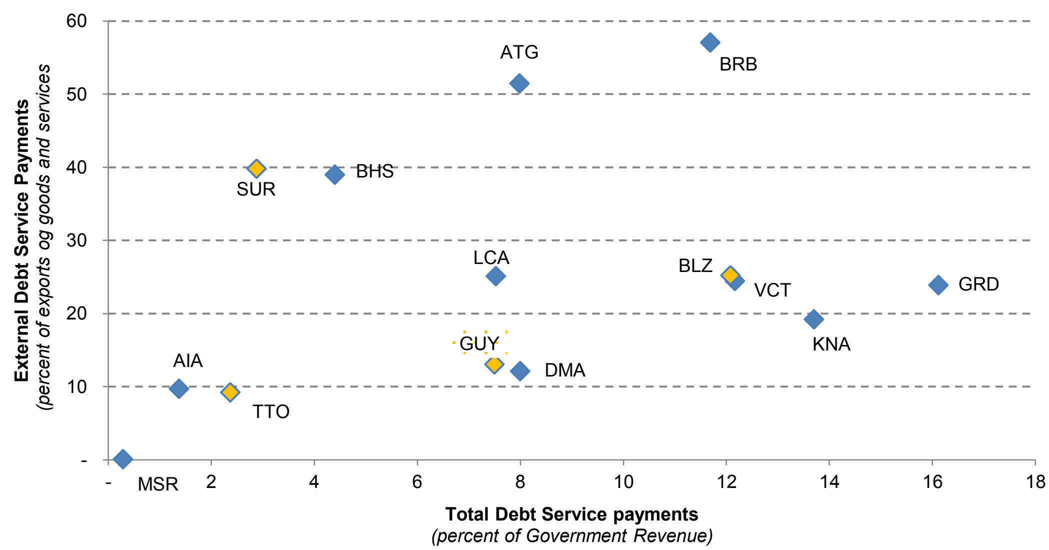
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.

3. Debt service payments

The ability to meet debt service commitments is a critical barometer of governments' operational fiscal solvency. Nevertheless, the opportunity cost of debt service is particularly high in Caribbean small economies, which have limited amount and range of revenue sources. The external debt service ratio provides an indicator of the impact of debt servicing on the balance of payments as payments have to be made in scarce foreign exchange. Furthermore, a large share of external debt in the portfolio of some countries in the Caribbean puts them at greater risk to the effects of international interest rate and exchange rate shocks, such as the normalization of US interest rates.

The external debt service ratio of the region increased by 2.7 percentage points in 2015 more than double its growth in 2014 (see table 5 and figure 9 below). The rise in debt service was driven primarily by the service producers whose ratio expanded by 3.7 percentage points, relative to the muted increase of 0.3 percentage point in the goods producers. This reflects the continued debt overhang in many service producers, which leads to continued high service costs even though they have made efforts to reduce their debt burden. Indeed, normalization of debt service payments is only expected to occur in the medium to longer-term. The impetus for higher external debt service costs in the service producers came from a huge increase in Jamaica (33.4 percentage points), Belize (5.0 percentage points) and Barbados (4.0 percentage points). The higher debt service in Jamaica resulted from the prior debt overhang public actually declined in 2015. In Barbados and Belize higher debt servicing costs reflected increased borrowing during the year. Meanwhile, the external debt service ratio declined in Guyana (4.9 percentage points) and Antigua and Barbuda (0.7 percentage points). This was linked to the reduction in the debt burden in both countries in 2015.

Figure 9
Debt service payment ratios for the Caribbean in 2015



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

Table 5
Debt service payment ratios for the Caribbean, 2011-2015

	External debt service payments(US$M)					External debt service payments (per cent of exports of goods and services)					Total debt service payments (per cent of revenue)				
	2011	**2012**	**2013**	**2014**	**2015**	**2011**	**2012**	**2013**	**2014**	**2015**	**2011**	**2012**	**2013**	**2014**	**2015**
Anguilla	2.8	2.6	2.6	2.7	3.7	2.0	1.9	1.8	1.8	2.4	5.0	7.8	8.3	7.9	9.2
Antigua and Barbuda	34.2	22.8	27.3	47.7	45.0	6.4	4.2	5.0	8.6	8.0	31.8	34.8	38.8	33.7	51.5
Bahamas	65.0	124.2	117.0	123.6	143.6	2.0	3.4	3.2	3.5	4.4	48.2	38.6	44.9	73.5	39.0
Barbados	131.0	169.5	141.0	145.3	225.3	6.3	8.7	7.2	7.7	11.7	37.9	42.8	49.8	50.4	57.0
Belize	81.5	79.4	116.3	76.6	125.2	8.6	7.7	11.0	7.1	12.1	22.5	20.4	28.5	17.0	25.2
Dominica	11.3	10.9	11.3	14.3	15.4	6.1	5.7	6.4	8.0	8.0	12.9	14.6	12.5	12.4	12.1
Grenada	23.5	38.3	40.7	38.3	40.1	12.0	18.6	19.0	16.1	16.1	25.8	31.1	32.8	32.1	23.9
Guyana	40.0	42.5	45.9	167.5	98.4	2.8	2.5	3.0	12.4	7.5	9.8	8.5	8.4	24.1	13.1
Jamaica	1162.3	1011.9	991.4	1361.1	2731.4	27.5	22.9	23.3	31.6	65.0	76.8	62.3	61.6	62.3	147.0
Montserrat	0.1	0.1	0.1	0.1	0.1	0.4	0.4	0.3	0.3	0.3	0.1	0.1	0.1	0.1	0.1
Saint Kitts and Nevis	49.1	48.2	15.9	39.4	49.3	20.4	18.2	5.1	12.0	13.7	44.9	27.7	14.6	23.1	19.2
Saint Lucia	42.1	44.2	69.0	44.8	47.2	7.4	7.3	11.4	7.1	7.5	22.6	26.7	36.4	25.0	25.1
Saint Vincent and the Grenadines	27.6	26.9	25.2	22.5	23.3	15.1	14.1	13.9	12.3	12.2	22.8	23.3	25.2	23.9	24.4
Suriname	29.3	58.2	33.5	50.9	53.4	1.0	2.0	1.3	2.2	2.9	7.8	8.7	11.6	10.3	39.8
Trinidad and Tobago	157.5	171.2	312.6	153.4	166.5	1.0	1.2	1.6	1.0	1.4	7.8	7.3	9.7	8.8	9.7
Caribbean	**123.8**	**123.4**	**130.0**	**152.5**	**251.2**	**7.9**	**7.9**	**7.6**	**8.8**	**11.5**	**25.1**	**23.7**	**25.5**	**27.0**	**33.1**
GoodsProducers	**77.1**	**87.8**	**127.1**	**112.1**	**110.9**	**3.4**	**3.4**	**4.2**	**5.7**	**6.0**	**12.0**	**11.2**	**14.5**	**15.1**	**21.9**
ServiceProducers	**140.8**	**136.3**	**131.0**	**167.2**	**302.2**	**9.6**	**9.6**	**8.8**	**9.9**	**13.6**	**29.9**	**28.2**	**29.5**	**31.3**	**37.1**

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

D. Monetary policy, domesitc credit and inflation

This subsection explores key elements of sub-regional monetary policy, related frameworks and the financial sector in the Caribbean. In this regard, it is important to note that, during 2015 and the first half of 2016, in an effort to promote economic growth and stability, Caribbean economies largely adopted an accommodative monetary policy stance. More specifically, during the period under review, the Eastern Caribbean Central Bank (ECCB) continued toregulate the availability of money and credit in the Eastern Caribbean Currency Union (ECCU). The Bank also continued to maintain a fixed exchange rate (linked to the United States dollar). Bahamas also operated a fixed exchange rate regime, hence monetary policy was not geared towards increasing national output. Rather, it was focused upon achieving financial and exchange rate stability. On the other hand the Central Bank of Barbados maintained an accommodative monetary policy in 2015, with the view of stimulating economic activity in the economy. However, while many suggest that the correct policy to stimulate a small open economy under a fixed exchange rate regime would be an expansionary fiscal policy, the limited fiscal space and high debt of Caribbean countries make the employ of such an approach exceedingly difficult.

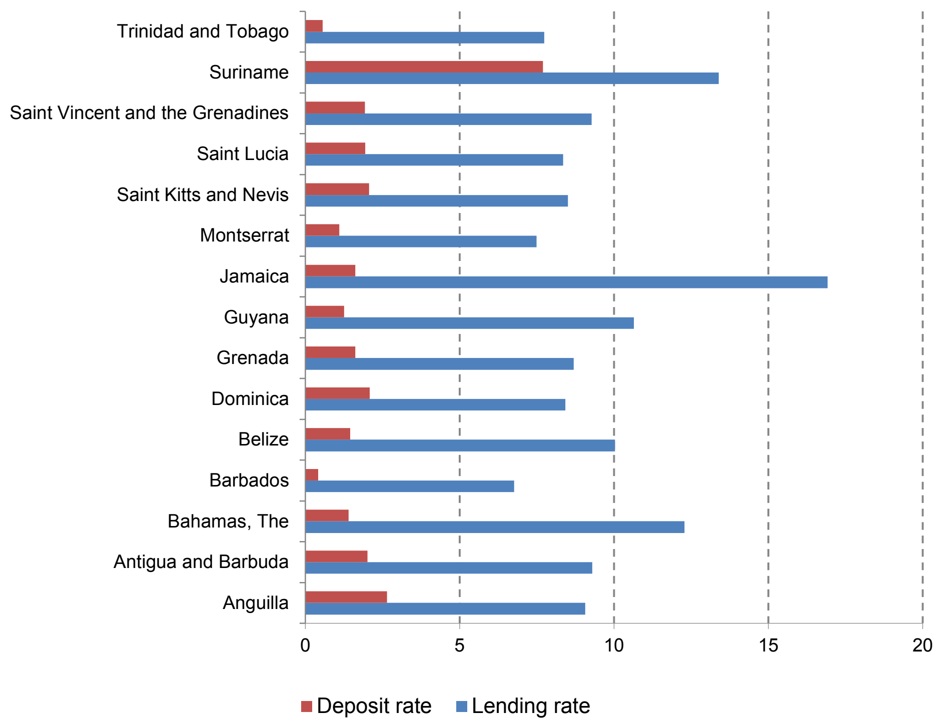
1. Interest rates

The Bahamas and Suriname are the only two countries to report increases in lending rates. The lending rate in the Bahamas increased from 11.8 per cent in 2014 to 12.3 per cent in 2015.Suriname's lending rate rose by 0.9 percentage points from 14.4 per cent in 2014 to 13.4 per cent in 2015. The other Caribbean countries reported small decreases in lending rates ranging from 0.02 percentage points (Trinidad and Tobago) to 0.56 percentage points (Montserrat) (see table 6).Interestingly, over the course of 2015 the Central Bank of Trinidad and Tobago increased its repo rate from 3.25 per cent to 4.75 per cent, in an attempt to maintain a sufficient differential between Trinidad and Tobago and United States interest rates. This move may have been taken by the Central Bank of Trinidad and Tobago to avoid capital flight from occurring, in anticipation of the interest rate hike by the US Federal Reserve. Clearly, the adjustment to the repo rate was not done to stimulate economic activity in Trinidad and Tobago's economy.

Following the increases in the policy rate, commercial banks median prime lending rate rose from 8.13 per cent in June 2015 to 9.0 per cent in March 2016. Following the increases in the policy rate, commercial banks median prime lending rate rose from 8.13 per cent in June 2015 to 9.0 per cent in March 2016.Suriname reported the largest increase in deposit rates of 0.3 percentage points, followed by Trinidad and Tobago (0.02 percentage points), while all other countriesreported declines ranging from 2.08 percentage points (Barbados) to no change for Guyana. In Guyana, there were slight fluctuations in commercial banks' interest rates in 2015. In Suriname there were also marginal increases in interest rates as the reserve requirement ratio was increased from 30 per cent to 35 per cent of deposits. Notwithstandingthis, the average lending rate grew from 12.5 per cent in 2014 to 13.4 per cent.

Interestingly, the decision by the Eastern Caribbean Central Bank Monetary Council to lower the minimum deposit rate on savings to 2.0 per cent from 1 May 2015 had a greater direct impact on deposit than on lending rates. Increased market competition is generally considered to be the major driver of the lowering of lending rates observed across the ECCU in 2015. The average interest rate spread widened by 38 basis points from 6.39 per cent to6.71 per cent. The average lending rate across the currency union fell by 23 basis points year-on-year to 8.64 per cent and the weighted average deposit rate fell by 0.61 of a percentage point to 1.93 per cent.

Figure 10
Lending rate and deposit rate 2015
(Percentage)



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

Table 6
Lending rate, deposit rate and spread, 2014-2015
(Percentage)

	2014			2015		
	Lending rate	Deposit rate	Spread	Lending rate	Deposit rate	Spread
Anguilla	9.25	2.97	6.28	9.07	2.65	6.43
Antigua and Barbuda	9.45	2.81	6.65	9.30	2.02	7.29
Bahamas, The	11.81	1.42	10.39	12.29	1.41	10.88
Barbados	7.08	2.50	4.58	6.77	0.42	6.35
Belize	10.32	1.85	8.47	10.03	1.46	8.57
Dominica	8.76	2.80	5.96	8.43	2.09	6.34
Grenada	9.01	2.23	6.78	8.70	1.62	7.07
Guyana	11.01	1.26	9.75	10.65	1.26	9.39
Jamaica	17.18	2.64	14.54	16.92	1.62	15.30
Montserrat	8.05	1.95	6.11	7.49	1.10	6.39
Saint Kitts and Nevis	8.62	2.49	6.13	8.51	2.07	6.44
Saint Lucia	8.50	2.58	5.93	8.35	1.94	6.41
Saint Vincent and the Grenadines	9.30	2.46	6.84	9.28	1.93	7.35
Suriname	12.50	7.40	5.10	13.40	7.70	5.70

Table 6 (concluded)

	2014			2015		
	Lending rate	Deposit rate	Spread	Lending rate	Deposit rate	Spread
Trinidad and Tobago	7.77	0.54	7.23	7.74	0.56	7.18
Caribbean	**9.91**	**2.53**	**7.38**	**9.80**	**1.99**	**7.80**
Goods Producers	**10.40**	**2.76**	**7.64**	**10.45**	**2.74**	**7.71**
Service Producers	**9.73**	**2.44**	**7.29**	**9.56**	**1.72**	**7.84**

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

2. Money supply and credit

Net credit to the private sector increased by 0.3 percentage points of GDP for the Caribbean, but declined by the same amount for the public sector. There is considerable heterogeneity among countries. An increase in private sector credit of 5.4 percentage points of GDP was reported for goods producers, with Suriname recording the largest increase (4 percentage points). Services producers reported a decline of 3.2 percentage points.

On the heels of a 6.2 decline in 2014, domestic credit stock contracted by a further 7.6 per cent to EC$11,165.6 million at the end of 2015 as borrowing by private sector, central governments and non-financial public enterprises all decreased. In this regard, in the ECCU, net credit to the private sector fell by 2.67 per cent[3], as credit to all major sectors, with the exception of public administration as well as financial institutions, decreased. It is interesting to note that despite the positive outturn in the tourism and construction sectors, on average, credit to these economic activities declined by 17.7 per cent and 6.5 per cent, respectively. The largest decline in percentage points of GDP was observed for Antigua and Barbuda (10.8), Saint Lucia (8.7), Anguilla (8.6) and Grenada (6.8) (see table 7).

