

■ *Eastern Caribbean Central Bank* ■



Report and Statement of Accounts
For the Financial Year
1 April 2001 to 31 March 2002

Eastern Caribbean Central Bank



Report and Statement of Accounts

For the Financial Year Ended 31 March 2002



Eastern Caribbean Central Bank

P.O. BOX 89, BASSETERRE, ST KITTS, WEST INDIES

28 June 2002

Sirs/Madam

In accordance with Article 48(1) of the Eastern Caribbean Central Bank Agreement 1983, I have the honour to transmit herewith the Bank's Report for the period ended 31 March 2002 and a Statement of the Bank's accounts as at that date duly certified by the Auditors.

I am,
Your Obedient Servant

K Dwight Venner
GOVERNOR

The Honourable Victor Banks
Minister of Finance
ANGUILLA

The Honourable Margaret Annie Dyer-Howe
Minister of Agriculture, Housing, Land and Environment
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The Honourable Lester Bird
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Prime Minister/Minister of Finance
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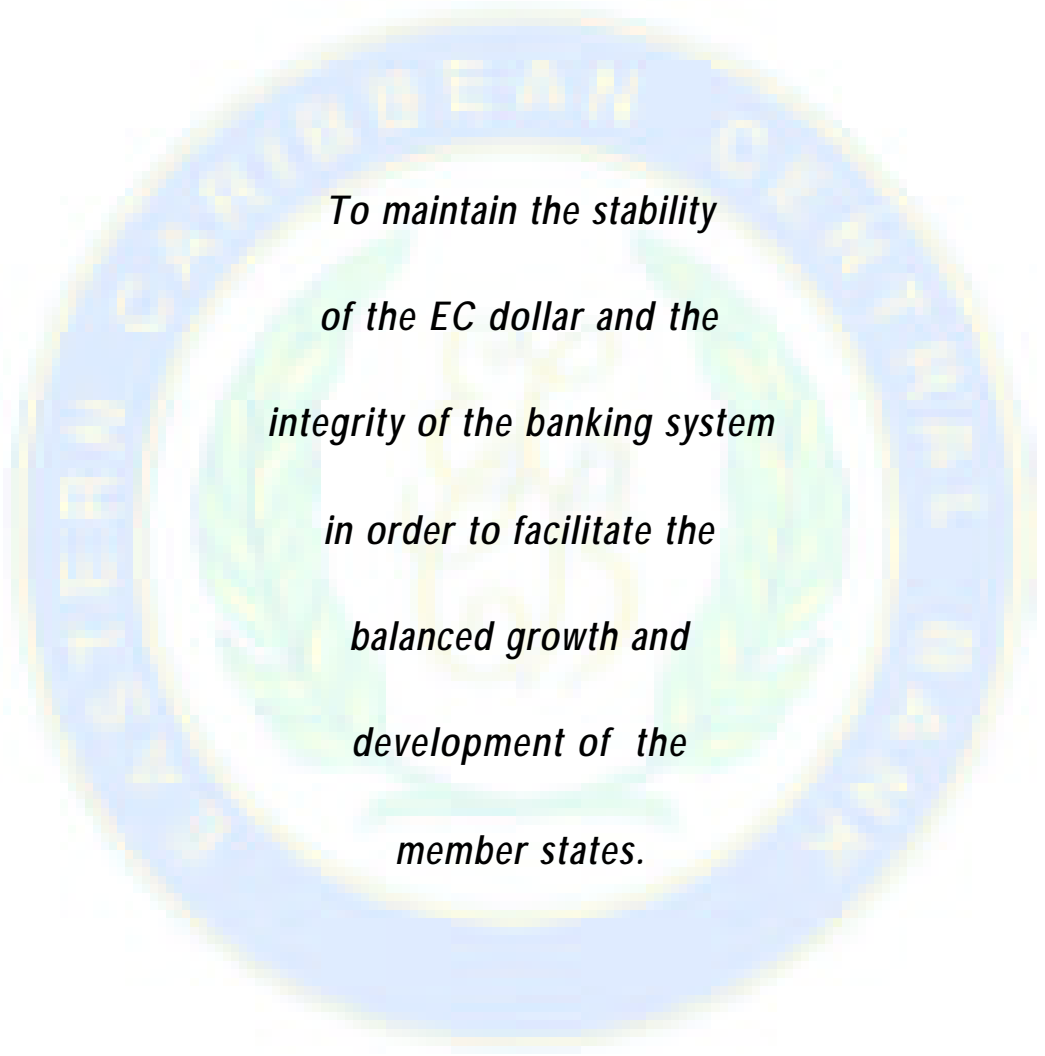
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MISSION STATEMENT



*To maintain the stability
of the EC dollar and the
integrity of the banking system
in order to facilitate the
balanced growth and
development of the
member states.*

BOARD OF DIRECTORS

(as at March 31, 2002)



Sir K. Dwight Venner, KBE
GOVERNOR



Errol N Allen
DEPUTY GOVERNOR



Carl Harrigan
ANGUILLA



Maurice Edwards
ST VINCENT & THE GRENADINES



Alphonus Derrick
ANTIGUA & BARBUDA



Bernard La Corbiniere
ST LUCIA



Ambrose Sylvester
DOMINICA



Wendell Lawrence
ST KITTS & NEVIS



Vincent Placide
MONTSERRAT



Timothy Antoine
GRENADA

C O R P O R A T E I N F O R M A T I O N

Sir K Dwight Venner, KBE
Governor

Mr Errol N Allen
Deputy Governor

Mr R A Wentworth Harris
Managing Director

Mr Eustace Liburd
Senior Director - Strategic Policy Department

Mrs Jennifer Nero
Senior Director - Internal Audit Department

Mrs L Mignon Wade
Senior Director - Bank Supervision Department

Ms Lydia Elliott
Legal Adviser

Mrs Myrna Archibald
Director - Support Services Management Department

Mr Trevor Blake
Director - Financial and Enterprise Development Department

Miss Susan Lafond
Director - Currency Management Department

Mr Verieux Mourillon
Director - Human Resources Department

Mr Wayne Myers
Director - Management Information Systems Department

Dr Garth Nicholls
Director - Research Department

Mr James Simpson
Director - Accounting Department

Miss Elizabeth Temprow
Director - Corporate Relations Department

Mr John Venner
Director - Banking and Monetary Operations Department

Mr Peter Adrien
Adviser - Strategic Policy Department

Miss Laurel Bain
Adviser - Strategic Policy Department

Miss Ingrid Shortte
Adviser - Strategic Policy Department

Dr June Soomer
Adviser - Strategic Policy Department

Mrs Sheila Williams
Adviser - Research Department

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Ms Brontie Duncan
Deputy Director - Banking and Monetary Operations Department

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Deputy Director - Bank Supervision Department

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Deputy Director - Bank Supervision Department

Mr Everette Martin
Deputy Director - Bank Supervision Department

Miss Inga Millington
Deputy Director - Bank Supervision Department

Mrs Adriana Carter
Deputy Director - Corporate Relations Department

Mr Livingstone Sargeant
Deputy Director - Currency Management Department

Ms Joan Millington
Deputy Director - Human Resources Department

Mr Carl Greaux
Deputy Director - Management Information Systems Department

Mr Richard Campbell
Deputy Director - Research Department

Mrs Hazel Corbin
Deputy Director - Research Department

Mr Nathaniel Samuel
Deputy Director - Research Department

Mr Arthur Williams
Deputy Director - Research Department

Mr Errol Douglas
Deputy Director - Support Services Management Department

Mr Peter Douglas
Deputy Director - Support Services Management Department

Mrs Pamela Osborne
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TOWARDS ECONOMIC REFORM AND TRANSFORMATION

The member countries of the Eastern Caribbean currency union are facing their greatest challenge since most of them attained independence more than two decades ago. The challenge comes from the fundamental changes in the international, financial and trading environment, and the need for strategic responses at the political, social and economic levels.

The recent decline in growth rates and the increasing fiscal deficits and debt obligations are manifestations of systemic changes in the economic circumstances of the member countries. With some amount of urgency, policies must now be developed to stabilise, stimulate and transform these economies. However, while the process must start as soon as possible, it must be borne in mind that there will be no overnight conversion. The economic reform and transformation process is likely to take a few years, perhaps three to five for a start. The successful reform programme will require both consistency and flexibility but the direction of change must be clear to the members of the society.

Three ingredients are therefore necessary, but not sufficient conditions for successful reform.

1. Political commitment
2. Societal consensus and
3. Technical capacity in both the public and private sectors.

Our liberal democratic system has served us well but must be constantly refreshed and made relevant to the economic and social needs of our communities. The balancing of the short-term requirements of the electoral system with the medium to long-term goals of the society must be incorporated into the political culture if economic progress is to be achieved.

It is for this reason that societal consensus is such an important ingredient of successful economic reform. The public and private sectors as well as civil society in general must engage in intensive and wide ranging discussions on the future of our economies and societies.

Technical capacity in policy making and implementation in the case of the public sector, and in project planning, production and marketing in the private sector are critical elements in the reform process which our countries must seek to address in the quickest possible time.

The major issue for us at this time is to restore the process of growth and raise it to levels which are sustainable over the medium to long term. A number of clear objectives need to be set along the following lines.

- (a) *A growth rate of no less than 6 per cent.*
- (b) *A level of unemployment which is no greater than 6 per cent.*
- (c) *A reduction of poverty levels to less than 6 per cent.*



- (d) *Acceptable levels of the United Nations Human Development Index.*
- (e) *The transformation of the economies into diversified, flexible and internationally competitive entities.*

Growth in the currency union has been based on export agriculture and tourism and as the former has declined and the latter stagnated, the search for new engines of growth has taken on a new urgency.

The offshore financial services sector was seen as a promising new area, but after the initial period it has been beset by major regulatory hurdles as the international financial system set out to address the volatility and avenues for abuse brought about by liberalisation.

It is interesting to reflect on the establishment of one of our major industries - the banana industry. The British government played a vital role in the creation of this industry in the Windward Islands. It provided a protected market, identified a marketing agent and distribution outlets, provided funds for research and development, and insisted that all four Windward Islands be jointly involved to give the industry critical mass.

This raises the question of the possibility and cost of starting new *industries* as opposed to *firms*. While the creation of the appropriate enabling environment is absolutely critical, the small size of the economies and the consequential inefficiencies of markets call for a high degree of collaboration between the public and private sectors to create new industries and rationalise traditional ones.

On the public sector side, there needs to be clarity and coherence in a number of critical processes. This starts from the manifestos of political parties which establish a vision of socio-economic development. These must then be technically translated into a development plan setting out macroeconomic, sectoral and project objectives. This is then formulated into a medium term economic strategy paper which is more specific with respect to objectives and targets. The next stage would involve the production and implementation of a public sector investment programme which would clearly establish the priority areas for the attention of government.

At the broader currency union level three initiatives are critical to the process, namely, the OECS Development Strategy, the CDB's Economic Recovery Loan Programme, and the World Bank's Country Assistance Strategy. If these arrangements are effectively coordinated they will set the platform for a strategic approach to the economic reform process.

The fundamental issue is that of the efficient allocation of resources for the production of goods and services which are internationally competitive. This requires an enabling environment that provides investment incentives to firms, both domestic and foreign, for the purpose of production.

The enabling environment requires as basic prerequisites a good legal system and the acceptance of international accounting standards. Significant efforts are being made in these areas in the OECS with the Chief Justice of the Court of Appeal taking

the lead in fostering reforms in the judicial process. The ECCB in association with the accounting profession is promoting the establishment of an accounting institute to set and maintain standards in the profession.

The countries of the currency union need to engage the donor community on the role it can play in facilitating private sector development in the sub-region. Among the areas that can be useful would be assistance in providing access to leading industries, production associations, business groups, schools of business and management, and institutes of applied technology. The sourcing of experienced retired business executives is already incorporated into many aid programmes but this needs to be consolidated for the currency union. Apprenticeships for personnel in the productive sectors of the economies of the currency union also need to be programmed on a systematic basis.

The members of the currency union need to work with the World Bank to put in place a comprehensive private sector development programme. Most ECCU countries are members of the IFC, MIGA, and ICSID - the affiliates of the World Bank. These countries need to work with the World Bank and its affiliates to turn membership from a sinecure into a strategic part of our development programme.

At the currency union level we need to have a vision of the type of productive activity that is consistent with our natural and defined competitive advantage. By defined, we mean areas in which we may not appear to have a comparative advantage on the face of it, but in which it may be possible to take advantage

of circumstances or events. This illustrates the issue of flexibility in the productive base of the economy, particularly for small countries which suffer from diseconomies of scale, and highlights the strategic options the countries face in terms of products, markets and types of firms.

With respect to products, the controversy over picking winners is still a moot issue. The question is, will a completely laissez-faire system in an unequal international environment allocate to small island economies parts of the international productive system that would allow them to make a decent living? The rationale behind the Uruguay Round and the trade negotiations now taking place gives the answer. There are major discontinuities and inequalities in international trade which must be removed to increase the flow of international exchange and add to global welfare. However, it is the distributional effects that move the issues from the realm of technicalities to that of political economy.

In large countries distributional issues affect particular sections of the economy that have powerful lobbyists and can petition for protection, for example the steel and agricultural interests in the United States and the agricultural interests in Europe. In small economies distributional issues affect the whole economy as opposed to sectional interests, and the economy and polity have relatively little lobbying power in isolation.

This brings us in a very roundabout way to product development and what strategy could be successfully employed by these countries to break into the international system of production. This



requires capacity and resources as well as vision at the public/private sector levels.

A large data bank and access to information, contacts in the international private sector among the production chains, as well as lobbying and negotiating capacity in critically identified areas are required. In short, a strategic plan with the aim of penetrating the international productive system must be put in place if we are to find new industries which we can successfully operate.

In the case of markets, we can identify these in the following order.

- (a) *The domestic market of each currency union member,*
- (b) *The currency union market,*
- (c) *The CARICOM market,*
- (d) *The hemispheric market,*
- (e) *The North American market, and*
- (f) *The European market.*

Naturally, different products will be targeted at different markets. However, this is where strategic choices will have to be made since we do not have the resources to successfully penetrate them all. Here again public sector/private sector collaboration will be crucial to ensure the effective allocation of our resources. In the case of the currency union, individual country markets are extremely small with severe diseconomies of scale in production and marketing.

Technically and strategically our major firms must use first the currency union market and then CARICOM to penetrate the external markets. For

ECCU members, such a strategy is critical to the survival of our productive structures, and must be considered with some urgency by public and private sector officials.

We now come to the matter of the production vehicle, that is, the firm or business entity. The majority of firms in the currency union are small or micro enterprises, with medium and large enterprises being relatively limited in number. Apart from the banana, nutmeg and tourism industries, there is no substantial aggregation of firms in any particular export industries.

The issue therefore becomes one of the number of firms and the structure of the export industries if the countries are to make any progress towards sustainable development. One ideal form could be that of the export/import firm which intermediates between external markets and a wide range of small domestic firms. Another could be a large foreign multinational company that can bring an entire industry to a country, as INTEL did in Costa Rica. For these arrangements to be successful, attention must be paid to the labour market. The education and skill of the labour force will be a critical element in the production process. Freedom of movement of labour throughout the currency union will be an important factor in making labour markets more efficient and must be supported by all sectors of the currency union.

Freedom of movement of capital is an increasing reality with a common currency, a regional interbank market, a regional stock exchange, a secondary regional market for mortgages and in a few months time a regional government securities market. The proposed Eastern Caribbean Unit Trust will provide

additional instruments for savers and the Eastern Caribbean Enterprise Fund, another planned institution, will provide funding on more favourable terms for potential investors.

To be competitive our economies and production units must lower the transaction costs that result from small size. There are several avenues for this. Economies of scale can be derived from sharing both public and private sector costs over the entire currency union. Significant cost savings can be realised in the area of utilities by having joint regulatory arrangements in power generation and in water similar to those of the Eastern Caribbean Telecommunication Authority (ECTEL). Air and seaports can be combined under one authority as in the case of St Lucia and St Kitts and Nevis. There must be a concerted effort to lower the cost of port operations as these have a significant impact on production through the import of raw materials and capital goods as well as the export of finished products.

This brings us to the role of statutory bodies in the production process. Traditionally, statutory bodies have been established in the three main sectors. In agriculture there have been *marketing boards*, in manufacturing, *industrial development corporations*, and in tourism, *tourist boards*.

We need to evaluate the role and function of these institutions to discern whether they are fulfilling their purposes, given the present state of our economies.

One suggestion which could be explored is whether they should all be combined under one umbrella organisation to promote the growth of the wider productive base instead of the very narrow sectors. This would put the emphasis on development with critical backward and forward linkages between the sectors.

These views are put forward under the ambit of Article 4 (4) of the ECCB Agreement which states that one of the purposes of the Bank is “*to actively promote through means consistent with its other objectives the economic development of the territories of the Participating Governments.*”

The ECCB contributes to the foundation of sustainable development by maintaining the stability of the currency, low rates of inflation and a stable banking system. It is facilitating growth by promoting the development of money and capital markets. The economic reform and transformation process requires the building of sound institutions in the area of policymaking and constructive dialogue between the public and private sectors. The Central Bank has been attempting to make a critical contribution to development in these areas.

K Dwight Venner
Governor

The global economic slowdown that began in late 2000 became more severe in the first half of 2001 and was exacerbated by the September 11 attacks on the US. As a consequence there was a marked slowdown in world economic output in 2001 compared with 2000. Based on the International Monetary Fund's estimates, real gross domestic product increased by 2.5 per cent in 2001 compared with growth of 4.7 per cent in 2000.

Industrial Countries

Real economic output in the seven leading industrialised countries expanded by 1.1 per cent in 2001 compared with the 3.5 per cent growth in 2000. Growth in the US economy decelerated to 1.2 per cent during 2001 from 4.1 per cent in 2000. The expansion in 2001 was supported by a strong housing market and robust retail sales, particularly of automobiles.

The Canadian economy was adversely affected by the slowdown in the US. Real GDP growth in Canada was estimated at 1.5 per cent for 2001, down from the 4.4 per cent rate reported in 2000. The Japanese economy, which contracted by 0.4 per cent in 2001 following 2.2 per cent growth in 2000, experienced its third and most severe recession in a decade. The downturn in activity resulted from a combination of domestic and external factors, among which was the banking crisis that originated in the asset price problems of the 1990s.

Of the euro area countries the economic slowdown was less severe in the UK and France. The 2.2 per cent growth in the UK was the highest in the euro area, followed by France with 2.0 per cent. Consumption remained strong in both countries throughout the year.

Inflationary pressures in the leading industrial countries were contained during 2001, due to weak global demand that led to a moderation in wage pressures and a fall in energy prices. Consumer price inflation for the group of countries fell to 2.1 per cent from 2.3 per cent in 2000. However, there were variations in the individual country performances. In the US inflation was 2.8 per cent, down from the 3.1 per cent rate recorded in 2000. Canada also recorded a decline, with the rate down to 2.5 per cent from 2.7 per cent in 2000. Consumer price inflation rose in Germany and Italy to 2.4 per cent and 2.7 per cent respectively, but remained unchanged in the UK and France at 2.1 per cent and 1.8 per cent respectively. In Japan consumer prices fell by 0.7 per cent following the 0.8 per cent decline in 2000.

The slowdown in global economic activity led to a deterioration in labour market activity in a number of countries as companies reduced their labour force. For the group of leading industrial countries, unemployment rose to 6.1 per cent from 5.8 per cent in 2000. The US, Canada and Japan reported higher unemployment at rates ranging from 4.8 per cent to 7.2 per cent. In the euro area, France, the UK and

Italy recorded lower unemployment rates despite large layoffs by manufacturing companies. Among the reasons for the decline were easing labour market rigidities in the euro area with the introduction of more flexible working conditions and the continued strength in the services sector in the UK.

Developing Countries

Real GDP growth in the developing countries was estimated to have slowed to 4.0 per cent in 2001 from 5.7 per cent in 2000. The reduced growth rate was largely as a result of the global slowdown, which led to weaker demand for exports. Of the regional groups of developing countries real GDP growth in Asia slowed to 5.6 per cent in 2001 from 6.7 per cent in 2000, as the economies of China and India expanded at slower rates of 7.3 per cent and 4.3 per cent respectively. In the developing countries in the western hemisphere - Latin America and the Caribbean - there was a marked slowdown in GDP growth to 0.7 per cent on average from 4.0 per cent in 2000. Among the factors contributing to this performance were the slowdown in the US economy, a downturn in tourism particularly after September 11, as well as the crisis in Argentina and weaker commodity markets for oil, coffee, copper and other metals. Ecuador, Nicaragua and Chile recorded relatively high growth rates, though lower than in 2000, but these were partially offset by contractions in Argentina, Uruguay and Mexico.

In Africa real economic growth was estimated at 3.7 per cent, which was an improvement over that of 3.0 per cent reported in 2000. One of the factors that influenced growth was the lagged effect in the oil

exporting countries of high oil prices in 2000. Crude oil prices surged to US\$32 a barrel in the third quarter of 2000. However, prices fell to less than \$19 a barrel by the end of 2001, in response to global economic conditions. Prices rose after September 11, but the increase was not sustained.

Oil prices fell in 2001 for a number of reasons including reduced demand for heating oil due to unseasonably warm weather in North America and a slump in demand for jet fuel amid the cutbacks in travel activity. Against this backdrop the Organisation of Petroleum Exporting Countries tried to maintain prices within a target range of \$22-\$28 a barrel by reducing oil production by three and a half million barrels a day. However, these production cuts were insufficient to offset falling demand and prices fell below the lower end of the target range.

Inflation continued on a declining trend in most developing countries during 2001 with the rate falling to 5.7 per cent on average from 6.1 per cent in 2000. The deceleration in the rate of inflation was partly as a result of the slowdown in global economic activity.

Prospects

The outlook is for an improvement in the world economy in 2002, driven by positive developments in the US and other leading industrial countries. World economic growth is expected to pick up slightly to 2.8 per cent. Growth in the leading industrial countries as a group is projected at 1.5 per cent, with real output in Canada, the US and the UK expected to increase at rates of 2.0 per cent and above. Slower growth is projected in the remaining countries except Japan,



where the contraction in the economy is likely to continue. Growth in the United States is expected, largely as a result of the lagged effect of policy measures introduced in 2001, among which are the substantial easing of interest rates by the Federal Reserve and an increase in unemployment benefits. In addition, growth is likely to be stimulated by a build

up of inventories by manufacturers and increased consumption spending supported by softer oil prices. Consumer price indices in six of the leading industrial countries are projected to increase in 2002 at rates ranging from 0.9 per cent in Canada to 2.4 per cent in the UK, while in Japan consumer prices are likely to fall for the fourth successive year.

The available economic indicators for some of the larger member countries of the Caribbean Community (CARICOM) showed a mixed performance during 2001. In Guyana, Jamaica, and Trinidad and Tobago real gross domestic product (GDP) expanded, while in Barbados and the Bahamas economic activity was reported to have weakened during 2001 compared with the outturn in 2000. In Barbados the positive trend in real GDP growth was broken in 2001 as output contracted by an estimated 2.8 per cent following eight consecutive years of increase. Macroeconomic conditions were reported to have deteriorated in the Bahamas in 2001, while in Guyana performance improved as real GDP grew by 1.9 per cent in contrast to the 1.4 per cent decline in 2000. In Trinidad and Tobago the economy continued to expand although the pace slowed to 3.5 per cent from 4.0 per cent in 2000, while for Jamaica real GDP growth was reported to have strengthened, increasing in the range of 1.0 to 2.0 per cent.

The weak performance of the economies of some of the member countries was influenced largely by the global economic slowdown, particularly during the first half of 2001. This situation was exacerbated by the US economic recession in the wake of September 11. These developments impacted adversely on the traded sectors, in particular tourism – a major source of employment and foreign exchange receipts for the region.

Production, Prices and Employment

The economies of Barbados and the Bahamas were particularly hard hit by the global downturn given their dependence on tourism. Real value added for tourism in Barbados fell by 5.9 per cent in 2001, following growth of 7.7 per cent in 2000 and an average annual increase of 4.0 per cent over the previous eight years. The contraction in 2001 reflected decreases of 6.9 per cent and 1.1 per cent in long stay tourists and cruise-ship visitors respectively, with all the major market sources registering declines. Tourism activity contracted in the Bahamas, which reported a 2.9 per cent decrease in visitors by air in contrast to growth of 3.0 per cent in 2000, and a 1.0 per cent increase in sea arrivals compared with 23.2 per cent in 2000. In Jamaica total visitor arrivals fell by 5.1 per cent, partly attributed to the events of September 11.

It was likely that during 2001 the manufacturing sector in the CARICOM region continued to experience difficulties, due in part to the slowdown in economic activity in key markets in North America. The available information showed that Barbados recorded its third consecutive year of decline when value added for manufacturing fell by 8.2 per cent, substantially above rates of contraction of 2.4 per cent and 0.5 per cent in 1999 and 2000 respectively. The performance in 2001 was attributed to regional and international competition and a slowdown in export demand.



During 2001 construction activity for the region as a whole was likely to have remained relatively flat. In the Bahamas value added in the construction sector was reported to have stabilised, while Barbados experienced a 6.3 per cent decline as a result of the completion of some large-scale projects in the private sector.

The region's traditional agricultural crops suffered some setback in 2001, reflecting in part the effects of unfavourable weather. Agricultural production fell in Barbados following two successive years of growth, attributable to a contraction in sugar cane output. In Jamaica heavy rain in the latter part of 2001 caused substantial losses to export crops, particularly coffee, sugar and banana. Agricultural output in Trinidad and Tobago was reported to have contracted by 16.0 per cent following growth of 15.0 per cent in 2000. In Guyana agricultural production increased; consequently that country was less affected by the global economic slowdown, given the importance of the agricultural, forestry and mining sectors to its economy.

Consumer price inflation, as measured by the change in the retail price index, accelerated in 2001, reflecting for the most part higher prices for food and beverages. Higher rates of inflation were recorded for four of the five countries that reported, with rates ranging from 2.0 per cent in the Bahamas to 8.7 per cent in Jamaica. These compare with rates ranging from 1.6 per cent in the Bahamas to 6.1 per cent in Jamaica in 2000. The relatively high rate of inflation recorded for Jamaica in 2001 was partly attributed to adjustments in public transport fares and utility

rates. In Guyana inflation was contained as a result of lower food prices and prudent fiscal and monetary policies.

During 2001 it was likely that the level of employment in some sectors of the regional economy declined, partly as a result of the impact of global economic developments. The available information on employment indicated that in Barbados there were some layoffs, particularly in the tourism industry and the manufacturing and general services sectors. As a consequence unemployment increased by 0.7 percentage point to 9.9 per cent in 2001.

Public Sector Fiscal Operations

The fiscal performance in 2001 was reported to have weakened in all the countries except Trinidad and Tobago, attributable in part to higher expenditure and weak economic conditions which impacted adversely on revenue collections. The available data for the Bahamas showed an overall deficit of \$69.9m for the first six months of FY 2001/02, in contrast to a surplus of \$9.0m in the corresponding period of the previous fiscal year. In Barbados the overall deficit widened to 3.6 per cent of GDP at market prices and was more than twice the size of that in 2000. Guyana reported a deterioration in its fiscal position due to higher non-interest current expenditure and a contraction in capital revenue. In Trinidad and Tobago an overall surplus of TT\$891.0m was realised in 2001, following a deficit of TT\$96.8m in 2000. Strong revenue growth driven by the oil sector and an amnesty in relation to the payment of arrears contributed to the improvement in that country's fiscal performance.

The available information on the stock of outstanding debt at the end of 2001 indicated that the growth in the outstanding debt of the Bahamas was contained to 4.4 per cent, with the stock amounting to almost \$2.0 billion at the end of 2001. In Guyana the external debt as a percentage of GDP fell to 166.1 per cent from 169.6 per cent at the end of 2001, attributable to debt relief; the domestic debt rose to 39.0 per cent of GDP from 37.0 per cent in 2000.

Monetary Policy

There was an easing in monetary policy in some of the member countries during 2001 due to relatively high levels of liquidity, reflecting strong growth in deposits combined with weak credit expansion. In Barbados and Trinidad and Tobago which reported high levels of liquidity, treasury bill rates were reduced and cash reserve requirements were lowered. In Barbados the discount and minimum deposit rates were also reduced, while in Trinidad and Tobago the average prime lending rate of commercial banks fell. In Jamaica the Central Bank focussed on expanding its open market operations to sterilise private and official capital inflows in order to avert the potential impact on inflation. The Bahamas, which experienced some tightening in external reserves particularly after September 11, adopted a more restrictive policy stance. This included the imposition of a direct freeze on outstanding loan balances of financial institutions and a firming of the average weighted interest rate on deposits. In Guyana the thrust of monetary policy was determined primarily by domestic considerations regarding credit growth, the exchange rate and domestic price stability. Cautious commercial bank lending policy led to a sharp decline in private sector

credit and a slowdown in broad money growth. In addition the average discount rate on treasury bills fell.

External Sector Developments

During 2001 the current account performance of the balance of payments in Guyana, Jamaica, Trinidad and Tobago deteriorated. This performance was a result of one or more of the following factors - adverse terms of trade, a lower volume of exports, and a fall in gross tourism inflows. Both the Bahamas and Barbados reported a narrowing in their current account deficit, reflecting reduced imports as a result of the contraction in economic activity.

In relation to exchange rates, the Guyana dollar depreciated against the US dollar by 2.6 per cent during 2001. By contrast, the Trinidad and Tobago dollar appreciated against the US dollar by roughly 2.5 per cent to reach TT\$6.14 in September before reverting by the end of 2001 to its January starting point of TT\$6.30.

Prospects for 2002

The economic outlook for the larger member countries of CARICOM would depend to some extent on the pace of recovery of the international economy, particularly the USA given the close trade linkages with that country. According to the April 2002 IMF World Economic Outlook, global output growth is projected at 2.8 per cent for 2002, with the economic recovery expected to be led by the US where GDP growth of 2.3 per cent is anticipated.



Most of the larger CARICOM countries are projecting an expansion in real GDP in 2002. In Guyana output is projected to increase by 2.0 per cent as efforts at stabilising macroeconomic conditions continue. In Trinidad and Tobago the forecast is for GDP to expand, influenced by the anticipated global economic recovery. The economy of Jamaica is projected to return to a growth rate of between 2.0

to 4.0 per cent in 2002, as conditions in those sectors adversely affected by the events in 2001 return to normalcy. In Barbados some rebound in economic activity is anticipated as a result of the likely upturn in the global economy and an expected boost in the construction sector based on public and private sector investment.

Overview

The combined economies of the member countries of the Eastern Caribbean currency union (ECCU) contracted in 2001, disrupting the trend of positive growth experienced over the last two decades. Based on provisional data, real gross domestic product fell by 1.5 per cent in 2001 following the revised growth of 2.4 per cent in 2000. Among the factors contributing to the weak performance were the slowdown in the global economy, which was compounded by the events of September 11, increased competition in the tourism industry and manufacturing sector, unfavourable weather and crop infestation.

Real output in the agricultural sector contracted by 9.2 per cent, partly reflecting a decline in banana production as a result of drought in all the banana producing countries and leaf spot infestation in St Lucia. Output in the manufacturing sector contracted by 5.9 per cent, partly attributable to a fall in demand for electronic components as a result of the slowdown in the US economy and lower output of soap and dental cream due to increased competition from other Caribbean producers. The tourism industry continued to perform sluggishly in 2001. Value added in the hotel and restaurant sector, an indicator of the level of activity in the tourism industry, declined by 5.2 per cent reflecting a fall in the number of stay-over visitors to the currency union. Declines were also recorded in the construction, wholesale and retail trade, transportation and communication sectors. These

contractions were partially offset by increases in real output in the utilities, banking and insurance, real estate and government services sectors. During 2001 inflation rates in the group of countries in the currency union remained generally low, influenced in part by low inflation rates in the major trading partner countries.

The fiscal operations of the combined central governments weakened in 2001. A current account deficit of \$85.4m (1.1 per cent of GDP) was recorded, in contrast to a surplus of \$76.0m (1.0 per cent of GDP) in 2000. The deterioration in the fiscal accounts was partly driven by higher outlays on personal emoluments as a result of wage and salary increases awarded in some of the member countries. Lower collections of tax revenue attributable to the contraction in economic activity also contributed to the weak fiscal performance. The deterioration in the current account combined with higher capital spending and net lending led to a widening in the overall deficit, which increased to \$498.9m (6.5 per cent of GDP) from \$328.6m (4.3 per cent of GDP) in 2000.

Developments in the banking system mirrored to some extent the contraction in the combined economies in 2001. The growth in total monetary liabilities of the banking system slowed to 5.9 per cent in 2001 from 10.6 per cent in 2000. Domestic credit grew at a slightly lower rate of 4.4 per cent compared with 4.6 per cent in 2000. Commercial bank liquidity improved during 2001.



In the external sector, the overall balance of payments surplus rose to \$166.3m (2.2 per cent of GDP) from \$53.6m (0.7 per cent of GDP) in 2000. This performance reflected in part a narrowing of the current account deficit. At the end of 2001 the outstanding external public and publicly guaranteed disbursed outstanding debt stood at \$3,387.2m, representing a 6.5 per cent increase on the total at the end of 2000.

Output

Preliminary estimates indicate that real GDP declined by 1.5 per cent in 2001 following the revised growth of 2.4 per cent in 2000. Within the currency union contractions in economic activity in St Lucia (5.4 per cent), Dominica (4.6 per cent), Grenada (3.4 per cent) and Montserrat (3.8 per cent) more than offset increases in real output in Anguilla (2.0 per cent), St Kitts and Nevis (2.0 per cent), Antigua and Barbuda (1.5 per cent) and St Vincent and The Grenadines (0.2 per cent). The outturn in 2001 was attributed to weak performances in the major productive sectors of the currency union, partly as a result of unfavourable weather and the global economic slowdown.

The performance of the agricultural sector fluctuated widely over the years, influenced in part by climatic conditions. During 2001 agricultural activity, which accounted for 7.0 per cent of the total GDP, declined by 9.2 per cent following the slight recovery experienced in 2000 when the sector expanded by 0.9 per cent. The poor performance of the sector was largely as a result of developments in the banana-producing territories - Dominica, Grenada, St Lucia

and St Vincent and The Grenadines. Banana production for 2001 amounted to 82,696 tonnes, a reduction of 41.1 per cent when compared with the total in 2000. The decline in banana output was attributed to severe drought particularly during the first half of 2001, coupled with leaf spot infestation in St Lucia, the major producer. Banana production in St Lucia, which accounted for 50.0 per cent of total production in 2001, declined by 51.6 per cent to 34,042 tonnes. In St Vincent and The Grenadines and Dominica banana production also fell, by 28.0 per cent and 35.2 per cent respectively, reflecting continuing uncertainty in the industry and drought in the first half of the year.

With the exception of sugar cane, the performance of the other agricultural crops was also weak. In Grenada there were decreases in output of cocoa (42.5 per cent to 688 tonnes), nutmeg (16.4 per cent to 2,179 tonnes) and mace (3.4 per cent to 172 tonnes), partly due to unfavourable weather. In St Kitts and Nevis, the main producer of sugar cane, output increased by 12.4 per cent to 211,656 tonnes in 2001, in contrast to the 4.3 per cent decline in 2000 when the sugar-cane crop was adversely affected by hurricane.

The level of activity in the construction sector declined in 2001 with real value added estimated to have fallen by 1.3 per cent, following the revised rate of growth of 3.9 per cent in 2000. This performance largely reflected the completion of major private and public sector projects in some of the member countries in the latter part of 2000 or early 2001. Construction activity fell in five of the member countries at rates ranging from 4.6 per cent in Dominica to 19.1 per

cent in Anguilla. These declines were moderated by growth in construction activity in St Vincent and The Grenadines (7.1 per cent), St Kitts and Nevis (4.3 per cent) and Antigua and Barbuda (4.0 per cent). The expansion in activity in these countries was associated with hotel construction and renovation, residential building and ongoing public sector investment in the development of the economic and social infrastructure.

The manufacturing sector recorded a decline in 2001 after six consecutive years of growth. Value added in this sector declined by 5.9 per cent compared with the revised growth of 4.1 per cent in 2000 and increases averaging 2.8 per cent in 1995-99. The contraction in manufacturing activity was attributed in part to a fall in export demand as a result of the global economic slowdown and increased competition from other Caribbean producers. Of the member countries, Anguilla and Antigua and Barbuda, which have two of the smallest manufacturing sectors in the currency union, recorded positive growth of 2.1 per cent and 3.0 per cent respectively. These increases were more than offset by declines in the rest of the member countries. The largest decline in value added was recorded for Dominica (14.8 per cent), followed by St Kitts and Nevis (8.9 per cent), Grenada (7.6 per cent) and St Lucia (4.2 per cent). Decreases in the production of electronic components in St Kitts and Nevis and Grenada, and soap in Dominica, contributed in part to the overall decline in value added in the manufacturing sector of the currency union. Production of cardboard boxes fell in St Lucia and Dominica associated with lower demand for these boxes as a result of the decline in banana production. Of the manufactured goods, there were increases in

production of sugar in St Kitts and Nevis and animal feed in Grenada.

During 2001 there was a further contraction in activity in the tourism industry, reflecting competition from mass tourism destinations as well as the global economic slowdown which was exacerbated by the events of September 11. Value added in the hotel and restaurant sub-sector, an indicator of the level of activity in the tourism industry, declined by 5.1 per cent following the decrease of 1.4 per cent in 2000. This largely reflected developments in the stay-over visitor category, in particular the component of visitors staying in paid accommodation. Total stay-over visitors to the currency union fell by 5.1 per cent in 2001 following the decline of 0.1 per cent in the previous year. All the member territories with the exception of Anguilla experienced declines in the number of stay-over visitors ranging from 2.4 per cent in Dominica to 19.1 per cent in Montserrat. In Anguilla stay-over visitors increased by 9.5 per cent, attributable to the reopening of hotels that were temporarily closed for renovation in 2000 as a result of hurricane damage.