There was an improvement in financial sector liquidity in the Caribbean, with Money supply (M2) increased by 2.8 percentage points over the period 2014-15. It is noteworthy, however, that there was an ECCU-wide deceleration in the growth of monetary liabilities (M2) to 4.0 per cent, down from 6.2 per cent in 2014. At the end of the period under review M2 in the ECCU stood at EC$15,722 million. Further, both quasi (2.7 per cent) and narrow (8.4 per cent) money increased, with the former buoyed by an upward trend in both private sector foreign currency deposits and private sector savings deposits. Moreover, increased private sector demand deposits and currency in the public were the primary driver on the expansion in narrow money (M1) observed in 2015.

In contrast, in the Bahamas strong liquidity in the banking sector contributed to 49 basis points spread in the weighted average interest rate. The economy of Barbados experienced an increase in liquidity as the liquidity ratio also increased from 20.3 per cent to 25.3 per cent (a 5.0 percentage point change). In Guyana, Government bonds were used to absorb some of the excess liquidity in the financial system.

Table 7
Monetary aggregates and domestic credit to the private and public sector, 2014-2015
(Percentage of GDP)

	M1		M2		Domestic Credit to the Private Sector		Domestic Credit to the Public Sector	
	2014	2015	2014	2015	2014	2015	2014	2015
Anguilla	6.1	8.1	36.5	37.5	150.6	142.0	-33.8	-33.6
Antigua and Barbuda	19.2	19.8	83.9	78.1	65.3	54.5	13.9	9.8

3 For the six ECCU ECLAC member states – Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines.

Table 7 (concluded)

	M1		M2		Domestic Credit to the Private Sector		Domestic Credit to the Public Sector	
	2014	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**
Bahamas, The	22.7	22.9	73.5	71.3	73.6	70.9	28.9	30.0
Barbados	39.0	47.0	103.5	109.6	61.9	62.2	29.3	37.6
Belize	38.2	44.4	77.8	83.5	55.9	57.5	0.6	8.9
Dominica	16.6	18.8	85.6	91.5	54.6	55.8	-2.5	-10.4
Grenada	18.9	20.6	78.1	74.8	65.6	58.8	-3.5	-8.8
Guyana	20.7	19.9	51.9	51.2	31.8	32.8	-4.1	-1.0
Jamaica	10.7	12.0	18.2	19.6	21.5	22.3	12.5	9.5
Montserrat	26.8	28.5	137.8	141.2	39.9	42.3	-44.0	-60.7
Saint Kitts and Nevis	24.9	25.1	88.9	87.6	60.2	58.2	-16.8	-16.8
Saint Lucia	19.7	19.8	69.6	69.9	99.5	90.8	-5.2	-6.5
Saint Vincent and the Grenadines	21.6	21.6	67.8	68.3	53.1	52.7	-1.3	0.0
Suriname	27.0	28.0	55.3	60.4	30.8	34.9	8.2	16.0
Trinidad and Tobago	26.5		48.4		26.9		-6.5	
Caribbean	22.6	24.0	71.8	74.6	59.4	59.7	-1.6	-1.9
GoodsProducers	28.1	30.8	58.4	65.0	36.3	41.7	-0.4	8.0
ServiceProducers	20.6	22.2	76.7	77.2	67.8	64.6	-2.0	-4.5

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

3. Inflation

Inflation declined in the service producers but rose sharply for the good producers. The average inflation rate for the Caribbean in 2015 was 1.5 per cent, a marginal decline from 1.8 per cent in 2014. An increase in average prices from 3.8 per cent in 2014 to 6.9 per cent in 2015 was reported for the goods producers. Suriname is the main outlier in the goods producer group with 21 percentage points increase (year on year) in the inflation rate. The economy experienced an inflationary shock from 2.3 per cent in January 2015, to 4.2 per cent in October 2015, largely due to the removal of energy subsidies and the floating of its currency. Despite the inflation being cost push in nature, the Central Bank of Suriname deployed a contractionary monetary policy. Trinidad and Tobago and Saint Lucia reported the largest decline in inflation from 2014 to 2015 (see table 8 and figure 11).

Table 8
Inflation, 2012-2015
(Percentage)

	2012	2013	2014	2015
Anguilla	-0.3	0.8	-0.9	-1.8
Antigua and Barbuda	1.8	1.1	1.3	0.9
Bahamas, The	0.7	0.8	0.2	2.0
Barbados	2.4	1.2	2.4	-2.5
Belize	0.6	0.4	1.4	-0.8
Dominica	1.3	-0.4	0.5	0.5
Grenada	1.8	-1.2	-0.6	-1.2
Guyana	3.5	0.9	1.2	1.8
Jamaica	8.0	9.5	6.4	3.7

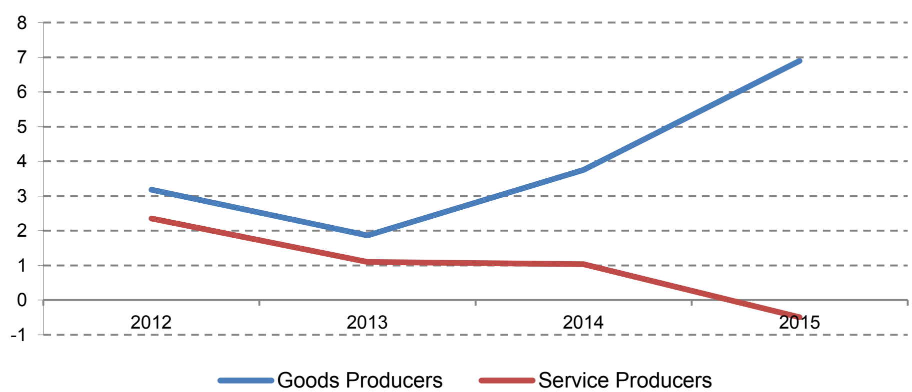
Table 8 (concluded)

	2012	2013	2014	2015
Montserrat	3.6	-0.5	-1.0	-0.1
Saint Kitts and Nevis	0.5	0.6	-0.5	-2.4
Saint Lucia	5.0	-0.7	3.7	-2.6
Saint Vincent and the Grenadines	1.0		0.1	-2.1
Suriname	1.4	0.6	3.9	25.1
Trinidad and Tobago	7.2	5.6	8.5	1.5
Caribbean	**2.6**	**1.3**	**1.8**	**1.5**
GoodsProducers	**3.2**	**1.9**	**3.8**	**6.9**
ServiceProducers	**2.4**	**1.1**	**1.0**	**-0.5**

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

More specifically, consumer prices in the ECCU on average declined during 2015, with the Union generating a price deflation of -1.14 per cent, following a rate of inflation of 0.73 per cent in 2014. Lower energy and food prices were the main drivers of this decline. At the country level, in 2015 Grenada registered deflation of -0.58, compared to -0.98 in 2014. For first quarter 2016, inflation was estimated to 1.54 per cent, compared to deflation of -1.28 per cent in 2014. Similarly, prices declined in Saint Kitts and Nevis by 2.8 per cent in 2015. This deflation was driven by a decline in fuel prices and the removal of VAT (17 per cent) on food, medical supplies, and funeral expenses. During the first quarter of 2016, year-on-year there was a 2.5 per cent decline in prices in Saint Kitts and Nevis, reflecting the continuing impact of declining fuel prices. With regard to Antigua and Barbuda, inflation declined from 1.3 per cent for 2014 to 1 per cent 2015, and is projected at 1.2 per cent for 2016.

Figure 11
Lending rate and deposit rate
2012-2015
(Percentage)



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

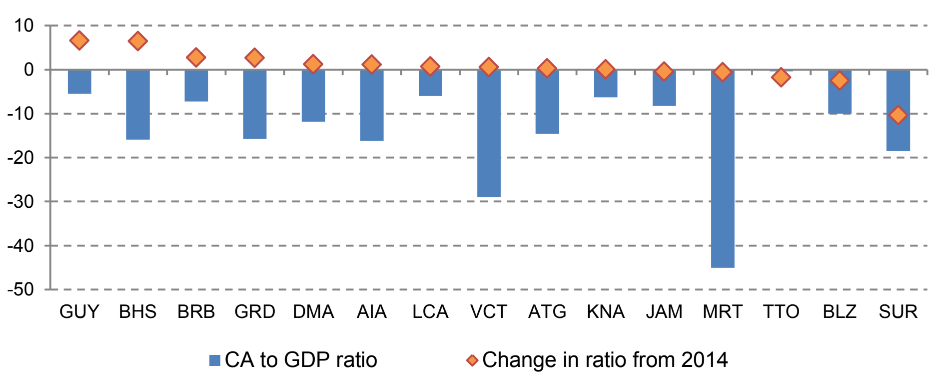
In the Bahamas in 2015, inflation was modest at 1.9 per cent largely due to the effect of low fuel prices. The low fuel prices even offset impulses for higher prices stemming from the introduction of the 7.5 per cent VAT in January, rising health costs (up 18 per cent), rising recreation costs (11.9 per cent) and rising food prices (up 9 per cent). In 2015, Barbados recorded inflation of -1.1 per cent due to low oil prices, low interest rates, and weak domestic demand. While the negative inflation should be good for consumers, it raises concerns about a slowdown in economic activity. Deflation was also partially influenced by the retrenchment of 3000 public servants in 2014, and a two year freeze in wages. Further consideration is being made for a 10 per cent pay cut for parliamentarians and some senior administrators in 2016 amid demands for pay hikes by trade unions. Guyana experienced a -1.8 per cent inflation rate in 2015. This deflation occurred as a consequence of low fuel prices, stable interest rates, stable nominal exchange rate, and decline in food prices (due to an improvement in domestic food production).

E. Balance of payments

1. Current account

The average current account balance in the Caribbean remained almost unchanged in 2015, down just 0.4 percentage points from 2014 to -14.0 per cent of GDP. The average current account deficit of the goods producers expanded from -6.6 per cent in 2014 to -8.6 per cent in 2015, while the average current account deficit of the service producers narrowed slightly from -17.3 per cent to -16.0 per cent. The deterioration of the of the goods producers current account was no doubt due to the expansion of Suriname’s current account deficit, which expanded from -8.1 per cent of GDP to -18.5 per cent. While Guyana’s current account deficit contracted on account of a new gold mine and increased rice and sugar production, Belize’s expanded; Trinidad and Tobago moved from a slight current account surplus in 2014 to a small deficit of -0.4 per cent in 2015. The goods producers were all affected by falling commodity prices in 2015, Suriname particularly so as its alumina industry was also shut down. Conversely, the service producing economies of the Caribbean all benefited from low oil prices. They all experienced a narrowing of their current account deficits in 2015. This group of economies would also have benefited from a continued recovery in the tourism sector across the region boosting service inflows.

Figure 12
Current account balance 2015
(Percentage of GDP)



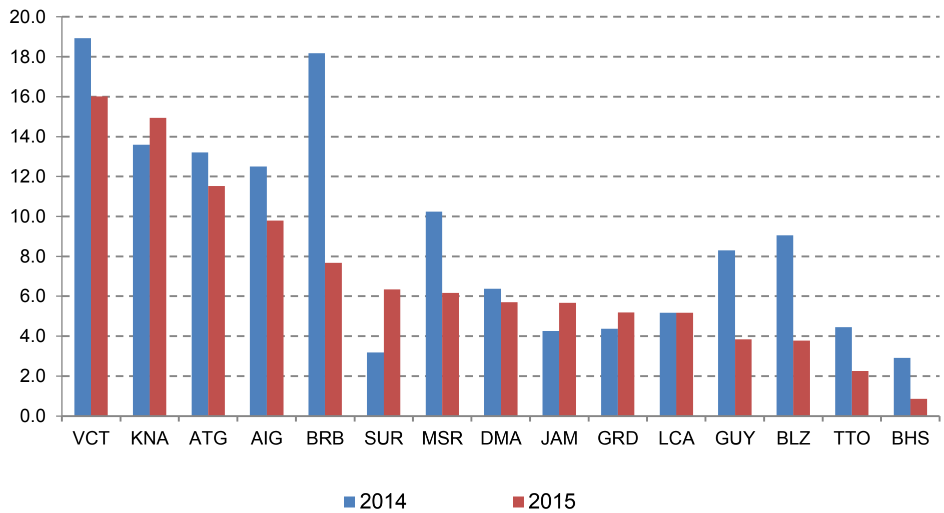
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

2. Net foreign direct investment (FDI)

The average financial and capital account in the Caribbean grew by just under one percentage point, from 14.8 per cent of GDP in 2014 to 15.4 per cent in 2015. This was even with a decline in the average FDI inflows to the Caribbean.

On average, FDI inflows to the Caribbean fell from 9 per cent to 7 per cent. This decline was across the Caribbean, as the goods producers and service producers averages both fell by about two percentage points. Four countries experienced increases in net FDI as a per cent of GDP: Grenada, Jamaica, Saint Kitts and Nevis and Suriname. Despite the closure of Alcoa's Bauxite refining plant in 2015, investment into the Newmont gold mine pushed Suriname's FDI to GDP ratio higher. The largest net inflows of FDI were seen in Saint Vincent and the Grenadines (16 per cent of GDP) and Saint Kitts and Nevis (14.9 per cent of GDP). Saint Kitts and Nevis continues to attract large investment inflows to its citizenship by investment programme as well as the construction of a number of hotels. Saint Vincent and the Grenadines also managed to draw in quite a sizable amount of FDI despite being the only member of the Organization of Eastern Caribbean States that does not have a citizenship by investment programme.

Figure 13
Net foreign direct investment 2014 - 2015
(Percentage of GDP)



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

3. International reserves

Based on available data, the Caribbean subregion's average international reserves declined by 6.8 per cent in 2015 to US$ 1.2 billion relative to 2014; representing 6.9 months of import cover. Goods producing economies were the primary drivers of this decline, decreasing on average by 14.8 per cent representing 5.5 months of import cover. Declining commodity prices were the major driver of the weakened international reserve position among the goods producing economies. In the case of Suriname, falling oil and gold prices precipitated the substantial drop of 47.2 per cent. Alternatively, the service producing economies benefitted from lower oil prices with an 11.2 per cent increase in international reserves representing 7.7 months of import cover; up from 7.2 months in the previous year.

Table 9
International reserves, 2014-2015

	Gross international reserves *(US millions)*		Import cover *(months)*	
	2014	**2015**	**2014**	**2015**
Anguilla	37.7	38.6	2.3	2.3
Antigua and Barbuda	197.0	255.0	3.3	4.1
Bahamas	787.7	811.9	1.9	2.3
Barbados	526.2	463.4	3.0	2.7

Table 9 (concluded)

	Gross international reserves *(US millions)*		Import cover *(months)*	
	2014	**2015**	**2014**	**2015**
Belize	486.8	436.7	5.1	4.4
Dominica	99.9	125.4	4.8	5.9
Grenada	158.3	188.5	4.8	5.8
Guyana	652.2	594.7	3.5	3.8
Jamaica	2 001.1	2437.0	3.2	3.8
Montserrat	5.2	5.2	1.0	0.9
Saint Kitts and Nevis	318.4	280.4	9.5	7.8
Saint Lucia	235.3	308.7	4.0	5.3
Saint Vincent and the Grenadines	1 411.2	1 512.2	41.1	43.1
Suriname	625.1	330.2	2.7	1.5
Trinidad and Tobago	11 316.4	9 787.4	10.3	10.2
Caribbean	**1 257.2**	**1 171.7**	**6.7**	**6.9**
Caribbean excluding Trinidad and Tobago	**538.7**	**556.3**	**6.4**	**6.7**
Good Producers	**3270.1**	**2787.2**	**5.4**	**5.0**
Service Producers	**525.3**	**584.2**	**7.2**	**7.7**

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

II. Country briefs

A. Bahamas

1. General characteristics of recent trends

The Bahamian economy posted negative growth of 1.7 per cent in 2015, after contracting by 0.5 per cent in 2014. The growth impetus from construction related to foreign direct investment (FDI) in recent years subsided and signs of softness were seen in the offshore financial services sector. Lower cruise tourist arrivals offset the growth momentum from stopover tourism, which performed creditably despite repeated delays in the opening of the Baha Mar mega-resort development. That project is expected to provide a substantial boost to activity in the sector, but the delays are pushing up unemployment levels as individuals who expected to be hired by the resort have failed to secure employment elsewhere. Inflation remained modest at 2.0 per cent as the pass-through effects of lower fuel prices partly offset higher prices resulting from the introduction of value added tax (VAT) in 2015.