An analysis of stay-over visitors by country of origin indicated that stay-over visitors from the United Kingdom and Canada declined by 8.6 per cent and 9.8 per cent respectively compared with total arrivals in 2000. The fall in UK visitors reflected a decrease in airlift capacity from that market to the region as a result of the discontinuation of weekly charter flights to some of the member countries. Arrivals from the USA - the leading market - and the rest of the Caribbean rose by 0.3 per cent and 4.3 per cent respectively, but these increases were insufficient to



offset the reduction in the number of visitors from the rest of the world. As a result of those developments the share of visitors from the US increased to 33.0 per cent from 31.3 per cent in 2000. The share of visitors from the Caribbean increased by 2.5 percentage points to 27.3 per cent, while that of visitors from the UK, another major market, fell by 1.0 percentage point to 23.9 per cent.

In 2001 the number of cruise and yacht visitors to the currency union excluding Anguilla and Montserrat totalled 1,686,044 compared with 1,623,985 during 2000. The growth in cruise ship and yacht passengers slowed to 3.8 per cent in 2001 following robust growth of 15.5 per cent in 2000, partly attributable to increased competition from other destinations and the cancellation of visits to one of the member countries by a major cruise line. Relatively strong rates of increase in cruise ship (including yacht) visitors were recorded for St Kitts and Nevis (51.6 per cent) and St Lucia (11.1 per cent), but the overall growth for the currency union was moderated by decreases in arrivals in Grenada (18.4 per cent), Dominica (13.4 per cent) and Antigua and Barbuda (3.9 per cent). The strong growth in visitors to St Kitts and Nevis was driven by the commencement in 2001 of weekly calls by a major cruise line.

Of the other services, the performance for the currency union as a whole was sluggish during 2001. The usually buoyant communications sector recorded its first decline in over twenty years with value added declining by 0.6 per cent, attributable to lower profits realised by the telecommunications companies. The growth in value added in the banking and insurance sector fell to 2.5 per cent in 2001 from an average of

6.2 per cent between 1990 and 2000. Value added in the transportation industry declined by 2.2 per cent following growth of 1.3 per cent in 2000, partly influenced by the downturn in tourism and construction activity.

Prices, Wages and Employment

During 2001 consumer prices in the currency union continued to increase, but at a low rate consistent with the inflation rates recorded in the major trading partner countries. Consumer prices increased by 2.1 per cent on average in 2001 compared with 2.4 per cent in 2000. The slowdown in the rate was partly attributed to the fall in oil prices on the international market. Increases in the consumer price indices ranged from 1.7 per cent in Antigua and Barbuda to 4.9 per cent in Montserrat. In St Vincent and The Grenadines the consumer price index declined by 0.7 per cent. Higher prices for food as well as increases in the electricity surcharge in Montserrat and in the customs service charge in Antigua and Barbuda contributed to the increase in consumer prices in the currency union.

Wages and salaries in the public sector remained generally stable for most of the countries in the currency union. Increases in public sector wages and salaries were reported for St Lucia (1.3 per cent) and Dominica (2.0 per cent), while in Grenada civil servants received retroactive payments for salary increases from 1998 to 2000. In the private sector, wage increases were reported for Antigua and Barbuda and for Dominica.

Complete data on employment were not available for the currency union. It was likely that the contraction

in economic activity in the currency union resulted in some lay-offs in the private sector, particularly in the construction sector and the tourism industry.

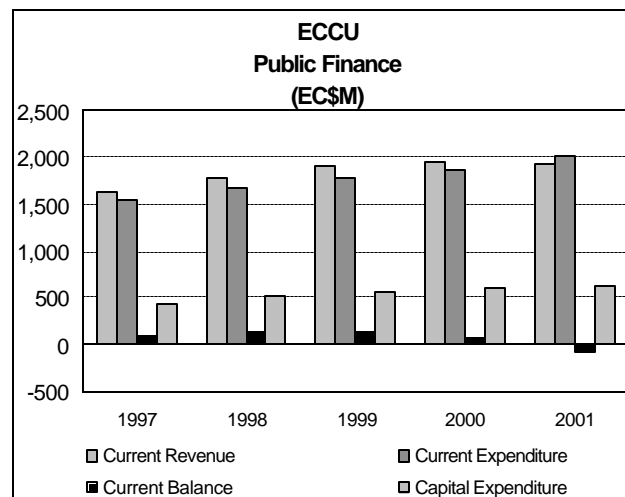
Central Government Fiscal Operations

The finances of the combined central governments in the currency union weakened in 2001 compared with the outturn in 2000, attributable in part to the contraction in economic activity. The deterioration in the finances was reflected in the current account balance which shifted to a deficit of \$85.4m (1.1 per cent of GDP) in 2001 from a surplus of \$76.0m (1.0 per cent of GDP) in 2000, as a result of a decline in revenue combined with growth in expenditure.

In 2001 current revenue fell by 2.0 per cent to \$1,906.8m, equivalent to 24.8 per cent of GDP compared with 25.4 per cent of GDP in 2000, reflecting lower yields from tax and non-tax sources. Four of the member countries experienced declines in current revenue ranging from 4.9 per cent in Grenada to 10.3 per cent in St Lucia. These declines more than offset increases recorded in Anguilla (1.4 per cent), St Vincent and The Grenadines (2.1 per cent), St Kitts and Nevis (2.5 per cent) and Antigua and Barbuda (9.1 per cent).

Total tax revenue fell by 1.4 per cent to \$1,634.0m (21.3 per cent of GDP) in 2001, reflecting decreases in the yield from taxes on income and profits, and taxes on international trade and transactions. Revenue from taxes on income and profits was 1.9 per cent below the total in 2000, attributable to a 4.0 per cent reduction in receipts from company taxes, as the yield from personal income tax rose by 0.9 per cent. The

fall in revenue from taxes on income and profit reflected declines in all the member territories excluding Anguilla which does not administer these taxes.



Receipts from taxes on international trade and transactions, the largest revenue source, fell by 2.8 per cent mirroring a decline in imports as a result of the lower level of activity. As a percentage of GDP, revenue from this source fell to 11.2 per cent from 11.6 per cent in 2000. The decline in the yield from those taxes was reflected in contractions in revenue from import duties (11.4 per cent) and foreign exchange tax (26.5 per cent), which more than offset increases in receipts from consumption tax (2.7 per cent) and the customs service charge (7.3 per cent). An analysis of individual country performances indicated that revenue from taxes on international trade and transactions fell in all the member countries except Antigua and Barbuda and St Vincent and The Grenadines. Decreases ranged from 0.5 per cent in St Kitts and Nevis to 27.0 per cent in Montserrat. Of the other taxes, receipts from taxes on domestic goods and services grew by 2.4 per cent to \$320.5m compared with growth of 13.6 per cent in 2000.



Revenue from property tax increased by 11.3 per cent to \$28.6m following growth of 8.9 per cent in 2000.

Current expenditure grew by 6.5 per cent to \$1,992.2m in 2001 compared with growth of 4.8 per cent in 2000. As a percentage of GDP, current expenditure rose to 25.9 per cent from 24.4 per cent in 2000. Growth in current expenditure was led by Grenada (12.0 per cent), followed by St Lucia (9.6 per cent), partly reflecting salary and wage increases awarded to civil servants. Current expenditure increased in the remaining countries at rates ranging from 1.0 per cent in Dominica to 9.2 per cent in Anguilla.

Expenditure on personal emoluments, which accounted for 51.0 per cent of current expenditure, increased by 4.8 per cent to \$1,015.9m, compared with the revised rate of 3.0 per cent in 2000. Personal emoluments as a share of GDP rose to 13.2 per cent from 12.7 per cent in 2000. An analysis of individual country performances indicated strong growth in expenditure on personal emoluments in Grenada (11.5 per cent), followed by Montserrat (11.2 per cent). In Montserrat the increase reflected the payment of an additional month's salary in December 2001. In the remaining countries increases ranged from 2.5 per cent in Antigua and Barbuda to 7.6 per cent in Anguilla.

Outlays for the procurement of goods and services rose by 6.3 per cent to \$460.1m, compared with the 3.5 per cent increase in 2000. As a share of GDP expenditure on goods and services rose to 6.0 per cent from 5.7 per cent in 2000. Growth in

expenditure on that category was reported for five of the member countries with the largest increase registered for Antigua and Barbuda (27.6 per cent), followed by Grenada (20.6 per cent). There were partially offsetting declines in expenditure in Montserrat, St Kitts and Nevis and St Vincent and The Grenadines.

During 2001 total interest payments by the central governments to external and domestic creditors rose by 13.9 per cent to \$230.0m compared with the revised rate of increase of 28.8 per cent in 2000. Interest payments as a share of GDP increased to 3.0 per cent from 2.6 per cent in 2000, reflecting growth in outstanding debt in a number of countries. Among the countries which recorded higher interest payments were Anguilla, which recorded a more than threefold increase, Antigua and Barbuda (1.8 per cent), Grenada (15.3 per cent), St Kitts and Nevis (23.0 per cent) and St Lucia (69.6 per cent). Interest payments declined in Dominica and Montserrat but remained stable in St Vincent and The Grenadines.

Capital revenue and grants together amounted to \$208.3m, roughly 14.1 per cent above the total in 2000. As a share of GDP, capital revenue and grants rose to 2.7 per cent from 2.4 per cent in 2000. Capital expenditure and net lending increased by 5.9 per cent to \$621.8m, equivalent to 8.1 per cent of GDP up from 7.7 per cent of GDP in 2000. As a result of these developments in the current and capital accounts, the currency union realised an increase in the overall deficit to

\$498.9m from \$328.6m in 2000. As a percentage of GDP the overall fiscal deficit rose to 6.5 per cent from 4.3 per cent in 2000. Financing for the overall deficit was obtained from domestic and external sources.

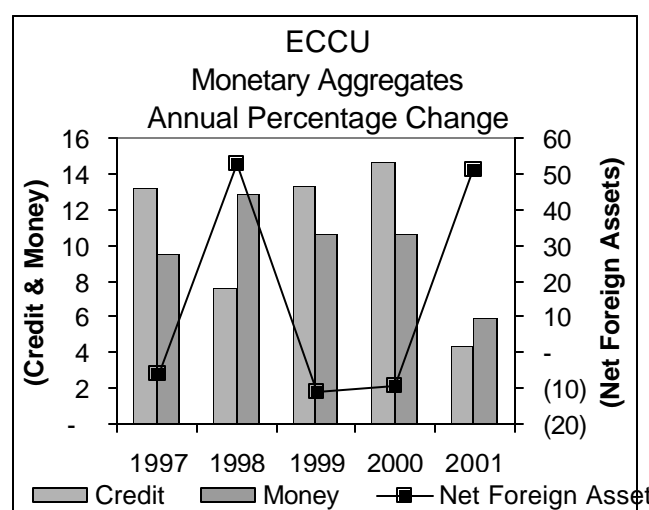
Money and Credit

In 2001 developments in the banking sector of the ECCU were marked by a slowdown in the rate of growth of broad money, influenced by a contraction in net domestic assets which partly offset a substantial increase in net foreign assets.

The total monetary liabilities (M2 – comprising currency with the public and private sector deposits) stood at \$6,319.6m at the end of December 2001, representing an increase of 5.9 per cent, the lowest rate of expansion over the period 1997 – 2001. Lower rates of increase in M2 were recorded in all but two of the member countries. In Dominica there was an acceleration in the rate of growth, while Montserrat recorded an increase following a contraction in 2000.

The narrow money supply, M1, which relates to spending in the economy, grew by 2.8 per cent, a higher rate than the 1.7 per cent in 2000 but lower than the rates in the preceding four years. Of the components of M1, private sector demand deposits grew by 5.8 per cent compared with growth of 2.8 per cent in 2000. Currency held by the public continued to contract, decreasing by 3.5 per cent following the 0.5 per cent decline in 2000, possibly indicating a preference for other means of payment by the private sector. Quasi money, which includes

savings, time and foreign currency deposits, rose by 6.7 per cent, a reduced rate compared with the 13.1 per cent expansion in 2000. Savings deposits, the major component of quasi money grew by 5.3 per cent to \$2,591.5m compared with 6.4 per cent in 2000. Time deposits and foreign currency deposits rose by 9.8 per cent and 4.7 per cent respectively, following increases of 14.3 per cent and 38.2 per cent in 2000.



During 2001 domestic credit rose by 4.4 per cent, the lowest recorded over the period 1997-2001, reflecting in part a low level of business and consumer confidence as a result of the contraction in the economy. Of the member countries, substantially reduced rates of growth in domestic credit were recorded for Anguilla, Dominica and Grenada. Both St Kitts and Nevis and St Vincent and The Grenadines recorded declines of 1.5 per cent following increases in 2000, while for St Lucia the rate of growth accelerated. Credit to the private sector grew by 2.3 per cent in 2001 compared with the 10.4 per cent increase in 2000, while lending to business entities contracted by 0.2 per cent following the 11.2 per cent



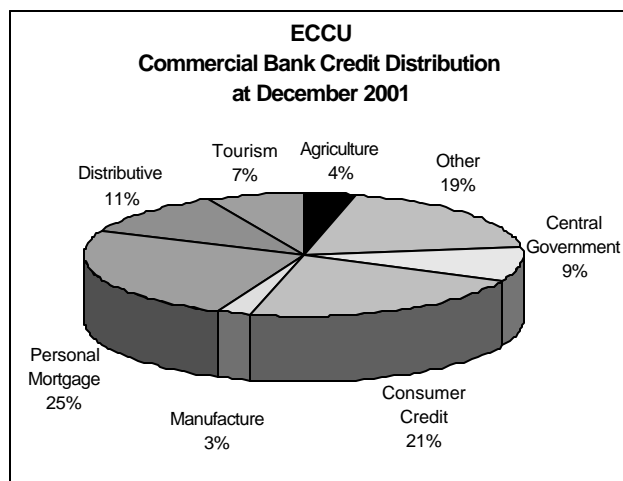
growth in 2000. Net borrowing from the banking system by the central governments combined increased by 1.8 per cent to \$697.5m in 2001, mainly associated with growth of 3.9 per cent in commercial bank lending. The central governments' deposits with the banking system rose by 5.3 per cent following the 6.1 per cent increase in 2000.

An analysis of credit allocation by economic activity indicated strong growth in credit to the agricultural and construction sectors. Credit to the agricultural sector grew by 16.3 per cent compared with the 25.8 per cent increase in 2000. Following the 4.0 per cent decline in 2000, lending to the construction sector went up by 11.4 per cent in 2001. Credit for personal use, which accounted for the major portion of commercial bank lending to the private sector, increased by 4.5 per cent compared to growth of 10.4 per cent in 2000. Credit to the distributive trades sector and the tourism industry fell in 2001, the first decline in the period 1997-2001. Lending for distributive trades fell by 4.3 per cent to \$819.3m at the end of 2001 and credit to the tourism industry declined by 4.3 per cent to \$547.9m.

The net foreign assets of the banking system expanded by 51.1 per cent to \$1,218.6m in 2001 following the 9.3 per cent contraction in 2000, partly reflecting an increase in foreign assets of both the Central Bank and commercial banks. Commercial banks moved from a net foreign liabilities position of \$212.1m in 2000 to a net foreign assets position of \$26.5m at the end 2001, mainly driven by growth of 29.1 per cent in gross foreign assets. Of the member countries, the growth in commercial banks net foreign assets was substantial for Anguilla (81.1 per cent) partly attributable to a rebound in tourism activity in that country. In 2001 the net foreign assets of the Central Bank grew by 17.0 per cent to \$1,192.2m, reflecting in part higher liquidity balances held on behalf of commercial banks.

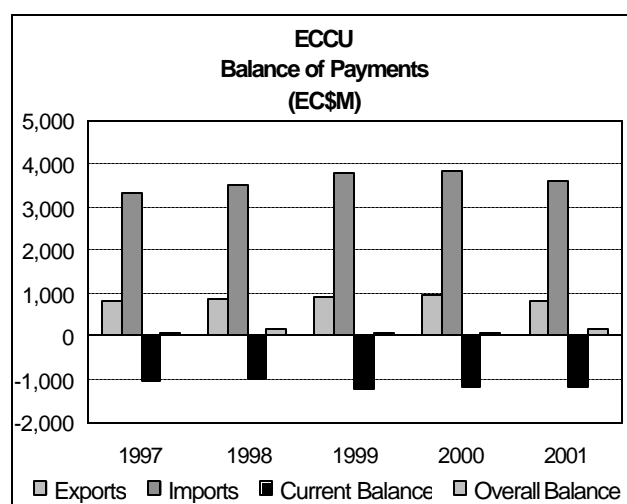
Liquidity in the commercial banking system of the currency union increased in 2001, partly due to a higher rate of growth in deposits relative to that of loans and advances. The higher liquidity level was reflected in an increase in the ratio of liquid assets to total deposits plus liquid liabilities to 28.8 per cent in 2001 from 24.3 per cent in 2000. The loans and advances to deposits ratio fell to 81.0 per cent from 84.5 per cent in 2000.

During 2001 there were some changes in commercial bank interest rates. The maximum rates on time deposits of up to 3 months and over 3 months to 6 months fell by 3.25 percentage points and 3.0 percentage points respectively. Prime lending rates moved to a range of 9.0 per cent to 9.5 per cent from one of 9.5 per cent to 12.0 per cent in 2000. The rates on savings deposits, remained in the range of 4.0 per cent to 8.0 per cent.



Balance Of Payments

The overall balance of payments position of the ECCU improved in 2001 as reflected by the growth in the net external reserves. An overall surplus of \$166.3m was realised in 2001 compared with one of \$53.6m in 2000. As a percentage of GDP the surplus moved to 2.2 per cent, up from 0.7 per cent in 2000. This improved performance was due in part to the narrowing of the current account deficit and increased net inflows on the capital and financial account.



The current account deficit was estimated to have declined in 2001, influenced by a number of factors including a contraction in the combined economies of the currency union that resulted in a reduction in the demand for imports. The current account deficit fell to \$1,161.2m, the equivalent of 15.1 per cent of GDP, down from 15.4 per cent of GDP in 2000. The improvement in 2001 was driven by a decline in payments for goods coupled with lower outflows on the income account, which helped to cushion the impact on the current account balance of reduced inflows from services and current transfers.

Net payments on the merchandise trade account contracted by 4.3 per cent to \$2,866.4m, primarily as a result of lower payments for imports as export earnings fell. Consequently the merchandise trade deficit fell to an equivalent of 37.3 per cent of GDP from 39.1 per cent of GDP in 2000. The value of imports fell by 6.9 per cent to \$3,567.1m (46.4 per cent of GDP) in 2001. This contraction was attributed to lower oil prices on the international market and the fall in real output in the currency union, fuelled in part by declines in activity in the construction sector and tourism industry.

Receipts from merchandise exports fell by 16.2 per cent to \$700.7m, the equivalent of 9.1 per cent of GDP. Earnings from the export of banana from the Windward Islands declined by 44.5 per cent to a low of \$94.5m compared with the total in 2000. All the banana exporting countries in the currency union experienced declines in revenue ranging from 53.3 per cent (\$45.9m) in St. Lucia to 31.9 per cent (\$0.2m) in Grenada. Earnings from the export of electronic components produced in Grenada and St Kitts and Nevis were estimated to have contracted significantly due in part to a fall in export demand from the USA, the major market. Revenue from the export of soap and dental cream in Dominica was reported to have declined. By contrast, export receipts from sugar produced in St Kitts and Nevis rose by 30.5 per cent (\$6.5m).

In relation to current transfers, net inflows fell to 4.6 per cent of GDP in 2001, down from 5.5 per cent of GDP in 2000. This outcome was a direct consequence of lower transfers to the private sector as inflows to the combined central governments



increased. In 2000 transfers to the private sector rose substantially as a result of the settlement of insurance claims associated with hurricane damage to property in two of the member countries.

Net inflows from services transactions contracted by 3.1 per cent to \$1,771.3m (23.1 per cent of GDP), primarily influenced by developments in the travel sub-account. Net inflows from travel fell to 26.7 per cent of GDP in 2001 from 29.0 per cent of GDP in 2000. Gross travel receipts contracted by 6.3 per cent to \$2,352.4m on account of a 5.1 per cent decline in stay-over visitors to the currency union and discounting of hotel room rates in some of the member countries during the last quarter of 2001. As a percentage of GDP, gross travel receipts fell by 2.2 percentage points to 30.6 per cent in 2001.

The surplus on the capital and financial account rose to \$1,327.5m (17.3 per cent of GDP) in 2001 from \$1,232.3m (16.1 per cent of GDP) in 2000. This performance was primarily driven by developments on the capital account. Net inflows on the capital account increased to \$310.1m, the equivalent of 4.0 per cent of GDP compared with 3.3 per cent of GDP in 2000. The main contributing factor to this improved performance in 2001 was a 37.1 per cent increase in inflows of grants to \$204.9m or 2.7 per cent of GDP.

Net inflows on the financial account increased by 4.2 per cent to \$1,017.4m or 13.2 per cent of GDP. Net long-term inflows to the public sector grew by 78.8 per cent to \$193.2m in 2001, fuelled by increased foreign borrowing by the combined central

governments of the ECCU. Net inflows of direct investment rose by 2.3 per cent to \$817.1m (10.6 per cent of GDP), mainly associated with construction activity in the tourism industry. Commercial banks increased their stock of foreign reserves by \$238.6m (3.1 per cent of GDP), following a drawdown of foreign assets totalling \$125.7m (1.6 per cent of GDP) in 2000.

External Debt

Preliminary data indicate that at the end of December 2001 the total public sector external debt for the currency union amounted to \$3,387.2m, an increase of 6.5 per cent compared with growth of 6.4 per cent in 2000. As a percentage of GDP the public sector external debt rose to 44.1 per cent from 41.5 per cent in 2000. The performance in 2001 reflected a 5.9 per cent increase in the combined central government debt. As a percentage of GDP central government disbursed outstanding debt rose to 35.0 per cent in 2001 from 33.0 per cent in 2000. There were increases in the outstanding debt of all the member countries with the exception of Antigua and Barbuda and Montserrat, which recorded declines of 4.8 per cent and 1.0 per cent respectively. The outstanding debt of the statutory bodies was 4.7 per cent above the level in 2000, reflecting increases in Anguilla, Antigua and Barbuda and Dominica.

During 2001 the Caribbean Development Bank continued to be the main creditor for all the member countries. Average concessional debt as a proportion of total outstanding debt fell to 61.1 per cent in 2001 from the revised 63.8 per cent in 2000. This indicates

that countries are increasingly borrowing on commercial terms due to a decline in concessional funding.

An analysis of the currency composition of the external debt revealed that 66.1 per cent was denominated in US dollars. Roughly 9.3 per cent was denominated in Deutsche marks, while 12.3 per cent was in other currencies including Chinese yuan and Netherland guilders. In terms of the sectoral distribution of the outstanding debt, utilities accounted for 19.7 per cent. Multi-sector projects and the tourism and hotel industry were allocated 14.0 per cent and 10.8 per cent of the total respectively, while 28.8 per cent was allocated to the category “other activities” including rural development, health and social welfare and infrastructure projects.

During 2001 external debt service payments (including interest and principal repayments) were up by 10.3 per cent to \$290.5m compared to the growth of 23.2 per cent in 2000. This development reflected the expansion in the debt stock of some of the member countries. As a percentage of current revenue external debt service payments in 2001 increased to 11.0 per cent from 9.0 per cent in 2000. The development was influenced by increases in the level of external debt service payments for both public and publicly guaranteed debt in St Lucia (77.4 per cent), Dominica (14.5 per cent), Grenada (11.6 per cent) and St Vincent and The Grenadines (11.1 per cent). Of debt service payments, principal repayments accounted for 61.2 per cent of the total, while interest and other payments represented 38.8 per cent.

Prospects for 2002

The economic performance of ECCU countries in 2002 would depend to a large extent on the strength of recovery of the global economy, particularly the US - a major trading partner and an important market for tourism. The sluggish performance of the tourism industry is likely to continue in 2002 as visitor arrivals are projected to contract, particularly in the first half of the year and to increase marginally or remain relatively flat in the second half. The industry is likely to be adversely affected by a cutback in flights to the currency union as a result of lower profit margins by some airline companies.

The construction sector is expected to show modest growth in 2002 with the start-up of a number of projects in both the public and private sectors. These projects include improvements to port facilities, housing development, highway maintenance and construction, and the building of sports facilities and hotels.

Agricultural output is projected to increase based on likely developments in the banana industry. Output of bananas from the four banana producing countries is projected to increase in 2002 as the industry recovers from the adverse effects on production of disease and drought experienced in 2001. Production in St Lucia, the largest producer, is expected to rebound from the severe impact of leaf spot disease and contribute to the growth in total output. However, output growth is likely to be influenced by continued low prices for banana on the international market.



These low prices have resulted in a loss of confidence in the industry and the exit of some farmers from the industry. Plans to improve efficiency through the implementation of an irrigation project with assistance from the European Union may boost farmers' confidence and lead to some increase in output during 2003 and beyond. The tariff/quota regime under which bananas from the region are sold on the European market will be replaced with a tariff only system by 2006. Survival of the region's banana industry beyond 2006 will depend on the success of the irrigation plans and on the level of tariff protection that will be provided under the new regime.

Performance in the manufacturing sector is projected to remain weak, particularly during the first half of 2002. There is likely to be an increase in the production of electronic and electrical components in the second half of 2002 provided the US recovery continues to strengthen.

Consumer price inflation is likely to remain low, influenced by low inflation rates projected in the major trading partner countries. The savings of the combined central governments are expected to weaken in 2002 as current expenditure by some of the member countries is projected to increase, while revenue is likely to remain flat. The anticipated growth in current expenditure is based on higher debt payments and increased outlays on personal emoluments. In the external sector the current account balance is expected to be influenced by developments in the construction sector and tourism industry. The anticipated increase in construction activity is likely to lead to higher imports of building material and other related supplies. Net travel inflows are projected to contract, particularly during the first half of 2002, as a result of a fall in arrivals and discounting of hotel rates. The monetary liabilities of the banking system are projected to increase, but a slowdown in the rate of growth is likely.

Overview

During 2001 the economy of Anguilla grew in real terms by an estimated 2.0 per cent, following the revised rate of contraction of 0.3 per cent in 2000. The rebound in economic performance was influenced largely by a recovery in the hotel and restaurant sector, following the setback in 2000 when some hotels closed temporarily as a result of damage caused by hurricane Lenny in November 1999. Value added in the construction sector declined, reflecting in part the completion of work on some projects in late 2000 or early 2001. Other sectors recording contractions were mining and quarrying, wholesale and retail, and transportation. The current account position of the central government deteriorated as the growth in expenditure outpaced that of revenue. The worsening of the current account balance, coupled with a widening of the deficit on the capital account, resulted in an expansion of the overall deficit. The liquidity position of the commercial banks increased, while interest rates remained unchanged during 2001. On the external accounts the overall balance of payments position improved, partly attributed to higher inflows from tourism and a fall in import payments.

Output

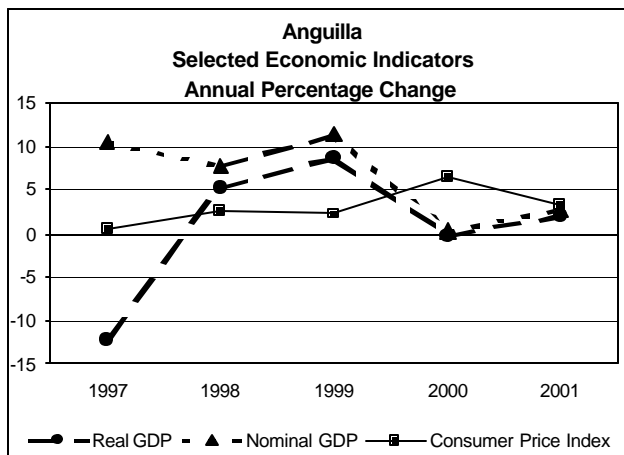
Real growth of 2.0 per cent was recorded for the economy of Anguilla in 2001, largely mirroring developments in the tourism industry. During 2001 value added in the tourism industry, as measured by

the hotel and restaurant sector, grew by 9.5 per cent following the 6.4 per cent contraction in 2000 when the hotel plant sustained hurricane damage. The contribution of the hotel and restaurant sector rose to 32.2 per cent of GDP from 30.0 per cent of GDP in 2000. Stay-over visitors - the primary contributor to value added in the hotel and restaurant sector - increased by 9.5 per cent to 47,965 in 2001 and represented 45.7 per cent of total visitors to Anguilla. The growth in stay-overs was associated with a 21.4 per cent increase in the number of visitors from the United States to 30,099. The US (the largest market) accounted for 62.8 per cent of stay-over visitors in 2001 compared to 56.6 per cent in 2000. Increases of 8.1 per cent and 4.6 per cent were recorded for the Caribbean and German markets respectively. By contrast, arrivals from Italy and Canada declined by 26.5 per cent and 16.8 per cent respectively. Excursionists contracted by 17.0 per cent to 57,009, following the 14.6 per cent increase in 2000. In 2001 excursionists represented 54.3 per cent of visitor arrivals to Anguilla compared with 61.1 per cent in 2000. The reduction in excursionists was associated with contractions in the number of arrivals from the neighbouring island of St Maarten - the major source of excursionists - and was reflective of the impact of the slowdown in the US economy and the events of September 11 on tourism activity in that country.

Value added in the construction sector was estimated to have contracted by 19.1 per cent during 2001 compared with the 6.7 per cent decline in 2000.



The sector's contribution to GDP fell to 12.0 per cent from 15.1 per cent in 2000. This performance was attributed to the completion or near completion of some projects in the private and public sectors in late 2000 or early 2001. These included Campus B of the Albena Lake-Hodge Comprehensive School, extensions to two commercial banks and a road rehabilitation project. The decline in construction activity was reflected in a reduction in the import of construction related materials.



Real value added in the agricultural sector increased by 3.9 per cent during 2001. The sector's contribution to GDP increased marginally to 3.0 per cent from 2.9 per cent in 2000. Performance in the agricultural sector was influenced primarily by developments in the crop sub-sector. The production of agricultural crops, primarily for domestic consumption, continued to recover from the destructive effects of the hurricane in late 1999. Value added in the fishing sub-sector rose by 2.9 per cent following declines averaging 10.0 per cent in 1999 - 2000. Despite the increase, growth in value added was constrained by the halting of activity in the long-

line fishing project which offered scope for further expansion of the sub-sector.

The other sectors of the economy recording increases in value added were banks and insurance services (5.6 per cent), communications (6.8 per cent), real estate and housing (2.1 per cent) and electricity and water (14.9 per cent). Contractions in value added were recorded for wholesale and retail (5.0 per cent) and transportation (4.2 per cent), partly associated with the fall in imports as well as a decline in the number of excursionists. The mining and quarrying sector declined by 10.1 per cent, directly associated with the contraction in the construction sector.

Prices, Wages and Employment

Inflation as measured by the change in the consumer price index, moderated in 2001. Consumer prices were estimated to have increased by 3.3 per cent on average, following the 6.5 per cent rate of growth in 2000 when prices went up sharply as a result of a rise in water rates.

Wages and salaries in the public sector remained stable during 2001. Based on data from the population census the official unemployment rate for Anguilla was estimated at 6.7 per cent for 2001.

Central Government Fiscal Operations

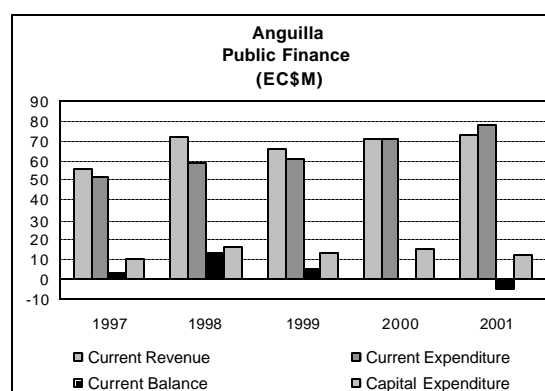
The central government recorded a current account deficit of \$5.5m (1.8 per cent of GDP) in 2001, in contrast to a surplus of \$0.1m in 2000. The performance in 2001 was attributed to faster growth

in current expenditure relative to the increase in current revenue. Current expenditure rose by 9.2 per cent to \$78.2m, equivalent to 25.7 per cent of GDP in 2001 compared with 24.5 per cent of GDP in 2000. Current revenue grew at the slow rate of 1.4 per cent to \$72.7m and as a percentage of GDP fell to 23.9 per cent from 24.6 per cent in 2000. Current revenue and expenditure were 26.3 per cent and 11.2 per cent below the amounts budgeted in the 2001 estimates.

The growth in current expenditure in 2001 was primarily influenced by increases in outlays on personal emoluments, and goods and services as well as higher interest payments. Personal emoluments rose 7.6 per cent to \$39.6m compared with growth of 8.5 per cent in 2000, and represented 50.7 per cent of current expenditure compared with 51.4 per cent in 2000. Outlays on goods and services grew by 7.9 per cent to \$34.1m compared with the 34.8 per cent rise in 2000, and as a proportion of current expenditure fell to 43.7 per cent from 44.1 per cent in 2000. Interest payments more than tripled to \$1.8m after remaining stable in 2000. Much of the growth in interest payments was attributed to a more than threefold increase in domestic interest payments to \$1.4m. Interest payments as a percentage of current expenditure increased to 2.4 per cent from 0.7 per cent in 2000. Expenditure associated with transfers and subsidies contracted by 5.2 per cent to \$2.6m.

Current revenue growth in 2001 was influenced by improvements in collections from taxes on domestic goods and services, and non-tax revenue. Receipts from taxes on domestic goods and services grew by 27.6 per cent to \$23.1m compared with growth of

10.4 per cent in 2000. This performance was attributed to 66.0 per cent growth in receipts from the hotel accommodation tax to \$7.8m (2.6 per cent of GDP), associated with the increase in the number of stay-over visitors. A 20.4 per cent increase in the bank deposit levy to \$2.4m also contributed to the higher collections from taxes on domestic goods and services. Receipts from taxes on international trade and transactions fell by 13.5 per cent to \$34.6m in contrast to growth of 7.5 per cent in 2000, reflecting a contraction in imports. The decline in receipts was associated with a 16.2 per cent fall in collections from import duties to \$30.1m, representing 41.4 per cent of current revenue. Non-tax revenue rose 9.2 per cent to \$14.3m compared with growth of 6.5 per cent in 2000, and as a percentage of current revenue increased to 19.7 per cent from 18.3 per cent in 2000.



Capital expenditure contracted by 19.0 per cent to \$12.4m in 2001 in contrast to the 19.5 per cent increase during 2000. The outlay on capital projects represented 4.1 per cent of GDP, down from 5.2 per cent of GDP in 2000. Capital expenditure was associated with the resurfacing of a road and construction work on two schools and a polyclinic. Capital grants fell by 36.7 per cent to \$6.2m in 2001 and contributed to a widening in the overall deficit to



\$11.7m from \$5.4m in 2000. The overall deficit was financed largely through borrowing from the domestic banking system.

At the end of 2001 the total disbursed outstanding external debt of the central government stood at \$8.2m (2.8 per cent of GDP), representing a 14.6 per cent increase over the total at the end of 2000.

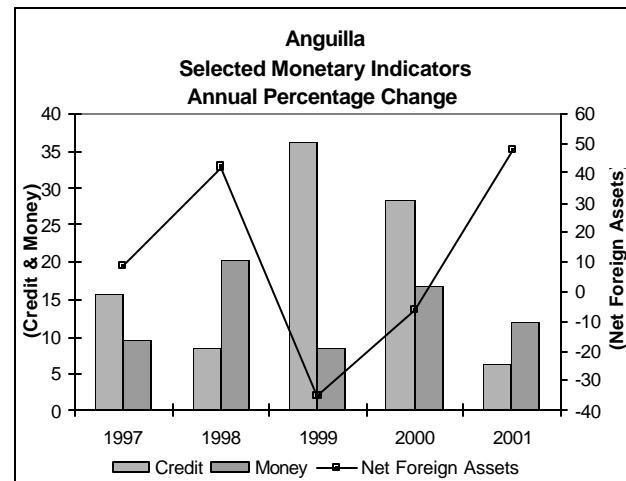
Money and Credit

During 2001 broad money (M2) grew by 12.1 per cent to \$484.3m compared with growth of 16.8 per cent in 2000. The growth was influenced by a 12.6 per cent (\$51.9m) expansion in quasi money. Of the components of quasi money, foreign currency deposits rose by 15.4 per cent (\$49.7m), associated in part with increased inflows from tourism. There was an 11.5 per cent (\$4.6m) increase in time deposits, while savings deposits contracted by 4.5 per cent (\$2.2m). The narrow money supply increased by 1.1 per cent (\$0.2m).

Domestic credit grew by 6.4 per cent to \$409.8m in 2001 compared with growth of 28.3 per cent during 2000. The slowdown in the rate of growth was reflected in private sector credit which rose by 7.7 per cent (\$32.8m) following the 26.0 per cent increase in 2000. Lending to households, which increased by 10.0 per cent, accounted for the major portion of the growth in private sector credit. Loans to businesses grew by 4.2 per cent (\$9.3m). There was a 70.7 per cent (\$8.2m) increase in net credit to the central government, partly attributable to the weak fiscal performance. The growth in central government credit reflected a \$5.0m advance from the Central Bank

and a 28.8 per cent (\$3.6m) expansion in commercial bank credit. Central government deposits in the banking system grew by 35.8 per cent (\$0.3m). The net deposits of the non-bank financial institutions and non-financial public enterprises increased by 90.7 per cent (\$6.6m) and 12.5 per cent (\$6.3m) respectively.