The fiscal position improved in fiscal year 2014/15 owing mainly to VAT receipts. The fiscal deficit narrowed by 20.4 per cent, but an uptick in spending (compared with 2013/14) nevertheless delayed the government's consolidation programme. Monetary conditions remained relatively stable with continued growth in liquidity and an improvement in banks' credit quality, owing partly to loan write-offs. Meanwhile, the balance-of-payments current account deficit narrowed significantly in response to a substantial reduction in fuel import payments and a wider services account surplus owing to higher tourism receipts and a sharp fall in payments for construction services. Construction payments plummeted with the winding-down of major FDI-related construction projects.

The economy is expected to post a modest recovery in 2016, with growth of 0.5 pecent on the back of increased stopover tourism and FDI-related construction activity. However, job gains will be limited, leaving unemployment relatively high, and slower-than-projected growth in the United States could pose some downside risks. Inflation will remain subdued owing to below-average international fuel prices. The fiscal deficit is expected to continue narrowing, mainly as the growth in revenues — VAT receipts and improved tax collection— outpaces that in spending, which is expected to increase owing partly to rehabilitation and reconstruction in the Family Islands, which were affected by Hurricane Joaquin in October 2015.

The external current account deficit is projected to narrow somewhat in 2016, reflecting reduced import payments owing to the winding-down of some large construction projects and low fuel prices. This will be supported by higher services inflows with an increase in stopover tourist arrivals and spending. A modest rebound in FDI is expected on the basis of planned investment projects. These developments will lead to an increase in foreignreserves.

2. Economic policy

a) Fiscal policy

The fiscal position improved in financial year 2014/15. The deficit narrowed from 5.7 per cent of GDP in 2013/14 to 4.5 per cent of GDP in 2014/15, owing largely to the introduction of VAT at a rate of 7.5 per cent in January 2015, which led to a significant expansion in total tax revenue (17.3 per cent). The overall deficit contracted by 20.4 per cent in nominal terms, but this was still almost 35 per cent above the budget forecast. Buoyed by VAT proceeds of B$ 218.6 million in the second half of the fiscal year, tax revenue expanded by 20.5 per cent to B$ 1.500 billion. This was supported by non-trade-related stamp taxes, but was offset partly by a 2.9 per cent reduction in receipts from taxes on international trade and transactions, as rates were lowered to compensate for the implementation of VAT. Non-tax proceeds declined by 3.5 per cent, but were still higher than budgeted for2014/15.

Total expenditure rose by 7.9 per cent in financial year 2014/15, underpinned by a 7.2 per cent increase in current spending and growth of 11.1 per cent in capital expenditure. Current outlays were buoyed by a spike in debt interest payments in line with the upward trajectory of debt and higher allocations for transfers and subsidies.

The improved fiscal position led to slower growth in public debt: the debt-to-GDP ratio increased by 2.5 percentage points to 76.3 per cent at year-end 2015 (compared with 7.5 percentage points in 2014). Nevertheless, the government continues to face the significant challenge of containing growth in public corporations' contingent liabilities, which expanded by 7.0 per cent (B$ 48.9 million) in 2015.

During the first nine months of fiscal year 2015/16, the fiscal deficit narrowed by 12.4 per cent to Bahamian dollars (B$) 220.5 million. Total revenues were boosted by 17.9 per cent, driven mainly by VAT receipts. This offset a 12.5 per cent rise in spending to B$ 1.605billion.

The fiscal position is expected to strengthen further in 2016/17 with the deficit projected to decline to 1.6 per cent of GDP or around B$ 139 million. Revenues will be buoyed by VAT, while growth in expenditure is expected to be moderate despite spending on the general election.

b) Monetary and exchange rate policy

Given its fixed exchange-rate regime, monetary policy in the Bahamas is focused more on financial and exchange-rate stability than on economic stimulus. Therefore, the monetary stance remained neutral in 2015, despite the decline in economic activity. With an improvement in its international reserves position, the central bank held its discount rate constant at 4.5 per cent. Monetary conditions favoured the accumulation of banking sector liquidity as credit demand remained weak in the light of deleveraging by banks. Excess liquid assets increased by 5.8 per cent, reflecting a shift by banks from cash holdings to government securities. Meanwhile, growth in broad money slowed from 2.0 per cent in 2014 to 0.4 per cent in 2015, owing in part to the decline in economic activity. Savings deposits expanded by 7.6 per cent, time deposits contracted by 4.3 per cent, and the fall in foreign currency deposits slowed marginally to16.5 per cent.

Domestic credit picked up slightly to grow by 1.0 per cent in 2015, after contracting by 1.0 per cent in 2014. However, this was fuelled solely by growth in public sector borrowing (6.5 per cent), as private sector credit declined by 1.1 per cent amid weak borrowing capacity owing to loan delinquencies and high unemployment. Nevertheless, sustained loan write-offs led to an improvement in banks' credit quality and total private sector arrears fell by 5.7 per cent. As a result, non-performing loans contracted by 7.3 per cent in 2015, after posting marginal growth in 2014.

Strong liquidity in the banking system contributed to a widening of the weighted average interest rate spread by 49 basis points in 2015. The weighted average deposit rate fell by 1 basis point to 1.41 per cent, while the weighted average loan rate rose by 48 basis points to 12.29 per cent. However, the benchmark prime lending rate held steady at 4.75 per cent.

c) Other policies

In its recent 2016/17 budget communication, the government outlined four pillars for advancing sustainable development in the Bahamas that would form part of a National Development Plan for the country, namely, the economy, governance, social policy and the environment. Areas of focus will include human capital development centred on health-care reform, especially the introduction of a national health insurance scheme to improve access to and reduce the cost of health care; and the modernization of education and training systems, especially training in agriculture. Attention will also being given to governance reform, including the introduction of planning and results-based management and a public financial management system aimed at improving public sector transparency, efficiency and accountability, especially in the area of public procurement. Targets are also envisioned to conserve the natural environment, such as the goal to designate 10 per cent of marine and coastal areas as protected zones.

3. Trends of the principal variables

a) The external sector

The current account deficit narrowed considerably, from 22.4 per cent of GDP in 2014 to 15.9 per cent of GDP in 2015. All major components of the current account improved in 2015. The merchandise trade deficit narrowed by 2.3 per cent in nominal terms after expanding sharply by 12.2 per cent in 2014. The merchandise account benefited from a steep fall in oil prices, which led to a 39.8 per cent reduction in payments for oil imports. In addition, with the winding-down of some construction projects, payments for construction materials and other non-oil imports fell by 2.3 per cent, further reducing the trade deficit.

The services account surplus expanded significantly (by 47.8 per cent), reflecting a steep decline in net payments for construction services associated with the winding-down of work on the Baha Mar project. This was reinforced by reduced net outflows for transportation and insurance services. In addition, tourism receipts rose by 3.0 per cent, owing to growth in stopover tourist arrivals and spending. These were offset only partly by reduced net receipts from offshore companies' local expenses and inflows for governmentservices.

The income account deficit narrowed by 8.1 per cent to US$ 402.4 million in 2015, following substantial growth of 33.1 per cent in 2014. This stemmed from a sharp fall in investment-related outflows owing to reduced private sector interest and dividendpayments.

In contrast, there was a marked deterioration in the capital and financial account including errors and omissions. The surplus narrowed by 27.4 per cent to US$ 1.433 billion, owing mainly to a 69.7 per cent plunge in FDI resulting primarily from the winding-down of work on the Baha Mar project the previous year. International reserves increased from 11.5 weeks of merchandise import cover in 2014 to 13.7 weeks in 2015.

b) Economic activity

The economy performed worse than initially expected, with growth declining by 1.7 per cent in 2015, following on from a 0.5 per cent contraction in 2014. Economic activity was adversely affected by a slowdown in FDI-related construction, a contraction in cruise tourism and softness in the offshore financial services sector, which offset modest growth in stopover tourism. There was a sharp fall in construction activity, owing to the winding-down of major projects, such as the Baha Mar mega-resort development, and also some medium- and small-scale projects. There was a 26.1 per cent fall in construction starts in New Providence and Grand Bahama, the two main islands, and financing for mortgage commitments was down by 16.2 per cent.

Alongside tourism, financial services also account for a significant proportion of GDP (some 15 per cent). The offshore financial services sector was challenged by consolidation aimed in part at reducing operating costs and strengthening compliance with a raft of international capital, tax and reporting requirements. These requirements and continued uncertainty in the business environment led to sluggish activity in the sector in 2015.

Total visitor arrivals declined by 3.3 per cent to 6.1 million, reversing the growth of 2.8 per cent in 2014. Nevertheless, tourism activity improved as the number of high-spending stopover visitors increased by 3.6 per cent to 1.4 million and more than offset the decline in the number of lower-spending cruise passenger visitors by 5.1 per cent to 4.7 million. Stopover arrivals were boosted by a strong marketing campaign, including the "Companion Flies Free" programme, and increased airlift to some of the islands. In addition, visitor spending increased owing to a 2.5 per cent rise in the average hotel occupancy rate and a 6.0 per cent increase in the daily room rate to B$ 253.88.

c) Prices, wages and employment

Inflation picked up in 2015 to the modest rate of 2.0 per cent, pushed up largely by higher prices for health care (up by 18 per cent), recreation and culture (11.9 per cent) and food and alcoholic beverages (8.0 per cent and 9.0 per cent, respectively). The introduction of VAT contributed to the higher prices of these and other items. Meanwhile, transportation costs declined by 3.2 per cent, reflecting the pass-through effect of lower international fuel prices. The costs of housing, electricity, gas and other fuels also fell, in line with reduced fuel prices, for example, the Bahamas Electricity Corporation's fuel charge dropped by 34.2 per centto 16.23 cents per kilowatt hour (kWh).

Employment was hit by the decline in economic activity. The unemployment rate rose from 12.0 per cent in May 2015 to 14.8 per cent in November 2015. The labour market was affected by protracted delays in the opening of the Baha Mar resort, which led to the termination of some 2,000 permanent jobs. Nevertheless, year-on-year to November, unemployment declined by 0.9 percentage points. The government has noted with particular concern the high rate of unemployment among young persons aged 15 to 24 years, estimated at around 30 per cent, which it plans to tackle by boosting growth and introducing apprenticeship and training programmes.

B. Barbados

1. General characteristics of recent trends

Barbados has struggled to recover from the aftermath of the 2008/09 global economic crisis. However, a dynamic turnaround in the tourism sector in 2015 produced growth of 0.8 per cent, compared with 0.2 per cent in 2014. Stopover arrivals were up as much as 15 per cent, accompanied by increases in visitor arrivals of 25.3 per cent from the United States, 14.0 per cent from Canada and 13.4 per cent from the United Kingdom. However, growth in all other sectors remained subdued: the construction sector was restricted by delayed infrastructure projects; the international business and financial sector continues to grapple with tighter global regulations; and manufacturing is in need of restructuring as it continues to underperform. GDP growth is projected at 1.6 per cent for 2016, based on the continued expansion of the tourism sector and an uptick in construction as work begins on delayed projects and planned government capital works.

The government's fiscal consolidation efforts have been slow to achieve the expected results. The fiscal deficit widened from 6.9 per cent of GDP in the fiscal year 2014/15 to 7.3 per cent of GDP for the fiscal year 2015/16, well above the government's target of 4.0 per cent of GDP. The lack of progress made in reducing the deficit is partly responsible for the downgrade of Barbados' government bond and issuer ratings to Caa1 by the international credit rating agency Moody's, with a revised outlook from negative to stable. Central government debt expanded from 99.9 per cent of GDP in 2014 to 106.8 per cent of GDP in 2015. Meanwhile, the current account deficit narrowed from 9.9 per cent of GDP to 7.2 per cent of GDP, as low oil prices led to a 7 per cent drop in imports.

In 2015, average monthly inflation stood at -1.1 per cent owing to low oil prices and weak domestic demand, raising concerns about the real debt burden and a possible economic slowdown. Unemployment dipped to 11.3 per cent in 2015,down from 12.3 per cent in 2014. It is expected to decline further in 2016, thanks to gains in airlift capacity and the anticipated rebound in the construction sector. Economic policy currently focuses on achieving medium-term fiscal consolidation goals; pursuing institutional reforms; expanding and developing tourism; facilitating business; and addressing issues identified by the Financial Stability Board in the international business and financial sector.

2. Economic policy

a) Fiscal policy

The government's fiscal consolidation efforts continued in 2015, with the proposal of several new taxes that sought to bring the fiscal deficit down to 4 per cent of GDP by the end of the fiscal year 2015/16, after having peaked at 11.0 per cent of GDP in the fiscal year 2013/14. However, the expected results of these reforms have yet to materialize, owing to delays in the implementation of new tax measures and slow progress in the reform of State-owned enterprises. Consequently, the fiscal deficit expanded to 7.3 per cent of GDP for the fiscal year 2015/16, from 6.9 per cent in the fiscal year 2014/15, which was well above the government's target. In turn, central government debt expanded from 99.9 per cent of GDP in 2014 to 106.8 per cent of GDP in2015.

Total revenue grew by a mere 2.6 per cent year-on-year to stand at 2.6 billion Barbados dollars (BDS$). Direct taxes were up by 4.2 per cent and indirect taxes by 3.6 per cent; however, a 67.7 per cent plunge in grants offset these gains. Current expenditure also increased by 2.9 per cent to BDS$ 3.0 billion during the fiscal year 2015/16. Notwithstanding the 2.8 per cent fall in wages and salaries —a consequence of the retrenchment of 3,000 public sector workers in 2014— current expenditure increased because subsidies went up by 18.4 per cent, transfers to individuals by 9.4 per cent, and transfers to public institutions by 3.7 per cent. In addition, capital expenditure and net lending increased by 15.1 per cent. The fiscal deficit was financed partly by an advance from the Central Bank of Barbados for BDS$ 238 million from additional liquidity accumulated by commercial banks, together with a further BDS$ 190 million of newly created money provided by the Central Bank. The fiscal deficit for 2016/17 is projected to stand at 5 per cent ofGDP.

The fiscal climate in Barbados has affected its standing in the international markets. In early 2016, the international credit rating agency Moody's downgraded the country's government bond rating and issuer rating to Caa1, but revised its outlook from negative to stable. The reasons given for the downgrade were slow progress towards achieving fiscal consolidation consistent with a sustainable debt trajectory, and a low level of foreign exchange reserves and weak funding conditions. Further fiscal consolidation measures are expected in the upcoming 2016/17 budget, with a focus on reform as pressures intensify to bring the deficit down to manageable levels in the mediumterm.

b) Monetary and exchange ratepolicy

The Central Bank of Barbados maintained an accommodative stance in 2015 in an effort to stimulate the economy. As a result, interest rates declined and the Treasury bill rate, currently used as the benchmark to guide interest rates, decreased by 0.6 percentage points to 1.8 per cent. Following the Central Bank's decision in 2015 to no longer set the minimum savings rate, which had been 2.5 per cent, the average deposit rate dipped to 0.4 per cent, owing to excess liquidity in the system. In addition, the average loan rate edged down by 0.3 percentage points to 6.8 per cent. Low interest rates were also reflected in the level of inflation observed in 2015, averaging -1.1 per cent after falling from 1.9 per cent in 2014. The excess liquidity ratio also increased by 5.0 percentage points to 25.3 per cent year-on-year as of December. There was, however, a slight downward adjustment in the non-performing loans ratio from 11.5 per cent to 10.8 per cent between 2014 and 2015. Despite falling interest rates, credit to the private sector remained sluggish, dipping a further 1.1 per cent in 2015 after falling by 6.6 per cent in2014.