An analysis of credit by economic activity indicated slower growth in lending to the construction sector and



for personal use. The growth in lending for construction slowed to 14.6 per cent (\$2.7m) from 63.7 per cent (\$7.2m) during 2000. The rate of increase in personal lending was 8.1 per cent (\$17.8m) compared with 28.4 per cent (\$48.7m) in 2000. Of the components of personal lending, credit for the purchase of consumer durables and other personal use contracted following substantial increases in 2000. Lending for home construction and renovation grew by 36.0 per cent compared with 27.1 per cent in 2000. Loans to the tourism industry declined by 1.2 per cent (\$1.4m), in contrast to an increase of 12.5 per cent (\$10.4m) in 2000, reflecting the improvement in that sector.

During 2001 the net foreign assets of the banking system rose by 48.0 per cent to \$151.7m in contrast

to the decline of 6.0 per cent, associated in part with higher inflows from tourism. Increases in both the net foreign assets of the commercial banks and Anguilla's imputed share of the reserves of the Central Bank contributed to the growth in the net foreign assets of the banking system. Commercial banks' net foreign assets increased by 8.1 per cent (\$38.7m), occasioned by a 7.4 per cent (\$14.3m) contraction in their liabilities to banks and other institutions outside the Eastern Caribbean currency union and an 8.7 per cent (\$18.4m) increase in assets. Anguilla's imputed share of the reserves held at the Central Bank grew by 19.2 per cent to \$65.3m.

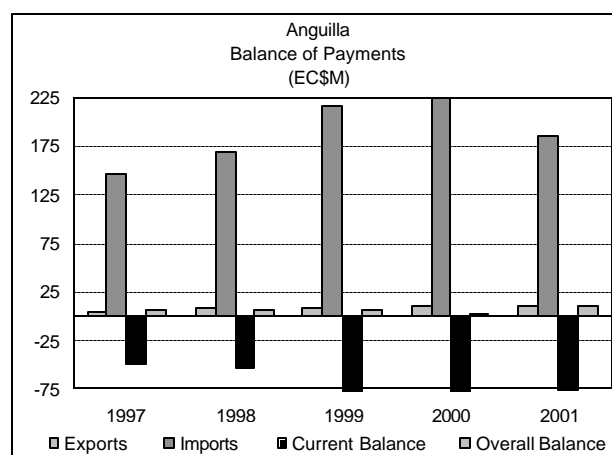
During 2001 liquidity in the banking system increased. The liquid assets to total deposits plus liquid liabilities ratio rose by 2.1 percentage points to 42.1 per cent, while the loans and advances to total deposits ratio declined by 1.7 percentage points to 71.9 per cent. Interest rates on deposits and on loans remained unchanged in 2001.

Balance of Payments

The balance of payments recorded an overall surplus of \$10.5m (3.5 per cent of GDP), representing an improvement when compared with the surplus of \$1.0m (0.3 per cent of GDP) in 2000. The larger surplus was associated with lower net outflows on the current account.

The deficit on the current account narrowed to \$75.9m (25.5 per cent of GDP) in 2001 from \$150.6m (51.6 per cent of GDP) in 2000. The narrowing of the deficit was attributed to reduced outflows on the merchandise trade account combined

with higher inflows from services. The merchandise trade deficit fell to \$175.1m (58.9 per cent of GDP) from \$212.6m (72.9 per cent of GDP) in 2000, reflecting a decrease in imports. Payments for imports (f.o.b) fell by 17.8 per cent to \$184.6m, partly associated with a fall in imports of construction equipment and material, a reduction in the value of motor vehicles, and lower fuel costs.



The services account recorded a surplus of \$103.7m (34.8 per cent of GDP) compared with one of \$65.8m (22.6 per cent of GDP) in 2000. This performance reflected a 10.9 per cent increase in net travel inflows to \$144.5m (48.6 per cent of GDP), associated with the growth in stay-over arrivals.

The surplus on the capital and financial account fell by 43.0 per cent to \$86.4m (29.0 per cent of GDP). The decline was attributed to a 30.2 per cent contraction in net inflows of foreign direct investment to \$74.2m. The reduction in net inflows of foreign investment reflected a contraction in investment, particularly in the tourism industry.



In 2002 an increase in economic activity is anticipated, led primarily by a rebound in the construction sector. This assessment is based on a number of ongoing and planned projects in the public and private sectors. These include two road resurfacing projects in the public sector and the construction of a 170-room resort in the private sector. Residential construction is anticipated to remain buoyant. Performance in the tourism industry is likely to be influenced by developments in the US economy. Stay-over arrivals are anticipated to decline in the first quarter. However arrivals are likely to increase in the second half of 2002 as the US economic recovery is expected to strengthen in the second half of 2002. Modest growth is projected for the agricultural and fisheries sector.

The fiscal accounts of the central government are anticipated to improve relative to the position in 2001. This assessment is based in part on a number of

expenditure restraint measures implemented in October 2001. In addition, revenue enhancing measures implemented during the last quarter of 2001 coupled with a proposed revenue strengthening programme should yield increases in tax revenue in 2002.

The rate of expansion in domestic credit is anticipated to slow down and to remain below that of monetary liabilities. The liquidity position will likely improve during 2002.

In the external sector, there is likely to be a widening in the current account deficit of the balance of payments. This assessment is based on a projected decline in net travel receipts from tourism coupled with increases in merchandise imports, associated with the anticipated recovery in activity in the construction sector.

Overview

During 2001 the Antigua and Barbuda economy recorded its sixth consecutive year of real economic growth. Real GDP was estimated to have increased by 1.5 per cent in 2001, albeit at a slower pace than the 2.5 per cent rate in 2000. Growth in 2001 was spearheaded by increased activity in the construction sector which was moderated by a weak performance in the tourism industry. The expansion of the economy was accompanied by an increase in consumer prices. The overall fiscal deficit was estimated to have widened to \$118.6m, equivalent to 6.4 per cent of GDP. Liquidity in the commercial banking system eased as evidenced by improvements in the liquidity ratios.

Output

The indicators of output showed that in 2001 economic growth moderated, reflecting a slowdown in the pace of activity in most of the sectors. Growth was led by the construction sector, supported by the communications and government services sectors. Real activity in construction expanded by 4.0 per cent compared with 6.5 per cent in 2000. The growth in construction activity was influenced by higher public sector capital expenditure and increased commercial bank lending for construction and real estate development. The bulk of private sector construction activity was geared towards the completion of a cricket stadium and restaurant on the outskirts of the airport, government office complexes, an headquarters for an offshore bank and residential development.

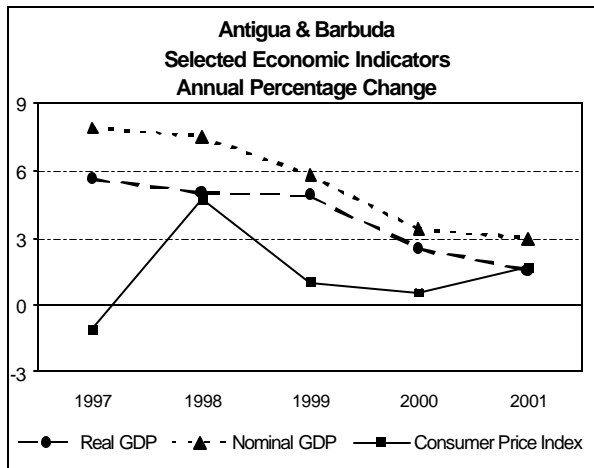
Public sector activity included ongoing work on the hospital and the parallel taxiway at the airport, and road works.

In 2001 value added in the tourism industry, as indicated by the hotel and restaurant sector, contracted by 7.0 per cent in comparison with a reduction of 0.9 per cent in 2000. The decline in 2001 reflected a 5.3 per cent fall in total visitors to 641,435, in contrast to growth of 15.0 per cent in 2000. Stay-over visitors amounted to 193,176, roughly 6.6 per cent lower than the total in 2000. This performance was attributed in part to the discontinuation of air charter services between Antigua and Barbuda and the UK by an airline in June 2000. The classification of stay-over visitors by country of origin indicated a decline in arrivals from all major markets except the US. Visitors from the US rose by 2.0 per cent to 60,176 in contrast to a 9.2 per cent decline in 2000, with most of the increase occurring in the first half of 2001. Arrivals from the UK fell by 9.6 per cent, while double-digit decreases were recorded in arrivals from Switzerland (24.3 per cent), France (38.9 per cent) and Germany (44.1 per cent). For the third consecutive year, the UK was the main source for stay-over visitors with a market share of 35.1 per cent. The share of visitors from the US market rose by 2.7 percentage points to 31.2 per cent.

Value added in the transportation sector declined by 0.9 per cent in contrast to growth of 4.6 per cent in 2000, partly associated with a decrease in the “air transport” sub-sector. This outcome was consistent



with the reduction in air services to Antigua and Barbuda. Value added in the “sea transport” sub-sector grew at a slower pace than that in 2000, reflecting a reduction in cargo throughput and a downturn in the cruise sub-sector. The number of cruise ship passengers to the island was down by 4.8 per cent to 408,812. This performance was largely attributed to developments in the last quarter of 2001, as cruise ship arrivals were up for the nine months to September 2001. In the last quarter cruise arrivals were adversely impacted by the September 11 event.



Value added in the government services sector, which is the largest contributor to GDP with a share of 16.3 per cent, rose by 2.5 per cent, influenced by higher outlays on personal emoluments. The performance of the communications sector improved, with value added increasing by 4.7 per cent following the 6.8 per cent contraction in 2000. Value added for electricity and water, and financial services was estimated to have grown in 2001.

Prices, Wages and Employment

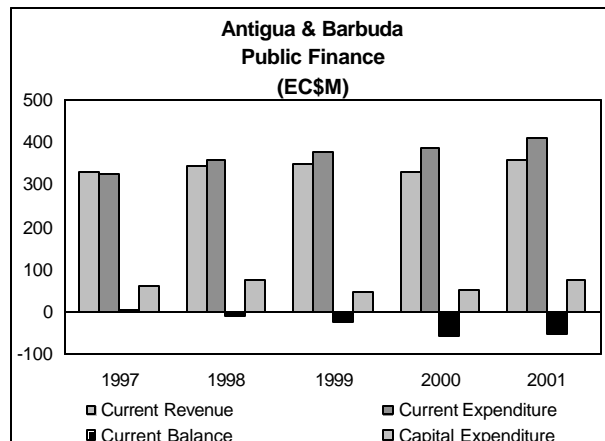
The rate of inflation as measured by the change in the consumer price index (CPI) was 1.7 per cent in 2001 compared with 0.5 per cent in 2000. The increase in the CPI was partly as a result of higher prices for food, beverages and education. An upward adjustment in the rate for the customs service tax in April 2001 also contributed to the increase in consumer prices.

During 2001 wages and salaries of public sector employees remained stable. In the private sector, wage increases averaged 4.0 per cent. The economic downturn and the negative impact of the September 11 attack would have resulted in the retrenchment of some workers in the tourism industry. The unemployment rate stood at 11.0 per cent at the end of 2001, roughly 2.0 percentage points above the 2000 rate.

Central Government Fiscal Operations

For the year 2001 the fiscal operations of the central government resulted in a current account deficit of \$54.5m (2.9 per cent of GDP) compared with one of \$57.2m (3.2 per cent of GDP) in 2000. The smaller deficit was on account of growth of 9.1 per cent in current revenue to \$355.8m in 2001 in contrast to a decline of 6.0 per cent in 2000, reflecting increased tax revenue. Current revenue in 2001 was approximately 28.0 per cent below the budgeted amount.

Of tax revenue, earnings from taxes on international trade and transactions rose by 7.6 per cent to \$195.6m in 2001. This performance was attributed to higher collections from the customs service charge, associated with a doubling of the rate to 10.0 per cent in April 2001. Receipts from taxes on domestic goods and services grew by 12.3 per cent to \$67.1m, largely due to an increase in revenue from stamp duties. The yield from taxes on income and profits was up by 27.5 per cent to \$47.8m, reflecting increased compliance as a result of improved auditing procedures at the Inland Revenue Department. A total of \$3.5m was collected from the tax on gross turnover of unincorporated businesses which was introduced in April 2001. An intake of \$6.0m was recorded from the property tax in comparison to \$4.7m in 2000.



Current expenditure of \$410.3m was 7.0 per cent above the total for 2000 and 9.7 per cent below the amount budgeted in 2001. As a percentage of GDP, current expenditure rose to 22.1 per cent from 21.5 per cent in 2000. The growth in expenditure in 2001 largely reflected an increase of 27.6 per cent in outlays on goods and services. Of the other categories of

expenditure outlays on personal emoluments grew by 2.5 per cent, influenced by increased employment of police and prison officers as well as security personnel for the airport. Interest payments totalled \$39.6m roughly 1.8 per cent above the amount in 2000. Spending on transfers and subsidies contracted by 6.5 per cent (\$1.4m).

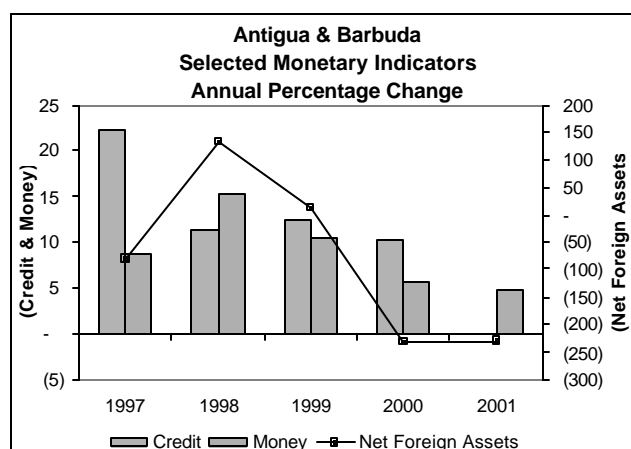
During the year under review capital expenditure totalled \$73.1m, roughly 52.7 per cent more than the 2000 total and equivalent to 3.9 per cent of GDP in 2001 compared with 2.7 per cent of GDP in 2000. The increased expenditure was associated with the new hospital, rehabilitation and construction of government buildings, road works and two fisheries complexes. The developments in the current and capital accounts resulted in an overall deficit of \$118.6m or 6.4 per cent of GDP compared with one of 5.4 per cent of GDP in 2000. The deficit was financed primarily through the accumulation of arrears.

At the end of 2001 the disbursed outstanding external debt of the central government amounted to \$1,011.8m (54.6 per cent of GDP) compared with \$1,064.1m (59.5 per cent of GDP) at the end of 2000.

Money and Credit

During 2001 broad money (M2) grew by 4.8 per cent to \$1,453.3m, a rate below that of 5.7 per cent recorded in 2000. This development was as a result of slower growth in quasi-money, which rose by 4.0 per cent compared with 9.3 per cent in the previous year. Of the components of quasi-money the growth in time deposits slowed to 6.1 per cent from 11.8 per cent in 2000. Savings deposits rose by 5.8 per cent

compared with 2.6 per cent in 2000, while private sector foreign currency deposits contracted by 16.5 per cent following a substantial increase in 2000. The narrow money supply (M1) was up by 7.9 per cent in contrast to the 6.0 per cent decrease in 2000, mainly reflecting an expansion in demand deposits.



Domestic credit extended by the banking system remained virtually flat at \$1,551.9m, following growth of 10.2 per cent in 2000. There was growth in lending to the private sector but this was offset by a decrease in credit to the public sector and increases in deposits of non-bank financial institutions and subsidiaries and affiliates. The central government's indebtedness to the banking system decreased during 2001, as net credit fell by 4.7 per cent to \$289.3m in contrast to the 9.4 per cent increase in 2000. Central Bank credit to the central government was lower by 4.4 per cent, while loans and advances from the commercial banks decreased by 3.3 per cent to \$232.0m. A 40.9 per cent expansion was recorded in central government's deposits with the banking system during 2001. Credit to the private sector rose by 3.1 per cent. The growth in private sector credit was concentrated in the construction sector, which recorded a 21.8 per cent

increase in commercial bank lending. Personal sector credit was up by 1.8 per cent, reflecting in part increased credit for the acquisition of property.

An expansion in the net foreign assets of the banking system was the counterpart to the increase in the money supply. At the end of December 2001 net foreign assets of \$95.3m were recorded in contrast to net foreign liabilities of \$73.5m at the end of December 2000. An increase in reserves held by the Central Bank and a reduction in the net liabilities of the commercial banks contributed to the net foreign assets position. Antigua and Barbuda's imputed share of the reserves of the ECCB was \$215.2m at the end of 2001, roughly 25.4 per cent above the level in 2000. The net liabilities of the commercial banks fell by 51.1 per cent to \$119.9m, largely reflecting a reduction in liabilities to banks and institutions within the rest of the Eastern Caribbean currency union.

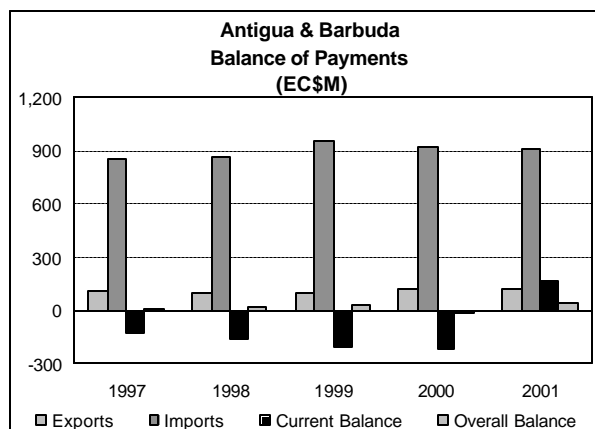
Commercial bank liquidity improved during 2001. The ratio of liquid assets to total deposits plus liquid liabilities rose by 3.3 percentage points to 29.7 per cent. The loans and advances to total deposits ratio stood at 84.8 per cent at the end of 2001, roughly 5.8 percentage points below the level reported in 2000.

Interest rates remained relatively unchanged during 2001, with the exception of the rates offered on time deposits. The rates offered on 3-month time deposits increased to a range of 3.5 per cent to 6.0 per cent at the end of 2001 from the range of 2.5 per cent to 5.5 per cent at the end of 2000. The minimum rate for time deposits over one year was lowered to 2.5 per cent, while the maximum rate increased to 7.5 per cent.

Balance of Payments

The current account recorded a deficit of \$161.1m (8.7 per cent of GDP) in 2001, compared with one of \$215.6 m (11.6 per cent of GDP) in 2000. The 2001 outcome was reflected in smaller deficits on the merchandise trade and income accounts and higher net inflows on the services account.