The Central Bank of Barbados remains firm in its support of the exchange rate of BDS$ 2 to the United States dollar by maintaining adequate international reserves. These reserves stood at BDS$ 926.8 million (representing 13.5 weeks of import cover) in December 2015, the lowest level of recent years, but above the recommended import cover threshold of 12 weeks. By the end of March 2016, reserves had increased to BDS$ 940.3 million, representing 14 weeks of import cover.

c) Other policies

Medium-term policy actions to diversify the tourism sector, facilitate business transactions, promote alternative energy sources and reform public institutions are under consideration. The government continues to develop the tourism sector by diversifying its tourism product offerings in an effort to appeal to a wider range of visitors and to focus more on heritage and preservation. In particular, a greater push is being made to make inroads into the Latin American and United States markets.

Although falling oil prices have lessened demand for renewable energy sources, the authorities are looking to develop the sector by increasing access to finance and establishing a floor price for renewable fuels in order to reassurepartners.

With fiscal consolidation high on the agenda, institutional reform and greater efficiency in the public sector are the focus of attention. It is expected that the Customs and Excise Department will be merged into the Barbados Revenue Authority to facilitate greater tax compliance and, by extension, increased revenue collection.

3. Trends of the principal variables

a) The external sector

The tourism sector continues to be the largest foreign exchange earner for Barbados. Its performance in 2015 spearheaded the country's return to growth and will continue to do so in 2016. Tourism activity rebounded to pre-crisis levels in 2015, with an increase of 13 per cent in airlift and 5 per cent in cruise arrivals. Long-stay arrivals are already up by 7 per cent in the first quarter of 2016, signalling the potential for further growth in the remainder of the year. The international business and financial services sector is currently in an adjustment period as regulation of offshore centres intensifies, providing limited short-term growthpotential.

The balance of payments recorded an overall deficit of US$ 62.8 million, or 1.4 per cent of GDP, in 2015, a marginal increase from US$ 45.8 million (1.1 per cent of GDP) in 2014. Low oil prices fuelled a 7 per cent drop in imports, which was the main factor contributing to the narrowing of the current account deficit from 9.9 per cent of GDP to 7.2 per cent. However, there is the potential for the deficit to widen again in 2016, as oil prices are expected to rally and export growth to stagnate. Meanwhile, significantly lower public and private inflows during 2015 had a notable impact on the capital account, which had contracted by 68 per cent by the end of 2015. Furthermore, major declines in foreign direct investment in the country led to a 56.7 per cent decrease in the financial account. This in turn translated into a 37 per cent fall in international reserves.

b) Economic activity

The economy of Barbados appears to have turned a corner after achieving modest positive growth of 0.8 per cent in 2015, compared with 0.2 per cent in 2014. Tourism rallied in 2015 and remains the main driver of economic growth with slight spillovers into retail, business and other services sectors. Tourism receipts grew by 5 per cent, with overall stopovers up by as much as 15 per cent, led by double-digit growth in major source markets: arrivals from the United States were up by 25.3 per cent, Canada by 14.0 per cent and the United Kingdom by 13.4 per cent. These successes continued into the first quarter of 2016, as long-stay arrivals increased by 7 per cent, with growth of 13.1 per cent in the outbound market of the United States, 9.8 per cent in that of the United Kingdom and 34.2 per cent in the market of Trinidad and Tobago. Despite this, value added in all other sectors was subdued compared with the tourism sector.

Growth in the construction sector was stymied by delays in major tourism-related infrastructure projects. However, projects, such as the Sam Lord's Castle resort and the expansion of the Sandals resort, are scheduled to break ground by the second half of 2016, while construction work on a new Hyatt hotel is expected to commence before the end of the year. Thanks to these major projects and the government's capital works plans, the construction sector is expected to pick up in2016.

Financial and other services grew by just 1.1 per cent in 2015 and remained stagnant in the first quarter of 2016. More specifically, the international business sector has encountered major difficulties as global banking regulations are tightened and concessions reduced. No new international banks were licensed in 2015, and two banks closed operations. Recovery in this sector is contingent on reforms aimed at fostering greater transparency, in an effort to help overcome the country's reputational challenges as a tax haven.

Performance in the manufacturing sector has been declining steadily for many years and dropped by a further 2.2 per cent in 2015. The prospects for 2016 are no better given the impact on many small manufacturing companies of stricter international regulations, which require exporters to modernize their facilities. Meanwhile, growth in the agricultural sector was slightly up, by 2.1 per cent, amid efforts to diversify the industry.

ECLAC projects GDP growth of 1.6 per cent in 2016. This outlook is based primarily on continued growth in the tourism sector, bolstered by increased hotel, port and airlift capacity. Gains in the tourism sector will invariably have spillover effects on construction, which is expected to reap rewards from major hotel infrastructure investments that are in the pipeline and planned government capital works projects. Other sectors expected to benefit include retail, business and other services. These projections are subject to downside risks, including the government's fiscal limitations, unfavourable external conditions in key tourism markets, delays in major infrastructure projects and possible de-risking in the international business and financialsector.

c) Prices, wages and employment

The unemployment rate averaged 11.3 per cent in 2015, falling for the first time since the 2008/09 global economic crisis from its 2014 peak of 12.3 per cent. This decline hinged primarily on the turnaround in the tourism sector and its spillover effects on other service sectors. The highest unemployment rates were recorded in construction, mining and quarrying owing to delayed tourism-based infrastructure projects. Unemployment is expected to decline further in 2016, as airlift capacity was already up in the first quarter of the year and large-scale construction projects will break ground in the second half of 2016.

The average monthly inflation rate stood at -1.1 per cent in 2015, compared with 1.9 per cent in 2014. Falling consumer prices, the result of declining international fuel prices and weak domestic demand, contributed to the observed deflation, despite higher prices for food and education. Deflation remained at -0.6 per cent in the first quarter of 2016, which raises concerns about the real debt burden and a possible economicslowdown.

Public sector wages remained stable in 2015 as the government's two-year wage freeze drew to an end. Given the focus on fiscal prudence, further consideration is being given to a 10 per cent pay cut for parliamentarians and some senior civil servants in 2016, in the midst of intensifying demands from trade unions for higherwages.

C. Belize

1. General characteristics of recent trends

Economic growth fell from 4.1 per cent in 2014 to 1.2 per cent in 2015, as slower activity later in the year pulled down the average for the year as a whole. The slowdown stemmed mainly from reduced output in the primary and secondary sectors linked to a drop in agriculture and petroleum production. Growth was driven by distribution, government services and transportation. Consumer prices declined by 0.6 per cent, reflecting both lower international fuel prices and sluggish domestic activity.

The policy environment remained challenging, marked by fiscal imbalance and financial sector difficulties. Fiscal policy was expansionary in calendar year 2015 and the deficit expanded to 8.4 per cent of GDP, the widest since 2003. Fiscal developments were influenced by: the carry-over effect of the increase in public sector wages; the settlements for the nationalization of Belize Electricity Limited (BEL) and Belize Telemedia Limited (BTL); and relatively sluggish growth in revenues coupled with higher spending.

External payments deteriorated in 2015 and the balance-of-payments current account deficit widened to 9.9 per cent of GDP from 7.9 per cent of GDP in 2014. The merchandise deficit expanded significantly owing to lower output and exports of major commodities and lower services receipts.

Economic activity was expected to remain subdued during the first quarter of 2016. Continued dynamism in tourism was counteracted by weakness in agriculture and manufacturing. Stopover tourism increased by 16.9 per cent, offsetting a 4.5 per cent decline in cruise passenger arrivals. Export earnings from commodities contracted by almost 38 per cent in January and February 2016, owing in part to a fall in the output of fisheries and in the production of papaya, bananas and orange juice.

Marginally slower growth of 0.8per cent is expected in 2016, reflecting continued sluggishness in agriculture and manufacturing. Agriculture is projected to contract for the third year in a row, as citrus, banana and papaya output continues to decline. By contrast, sugar production is expected to increase, bolstered by the start of operations at the Santander mill. Banana production has not picked up since the closure of one of the largest producers in late 2015.

Manufacturing will be constrained by a reduction in agro-processing and the continued decline in the small petroleum sector. This will be offset partly by some growth in services, bolstered by higher tourist arrivals and spending. Tourist arrivals are projected to rise by about 5 per cent, owing to increased marketing, new airlift services and lower fuel prices, which make long-haul travel cheaper for airlines. The main downside risks to the growth forecast are a higher than expected increase in fuel prices and more sluggish growth in the United States.

The balance-of-payments current account deficit is projected to narrow to almost 9 per cent of GDP, after widening for the last four years. Imports are projected to decline owing to reduced purchases by the commercial free zone and the winding-down of construction in two important projects: the new sugar factory and the Harvest Caye tourism docking facility. The capital and financial account surplus is expected to be eroded by further compensation to BTL. With these developments, official international reserves are expected to decline further to around 3.5 months of merchandise imports.

2. Economic policy

a) Fiscal policy

Fiscal management remains the most significant policy challenge in Belize. The government has taken steps to reduce its contingent liabilities by arriving at a settlement for BEL and BTL, which were nationalized. The government bought 36.9 per cent of the shares in BEL for US$ 35 million using PetroCaribe loans. In the case of BTL, the government paid off the outstanding US$ 48.5 million that the company owed to British Caribbean Bank, as well as a partial settlement of US$ 32.5 million. However, the size of the final settlement, which is under arbitration, could pose further contingent liability risk for the government.

The government has espoused fiscal consolidation as a policy objective. Nevertheless, this is not expected to be achieved in the near term, as the government continues to face pressures to increase spending in the face of weaker growth in revenues. Fiscal policy remained expansionary in 2015. The fiscal deficit more than doubled from 2.9 per cent of GDP in 2014 to 8.4 per cent of GDP in calendar year 2015, the highest level since 2003, as expenditure grew by 16.6 per cent, owing to higher current spending on wages, salaries, pensions and the loan repayment to British Caribbean Bank, as well as a 39 per cent expansion in capital spending. The government continued with its capital expansion programme, including the completion of the Southern Highway and the Macal Bridge, road works, and the upgrading of historical tourism sites to boost future economicgrowth.

Revenues fell marginally by 0.8 per cent in nominal terms to 28.8 per cent of GDP. The 7.6 per cent increase in tax revenues was offset by a decline of over 79 per cent in grant receipts, which underscores the susceptibility of fiscal performance to fluctuations in grants. Improved tax performance resulted from higher receipts from the general sales tax and taxes on international trade and transactions that benefited from increased imports and a higher import duty on petroleum products. However, this was dampened somewhat by lower petroleum output and the decline in export prices.

The fiscal deficit was funded mainly domestically through government securities as Belize has limited access to the international market, partly because of its low credit rating. As a result, central government debt rose from 75.6 per cent of GDP in 2014 to 78.6 per cent of GDP in 2015. Domestic debt expanded by 31.5 per cent to stand at 14.0 per cent of GDP, reflecting strong domestic deficit financing, while external debt rose by 4.4 per cent to 64.6 per cent of GDP.

The budget for 2016/17 issued in March has projected a sharp fall in the deficit to 1.7 per cent of GDP, however, this ambitious target will be difficult to achieve. Expenditure is projected to decline by 5 per cent, with the winding-down of major government infrastructure projects, while revenue is projected to increase by 5.6 per cent.

b) Monetary and exchange rate policy

With no real risk posed to monetary stability or the fixed exchange rate, monetary policy remained neutral in 2015. Monetary developments were underpinned by government borrowing for fiscal programmes and a continued increase in banking sector liquidity, owing in part to weak private sector credit demand. This led to a 7.6 per cent expansion in the broad money supply to 84 per cent of GDP. Net domestic credit expanded by almost 18 per cent and was only partly counterbalanced by a reduction in net foreign assets to finance external payments. There was a surge in government borrowing in order to finance the BEL and BTL settlements for public programmes. Growth in credit to the private sector was much more modest at 3.1 per cent, and was channelled into construction, real estate and manufacturing. With greater liquidity in the banking system, weighted average interest rates on new loans and deposits declined by 29 basis points and 25 basis points, respectively. This led to a narrowing of the interest rate spread by 3 basis points to 7.76 per cent. The performance of the banking sector improved by some metrics in 2015, with the capital adequacy ratio up slightly from 23.5 per cent in 2014 to 24.9 per cent in 2015, and the ratio of non-performing loans to total loans falling from 7.0 per cent at the end of 2014 to 6.7 per cent in 2015. Nevertheless the loss of correspondent banking relations by some domestic commercial banks, owing to de-risking, is expected to drive up the costs of trade, foreign direct investment (FDI) and other financial transactions at an already challenging time for Belize.

c) Other policies

In recognition of the importance of correspondent banking relations for trade, investment, remittance flows and investor confidence in Belize, the government has been exploring different options. These include seeking to establish correspondent banking relations with banks other than Bank of America and Commerce bank and petitioning the United States Department of State and Department of the Treasury to seek a resolution to the matter.

The government continued its public finance management reform programme in fiscal year 2015/16. A new chart of accounts is expected to be rolled out in the 2017/18 budget cycle with a view to improving the accuracy and efficiency of accounting. In addition, the central bank’s reform of the national payments system resulted in the automation of payments and improved management of government securities.

3. Trends of the principal variables

a) The external sector

An 8.6 per cent fall in exports —reflecting lower export volumes for all commodities, except sugar— and a 3.9 per cent increase in imports led to a larger merchandise trade deficit. Significantly lower outflows of dividends and profits were not enough to prevent a widening of the current account deficit from 7.9 per cent of GDP in 2014 to 9.9 per cent of GDP in 2015. Exports of citrus and marine products declined by 12.3 per cent and 29.1 per cent respectively. Sugar exports rose by 13.1 per cent. Import payments were higher for transport and equipment and food, while fuel payments declined by 32 per cent, reflecting lower international fuel prices. In addition, export earnings from the commercial free zone fell.

The services account surplus expanded modestly by 1.7 per cent, reflecting a decline in payments for transportation services that was largely counterbalanced by lower receipts from tourism. Despite the

5.9 per cent increase in stay-over visitor arrivals, average visitor expenditure fell by 0.7 per cent, leading to a US$ 8.0 million fall in travelreceipts.

The capital and financial account surplus narrowed significantly, reflecting a decline in net FDI, due in part to the government's BEL and BTL settlements and the repayment of the BTL loan to British Caribbean Bank. As the surplus shrank, the current account deficit was financed by running down international reserves by 10.3 per cent, to BZ$ 900 million, equivalent to 5 months of merchandise imports. In 2016, reserves are projected to decline further to 4.9 months of merchandise imports.

b) Economic activity

Economic growth slowed significantly to 1.2 per cent in 2015 from 4.1 per cent in 2014. Activity weakened on the heels of a decline in agriculture and manufacturing, which represented 12.0 per cent and 8.0 per cent, respectively, of total GDP. Output in agriculture contracted by 13.1 per cent, a substantial turnaround from modest growth of 2.6 per cent in 2014. All the major crops posted a decline in output, except sugar cane. Citrus production was down by 2.4 per cent to 4.5 million boxes, while banana output fell by 3.8 per cent to 98,842 metric tons, owing to drought conditions in the first half of the year and the closure of an important producer. Papaya production contracted by 10 per cent and shrimp output declined sharply, owing in part to bacterialinfection.