Compared with the performance in 2000 the merchandise trade balance improved, as the deficit declined to \$858.8m (46.3 per cent of GDP) in 2001 from \$869.3m (48.7 per cent of GDP) in 2000. This improvement was the result of a 1.0 per cent decrease in payments for imports (f.o.b.), partly associated with the downturn in the tourism industry. Services transactions resulted in a net surplus of \$684.0m compared with one of \$674.3m in 2000. The increase in the surplus on the services account was attributed largely to transactions in other business services which resulted in net inflows of \$7.1m, in contrast to net outflows of \$45.4m in 2000. A decline of \$49.9m in gross travel earnings was recorded, consistent with the reduction in visitor arrivals.



In the capital and financial accounts, net inflows rose by 3.0 per cent to \$204.8m in 2001 compared with the position in 2000. Within the financial account net inflows of private investment of \$145.1m contributed largely to the improved performance. In addition, there was a net inflow of \$10.9m for official investment, in contrast to net outflows in 2000. Commercial bank transactions resulted in a net outflow of \$125.2m in 2001, in contrast to net inflows of \$111.7m in 2000, partly reflecting a build-up of assets overseas as a result of the increase in liquidity coupled with lower demand for credit. The surplus on the capital and financial account was more than enough to finance the current account deficit. As a consequence an overall surplus of \$43.7m (2.4 per cent of GDP) was realised in contrast to a deficit of \$16.7m (5.2 per cent of GDP) in 2000.

Prospects

Growth prospects for 2002 appear favourable, despite the challenges facing the tourism industry conditioned by events in the international economy. Real output is projected to increase by 2.1 per cent in 2002. On a sectoral basis positive performance is anticipated in the construction sector. Construction is likely to gain momentum from the proposed pier development project and commencement of work on a shopping complex at the airport. In the tourism industry the addition of new gateways and flights is expected to impact positively on the number of stay-over visitors. Planned development in port facilities at Heritage Quay would enable larger vessels to berth, thereby bolstering cruise ship traffic. There are also plans to improve the yachting industry. The transportation and wholesale and retail trade sectors



are likely to benefit from increased activity in the construction sector and tourism industry. The overall deficit of the central government is projected to be within 8.5 per cent of GDP. Total revenue as a proportion of GDP is forecast to increase by 0.3

percentage point to 19.9 per cent of GDP. The growth in current expenditure is likely to be contained based on government's efforts to keep expenditure within manageable levels.

Overview

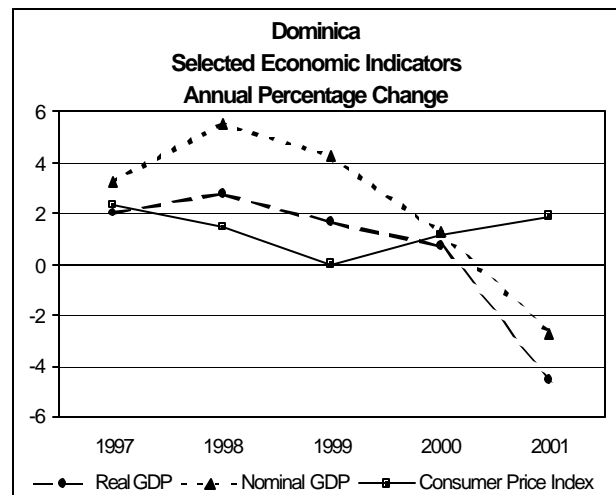
During 2001 output of goods and services in Dominica was estimated to have declined by 4.6 per cent in real terms, following growth of 0.7 per cent in 2000. This outturn was largely driven by contractions in the agricultural, construction and manufacturing sectors and the tourism industry. The decline in the agricultural sector, the largest contributor to economic activity, resulted from decreased banana production. The current operations of the central government deteriorated, largely as a result of a lower revenue intake. The monetary liabilities of the banking system expanded, while domestic credit grew at a relatively slower rate resulting in an easing of liquidity. The external current account deficit narrowed as import payments fell and net outflows of investment income contracted. Consumer price inflation rose in 2001.

Output

Real GDP was estimated to have contracted by 4.6 per cent during 2001 following growth of 0.7 per cent in 2000 and increases averaging 2.1 per cent in the period 1997 – 1999. Production fell in most of the sectors. Real value added in the agricultural sector, which accounted for roughly 16.8 per cent of total output, fell by 11.4 per cent compared with the 1.1 per cent decline in 2000. The main contributing factor to the performance in 2001 was a 35.2 per cent decline in banana production to 17,574 tonnes. The banana industry experienced a steady contraction in output over the last five years, partly due to uncertainty

surrounding the future of the industry in light of the challenge to preferential treatment posed by the World Trade Organisation. This resulted in some farmers leaving the industry.

In 2001 value added in the manufacturing sector was estimated to have decreased by 14.8 per cent following an increase of 8.5 per cent in 2000. The sector’s share of total output fell to 6.2 per cent from 7.0 per cent in 2000. This performance was linked to lower production of soap and dental cream, two of the major manufactured goods. Soap production went down by 10.0 per cent to 10,639 tonnes and output of dental cream decreased by 1.5 per cent to 1,688 tonnes, largely as a result of lower export demand.



The construction sector recorded decreased activity during 2001. Value added in that sector was estimated to have contracted by 4.6 per cent following the increase of 2.0 per cent in 2000. Notwithstanding,



the sector's share of total output remained unchanged at 7.8 per cent. During 2001 the number of construction starts declined by 21.1 per cent to 90, while the total value fell by 48.3 per cent to \$22.9m. Private sector residential construction activity was likely to have contracted based on commercial bank data which showed a 3.2 per cent decrease in lending for home construction and renovation. Public sector activity included the construction of a financial centre, a netball stadium and a water and sanitation project.

Activity in the tourism industry, as measured by value added in the hotel and restaurant sector, contracted by 4.1 per cent in 2001 compared with the 5.6 per cent decline in 2000. The sector's share of real output remained stable at 2.4 per cent. Stay-over visitors, whose contribution to the industry is the largest on account of their length of stay, fell by 2.4 per cent to 67,961. The decline in stay-over visitors contributed in part to a decrease in total visitor arrivals to 277,287 in 2001. There was a 13.4 per cent decline in cruise ship passengers, associated with an 18.9 per cent fall in the number of cruise ship calls to 231. Excursionists fell by 10.1 per cent to 1,699.

The analysis of stay-over visitors by country of origin showed a 2.1 per cent decline in the number of visitors from the Caribbean, the largest market. Visitors from that source accounted for 56.9 per cent of total stay-overs. The number of visitors from the USA, the second largest market increased by 0.9 per cent and accounted for 21.7 per cent of total stay-over visitors.

Of the other services, value added in the transportation sector was estimated to have declined by 6.5 per cent, partly influenced by the fall in the number of cruise ship arrivals. Wholesale and retail activity decreased with value added contracting by 3.0 per cent, attributable to the decline in output, particularly in the agricultural, construction and manufacturing sectors.

Prices, Wages and Employment

The rate of inflation as measured by the change in the consumer price index was estimated to have risen to 1.9 per cent in 2001 from 1.1 per cent in 2000. There were increases in all sub-indices except "housing and utilities". The increase in the rate was attributed to the food sub-index, the most heavily weighted sub-index, which was estimated to have increased following a decline in 2000.

During 2001 salaries and wages in the public sector increased on average by 1.0 per cent. During the second half of the year civil servants were awarded a 2.0 per cent increase in salaries and wages, in keeping with an agreement between the government and the Public Service Union. It was likely that salaries and wages in the private sector also increased based on negotiated agreements for the period 1999 to 2001.

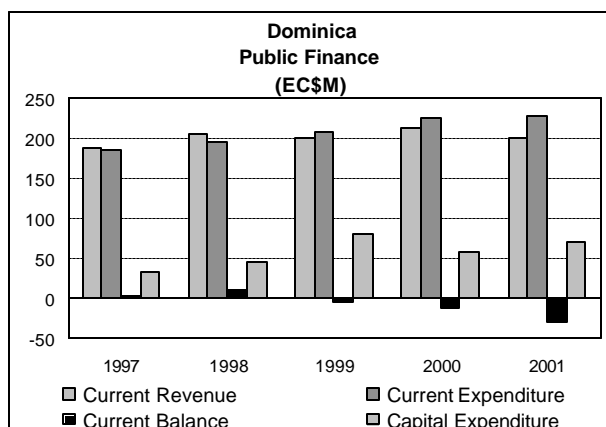
Employment data for 2001 were not available. Employment within central government remained relatively flat. Within the private sector employment

was likely to have declined as a result of the contraction in economic activity.

Central Government Fiscal Operations

The current account deficit of the central government worsened to \$28.2m in 2001 from \$11.5m in 2000. As a ratio of GDP, the current account deficit rose to 4.0 per cent from 1.6 per cent in 2000. This outcome was largely the result of a decline in current revenue, partly attributable to the contraction in economic activity.

Current revenue fell by 6.7 per cent to \$199.7m, reflecting lower tax receipts as non-tax revenue grew by 16.3 per cent to \$37.8m. As a share of GDP, current revenue moved to 28.1 per cent from 29.4 per cent in 2000. Tax revenue fell by 10.8 per cent to \$161.9m. The yield from taxes on income and profits declined by 29.8 per cent to \$44.6m, attributable in part to a reduction in the personal income tax threshold at the beginning of 2001, as well as the contraction in economic activity. Of the taxes on income and profits, the yield from personal income tax was down by 14.5 per cent to \$30.1m, while that from corporation tax decreased by 45.9 per cent to \$16.0m.



Revenue from international trade and transactions contracted by 4.3 per cent to \$84.9m. This decline was largely due to a 16.9 per cent decrease in receipts from import duties to \$21.1m, and was in line with an 11.6 per cent fall in import payments. Receipts from consumption duty, which accounted for the largest share of revenue from international trade and transactions, fell by 1.0 per cent to \$49.4m. Collections from the customs service charge grew by 14.0 per cent to \$6.5m as a result of an increase in the rate from 1.0 per cent to 2.0 per cent in July 2000.

Taxes on domestic goods and services yielded \$30.0m, roughly 11.5 per cent higher than the total in 2000. This outcome was due to an increase in the rate of sales tax to 5.0 per cent from 3.0 per cent. This rate increase was effective January 2001. As a result sales tax receipts grew by 34.4 per cent to \$16.8m in 2001. Receipts from all the other categories of taxes on domestic goods and services contracted.

Current expenditure rose to \$227.9m (32.1 per cent of GDP) during 2001 from \$225.7m (31.0 per cent of GDP) in 2000. Spending on personal emoluments, which accounted for 54.1 per cent of current expenditure, grew by 1.6 per cent to \$123.3m, as a result of the 2.0 per cent increase awarded to civil servants during the second half of 2001. Outlays for the procurement of goods and services went up by 5.4 per cent to \$31.5m, in contrast to the contraction of 13.1 per cent during 2000. Expenditure related to transfers and subsidies grew by 11.7 per cent to \$36.3m after declining by 9.7 per cent during 2000, while interest payments decreased by 12.2 per cent, largely reflecting lower external interest payments.



Capital revenue amounted to \$3.2m, up from \$2.6m in 2000, while grant receipts amounted to \$34.3m compared with \$25.7m in 2000. Capital expenditure and net lending was estimated to have increased by 21.5 per cent to \$70.2m (9.9 per cent of GDP). The developments in the current and capital accounts resulted in an overall deficit of \$61.0m (8.6 per cent of GDP) compared with one of \$40.9m (5.6 per cent of GDP) in 2000. The deficit was financed from external sources and the domestic commercial banks.

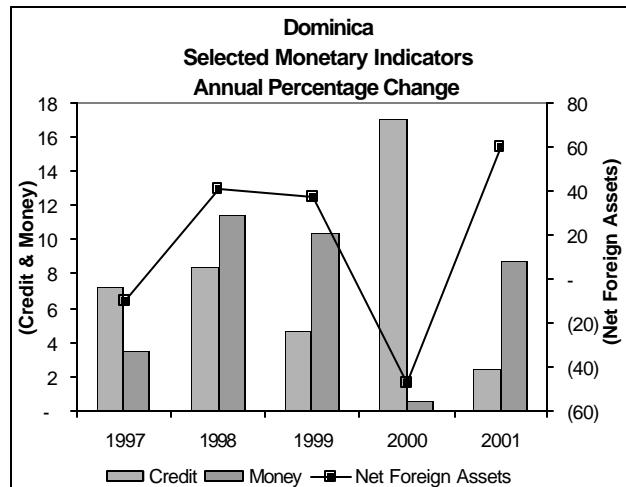
At the end of December 2001 central government disbursed outstanding external debt amounted to \$346.1m or 48.7 per cent of GDP, up from 40.6 per cent of GDP at the end of 2000.

Money and Credit

Total monetary liabilities (M2) of the banking system expanded by 8.7 per cent to \$512.1m in 2001 in comparison to an increase of 0.6 per cent in 2000 when the rate of growth slowed as some depositors transferred deposits to non-bank financial institutions overseas.

The higher rate of growth was mainly reflected in developments in quasi money. Quasi money grew by 10.4 per cent to \$420.5m compared with 5.3 per cent in 2000. Of the components of quasi money growth was particularly strong for time deposits, which increased by 23.7 per cent to \$150.6m compared with 8.9 per cent in 2000. Savings deposits, which accounted for roughly 60.4 per cent of the total, increased by 2.0 per cent to \$254.0m, substantially below the 5.2 per cent rate in 2000. Foreign currency

deposits rose by 59.0 per cent (\$5.9m). The narrow money supply (M1) expanded by 1.4 per cent to \$91.6m in contrast to a contraction of 15.4 per cent in 2000. Of the components of M1, private sector demand deposits grew by 3.8 per cent after declining by 24.5 per cent in 2000.



Domestic credit expanded by 2.4 per cent to \$503.7m compared with an increase of 17.0 per cent in 2000, reflecting growth in net credit to the public sector. The growth in net credit extended to the central government by the banking system accelerated to 30.0 per cent in 2001 from 16.5 per cent in 2000, mirroring the deterioration in the fiscal accounts. Outstanding credit to the central government totalled \$120.8m, roughly 5.9 per cent (\$6.7m) more than the total at the end of 2000, while its deposits in the banking system contracted by 31.5 per cent (\$14.1m) in 2001. In the rest of the public sector, net credit from the banking system almost doubled to \$10.0m when compared with the total extended in 2000. Outstanding credit to the private sector contracted by 3.2 per cent in 2001, largely reflecting a decrease of 9.0 per cent in lending to businesses to \$183.8m. The decline in business credit was attributed in part

to the contraction in economic activity and low business confidence. Credit to households rose by 1.5 per cent to \$255.8m compared with an increase of 5.6 per cent during 2000.

The net foreign assets of the banking system rose to \$105.8m at the end of 2001 from \$66.3m in 2000, and contributed to the growth in monetary liabilities. Developments in the commercial banking sector were largely responsible for the improvement in the net foreign assets position of the banking system in 2001. Commercial banks moved to a net assets position of \$21.5m at the end of 2001 from a net liabilities position of \$12.9m at the end of 2000, reflecting in part a build up of net external assets held in banks and other institutions outside the Eastern Caribbean currency union. Commercial bank transactions with banks and other institutions in the rest of the currency union resulted in net assets of \$5.9m at the end of 2001 in contrast to a net liabilities position of \$20.5m in 2000.

The strong growth in monetary liabilities relative to the increase in domestic credit led to an easing of liquidity in the commercial banking system. The ratio of liquid assets to total deposits plus liquid liabilities rose by 2.2 percentage points to 29.0 per cent, while the loans and advances to deposits ratio fell by 4.9 percentage points to 83.2 per cent at the end of 2001.

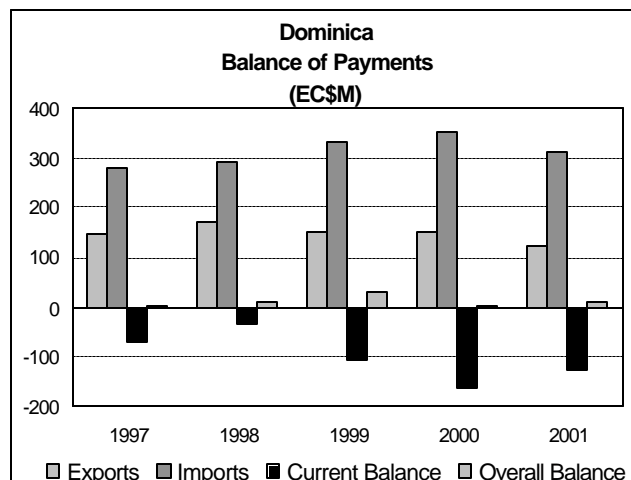
There was some downward movement in time deposit interest rates during 2001 as liquidity conditions improved. The rates on time deposits ranged from 2.5 per cent to 8.5 per cent compared with a range of 3.0 per cent to 8.5 per cent at the end of 2000. The rates offered on savings deposits remained in the range of 4.0 per cent to 5.5 per cent.

Prime lending rates ranged from 9.5 per cent to 10.5 per cent.

Balance of Payments

Preliminary estimates of the balance of payments for the year 2001 revealed a narrowing in the current account deficit to \$127.9m (18.0 per cent of GDP) from \$164.7m (22.6 per cent of GDP) in 2000, influenced mainly by developments in the merchandise trade and income accounts. The merchandise trade deficit decreased by 6.7 per cent to \$190.6m, and as a percentage of GDP fell to 26.8 per cent from 28.1 per cent in 2000. The narrowing of the merchandise trade deficit was largely attributable to an 11.6 per cent fall in imports (f.o.b) to \$310.6m (43.7 per cent of GDP), associated with the decline in economic activity. Export earnings contracted by 18.3 per cent to \$120.0m (16.9 per cent of GDP), largely reflecting declines in earnings from banana and soap. Earnings from banana exports decreased by 39.3 per cent (\$12.6m) and receipts from soap exports fell by 28.3 per cent (\$10.4m).

Net outflows on the income account contracted by 25.6 per cent to \$75.6m (10.6 per cent of GDP), largely reflecting a decline in outflows of direct investment and portfolio investment income, in part attributable to lower profits realised by some companies. Net inflows related to trade in services fell by 7.1 per cent to \$97.8m, (equivalent to 13.9 per cent of GDP). The outturn on the services account was partly influenced by reduced inflows from travel, reflecting the decline in visitor arrivals. During 2001 gross travel receipts were estimated to have contracted by 3.9 per cent to \$130.0m.



Net inflows on the capital and financial account fell by 16.5 per cent to \$138.6m (equivalent to 19.7 per cent of GDP). Net inflows on the financial account fell by 32.2 per cent to \$86.6m, partly reflecting a decline in inflows of portfolio investment and other investment. There was a net outflow of commercial bank short-term capital in contrast to net inflows of \$53.2m in 2000, reflecting the increase in liquidity. Net inflows in the capital account were estimated to have increased by \$13.8m to \$52.0m in 2001, largely as a result of higher grant receipts by the central government. These inflows on the capital and financial account contributed to an overall balance of payments surplus of \$10.7m (1.5 per cent of GDP), compared with the surplus of \$1.3m (0.2 per cent of GDP) in 2000.