Output in manufacturing was hit as petroleum production contracted by over 17 per cent to 527,741 barrels. This was partly offset by a 25.3 per cent increase in sugar output to 151,795 long tons and a higher output of citrus juice owing to an increased juice conversion rate per box of fruit.

Value added in tourism increased by almost 3 per cent, fuelled by a 5.9 per cent rise in stay-over visitor arrivals, which totalled 314,878. Growth in arrivals was spurred by strong overseas marketing efforts and increased airlift, with inaugural flights by Southwest Airlines and Copa Airlines in the last quarter of 2015. This helped to offset a 1.0 per cent decline in cruise passenger arrivals, which fell to 862,178.

c) Prices, wages and employment

Consumer prices declined by 0.6 per cent, resulting in the first recorded deflation since 2009. This was owing mainly to the pass-through effects of lower international fuel prices. Nevertheless, inflation increased by 0.1 per cent year-on-year in April 2016 due partly to higher prices for hotels and restaurants and health services. Despite lower overall growth, unemployment declined marginally from 11.6 per cent to 10.1 per cent, reflecting job growth in services, including tourism and distribution. Wages increased in line with government's wage settlement with public servants and teachers.

D. Eastern Caribbean Currency Union (ECCU)

1. General characteristics of recent trends

Overall economic growth in the six ECCU members that are also members of ECLAC slowed to 2.9 per cent in 2015 from 3.5 per cent in 2014.[4] However, while GDP growth rates varied between the countries, all generated positive economic growth, with the exception of Dominica. Dominica's economy contracted by 1.8 per cent owing to the destruction of key infrastructure and production sectors by Tropical Storm Erika in August 2015.

Continued fiscal consolidation and debt reduction initiatives resulted in a narrowing of the overall fiscal deficit from 1.3 per cent of GDP in 2014 to 0.5 per cent of GDP in 2015, with a concomitant 3 per cent decline in non- financial public sector debt. The merchandise trade deficit widened by 0.6 per cent in 2015 owing to soft international commodity prices, as a rise in the absolute value of imports outweighed the 0.9 per cent increase in exports. Lower energy and food prices were the main factors responsible for average deflation of 1.24 per cent across the Union.

[4] These countries are Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines.

Official unemployment statistics were not readily available as most members do not routinely collect labour force data. However, it is generally recognized that the ECCU countries are faced with high unemployment rates, particularly among young people. In response, many member States have designed specific programmes to address this structural challenge. In Grenada, the unemployment rate stood at an estimated 29 per cent in 2015, down from 29.3 per cent in 2014. The unemployment rate for Saint Lucia was 24.1 per cent in 2015 (down from 24.4 per cent in 2014), with youth unemployment at an estimated 41.1 per cent.

Economic growth in ECCU is expected to continue to slow in 2016, reaching 2.8 per cent, though some sectors, such as tourism and construction, are likely to rally. GDP growth is projected to accelerate in Saint Kitts and Nevis and Saint Vincent and the Grenadines, with Dominica returning to positive growth. Slower growth is forecast for Antigua and Barbuda, Grenada and Saint Lucia.

2. Economic policy

a) Fiscal policy

In an attempt to address the high debt and fiscal imbalances run up by member States, ECCU adopted the Eight-Point Stabilization and Growth Programme in 2013 as the basis for restructuring their economies and stimulating sustained growth over the short to medium term. The improved fiscal performance of the ECCU economies in 2014 and 2015 suggests that the Programme has had a positive impact thus far.

More specifically, the overall fiscal deficit (after grants) shrank from 1.3 per cent of GDP in 2014 to 0.5 per cent of GDP in 2015. This improvement was attributable largely to the almost doubling of the current account surplus to 468.8 million Eastern Caribbean dollars (EC$) (3.0 per cent of GDP) in 2015, from EC$.292.1 million (1.9 per cent of GDP) in 2014. The increase in current revenues outstripped the 2.0 per cent rise in current expenditure to EC$ 3.952 billion, which nevertheless remained below the spending ceiling of 26 per cent of GDP set by the Monetary Council of the Eastern Caribbean Central Bank (ECCB).

Current revenue increased by 6.5 per cent to EC$ 4.117 billion (26.3 per cent of GDP) as both tax revenues (7.0 per cent) and non-tax revenues (4.0 per cent) expanded in 2015. Tax revenue increased across all major categories in 2015, while the observed ECCU-wide improvement in non-tax revenue was due primarily to an upswing in fees collected from citizen-by-investment programmes (CIP) in countries such as Antigua and Barbuda, Dominica and Grenada.

At the country level, Saint Kitts and Nevis recorded a smaller overall surplus, owing to a 10.1 per cent fall in non-tax revenue to EC$ 372.6 million as CIP inflows declined. In contrast, Antigua and Barbuda moved from a deficit in 2014 (2.8 per cent of GDP) to an overall surplus of EC$ 3.5 million (0.1 per cent of GDP), which was utilized for debt reduction. This improved fiscal performance was influenced largely by an uptick in CIP inflows, which fuelled a 71.9 per cent increase in non-tax revenue in 2015. Dominica, Grenada, Saint Lucia, and Saint Vincent and the Grenadines posted narrower overall deficits. Grenada, in particular, strengthened revenue collection, cut expenditure and continued to reform its legislative and fiscal policy framework, thereby reducing its fiscal deficit from EC$ 115.2 million (4.7 per cent of GDP) in 2014 to EC$ 32.1 million (1.2 per cent of GDP) in2015.

The continued contractionary fiscal stance adopted by ECCU, resulting from the implementation of fiscal reform programmes in individual member States, has led to an improvement in the primary balance, with the surplus increasing to EC$ 368.8 million (2.4 per cent of GDP) in 2015 from EC$ 266.0 million the previous year.

The improved fiscal position was accompanied by a 3.0 per cent decline in non-financial public sector debt to EC$ 12.672 billion at the end of 2015 relative to the previous year. This fall in the public debt stock was attributable to an overall contraction in both domestic and external debt obligations,by 0.8 per cent and 4.1 per cent, respectively, especially in Antigua and Barbuda, Grenada and Saint Kitts and Nevis. Antigua and Barbuda's non-financial public sector debt declined from 102.8 per cent of GDP in 2014 to 92.1 per cent 2015, as the central government's domestic debt decreased by 11.2 per cent. This was achieved largely through debt-for-equity swaps involving two statutory corporations —the

Antigua and Barbuda Medical Benefits Scheme and the Antigua and Barbuda Social Security Board—as well as a EC$ 62.1 million payment on the longstanding liability to HMB Holdings Ltd. for the Half Moon Bay property. In addition, scheduled amortized payments led to a 6.1 per cent decrease in the total debt stock of public corporations to EC$ 511.1 million.

Grenada restructured its debt with its leading external and domestic creditors, resulting in a year-on-year contraction in total outstanding non-financial public sector debt from 95.7 per cent of GDP at the end of 2014 to 85.8 per cent of GDP at the end of 2015. Furthermore, Grenada's increased fiscal vigilance under an International Monetary Fund (IMF) programme saw the country avoid the accumulation of arrears on external debt and limit the acquisition of additional non-concessional external debt in 2015.

The ECCB Monetary Council proposed that all ECCU countries should seek to lower their debt-to-GDP ratio to 60 per cent by 2030. To this end ECCB has been engaging in financial planning and conducting debt sustainability analyses to monitor the progress being made by countries in achieving this target. Preliminary projections suggest that Saint Kitts and Nevis is on track to achieve this goal by 2017, in view of its recent revenue-side performance. In 2015, central government debt in Saint Kitts and Nevis declined by 14.5 per cent, which was largely due to a 13.5 per cent contraction in total disbursed and outstanding non-financial public sector debt to EC$ 1.534 billion or 61.6 per cent of GDP. More specifically, external debt declined by 25.0 per cent to EC$ 575.0 million due to a combination of debt service and other payments to the IMF and the People's Bank of China, and a policy of limiting external borrowing.

Saint Lucia's non-financial public sector debt increased by 3.0 per cent to EC$ 2.979 billion (76.8 per cent of GDP) at the end of 2015, owing primarily to a 3.8 per cent expansion in central government borrowing.

b) Monetary policy

During the period under review, ECCB continued to design and implement monetary policy in ECCU, regulating the availability of money and credit. The Bank also continued to maintain a fixed exchange rate (pegged to the United States dollar).

Financial sector liquidity increased by 4.4 per centage points in 2015. The decision by the Monetary Council to lower the minimum deposit rate on savings to 2.0 per cent from 1 May 2015 had a greater direct impact on deposit rates than on lending rates. Increased market competition is generally considered to be behind the lower lending rates observed across ECCU in 2015. The weighted average interest rate spread widened by 43 basis points to 6.77 per cent, as the weighted average lending rate fell by 17 basis points year-on-year to 8.74 per cent and the weighted average deposit rate fell by 60 basis points to 1.98 per cent. On the heels of a 6.2 per cent decline in 2014, domestic credit contracted by a further 7.6 per cent to EC$ 11.166 billion at the end of 2015, as borrowing by the private sector, central governments and non-financial public enterprises all decreased.

Net credit to the private sector fell by 3.7 per cent, as credit to all major sectors, with the exception of financial institutions, decreased. Despite the positive out-turn in tourism and construction on average, credit to these sectors declined by 17.7 per cent and 6.5 per cent, respectively. In Grenada, despite economic growth of 5.1 per cent in 2015, domestic credit to the private sector contracted by 3.8 per cent. Loans were down by 5.7 per cent for the tourism sector, by 64.3 per cent for mining and quarrying, 14.5 per cent for distributive trade, 24.3 per cent for utilities, 17 per cent for professional and other services and 6.3 per cent for agriculture. In contrast, while economic growth in Saint Vincent and the Grenadines was relatively lower (1.6 per cent), domestic credit expanded by 4.8 per cent, in line with higher demand from the private sector.

The entire ECCU money supply (M3) is estimated to have increased by 4.18 per cent in 2015, down from a 6.74 per cent expansion the previous year. This was driven by a similar ECCU-wide deceleration in the growth of monetary liabilities (M2) to 4.0per cent, down from 6.2 per cent in 2014. Both quasi and narrow money increased (by 2.7 per cent and 8.4 per cent, respectively), with the former buoyed by an upward trend in both private sector foreign-currency deposits and private sector savings deposits. Moreover, increased private sector demand deposits and currency with the public were the primary drivers of the expansion in narrow money (M1) in 2015.

c) Other policies

Many ECCU economies are currently experiencing a period of relatively weak growth and high debt. Accordingly, ECCU has generally pursued a path of fiscal consolidation, debt reduction and economic development. In this regard, the Parliament of Grenada approved fiscal responsibility legislation and revised legislation on the tax regime in June 2015, which is expected to further strengthen the country's fiscal performance in 2016 and beyond. In 2015 Antigua and Barbuda passed a bill establishing a special economic zone to facilitate public and private sector participation in a competitive and attractive environment for the promotion of economic development and job creation. In 2016, the Antigua and Barbuda Tourism and Business Incentives Act (Act No. 22 of 2013), which was originally enacted in 2014 with a sunset clause ending in 2016, was extended for a further two years, through to April 2018.

3. Trends of the principal variables

a) The external sector

In 2015, the ECCU balance of payments posted a smaller surplus than in 2014. This deterioration was due largely to a shrinking of the capital and financial account surplus (by 25.8 per cent), including net errors and omissions, in 2015. The current account deficit, however, narrowed by 1.9 per cent, owing primarily to a widening of the services account surplus (3.9 per cent). The trade deficit expanded by 0.6 per cent, as a rise in the absolute value of imports offset a 0.9 per cent increase in exports. The positive out-turn for the services account was underpinned by a 2.8 per cent increase in tourism receipts and a 9.7 per cent rise in other services receipts.

b) Economic activity

Overall economic growth in ECCU slowed from 3.5 per cent in 2014 to 2.9 per cent in 2015. While GDP growth rates varied widely between the individual countries, all posted positive economic growth, with the exception of Dominica. Antigua and Barbuda (4.1 per cent), Grenada (5.1 per cent) and Saint Kitts and Nevis (3.8 per cent) recorded growth of over 3 per cent. Economic growth in ECCU is expected to continue to slow to 2.8 per cent in 2016, despite a stronger performance by tourism and construction. GDP growth is projected to accelerate in Saint Kitts and Nevis and Saint Vincent and the Grenadines, with Dominica returning to positive growth. Slower growth is forecast for Antigua and Barbuda, Grenada and Saint Lucia.

Across the ECCU economies, value added in the construction sector rose sharply (5.6 per cent) in 2015, after very limited growth in 2014 (0.2 per cent). This improvement was driven by increased private sector activity in residential properties and tourism-related projects, coupled with a rise in public sector spending on capital projects in Saint Kitts and Nevis and Saint Lucia.

In the tourism sector, growth in value added in hotels and restaurants more than halved, from 5.9 per cent in 2014 to 1.7 per cent in 2015, as growth in total visitor expenditure slowed significantly, rising by just 2.4 per cent compared with 8.1 per cent in 2014. While the number of stay-over visitors rose more slowly, total visitors were up by 9.8 per cent (compared with 9.9 per cent in 2014) thanks to a 14.1 per cent increase in cruise ship passengers.

c) Prices, wages and employment

Consumer prices in ECCU declined on average in 2015, with deflation of 1.24 per cent (compared with inflation of 1.50 per cent in 2014), owing mainly to lower energy and food prices. At the country level, Grenada registered deflation of 1.35 per cent in 2015, compared with 0.98 per cent in 2014. Similarly, prices declined by 2.3 per cent in Saint Kitts and Nevis in 2015, driven by lower fuel prices and the removal of the value added tax (VAT) (of 17 per cent) on food, medical supplies and funeral expenses. In Antigua and Barbuda, inflation remained relatively stable, falling from 1.1 per cent in 2014 to 1.0 per cent in 2015.

Statistics on wage levels are not available. Current unemployment statistics are also unavailable for many ECCU economies; however, high unemployment has been identified as a major structural challenge. In Grenada the unemployment rate stood at an estimated 29 per cent in 2015, down from 29.3

per cent in 2014. The unemployment rate for Saint Lucia in 2015 was 24.1 per cent (down from 24.4 per cent in 2014), with youth unemployment at an estimated 41.1 per cent.

E. Guyana

1. General characteristics of recent trends

Guyana's GDP expanded by 3.0 per cent in 2015, somewhat down on the growth rates of 3.8 per cent and 5.2 per cent posted in 2014 and 2013, respectively. The main drivers of growth in 2015 were gold production — which picked up during the final quarter with the launch of operations by two large-scale producers, Troy Resources and Guyana Goldfields Inc.—and manufacturing and agriculture (including sugar and rice production and livestock farming). The weaker growth rate was attributable chiefly to lower output in forestry, bauxite mining, fisheries, construction and wholesale and retailtrade.

The central government current account surplus swelled to US$ 68.14 million in 2015, up 18.3 per cent on the 2014 figure, with current revenue and current expenditure increasing by 11 per cent and 10.3 per cent year-on- year, respectively. The overall central government deficit narrowed from US$ 34.93 million in 2014 to US$ 9.32 million in 2015.

Overall employment data for Guyana in 2015 was not available. However, public sector employment posted a 2.9 per cent year-on-year increase at the end of 2015, while the government raised the public-sector minimum wage by 17.1 per cent, to US$ 242 per month.