Prospects

The outlook for the economy of Dominica in 2002 is uncertain. Agricultural output is likely to increase in 2002 as the dominant banana industry is expected to stabilise. It is likely that the confidence of banana farmers may be boosted by the ongoing restructuring of the industry and by a proposal to provide capital for irrigation and drainage. Construction activity is likely to contract as work on some major public sector projects is winding down. Such projects include the Roseau water and sewerage project and the construction of a financial complex in Roseau. Private sector construction activity is likely to remain depressed.

In the tourism industry no increase in stay-over visitors is anticipated. It is likely that Dominica will continue to be affected by the decline in the international tourist trade, partly attributable to the September 11 event. Cruise ship passengers are expected to fall based on the likely discontinuation of port calls by one cruise ship. Some recovery in the output of manufactured goods is expected as steps are taken by the major manufacturer to regain export market share for soap and dental cream.

Central government finances are projected to improve during 2002 based on revenue enhancing and expenditure reduction measures to be implemented.

Overview

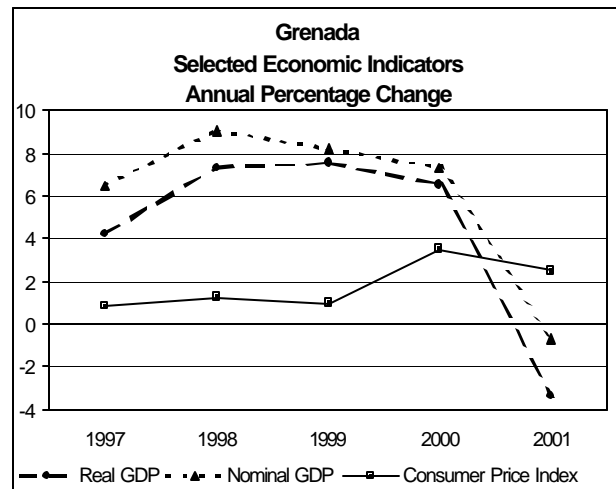
The economy of Grenada contracted in 2001 relative to the performance in 2000. Estimates of real gross domestic product (GDP) revealed a decline of 3.4 per cent in contrast to growth of 6.6 per cent in 2000 as output in all the major sectors decreased. The economic downturn in 2001 was reflected in declines in the construction, manufacturing, hotel and restaurant, and communication sectors, most of which recorded relatively strong growth in 2000.

The central government’s overall fiscal position deteriorated as reflected by a widening of the overall deficit. This outturn was attributable to a weak performance in the current operations as well as growth in capital expenditure. Within the commercial banking system liquidity increased, while interest rates remained unchanged. In the external sector, the current account deficit decreased. This was largely due to a contraction in the merchandise trade deficit, reflecting a reduction in the import bill. Consumer price inflation decelerated.

Output

In the construction sector value added decreased by 14.7 per cent in 2001 in contrast to growth of 15.8 per cent in 2000. Consequently, the sector’s contribution to GDP fell to 8.1 per cent from 9.2 per cent in 2000. This performance primarily reflected a fall in private sector activity as several projects which contributed to the construction boom in 2000 came

to an end. During 2001 retail sales of building material contracted by 15.7 per cent, mirroring the fall in private sector construction activity. Public sector construction activity was buoyant, as reflected in an increase in capital expenditure associated with the implementation of the public sector investment programme (PSIP). Activity in the public sector included the construction of a fish market complex, the hospital development project, a road maintenance programme and sea defence project.



In 2001 value added in manufacturing fell by 7.6 per cent in contrast to growth of 13.8 per cent in the previous year, while the sector’s contribution to GDP fell to 8.4 per cent from 8.7 per cent in 2000. This outturn was mainly attributable to a downturn in the production of electronic components, precipitated by a fall in export demand due to a buildup of inventory in the telecommunications market in the US. The production of beverages, grain mill and bakery products decreased during 2001, while output of prepared animal feed increased.



Value added in the agricultural sector declined by 3.3 per cent compared with the 2.2 per cent fall in 2000, but the sector's contribution to GDP remained unchanged at 8.2 per cent. The decline in 2001 was reflected in a contraction in value added of the crop sub-sector, which was affected by drought. Declines were recorded in the production of bananas (143 tonnes), cocoa (508 tonnes) and nutmeg (427 tonnes). In the rest of the agricultural sector, value added in the fishing sub-sector increased by 32.2 per cent.

Activity in the tourism industry, as measured by value added in the hotel and restaurant sector, declined by 4.3 per cent in 2001 following growth of 2.9 per cent in 2000, reflecting a contraction in stay-over visitors. The sector's contribution to real output fell by 0.1 percentage point to 7.4 per cent in 2001. The number of stay-over visitors contracted by 4.3 per cent to 123,351 in contrast to growth of 2.9 per cent in 2000. This decline largely reflected an 8.4 per cent fall in arrivals from Europe following the discontinuation of flights from the UK by a major airline.

In the rest of the services sector, value added in the communications sector, which accounted for 13.0 per cent of GDP, contracted by 11.5 per cent in contrast to growth of 20.9 per cent in 2000. This outturn reflected reduced activity in the telecommunications sub-sector, due in part to a decrease in the number of offshore companies in operation as well as the fall in visitor arrivals. Value added in the transportation sector fell for the second year in succession, attributable in part to a contraction in cruise ship traffic. Cruise ship passengers decreased by 18.4 per cent to 147,203 in 2001, reflecting a

contraction in the number of cruise ship calls. Value added for banks and insurance expanded by 6.1 per cent compared with growth of 10.2 per cent in 2000, while value added in the government services sector rose by 4.3 per cent in contrast to the revised rate of decrease of 2.6 per cent in 2000. The growth in value added in the government services sector was influenced by increments and retroactive payments to civil servants during 2001. The government services sector was the largest contributor to GDP, accounting for 13.9 per cent of the total in 2001.

Prices, Wages and Employment

The rate of inflation as measured by the change in the consumer price index was 2.5 per cent in 2001 compared with 3.5 per cent in 2000. The lower rate of inflation was influenced by a decrease in prices in the "housing and fuel supplies" sub-index, which fell on average by 2.0 per cent in contrast to growth of 6.8 per cent in 2000, mainly attributable to a contraction in the fuel surcharge. Prices in the "transport equipment, vehicles" sub-index rose by 0.2 per cent on average compared with the increase of 22.0 per cent in the previous year. These developments were offset by a 5.7 per cent increase in the "food, drink and tobacco" sub-index, which has the highest weight in the basket of goods and services. Prices in that sub-index rose by 1.8 per cent in 2000.

Data on wage movements indicated that in 2001 public officers received retroactive payments for salary increases for 1998, 1999 and 2000. Complete data on employment were unavailable for 2001. Information on civil servant employment revealed a

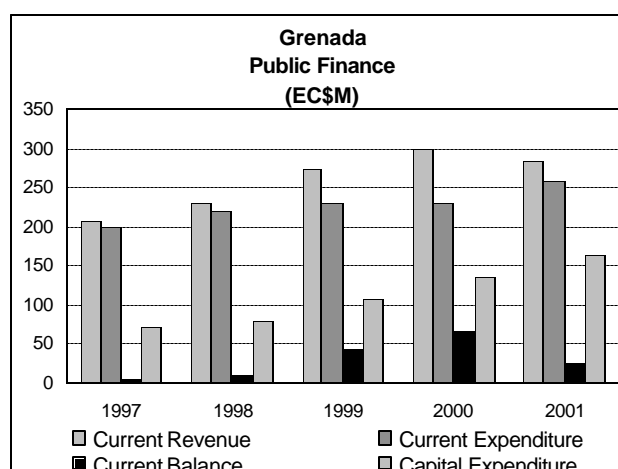
3.7 per cent decrease in the total number to 5,037. The number of non-established workers fell by 37.8 per cent to 421, while established workers increased by 1.4 per cent to 4,616. Data from the National Insurance Scheme (NIS) indicated that there were 3,230 new registered employees in 2001, approximately 31.9 per cent below the number of new individuals making contributions to the NIS in the previous year. Of the new registered employees 25.1 per cent were employed in the construction sector, 21.6 per cent in the agricultural sector and 13.5 per cent in social and related community services.

Central Government Fiscal Operations

In 2001 the central government's finances deteriorated. The current account surplus fell to \$24.7m (2.3 per cent of GDP) from \$66.8m (6.1 per cent of GDP) in 2000. This outcome reflected a contraction in revenue and growth in expenditure.

Current revenue fell to \$282.8m (26.3 per cent of GDP) in 2001 from \$297.3m (27.1 per cent of GDP) in 2000, and was 16.1 per cent below the budgeted amount for 2001. The decline in 2001 reflected a decrease in collections from tax and non-tax sources. Tax receipts decreased by 4.0 per cent to \$254.6m, due mainly to an 8.1 per cent fall in the yield from indirect taxes. In 2001 revenue from indirect taxes accounted for 73.6 per cent of total tax revenue, down from 76.9 per cent in 2000. The outcome in 2001 in part reflected a decline in collections from import duties (6.2 per cent), consumption tax (4.2 per cent) and the customs service charge (7.4 per cent), attributable to a fall in imports. Receipts from taxes on domestic goods and services fell by

12.1 per cent to \$44.9m, mirroring the downturn in the economy in 2001. Non-tax revenue fell to \$28.2m (2.6 per cent of GDP) in 2001 from \$32.1m (2.9 per cent of GDP) in 2000, primarily reflecting a decline in activity in the offshore financial services sector. A review of direct taxes revealed a 4.5 per cent increase in receipts from company tax, reflecting in part the collection of tax arrears from corporations. The yield from personal income tax grew by 25.4 per cent, mainly attributable to improvements in tax administration.



Current expenditure rose to \$258.1m (24.0 per cent of GDP) in 2001 from \$230.5m (21.0 per cent of GDP) in 2000. However, current expenditure fell 22.4 per cent below the estimates in the 2001 budget. Personal emoluments, which accounted for the largest share of current expenditure (49.4 per cent), rose by 11.5 per cent to \$127.6m. The growth in wages and salaries mainly reflected increments and retroactive payments to some civil servants. Expenditure on goods and services increased to \$52.7m (4.9 per cent of GDP) in 2001 from \$43.7m (4.0 per cent of GDP) in 2000, mainly reflecting higher spending on communications, professional and consultancy



services and lease payments. Interest payments rose by 15.3 per cent to \$27.9m, attributable to growth in domestic interest payments (\$6.2m) associated in part with an increase in borrowing from the commercial banking sector in 2001.

Capital revenue and capital grants increased by 28.2 per cent to \$34.1m, while capital expenditure rose to \$162.6m (15.1 per cent of GDP) from \$135.2m (12.3 per cent of GDP) in 2000. The growth in capital expenditure represented higher outlays on the public sector investment programme, which rose by 20.3 per cent relative to the level in 2000. As a result of the developments in the current and capital accounts, central government's overall fiscal deficit rose from \$35.0m (3.2 per cent of GDP) in 2000 to \$92.2m (8.6 per cent of GDP) in 2001.

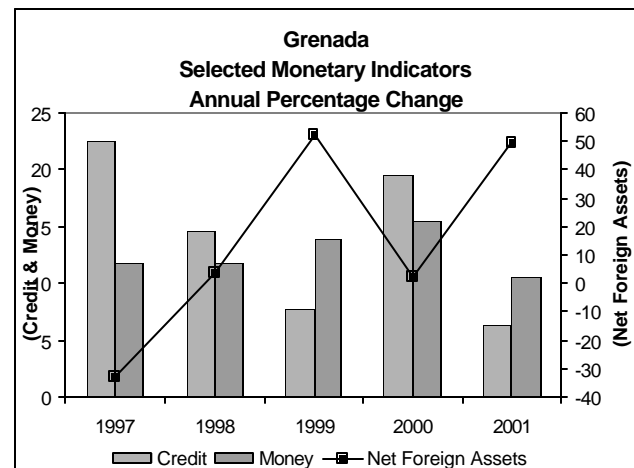
At the end of 2001 the disbursed outstanding external debt of the central government stood at \$370.7m, representing a 13.2 per cent increase in the amount at the end of 2000. As a share of GDP, the external debt increased to 34.5 per cent from 29.8 per cent in 2000.

Money and Credit

Total monetary liabilities (M2) grew by 10.6 per cent to \$1,090.4m at the end of 2001 compared with the increase of 15.4 per cent in 2000, attributable in part to the contraction in economic activity. The slower rate of growth was primarily reflected in quasi money, which rose by 11.8 per cent to \$898.0m compared with an expansion of 18.3 per cent in 2000. All the components of quasi money recorded reduced rates of growth. Private sector savings, time and

foreign currency deposits increased by 9.4 per cent, 17.7 per cent and 8.6 per cent respectively, compared with growth rates of 12.2 per cent, 22.1 per cent and 62.9 per cent in 2000. The narrow money supply (M1) increased by 5.5 per cent compared with growth of 4.1 per cent in 2000, mainly attributable to an expansion of 9.8 per cent in private sector demand deposits.

Domestic credit rose by 6.2 per cent to \$968.0m at the end of 2001, compared with growth of 19.6 per cent in 2000. Outstanding credit to the private sector increased by 0.9 per cent to \$886.4m in comparison to an expansion of 14.4 per cent in 2000, reflecting a decline in lending to businesses and a slowdown in the rate of growth in credit to households. In 2001 growth in private sector credit was mainly associated with increased lending for personal use and manufacturing.



The net indebtedness of the central government to the banking system expanded by 58.4 per cent to \$94.7m during 2001 compared with growth of 37.2 per cent in 2000, due in part to the weakening in

government's fiscal performance. Commercial bank credit to the central government rose by 23.8 per cent to \$105.4m, accounting for 90.5 per cent of total credit to the central government. Credit from the Central Bank decreased by 18.9 per cent compared with the contraction of 15.6 per cent in 2000. Deposits of the central government in the banking system declined by 44.2 per cent to \$21.8m.

The net foreign assets of the banking system rose by 48.9 per cent to \$203.5m at the end of 2001, compared with growth of 2.2 per cent in 2000. This outturn was mainly attributed to developments in the commercial banking sector which moved to a net assets position of \$30.9m from net liabilities of \$19.0m at the end of 2000. Commercial bank transactions with banks and financial institutions in the rest of the currency union resulted in a 39.7 per cent increase in the net assets position to \$64.7m. This performance was mainly attributed to growth of 46.5 per cent in gross foreign assets. The transactions of commercial banks with banks and other institutions outside the currency union resulted in a 48.3 per cent decrease in their net liabilities position to \$33.8m, driven by an expansion of 64.5 per cent in foreign assets. The increase in commercial bank net external assets reflected a build up of assets overseas attributable to the high level of liquidity. Grenada's imputed share of the reserves held at the Central Bank increased by 10.9 per cent to \$172.6m at the end of 2001 compared with growth of 13.4 per cent in 2000.

Liquidity in the commercial banking system increased during 2001. The ratio of liquid assets to total deposits plus liquid liabilities rose by 4.5 percentage points to 25.0 per cent at the end of

December 2001. The loans and advances to deposits ratio declined by 0.9 percentage point to 79.2 per cent. Liquidity developments in the commercial banking system were partly attributable to the faster growth in deposits relative to the growth in domestic credit.

Interest rates remained unchanged in 2001 relative to 2000. The rate on savings deposits ranged from 4.0 per cent to 6.0 per cent. The rates offered on time deposits ranged from 1.5 per cent to 8.0 per cent. Prime lending rates ranged from 9.5 per cent to 10.5 per cent, while other rates ranged from 9.5 per cent to 16.0 per cent.

Balance of Payments

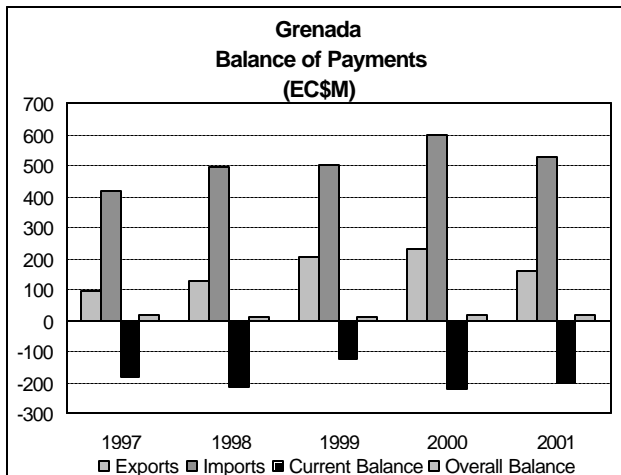
The external current account deficit was estimated to have declined to \$183.4m (17.1 per cent of GDP) in 2001 from \$221.3m (20.2 per cent of GDP) in 2000. This development was due in part to a contraction in the merchandise trade deficit, which decreased by 3.8 per cent to \$370.7m, equivalent to 34.5 per cent of GDP in 2001 compared with 35.1 per cent of GDP in 2000. Payments for merchandise imports (f.o.b) fell by 10.9 per cent to \$531.5m, mirroring the contraction in economic activity. Receipts from merchandise exports declined by 23.8 per cent to \$160.7m, due primarily to a fall in exports of electronic components as demand on the international market fell. In contrast, earnings from the export of nutmeg increased, partly attributable to growth in the volume exported.

The net surplus on the services account fell by 2.6 per cent to \$177.3m (16.5 per cent of GDP) in



2001. This outturn was attributed mainly to a contraction in net inflows from travel (\$24.3m). Gross travel receipts contracted by 10.0 per cent, influenced by a fall in the number of visitors.

The deficit on the income account narrowed in 2001 as net outflows fell to \$66.4m from \$92.5m in 2000. This outturn largely reflected a 55.8 per cent (\$19.3m) reduction in dividends and profits repatriated, consistent with the contraction in economic activity during 2001.



The surplus on the capital and financial account fell by 16.3 per cent to \$200.3m, attributable to developments in the financial account. Net inflows in the financial account declined by 26.4 per cent to \$117.1m. Net inflows associated with foreign direct investment fell by \$3.8m. Commercial bank transactions resulted in a net outflow of short-term capital of \$89.4m in contrast to a net inflow of \$15.5m in 2000, indicative of excess liquidity in the banking system. Net inflows in the capital account were estimated to have increased by 20.3 per cent to \$96.4m, mainly associated with growth in capital grants.

The surplus on the capital and financial account was more than sufficient to finance the current account deficit. Consequently an overall surplus of \$16.9m (1.6 per cent of GDP) was recorded, marginally below that of \$17.8m (1.6 per cent of GDP) in 2000.