Inflationary pressures were kept in check by a combination of the transmission effect of low fuel prices, downward pressure on food prices brought to bear by domestic agricultural production, stable interest and exchange rates, and low inflation expectations. Accordingly, deflation of 1.8 per cent was measured at the end of 2015, compared with a 1.2 per cent rise in the Urban Consumer Price Index (CPI) reported at year- end 2014. Prices declined by 0.5 per cent in the first quarter of 2016, driven by the falling cost of food, housing, and transport and communication. Inflation is expected to remain below 2 per cent for 2016 as a whole.

GDP growth of 4.4 per cent is projected for 2016, with economic activity set to accelerate in the mining and services sectors, particularly the subsectors of gold, diamonds, bauxite and construction. Soft fuel prices are expected to continue to favour growth and development.

2. Economic policy

a) Fiscal policy

In 2015, the overall fiscal deficit shrank to US$ 9.32 million or 1.4 per cent of GDP; down 73.3 per cent against the 2014 figure of US$ 34.93 million (5.5 per cent of GDP). This improved fiscal performance was underpinned chiefly by a larger current account surplus (18.3 per cent) and a smaller capital account deficit thanks to a significant reduction in capital expenditure in 2015. The overall deficit was funded by domestic borrowing.

Current revenue surged 11 per cent year-on-year to 161.7 billion Guyanese dollars (G$), as tax revenues rose by 5.2 per cent (to G$ 142.9 billion), excise tax receipts climbed by 18.1 per cent (to G$ 33.3 billion) and total non-tax revenues doubled as statutory agencies commenced the phased transfer of their surplus cash balances to the Consolidated Fund. Total current expenditure increased by 10.3 per cent year-on-year to G$147.6 billion at the end of 2015. This was attributable primarily to higher transfer payments and public- sector employment costs.

Public-sector investment dropped to G$ 30.6 billion, a 39.9 per cent reduction compared with 2014, essentially owing to the late presentation of the 2015 budget and consequent delays in implementing the Public Sector Investment Programme (PSIP). State-owned enterprises generated a combined surplus of G$ 8.1 billion, as compared with a G$ 1.5 billion deficit in 2014, thanks to a 9.3 per cent drop in current expenditure that reflected reduced spending by Guyana Power and Light Inc. (GPL) and Guyana Oil Company Limited, and a 9.3 per cent rise in current revenue that was attributable chiefly to higher inflows from the Guyana Sugar CorporationInc.

The country's debt burden contracted to 47.9 per cent of GDP in 2015, down from 51.1 per cent the previous year. However, domestic debt swelled to US$ 395.6 million at year-end (a year-on-year increase of 4.2 per cent, equivalent to US$ 15.77 million). By contrast, a reduction in credit under the PetroCaribe initiative and lower disbursements from the Inter-American Development Bank (IDB) allowed the external public debt to shrink by 6.0 per cent (US$ 73.37 million) year-on-year during the review period.

The fiscal focus for 2016 is one of continuing prudent debt management and reduction and improving the pace of implementation of the PSIP. Priorities with regard to revenue performance include enhancing administrative efficiency with a view to improving compliance and collection, and increasing the monitoring of tax concessions granted by the Guyana Revenue Authority.

b) Monetary policy

Guyana's financial stability framework covers financial stability across several agencies, with the central bank playing the key coordination and regulatory role. Open market operations are the primary method of controlling the money supply, supplemented by the purchase and sale of foreign currency. During the review period, monetary policy continued to focus on price and exchange-rate stability, while ensuring adequate levels of liquidity in the system and creating an enabling environment for economic growth.

In 2015 the government increased its stock of domestic bonded debt by 4.2 per cent, in an attempt to sterilize excess liquidity in the banking system. A net total of US$ 15.9 million in treasury bills was issued in 2015, with the stock of treasury bills up 7.5 per cent year-on-year in the first quarter of2016.

The monetary aggregates of reserve and broad money (M2) grew by 9.7 per cent and 1.5 per cent year- on-year, respectively. The expansion of reserve money reflected an increase in net domestic assets, while that of broad money was largely driven by 19.2 per cent growth in net domestic credit. The slower expansion of broad money in 2015 (down from 5.2 per cent in 2014) reflected contractions in net foreign assets (by 8.5 per cent) and in the category "other items (net)", including commercial banks' undistributed profits (down 40.5 per cent). Contractions in demand deposits (down 5.1 per cent) and cashiers' cheques and acceptances (down 17.5 per cent) led to a 0.7 per cent decline in narrow money (M1) to US$ 630.96 million, compared with a 13.9 per cent increase in 2014.

Credit to the private sector was up by 6.2 per cent in 2015, while net public-sector deposits fell by 75.3 per cent. Domestic credit rose by 19.2 per cent to G$ 184.7 billion. Commercial bank interest rates fluctuated slightly in 2015, with the small savings rate remaining flat at 1.26 per cent and the weighted average lending rate edging down 30 basis points against the year-earlier figure, to 10.56 per cent. Commercial banks' efforts to meet domestic demand for affordable credits saw the spread between the weighted average deposit rate and the weighted lending rate compressed by 35 basis points to 9.31 per cent. Projected increases in global interest rates are expected to exert upward pressure on domestic interest rates in 2016.

In the first quarter of 2016, broad money increased marginally by G$ 113 million. Private-sector credit has fallen by 1.3 per cent over the year to date, but increased by 4.9 per cent in year-on-year terms.

c) Exchange rate policy

In 2015 total foreign currency transactions decreased by 7.2 per cent to US$ 6.194 billion (from US$ 6.672 billion in 2014), with sales and purchases in the amount of US$ 3.051 billion and US$ 3.144 billion, respectively. Net purchases totalled US$ 93 million, compared with net sales of US$ 39.4 million in 2014. Licensed bank and non-bank dealers in foreign currency, which accounted for 45.9 per cent of total transactions, reported a 5.7 per cent drop in turnover, to US$ 2.846 billion. The combined transactions of the six bank dealers amounted to US$ 2.749 billion, down US$ 47 million (1.7 per cent) compared with 2014.

The weighted mid-rate exchange rate, based on the turnover of the three largest banks, remained unchanged at G$ 206.50 to the dollar at the end of 2015. The unweighted mid-rate exchange rate depreciated by 0.12 per cent against the 2014 level. The average buying and selling rates of commercial banks' currency dealers decreased slightly during the review period compared with 2014. The exchange rate at the end of the first quarter of 2016 was G$ 206.50 to the dollar.

3. Trends of the principal variables

a) The external sector

Buoyed by a favourable outturn on the current account, Guyana's overall balance-of-payments deficit narrowed by 7.5 per cent to US$ 107.7 million in 2015. Moreover, the merchandise trade deficit was cut by 51.1 per cent to US$ 304.9 million, as the value of imports plunged 17.7 per cent against the year-earlier figure, mainly on account of lower oil prices. The current account deficit also declined sharply by 62.6 per cent to US$144.2 million in 2015 (from US$ 385.2 million in 2014), also chiefly due to the drop in merchandise imports.

Guyana's total export earnings came to US$ 1.170 billion, broadly similar to the 2014 figure. The main export products, in order of foreign exchange earnings, were gold (US$ 501.1 million), rice (US$220.8 million), bauxite (US$ 104.3 million), sugar (US$ 80.9 million) and timber (US$ 43.5 million). With the exception of gold, earnings in these industries declined over the review period. However, reduced earnings from these products were offset by the 6.7 per cent increase in the value of gold exports.

Guyana's capital and financial account surplus shrank by 66.0 per cent as a consequence of weaker foreign direct investment and smaller disbursements to the non-financial public sector. The overall deficit was funded through a combination of the gross foreign reserves of the Bank of Guyana and debt forgiveness.

In view of the need to improve both domestic and foreign direct investment, the Government of Guyana has started the process of streamlining the functioning of the Guyana Office for Investment with a view to ensuring that it plays a pivotal role in attracting investment in 2016 and beyond. With the two major gold mining firms coming on stream during the second half of 2015, and gold prices trending upward, the sector's GDP contribution and export earnings are expected to improve further in 2016. However, the economic spillover may be limited. Bauxite prices are also trending upward, so that this subsector's foreign-exchange earnings are also projected to increase in 2016. Improved implementation of the PSIP in 2016 is expected to spur construction activity and feed into the real sector of the economy.

At the end of the first quarter of 2016, increased exports of gold (109.8 per cent) and bauxite (3.4 per cent) boosted Guyana's export earnings to US$ 309.3 million (up 29.1 per cent year-on-year). The trade deficit stood at US$ 5.4 million and the current account surplus at US$ 48.3 million.

b) Economic activity

Real GDP grew by 3.0 per cent in 2015. The main contributors to this performance were gold mining, rice and sugar production, livestock farming and manufacturing, as well as the transport and storage subsector. However, output declined in the forestry, bauxite mining and fisheries sectors, as well as in construction and wholesale and retail trade.

More specifically, the rate of agricultural output[5] growth slowed to 2.0 per cent in 2015, down from 7.2 per cent in 2014, although the sugar industry showed signs of a nascent recovery as production rose by 6.9 per cent to 231,145 tonnes, due in part to early efficiency and productivity gains thanks to higher investment in mechanical harvesting and new measures to improve operational efficiency. Notwithstanding the cessation of the rice-for-oil agreement with the Bolivarian Republic of Venezuela under the PetroCaribe initiative during the second half of the year (an agreement that accounted for 43.3 per cent of exports in 2014), rice production increased by 8.3 per cent to 687,784 tonnes in 2015. The government and the Guyana Rice Development Board worked closely with the industry to secure alternative markets to compensate for the loss of these exports. Accordingly, rice exports increased in volume terms by 7.2 per cent year-on-year to 537,334 tonnes in 2015, with exports to the European Union more than doubling (up 129.9 per cent) to 231,187 tonnes. However, the loss of the higher-priced Venezuelan market for half of the year trimmed the value of Guyana's rice exports to US$ 220.8 million, from US$ 249.5 million in 2014.

5 Including sugar processing and rice milling.

Fisheries output was held back by several factors, including small fleets, overfishing, piracy and the occurrence of Sargassum seaweed in offshore waters, and fell by a further 7.2 per cent in 2015 after a 26.7 per cent contraction in 2014. Year-on-year growth in the livestock farming subsector doubled to 5.8 per cent in 2015, while egg and poultry production was up by 13.8 per cent and 7.9 per cent and that of pork and mutton declined by 34.2 per cent and 26.3 per cent, respectively. Weaker domestic and international demand caused the forestry sector to post negative growth of 16.2 per cent during the review period.

Increased gold declarations from medium- and large-scale miners, which accounted for 91.0 per cent of total declarations, underpinned a 9.0 per cent expansion of the mining sector in 2015, following an 11.5 per cent contraction in 2014. The launch of operations by Guyana Goldfields Inc. and Troy Resources in the second half of 2015 contributed to higher production, while lower fuel input costs and additional efforts to address smuggling also helped boosted total gold declarations by 16.4 per cent to 450,873 ounces in 2015. However, bauxite production declined by 2.4 per cent to 1,526,713 tons.

The manufacturing sector[6] posted growth of 3.5 per cent in 2015 (down from 5.5 per cent in 2014), driven primarily by increased output in the beverages and liquid pharmaceuticals subsectors.

Services, which account for more than half of GDP, expanded by 2.3 per cent during the review period, compared with 5.5 per cent in 2014, with transport and storage activity up 13.6 per cent. Conversely, construction activity was down by 10.0 per cent in 2015, following growth of 18.0 per cent in 2014. Wholesale and retail trade edged down by 0.6 per cent.

c) Prices, wages and employment

Available statistics on employment in Guyana are limited, with data confined to the public sector. Central government wages were equivalent to 6.8 per cent of GDP at the end of 2015, compared with 6.7 per cent at the end of 2014. Public sector employment was up by 2.9 per cent at year-end 2015, as against a 3.4 per cent increase at year-end 2014, reflecting a 6.6 per cent upturn in employment within core civil services, while employment in public corporations fell by 0.1 per cent. In 2015, the government raised the public-sector minimum wage to US$ 242 per month, and pensions by 30.0 per cent to US$82.

Inflationary pressures were kept in check by a combination of the transmission effect of low fuel prices, downward pressure on food prices brought to bear by domestic agricultural production, stable interest and exchange rates, and low inflation expectations. The Urban Consumer Price Index (CPI) registered deflation of 1.8 per cent at year-end 2015, compared with a 1.2 per cent increase in prices at the end of 2014. The monthly average inflation rate was -2.0 per cent. The broad-based reduction in the CPI was visible across a range of consumer items including food, furniture, transport and communication, housing, clothing, education, recreation and cultural services, and miscellaneous items. Prices declined by 0.5 per cent in the first quarter of 2016, driven by the falling cost of food, housing, and transport and communication. Inflation is expected to remain below 2 per cent for 2016 as a whole.

F. Jamaica

1. General characteristics of recent trends

The Jamaican economy grew by 0.8 per cent in 2015, reflecting an uneven but positive performance in each quarter. Growth of 1.2 per cent is projected in 2016 owing to an improvement in tourism receipts, the agricultural sector and remittance flows, which should boost domestic demand.

The economic policies of 2016 will continue to focus on fiscal consolidation within the context of the 48-month Extended Fund Facility (EFF) signed with the International Monetary Fund (IMF) since May 2013. All quantitative targets and key structural benchmarks under the EFF arrangement between the IMF and the Government of Jamaica for December 2015 and March 2016 quarters were met. The

[6] Excluding sugar processing and rice milling.

agreement, which is worth US$ 932 million, was accompanied by pledges from the World Bank and the Inter- American Development Bank (IDB) worth US$ 510 million each over the life of the agreement. It is hoped that by the time the IMF agreement comes to an end in May 2017, there will be enough confidence in the economy to help sustain growth.

The key economic challenge continues to be the large debt burden, which is likely to remain as high as 96 per cent of GDP by fiscal year 2019/20. Addressing this challenge will require continued monitoring of spending and higher tax revenue. The April 2016 budget put forward by the recently elected government pledges to focus on fiscal responsibility, job creation and economic growth.

On the heels of falling oil prices and dampened domestic demand, inflation —which has been trending downward— stood at 3.7 per cent in 2015 and is not expected to exceed 5 per cent in 2016. As regards the external sector, in 2015 the current account deficit narrowed by US$ 802 million to US$ 326 million, which represented 2.3 per cent of GDP. A key reason was the improvement in transfers and falling imports owing to lower commodity prices, mainly of oil. Consequently, net international reserves rose to US$ 2.437 billion, with gross reserves representing 23.5 weeks of projected goods and services imports at the end of 2015 compared with 18.3 weeks at the end of 2014.

2. Economic policy

a) Fiscal policy

In 2015, the fiscal situation improved and the government met its obligations under the EFF. The tenth review under the EFF carried out by the IMF at the end of September 2015 found that Jamaica had met all of its targets for 2015. In particular, net international reserves came to US$ 2.437 billion at the end of 2015, exceeding the target of US$ 1.641 billion. Provisional information for 2016 also suggests that the government is on track to achieve its targets under the EFF for 2015/16. According to the Bank of Jamaica, the primary balance target for 2015/16 under the EFF-supported programme was revised downwards by approximately 5.3 billion Jamaican dollars (J$) to facilitate greater public investment and stimulate growth. For April-December 2015, the primary surplus exceeded the revised EFF target of J$ 60.7 billion by J$ 5.3 billion. Similarly, the overall deficit of J$ 14.5 billion for the review period surpassed the budgeted deficit of J$ 16.8 billion. The new budget was crafted to reflect the need for a primary surplus of about 7 per cent under the EFF, but this will be difficult to achieve in the context of slow growth.

The performance in fiscal year 2015/16 reflected further curbs on spending and attempts to increase revenue. Overall spending relative to the budget was down by 0.5 per cent, and the largest decline was in interest payments, which fell by 4.5 per cent. At the same time capital spending rose above budget projections, by 7.7 per cent. Overall revenues and grants were down by 0.5 per cent relative to the budget.

The public debt overhang remains a significant challenge to economic performance. At the end of March 2016, Jamaica's debt stood at J$ 2.069 trillion or 126.8 per cent of GDP, compared with 131.4 per cent of GDP at the end of 2011. This slow decline is attributable to the staggering size of the debt in a context of weak growth.

In 2015/16, external debt represented 50 per cent of GDP, while the foreign-exchange component of overall debt stood at 58.7 per cent of GDP. The fact that external debt is denominated in foreign currencies represents an additional burden in case of devaluation of the Jamaican dollar. With respect to debt servicing, the ratio of interest to GDP fell from 10.9per cent in 2010/11 to 7.8 per cent in 2015/16. Debt servicing, in the form of interest and amortization payments, accounts for a sizeable portion of the budget.

The new government is pursuing its plan to raise the income tax threshold to J$ 1.5 million a year. A J$ 7 per litre increase in taxes on gasoline has been introduced to pay for this measure and, while it is expected to remove about 200,000 people from the income tax roll, the higher fuel tax will affect low-income sectors.

b) Monetary policy

The Central Bank's monetary policy was accommodative in 2015. The Bank of Jamaica reduced the signal interest rate, the rate payable on its 30-day certificate of deposit, to 5.25 per cent in 2015, against the backdrop of a generally favourable outlook for lower inflation and an overall improvement in the domestic macroeconomic environment. The policy adjustments were not seen as a threat to the continued achievement of monetary targets under the EFF-supported programme, which were met comfortably in 2015. The central bank continued to hold the interest rate on its overnight certificate of deposit at 0.25 per cent, while requirements for local currency cash reserves and liquid assets were maintained at 12.0 per cent and 26.0 per cent, respectively. The liquidity of the Jamaican dollar continued to be managed through the use of regular and special open market operation instruments, as well as a variety of repo instruments.

Growth in narrow money (M1J) expanded from 8 per cent in 2014 to 20.8 per cent in 2015. This reflected higher growth in currency held by the public,from 8.4 per cent in 2014 to 15.3 per cent in 2015, and demand deposits from 7.5 per cent in 2014 to 25.9 per cent in 2015. Meanwhile, growth in the broad Jamaican dollar money supply (M2J) accelerated to 14.8 per cent in 2015, up from 3.3 per cent in 2014 and stronger than the average growth of 5.0 per cent recorded over the previous five years.

In 2015, commercial bank credit to the private sector grew by 9.6 per cent and was largely denominated in Jamaican dollars. This represented a marked acceleration compared with the increase of 4.8 per cent in 2014, but was generally in line with the average growth of 9.5 per cent in the previous five years. Total loans and advances to the private sector grew by 9.9 per cent, compared with 5.5 per cent in 2014. The expansion in 2015 reflected an increase in the supply of credit to both businesses and individuals. In 2015, loans to businesses increased by more than double the rate of 4.5 per cent recorded in 2014. According to the Bank of Jamaica, this was seen across most sectors, particularly professional and other services (23.6 per cent), tourism (13.7 per cent) and manufacturing (24.8 per cent). Meanwhile, the weighted average lending rate fell from 17.18 per cent in 2014 to 16.92 per cent in 2015, while the deposit rate dropped from 2.64 per cent to 1.62 per cent, leading to a widening of the interest rate spread from 14.54 per cent to 15.30 per cent.

There was a marked improvement in the quality of the commercial bank loan portfolio in 2015 compared with 2014. This improvement is consistent with the decline in the ratio of non-performing loans to total loans from 5.0 per cent in 2014 to 4.1 per cent in 2015. Similarly, the ratio of non-performing loans to total private sector loans fell from 5.4 per cent in 2014 to 4.2 per cent in 2015, owing to loan write-offs and the net repayment of past-due loans in some sectors.

c) Exchange rate policy

The weighted average selling rate of the Jamaican dollar versus the United States dollar was J$ 120.42 to US$ 1 at the end of December 2015, reflecting a slowing of the annual pace of depreciation to 5.02 per cent from 5.67 per cent at the end of the previous quarter and from 7.79 per cent in 2014. In 2015, the lowest quarterly depreciation of the Jamaican dollar relative to its United States counterpart (0.33 per cent) was recorded in the March quarter, which compared with a depreciation of 2.9 per cent in the same period in 2014. The relatively low depreciation in the March 2015 quarter occurred against a backdrop of fairly tight Jamaican dollar liquidity in the second half of thequarter.

During the two following quarters, the exchange rate depreciated more rapidly, down by 1.66 per cent and 1.74 per cent in June and September, respectively, amid higher net demand for foreign exchange. As a result, the central bank responded with more frequent interventions in the market to address foreign- exchange shortfalls. The pace of depreciation in the exchange rate moderated during the last quarter of 2015, to1.13 per cent.

d) Other policies

A number of fiscal reforms were implemented in 2015, including the establishment of a cash management unit in the Accountant General's Department, the tabling of legislation governing the tax regime in the special economic zone and the completion of pilot testing of ASYCUDA World at the Kingston port. ASYCUDA is a computerized customs management system that covers most foreign trade procedures. Proposals for a comprehensive overhaul of the Customs Act were also tabled in

Parliament. With a view to strengthening financial stability, the government enacted the new Banking Services Act in September 2015, which assigned overall responsibility for financial stability to the Bank of Jamaica and finalized the transition from a retail repo business model for non-banks to a trust-based framework.

It was announced during the budget presentation that an IMF team will work with Jamaica on additional areas of tax reform. However, the policy space has been seriously restricted by weak (but improving) domestic and international demand and the heavy fiscal burden.

The impacts of the ongoing reform process were demonstrated in both the improved ease of doing business in Jamaica and renewed investor interest in the stock market. In fact, the World Bank ranked Jamaica as the top country for doing business in the Caribbean in 2015. The Jamaica Stock Exchange Main Index was also ranked as the top-performing stock index globally. This may be the result of lower returns from government instruments and local investors' increasing confidence in the economy.

3. Trends of the principal variables

a) The external sector

The data point to mixed results for the external sector. The current account deficit narrowed from US$ 1.128 billion in 2014 to US$ 326.2 million in 2015, or from 8.1 per cent of GDP to 2.3 per cent of GDP. At the same time, exports grew by less than in 2014, while the services balance, including transfers, improved compared with the previous year. The performance of the goods sector was assisted by the decline in the price of fuel, while transfers were largely driven by remittance inflows.

Net earnings from services are estimated to have risen by US$ 180.0 million (28.8 per cent) to a total of US$ 806.1 million in 2015. This reflects an increase of US$ 84.0 million in inflows and a decline of US$96.0 million in outflows. Tourism-related receipts accounted for US$ 124.1 million of the estimated inflows, as foreign national stopover visitor arrivals grew by 2.3 per cent, relative to 2014. With an even larger number of tourist arrivals forecast in 2016, growth in tourism receipts is expected to be even higher next year.

The capital and financial accounts posted surpluses in 2015. The overall capital account surplus and private investment inflows were more than enough to finance the current account deficit. Consequently, net international reserves rose to US$ 2.437 billion, with gross reserves representing 23.5 weeks of projected goods and services imports at the end of 2015, compared with 18.3 weeks at the end of 2014.

b) Economic activity

The Jamaican economy grew by 0.8 per cent in 2015, up from 0.7 per cent in 2014. The growth performance in the last three quarters was positive, though uneven, with rates of 0.7 per cent, 1.5 per cent and 0.7 per cent, respectively. The expansion in 2015 was driven largely by higher external demand and, to a lesser extent, domestic demand. In particular, the global economic climate facilitated higher tourism spending and remittance inflows relative to 2014. Domestic demand conditions were also buoyed by lower levels of unemployment and low inflation, which were reflected in higher consumer confidence. Similarly, business confidence continued to be positively impacted by the implementation of structural reforms and the achievement of quantitative targets under the EFF programme.

GDP growth was underpinned by growth of 1.3 per cent in the goods sector and 0.6 per cent in the services sector. Within the goods sector, all segments expanded except for agriculture, which contracted by 0.1 per cent owing to an extended drought. Manufacturing posted the strongest growth, at 3.1 per cent, an improvement from the 0.8 per cent contraction in 2014. A positive performance was seen in all segments of the services sector, except government services, which declined by 0.1 per cent. The strongest expansion was in hotels and restaurants, at 2 per cent, but this was less than the 3 per cent seen in 2014. Visitor spending was bolstered by improved labour market conditions in major source markets as well as increases in visitors' length of stay.

The outlook for the Jamaican economy remains positive, with projected growth of 1.2 per cent in 2016. This reflects the impact of improvements in the global economy and in the domestic business environment, as well as the expected recovery from the supply shocks that affected agriculture in 2015.

Growth in private consumption, which usually accounts for about 80 per cent to 85 per cent of GDP, is projected to increase in 2016 owing to higher remittances and lower unemployment. However, government consumption will be restrained by the ongoing fiscal consolidation programmes. Growth in private investment may also show some improvement, though the termination of the IMF programme will likely create some uncertainty.

c) Prices, wages and employment

Inflation dropped to 3.7 per cent year-on-year in 2015, compared with 6.2 per cent in 2014, marking the fifth consecutive year of single-digit inflation. This was below the Central Bank's projection of 5.5 per cent to 7.5 per cent, and the lowest level for a calendar year since 1967. The considerable decline in inflation largely reflected the significant decreases in electricity and transportation costs as international crude oil prices fell sharply. Upward price pressure stemmed primarily from the drought conditions during the year, which pushed up the prices of agricultural commodities.

According to the Bank of Jamaica, domestic inflation, as measured by the change in the consumer price index, is projected to rise in 2016, in line with an expected improvement in domestic demand and a narrowing of excess capacity conditions. Nevertheless, inflation declined to 1.3 per cent for the December 2015 to March 2016 period, and it is not expected to exceed 5 per cent in 2016.

There were a number of wage and administrative price developments in 2015. The Incorporated Masterbuilders Association of Jamaica granted an increase of 8.0 per cent in artisans' wages in February. In addition, the government finalized negotiations with some 92 per cent of public sector employees for wage increases of 4.0 per cent for 2015/16.

In the 2016 budget presentation, the government committed to honouring all obligations to public sector workers under existing agreements. For the fiscal year 2016/17, J$ 9.9 billion has been set aside to honour the second year of the 2015-2017 union agreements for wages, salaries and allowances and to fulfil the payment of long-outstandingsettlements.

Labour market conditions improved marginally in 2015 as the unemployment rate decreased to 13.5 per cent from 13.7 per cent in 2014. The decline reflected 1.0 per cent growth in employment, which outweighed the 0.7 per cent expansion of the labour force. The job-seeking rate also edged down by 0.1 per cent compared with the previous year. Employment rose in all industries except agriculture, forestry and fishing, mining and quarrying, and transport, storage and communication. In January 2016, the unemployment rate fell to 13.3 per cent, standing at 10.4 per cent for men and 16.7 per cent for women. The unemployment data by age group for the same month showed overall unemployment rates of 48.1 per cent and 30.2 per cent in the 20-24 and 25-34 age groups, respectively. The unemployment rates for men and women in these age groups were 37.4 per cent and 27.7 per cent, and 62.7 per cent and 33.4 per cent, respectively. Female and youth unemployment represent a considerable challenge in Jamaica that cannot be addressed without significant economic growth.

G. Suriname

1. General characteristics of recent trends

Suriname's economy contracted by an estimated 2 per cent in 2015, as falling oil and gold prices took their toll on the real, fiscal and monetary sectors of the economy. This represented a major turnaround from the growth of 2.8 per cent in 2013 and 1.8 per cent in 2014. In addition to lower prices for Suriname's commodities, the Suralco alumina refinery was shut down in late 2015, when parent company Alcoa decided to streamline its business. As a result, exports and foreign-exchange earnings fell steeply last year. International reserves decreased by almost half in 2015. The Central Bank, finding it increasingly difficult to maintain the United States currency peg, devalued the Surinamese dollar (Sr$) by 20.5 per cent in November 2015. This was followed by foreign-currency auctions in March 2016 and the introduction of a freely floating exchange-rate regime in May 2016. As a result, the exchange rate rose from 3.35 Surinamese dollars (Sr$) per United States dollar (US$) in early November 2015 to over Sr$ 6 per US$ 1 in May 2016. In April 2016 Suriname reached a staff-level agreement with the IMF for balance-of- payments support in the amount of US$ 478 million over two years. The agreement comes with a raft of structural reforms aimed at increasing government revenues and improving fiscal and monetary policy frameworks.

The fiscal deficit expanded in 2015, as the government faced lower commodity-related revenues and higher spending in the lead-up to the May 2015 general election. Despite fiscal consolidation measures by the government in the second half of the year, the fiscal deficit expanded to 10.0 per cent of GDP at year-end 2015. Non-financial public sector debt as a percentage of GDP increased to 37.1 per cent by the end of 2015.

Despite the government's initiatives, the economy is expected to post negative growth of 4 per cent in 2016, owing to the fall in the output of the mining sector and reduced consumption, as the currency devaluation pushed up prices, leading to a drop in purchasing power.

2. Economic policy

a) Fiscal policy

Fiscal policy was expansionary over the first half of the year, as the government prepared for the general election. Following the election, as the deficit spiralled and economic growth stalled, the fiscal authorities began implementing more stringent controls on their spending to keep the deficit under control. Nevertheless, recurrent spending increased to 26.1 per cent of GDP, from 20.7 per cent in 2014. All subcategories of current spending increased as a share of GDP: wages and salaries by 0.7 percentage points; other goods and services by 1.9 percentage points; subsidies by 1.4 percentage points; and interest by 0.6 percentage points. Conversely, capital expenditure fell from 5.0 per cent of GDP to 2.5 per cent of GDP.

On the other hand, total revenue fell from 21.1 per cent of GDP to 19.4 per cent as commodity-related revenues fell. From early August, attempts at consolidation were made to control the expanding deficit, including the phasing out of electricity subsidies and increasing fuel and sales taxes. Despite these initiatives, current spending rose in the last two quarters as the government cleared payment arrears that had accumulated.

As a result of the lower income and higher spending, the fiscal deficit widened from 5.5 per cent of GDP in 2014 to 10.0 per cent in 2015. Over 84 per cent of deficit financing came from domestic sources, primarily from the central bank. The deficit is expected to narrow in 2016, however, in response to renewed consolidation efforts. The government has a number of initiatives planned to drive the fiscal adjustment, including the introduction of a value added tax in 2018 to replace the existing sales tax. It also plans to introduce a vehicle tax and a wage bill restraint to keep the public sector wage bill at or below 7.8 per cent of GDP. In addition, the Ministry of Finance and the Central Bank of Suriname have signed a memorandum of understanding that terminates the extension of any further credit to the government.

As a result of the wider deficit, non-financial public sector debt increased to 37.1 per cent of GDP by the end of 2015, up from 24.6 per cent in 2014. The IMF has approved a stand-by arrangement for Suriname in the amount of US$ 478 million for balance-of-payments support, which will not be counted as central government debt. However, once Suriname meets the conditions for the arrangement, borrowing from other international financial institutions, including the Inter-American Development Bank and the Caribbean Development Bank, is also likely to increase, thereby pushing the debt ratio up further.

b) Monetary policy

Faced with an inflation shock from the floating of the currency and the removal of energy subsidies, the central bank has maintained its contractionary stance. The required reserve ratio for domestic currency was raised to 35 per cent in 2015, from 30 per cent the year before. The reserve requirements for United States dollars and euros remained at 45 per cent and 30 per cent, respectively.

M1 grew by 5.9 per cent from December 2014 to December 2015, while M2 grew by 11.8 per cent over the same period. Over the first quarter of 2016, M1 was up by 11.8 per cent and M2 by 15.9 per cent.

Interest rates rose slightly in 2015. The average lending rate grew from 12.5 per cent in 2014 to 13.4 per cent in 2015, and the average deposit rate rose from 7.4 per cent in 2014 to 7.7 per cent in 2015. In the first quarter of 2016, the average lending rate edged down to 12.8 per cent, while the average deposit rate inched up to 7.8 per cent. Despite the higher interest rates, domestic credit to the private sector grew by 16 per cent in 2015.

c) Exchange rate policy

In November 2015, after months of dwindling international reserves, the Central Bank of Suriname devalued the Surinamese dollar by 20.5 per cent, and the exchange rate against the United States dollar rose from Sr$ 3.35 to Sr$ 4.03. However, the parallel rate was still higher than the official rate, and in March 2016 the bank moved to an auction-based foreign-exchange allocation system, and the exchange rate jumped to over Sr$ 5 per US$ 1. In May 2016, the bank switched to a freely floating exchange rate, which hovered at around Sr$ 6.5 per US$ 1. Since the switch, the Bank has been using the monetary base as the main instrument of monetary policy, but plans to eventually use interestrates.

International reserves tumbled over the course of 2015, from US$ 631.5 million in January to US$ 330.2 million, or two months of import cover, in December 2015, and continued to fall over the first three months of 2016. In March 2016 they stood at US$ 276.4 million, or just over 1.6 months of import cover.

3. Trends of the principal variables

a) The external sector

Suriname's external sector has continued to struggle with low commodity prices. The price of gold has been sliding since 2012 and oil has dropped dramatically since late 2014. The fall in alumina prices led to the eventual sale of Suralco by Alcoa and its subsequent shutdown. Following declines of 10 per cent in 2013 and 11 per cent in 2014, goods exports fell by 23 per cent in value terms in 2015. Imports grew slightly, by just under 1 per cent, after decreasing by 7.4 per cent in 2014. The deteriorating goods balance combined with a large negative services balance to give a current account deficit of 15.6 per cent of GDP. The overall deficit widened from 2.9 per cent of GDP in 2014 to 5.1 per cent of GDP in 2015.

The financial account balance held at 13.4 per cent of GDP for the second year in a row. Foreign direct investment (FDI) remained strong, and grew by 69 per cent (in nominal terms) to 5.3 per cent of GDP. This was mainly on account of investment in the Newmont gold mine, which is set to open in the fourth quarter of 2016. FDI is expected to fall in2016.

b) Economic activity

Economic growth in Suriname during 2015 was restrained by the fall in commodity production. Real GDP contracted by 2 per cent. Contractions were seen in most sectors, with the largest in manufacturing (4.9 per cent). Output from the government's subsectors decreased by 11.3 per cent.The largest expansions were seen in construction (8 per cent), owing to continued activity at the Newmont gold mine, agriculture (4.8 per cent) and other community, social and personal services (4.3 per cent).

A larger contraction is expected in 2016, with projected negative growth of 4 per cent. The increase in prices caused by the devaluation and then floating of the Surinamese dollar has dragged down real incomes, which will in turn reduce consumption. In addition to ceasing output, the closure of Suralco has had other knock-on effects on the rest of the economy. Although the Newmont gold mine is set to open in the fourth quarter of 2016, its impact will not be felt before 2017.

Agriculture and forestry is expected to be the only sector to post significant growth in 2016, however, this will be attributable to strong growth in the forestry subsector, as other agricultural producers will face challenges due to the increasing costs of inputs. The bauxite industry is expected to provide some hope for future economic activity: the Monaco Resources Group has signed a letter of intent to reopen the Suralco mines in conjunction with the Government ofSuriname.

c) Prices, wages and employment

Inflation fluctuated over the course of 2015, growing from 2.3 per cent year-on-year in January 2015 to 5.2 per cent in June, before falling to 4.2 per cent in October. However, following the 20.5 per centdevaluation of the currency in November, inflation jumped to 20.7 per cent in November and then 25.2 per cent in December. The largest increase in prices was seen in housing and utilities, as the government began to phase out energy subsidies. Year-on-year inflation for this segment shot up from 3.8 per cent in October 2015 to 110.9 per cent in November 2015, and 129 per cent by April 2016. Price increases have continued into 2016 as inflation rose to 29.5 per cent in January and 46 per cent in April 2016. The largest increases in April 2016 were in clothing and footwear (60.7 per cent) and communications (63.2 per cent).

Since many employers, including the government, have not raised salaries, real wages have fallen steadily since November 2015.

The last official unemployment rate for the administrative areas of Paramaribo and Wanica was estimated at 6.9 per cent in 2014. However, given the recent economic downturn, unemployment is estimated to have risen in 2015 and 2016, perhaps by as much as 2 percentage points or more.

H. Trinidad and Tobago

1. General characteristics of recent trends

In 2016 Trinidad and Tobago is expected to post negative growth for the third year in a row, with the economy set to shrink by 2.5 per cent, following contractions of 1 per cent in 2014 and 2.1 per cent in 2015. The primary cause is reduced output in the energy sector owing to falling oil prices, coupled with natural gas production shortfalls. The non-energy sector's output also suffered due to its linkages with the energy sector.

Reduced energy sector earnings resulted in a steep fall in government revenue. In the 2014/15 financial year, the fiscal deficit is estimated to be 5.5 per cent of GDP. The government implemented some fiscal consolidation measures and expects the deficit for 2015/16 to shrink to 1.7 per cent ofGDP.

The contraction in the energy sector also affected the external sector. After surpluses of 12.9 per cent and 1.4 per cent in 2013 and 2014, respectively, the current account posted a deficit of 0.4 per cent of GDP in 2015. Foreign direct investment (FDI) inflows, which comprised mostly reinvested earnings, fell by 33 per cent.

Inflation fell from 7.5 per cent year-on-year in January 2015 to 1.5 per cent in December 2015 as food prices moderated. Prices rose slightly in the first few months of 2016 owing to a revised value added tax (VAT) scheme. Rising unemployment in the energy and construction sectors nudged the unemployment rate up to 3.5 per cent in the fourth quarter of2015.

2. Economic policy

a) Fiscal policy

Between October 2014 and September 2015, the government was challenged by steeply falling energy revenues. In October 2014 the oil price averaged US$ 84 per barrel (West Texas Intermediate, Cushing, Oklahoma). The 2014/15 government budget was predicated on an average oil price of US$ 80 per barrel, but by September 2015 the oil price averaged US$ 45 per barrel. As a result the fiscal deficit for the period reached 5.5 per cent of GDP, almost twice the 2.3 per cent budgeted at the start of the fiscal year. Total revenue and grants were down by 7.7 per cent, owing mainly to a significant drop in energy sector revenue. Total expenditure rose by 0.3 per cent, as higher recurrent expenditure offset a significant decline in capital expenditure (-12.1 per cent).

The government announced its 2015/16 budget in October 2015, which was based on a new assumed average oil price of US$ 45 per barrel and a mix of similarly downward-adjusted gas prices. The government implemented new revenue-generating measures, including an overhaul of the VAT system: the rate was lowered from 15 per cent to 12.5 per cent —effective February 2016— but the number of exempt items was reduced. The national fuel subsidy was reformed and the prices of super gasoline and diesel were raised by 15 per cent in October 2015. With these and other consolidation initiatives, the government estimated a fiscal deficit of 1.7 per cent of GDP for2015/16.

Over the first six months of fiscal year 2015/16 government revenue fell by 17.6 per cent compared with the year-earlier period. This drop in revenue combined with a 4.8 per cent fall in expenditure to result in a fiscal deficit of 3.1 billion Trinidad and Tobago dollars (TT$), or about 1.9 per cent of GDP over the first six months of 2015/16. At its mid-year budget review in April 2016, the government announced measures including higher taxes on the gaming industry, alcohol and tobacco; a 50 per cent hike in the customs duties and motor vehicle tax on luxury vehicles (engines exceeding 1,999 ccs); and a further 15 per cent increase in the price of super gasoline and diesel. The revised assumed oil price was US$ 35 per barrel and the revised budgeted fiscal deficit was 4 per cent of GDP.

Total non-financial public sector debt was measured at 59.9 per cent of GDP in December 2015.

b) Monetary policy

In 2015 the Central Bank of Trinidad and Tobago raised the repo rate, its main policy tool, by 0.25 percentage points six times during the year, in January, March, June, July, September and December. Thus, over the course of 2015, it rose from 3.25 per cent to 4.75 per cent with a view to maintaining a sufficient differential between Trinidad and Tobago and United States interest rates to discourage capital outflows once the United States Federal Reserve began raising its rates. The repo rate has remained at 4.75 per cent since December 2015 owing to low business confidence and anaemic growth.

As the policy rate rose, so too did the median prime lending rate of commercial banks, from 8.13 per cent in June 2015 to 9.0 per cent in March 2016. The Mortgage Market Reference Rate also increased, from 2.5 per cent in September 2015 to 3.0 per cent in March 2016. Yet, despite the higher rates, credit to the private sector remained fairly strong over the second half of 2015 and the first few months of 2016. Private sector loans grew by 6.2 per cent year-on-year in March 2016, driven largely by growth in credit to the consumer and real estate categories. Loans to businesses increased by 3.9 per cent year-on-year in March 2016, with strong growth in the manufacturing and distribution sectors offsetting declines in the construction and other services sectors.

Liquidity levels fell over 2015 —average commercial banks' holdings of excess reserves fell from TT$ 7.2 billion in December 2014 to TT$ 2.4 billion in November 2015— but recovered somewhat in the first four months of2016.

c) Exchange rate policy

As a result of reduced foreign-exchange inflows owing to shrunken energy revenues, the foreign-exchange market was tight over 2015 and the first quarter of 2016. Many commercial banks resorted to rationing United States dollars to consumers. In 2015 authorized foreign-exchange dealers purchased US$4.9 billion from the public and sold US$ 7.3 billion to the public. The Central Bank sold just under US$2.6 billion to authorized dealers to make up the shortfall. From January to April 2016, authorized dealers purchased US$ 1.5 billion from the public and sold US$ 1.8 billion to the public, and the Central Bank provided US$ 430 million to the market.

The central bank has allowed the exchange rate to slip somewhat over the last six months. In April 2016, the weighted average exchange rate was TT$ 6.632 to the dollar, reflecting a depreciation of 3.1 per cent since December 2015 and of 4.2 per cent since September2015.

d) Other policies

The Government of Trinidad and Tobago signed an agreement with the Government of the Bolivarian Republic of Venezuela to facilitate cooperation in gas exploration and trade. The agreement will entail joint exploration efforts with respect to border gas reserves and the sale of manufactured goods to the Bolivarian Republic of Venezuela. Through the joint venture, Trinidad and Tobago hopes to increase its natural gas supply with a view to boosting its export of liquefied natural gas (LNG) and other downstream gas products. Under the arrangement, which involved the creation of a US$ 50 million revolving fund, the first shipments of manufactured goods were sent to the Bolivarian Republic of Venezuela in June 2016.

3. Trends of the principal variables

a) The external sector

In 2015, Trinidad and Tobago's balance of payments recorded an overall deficit of US$ 1.529 billion (5.9 per cent of GDP), compared with a surplus of US$ 1.330 billion (4.9 per cent of GDP) in 2014. The current account balance was also negative (-0.4 per cent of GDP) for the first time since 2012, owing to a decreasing trade surplus. Export value shrank in 2015 as a result of lower oil and gas prices and reduced output. The trade balance narrowed to just 5.1 per cent of GDP, continuing the downward trend seen in recent years: 23 per cent of GDP in 2013 and 12 per cent in 2014. Energy exports fell by 30.4 per cent in nominal terms from 2014 to 2015. The contraction in the trade surplus was tempered by a 16 per cent decrease in imports.

Net foreign direct investment dropped by 52 per cent in nominal terms, to 2.2 per cent of GDP. Total FDI inflows were down by 33 per cent as inflows to the energy sector (the primary destination) fell by 24 per cent. The capital and financial account, including net errors and omissions, posted a deficit of 5.5 per cent of GDP in 2015, compared with a surplus of 3.5 per cent in2014.

Despite lower oil prices and reduced foreign-exchange earnings, Trinidad and Tobago's international reserves remained robust. At the end of 2015 they had fallen to US$ 9.8 billion or 11.1 months of import cover from US$ 11.3 billion or 12.7 months of import cover at the end of 2014.

b) Economic activity

The economy is estimated to have contracted by 2.1 per cent in 2015, owing primarily to two main factors: depressed energy prices and reduced natural gas production. Oil prices continued to decline following an initial sharp drop in the second half of 2014. By December 2015 the average oil price had fallen by 21 per cent since January 2015 and by 64 per cent since June 2014. Natural gas prices slid down with oil prices, and therefore the value of Trinidad and Tobago's output diminished. Lower prices were compounded by a decline in production. Crude oil production has fallen steadily every year since 2006 as the energy sector has shifted its focus to natural gas. However, the natural decline in the rate of extraction from gas fields, along with frequent stoppages for repair work and other infrastructural issues, limited production in natural gas and related downstream sectors. Natural gas production was down by 6 per cent in 2015 due to delays in investment in the upstream sector. LNG production declined by 10 per cent, as Atlantic LNG shut down one of its trains for maintenance in the fourth quarter. However, the gas meant for Atlantic was diverted to the petrochemical sector, leading to increases in the production of fertilizers (5 per cent) and methanol (1 per cent) in 2015.

From June 2013 to December 2014, while the energy sector contracted year-on-year in four out of six quarters, the non-energy sector drove the economy with consistent positive growth. However, the streak ended in 2015, when the non-energy sector contracted in the first, second and fourth quarters. Manufacturing declined in all four quarters, while finance expanded in the same period. Construction contracted in the first half of the year, only to rebound with 7.3 per cent growth in the third quarter. The expansion was then reversed in the fourth quarter as the sector contracted by 2.3 per cent year-on-year.

The economy is expected to contract by 2.5 per cent in 2016 against a backdrop of depressed energy prices, subdued output from the energy sector and a sluggish non-energy sector.

c) Prices, wages and employment

Inflation in Trinidad and Tobago increased over the last half of 2014 to 9 per cent year-on-year in November, driven up by high food prices, but fell back to 8.5 per cent in December 2014 and then continued to fall over the course of 2015. Food inflation plunged from 14.6 per cent in January 2015 to 2.7 per cent in December 2015. Core inflation remained below 2 per cent for most of 2015, then rose to 2.4 per cent in October 2015, but had edged down to 2.2 per cent by March 2016.

In the first few months of 2016 prices began climbing again. Inflation rose to 3.5 per cent in April 2016 owing to a number of factors. Food inflation jumped to 9.9 per cent in April 2016 on account of the re- introduction of VAT on several food items in February. The depreciation of the Trinidad and Tobago dollar against the United States dollar also pushed up inflation, and the increase in fuel prices in April is expected to have the same effect.

Despite the economic downturn, employment remained high in Trinidad and Tobago in 2015. The unemployment rate held below 5per cent, as it has done since 2013. However, there was some labour shedding in the energy sector and the unemployment rate rose slightly to 3.5 per cent in the fourth quarter of 2015 from 3.4 per cent in the third quarter and 3.2 per cent in the second quarter. The rise in the unemployment rate does not reflect the number of job losses fully, as the labour force also contracted over the same period; the labour force participation rate fell to 60.4 per cent, compared with 61.1 per cent a year earlier. In the fourth quarter of 2015, the highest unemployment rates were in the petroleum and gas sector (8.3 per cent) and construction (6.9 per cent). Unemployment among job-seekers who did not state their industry was higher still, at13.3 per cent.

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