Prospects

Growth is expected in most sectors of the economy of Grenada in 2002. Following a contraction in 2001 as a result of the downturn in the electronics industry, the manufacturing sector is projected to rebound. Performance in the electronics industry is likely to improve in the second half of 2002 influenced by an upturn in the US market, while growth in the agro-processing sub-sector is projected, mainly because of a likely expansion in nutmeg oil production.

Output in the agricultural sector is projected to increase, influenced by higher crop production. Based on higher demand in the agro-processing sub-sector, an increase in nutmeg harvesting is anticipated. Growth in the tourism industry is likely to be negligible unless the issue of increased airlift services to Grenada from Europe, Canada and the USA is addressed. In the construction sector some improvement is expected in 2002 relative to 2001 as work on ongoing projects in the public and private sectors is likely to intensify. In addition, construction on a major project, namely the Melville Street cruise ship terminal, is expected to commence during 2002.

The central government's current account position is likely to show some improvement in 2002. Attempts at reducing exemptions, increasing user fees and licences and strengthening revenue administration

are expected to lead to higher revenue collection. However, the increase is likely to be constrained by an anticipated decline in revenue from company tax as a result of lower profits recorded in 2001. Current expenditure is likely to remain flat compared with the level in 2001 when outlays rose as a result of retroactive payments to civil servants. An improvement in the overall fiscal position will depend on the level of capital spending associated with the implementation of the public sector investment programme.

In the external sector, the current account balance is likely to improve, albeit marginally, reflecting developments in the merchandise trade account. Growth in export earnings from the manufacturing sector is projected to outpace a likely rise in the import bill. The surplus on the services account is expected to remain flat due to an anticipated weak performance in the tourism industry.

Overview

Preliminary data on economic activity in Montserrat indicated a contraction of 3.8 per cent in real gross domestic product (GDP) in 2001 compared with the revised rate of decline of 3.0 per cent in 2000. The contraction in real GDP was largely as a result of declines in output in the communications and construction sectors. Activity in the wholesale and retail trade sector also declined, while value added in the transportation sector increased.

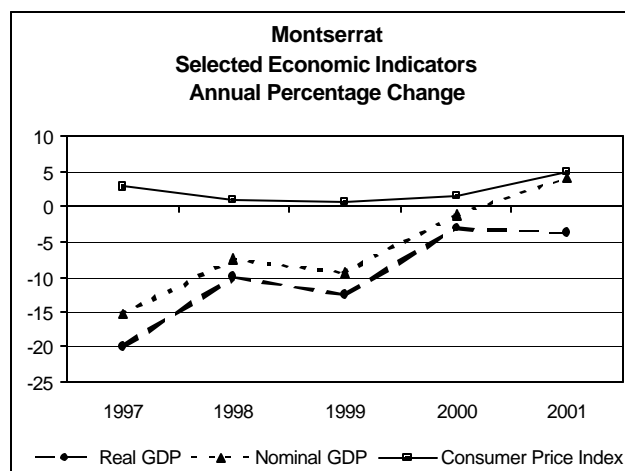
Consumer price inflation rose in 2001 but remained at a low rate. Within the commercial banking system interest rates remained stable, while the liquidity position continued to be high. The fiscal operations of the central government resulted in a widening of the current account deficit. The broad money supply (M2) grew, partly reflecting an inflow of grant-in-aid to finance the public sector investment programme. In the external sector the current account deficit narrowed, due in part to a decline in imports.

Output

Real GDP was provisionally estimated to have contracted by 3.8 per cent in 2001, partly reflecting a decline in the construction sector, a major contributor to GDP. Value added in the construction sector fell by 7.7 per cent following a decline of 35.8 per cent in 2000, largely attributable to a decrease in commercial and residential construction. The sector's share of total output fell to 17.6 per cent from the revised rate

of 18.4 per cent in 2000. Public sector activity remained buoyant during 2001 and included the construction of the fire and police stations, housing for the elderly and the early childhood accommodation centre. In the private sector, activity was estimated to have contracted as a result of the completion of work on commercial buildings. Residential construction was the focus of activity in the private sector.

Value added in the agricultural sector declined by 17.3 per cent in contrast to the revised growth of 46.5 per cent in 2000, due in part to the effect of drought during the first half of 2001. The sector's share of GDP fell to 1.2 per cent from the revised rate of 1.4 per cent in 2000.



Value added in the hotel and restaurant sector, which is a proxy for the level of activity in the tourism industry, increased by 21.9 per cent in 2001 compared with growth of 4.3 per cent in 2000. The sector's share of GDP rose to 1.2 per cent from the

revised share of 1.0 per cent in 2000. The improved performance was attributed to an increase in the number of visitors staying in hotels and other paid accommodation. Stay-over visitors decreased by 19.1 per cent to 8,353, but those staying in paid accommodation rose by 22.3 per cent in 2001.

In the rest of the services sector value added for communications declined by 30.3 per cent following the revised growth of 33.6 per cent in 2000. Value added for banking and insurance and electricity and water services increased by 1.9 per cent and 4.9 per cent respectively. The wholesale and retail trade sector continued to decline. Value added in that sector fell by 7.9 per cent in 2001 compared with 16.6 per cent in 2000. Value added in the transportation sector grew by 2.5 per cent in contrast to the decline of 5.2 per cent in 2000. The improved performance in this sector was primarily associated with the increase in excursionists which contributed to growth in sea and road transport activity.

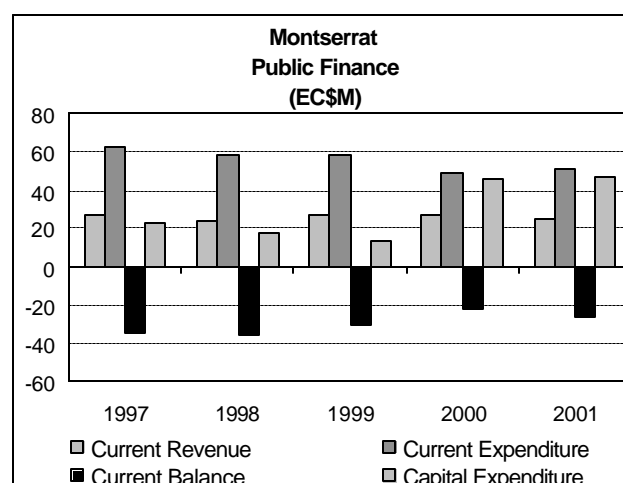
Prices, Wages and Employment

In 2001 consumer prices rose by 4.9 per cent following an increase of 1.7 per cent in 2000. This outturn largely reflected increases in the sub-indices “clothing” (6.0 per cent), “services” (6.1 per cent), “food” (4.7 per cent) and “gas, electricity and water” (19.8 per cent). The strong growth in the “gas, electricity and water” sub-index was associated with an increase in the electricity surcharge, while that in the “food” sub-index reflected a rise in the cost of chicken. By contrast a decrease was recorded in the sub-index “alcohol and tobacco” (1.5 per cent).

During 2001 wages and salaries in the public sector remained generally stable for most of the year except for December when a double salary was paid to civil servants. Data on private sector wage and salary movements were not available for 2001.

Central Government Fiscal Operations

In 2001 there was a deterioration in the fiscal position of the central government. The current account deficit before grants increased to \$26.5m (28.4 per cent of GDP) from \$22.1m (24.5 per cent of GDP) in 2000, attributable to a decline in current revenue coupled with an increase in current expenditure.



Current revenue decreased by 9.9 per cent to \$24.7m, equivalent to 26.4 per cent of GDP in 2001, down from 30.3 per cent of GDP in 2000. This performance was primarily associated with a 9.8 per cent contraction in tax revenue. Collections from taxes on domestic goods and services decreased by 13.9 per cent to \$3.1m. The yield from taxes on international trade and transactions fell by 27.0 per cent to \$8.4m, reflecting decreases in import duties (28.0 per cent),



consumption tax (26.3 per cent) and the customs service charge (26.3 per cent). The decline in the yield from taxes on international trade and transactions was attributed to the contraction in imports, reflecting the decrease in economic activity. Receipts from taxes on income and profits increased by 14.6 per cent to \$11.0m, reflecting higher receipts from personal income taxes.

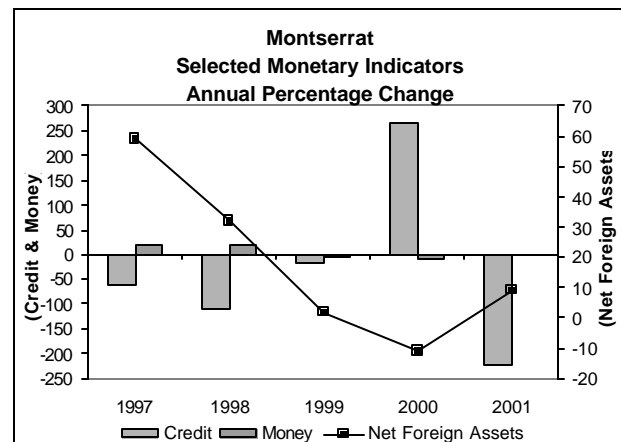
Current expenditure in 2001 amounted to \$51.2m, representing a 3.2 per cent increase on outlays recorded for 2000. The expansion in current expenditure primarily reflected an increase in personal emoluments, which grew by 11.2 per cent to \$22.9m. This outturn was the result of the double salary paid in December. Outlays on transfers and subsidies grew by 17.6 per cent (\$0.9m), while expenditure on goods and services fell by 4.3 per cent (\$1.0m).

During 2001 capital expenditure rose marginally to \$46.6m, but as a percentage of GDP fell to 50.0 per cent from 50.9 per cent in 2000. The developments in the current and capital accounts resulted in an overall weakening of the fiscal position before grants. The overall deficit before grants increased to \$73.1m from \$68.3m in 2000, and as a percentage of GDP rose to 78.3 per cent from 75.5 per cent. The overall balance moved to a surplus of \$2.8m when grants of \$76.0m were added.

At the end of 2001 the disbursed outstanding external debt of the central government amounted to \$17.5m (18.8 per cent of GDP), slightly below the total at the end of 2000.

Money and Credit

Total monetary liabilities (M2) grew by 0.9 per cent to \$102.0m at the end of 2001 in contrast to a decline of 9.2 per cent at the end of 2000. Quasi money increased by 2.3 per cent following the 6.2 per cent decrease in 2000, influenced by growth in private sector savings deposits (1.0 per cent), foreign currency deposits (14.3 per cent) and time deposits (19.4 per cent). The narrow money supply contracted by 2.7 per cent compared with a 16.9 per cent decline at the end of 2000, reflecting a decrease in private sector demand deposits. Currency with the public grew by 21.6 per cent to \$11.8m relative to the total in 2000.



During 2001 credit to the private sector expanded by 3.5 per cent to \$23.9m, associated with a 5.2 per cent increase in household credit. Lending to businesses contracted by 1.3 per cent to \$7.8m. An analysis of the distribution of credit revealed an expansion in loans extended for personal use, mainly for the acquisition of property. Lending for construction fell by 58.0 per cent (\$1.0m), reflecting

the decline in activity in the construction sector. Loans to the distributive trades also fell, attributable to the contraction of the economy.

The net deposits position of the central government increased by 64.6 per cent (\$5.3m) at the end of 2001, in part reflecting growth of 26.2 per cent (\$3.2m) in deposits associated with grant receipts. The net deposits of the non-financial public enterprises grew by 24.5 per cent to \$13.2m, largely attributed to an increase in deposits of the National Insurance Scheme. The net deposits of the non-bank financial institutions declined by 77.8 per cent (\$1.4m) compared with a decrease of 40.0 per cent (\$1.2m) in 2000.

The counterpart to the increase in monetary liabilities was net foreign assets which expanded by 9.3 per cent to \$130.2m at the end of December 2001. This performance reflected growth of 5.9 per cent in commercial banks' net foreign assets and a 19.9 per cent increase in Montserrat's imputed share of the reserves held by the Central Bank. Commercial bank transactions with banks and other institutions outside of the Eastern Caribbean currency union resulted in a net external assets position of \$4.0m in contrast to a net liabilities position of \$0.9m in 2000. Commercial bank transactions with banks and institutions in the rest of the currency union led to a 0.5 per cent increase in net external assets.

During 2001 liquidity in the commercial banking system continued to be high. The loans and advances to total deposits ratio was 20.3 per cent, roughly 0.7 percentage point below the level in 2000. The ratio

of liquid assets to total deposits plus liquid liabilities increased by 5.6 percentage points to 70.7 per cent.

Commercial bank interest rates remained relatively unchanged during 2001. Prime lending rates ranged from 9.5 per cent to 10.5 per cent. Time deposit rates ranged from 1.5 per cent to 4.0 per cent, while savings deposits earned interest at rates ranging from 4.0 per cent to 4.5 per cent.

Balance of Payments

Preliminary data on the balance of payments for 2001 revealed an improvement in the current account deficit which fell to \$19.7m (21.1 per cent of GDP) from \$24.4m (27.1 per cent of GDP) in 2000. The narrowing of the current account deficit was due in part to an increase in net inflows associated with current transfers, which moved to \$42.4m (45.4 per cent of GDP) from \$39.2m (43.3 per cent of GDP) in 2000. The improvement was also reflected in the merchandise trade account which recorded an 8.9 per cent contraction in net outflows to \$44.1m (47.3 per cent of GDP), attributable in part to a fall in the import bill. The value of imports (f.o.b) declined by 10.4 per cent to \$46.0m, consistent with the contraction in economic activity. Earnings from exports, primarily re-exported goods, fell by 34.9 per cent to \$2.0m. In the services account, the deficit widened to \$10.6m from \$8.0m, as gross inflows from travel fell by 19.6 per cent reflecting the decline in stay-over arrivals.

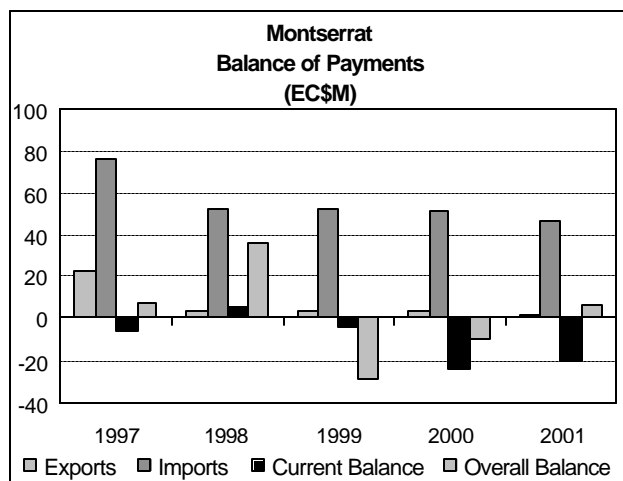
On the capital and financial account a surplus of \$25.4m (27.2 per cent of GDP) was recorded



compared with one of \$14.6m (16.1 per cent of GDP) in 2000, largely influenced by higher inflows on the capital account. Net inflows on the capital account increased to \$20.2m (21.7 per cent of GDP) from \$6.5m (7.2 per cent of GDP) in 2000. This outturn largely reflected higher inflows of official grants associated with the implementation of the public sector investment programme. Net inflows on the financial account contracted to \$5.2m (5.6 per cent of GDP) from \$8.1m (9.0 per cent of GDP) in 2000. This performance was largely associated with commercial bank transactions which resulted in net outflows of \$5.4m, in contrast to net inflows of \$4.6m in 2000. Net inflows in the capital and financial accounts were more than sufficient to offset the deficit on the current account. As a result, an overall surplus of \$5.6m (6.0 per cent of GDP) was realised in 2001 in contrast to a deficit of \$9.8m (10.8 per cent of GDP) in 2000.

Prospects

The economy is expected to improve in 2002 based on an anticipated increase in activity in the construction sector, driven by ongoing and planned projects in both the public and private sectors. Public sector construction activity is likely to be influenced by new projects to be implemented including the airport and the resettlement project at Look Out. In the private sector construction work on a football stadium is expected to be the focus of activity. Value added in the agricultural sector is expected to increase, largely influenced by improvements to irrigation systems and extension services provided by the Ministry of Agriculture. Activity in the tourism industry is likely to remain flat, as the sporting activity which influenced growth in excursionists in 2001 is not scheduled in 2002.



The fiscal performance of the central government is likely to remain weak based on the proposed salary increase to civil servants and as government assumes responsibility for operating the helicopter and ferry services. These developments are likely to lead to growth in current expenditure and a widening of the current account deficit. The banking system is expected to continue to exhibit a high level of liquidity. Some increase in consumer prices is expected in 2002.

Overview

The pace of economic activity in St. Kitts and Nevis slowed during 2001, with real gross domestic product (GDP) provisionally estimated to have increased by 2.0 per cent following the revised rate of growth of 5.5 per cent in 2000. The slowdown was largely attributed to a lower rate of growth in the construction sector, as a result of the completion of a number of public sector projects as well as rehabilitation work on a major hotel. Activity in the tourism industry rebounded after contracting in the previous two years. Output in the manufacturing sector was estimated to have declined in 2001 following growth in 2000, due to a contraction in the production of electronic components. Growth was recorded for all the other sectors with the exception of the mining and quarrying, and banks and insurance sectors. The fiscal account of the central government remained weak. In the external sector an overall surplus was realised in contrast to a deficit in 2000, influenced by higher net inflows on the financial account.

Output

Activity in the construction sector increased in 2001, albeit at a much reduced rate compared with the growth in 2000. Value added in that sector rose by 4.3 per cent, following the revised rate of increase of 29.2 per cent in 2000. The sector continued to be the largest contributor to GDP, accounting for 19.2 per cent, up from 18.8 per cent in 2000. The

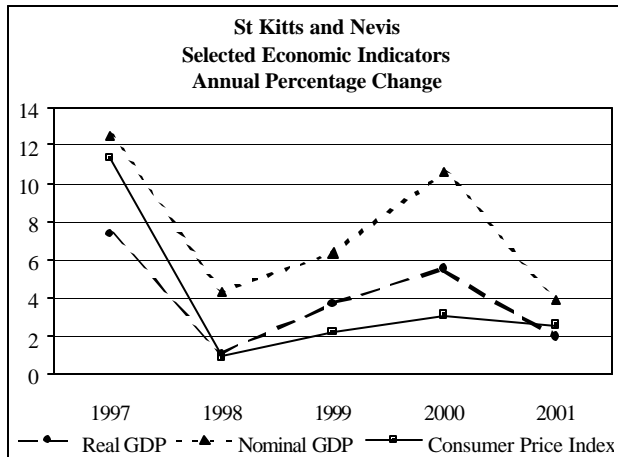
performance in 2001 was partly driven by construction work on a 900-room hotel in the private sector. In the public sector work continued on the upgrading of the J N France General Hospital in St Kitts and the Alexandra Hospital in Nevis, reconstruction of the control tower at the R L Bradshaw International Airport, resurfacing of the island main road and construction of a new airport terminal building in Nevis. During 2001 work commenced on the reconstruction of Port Zante and the building of a fisheries complex and an hospitality centre.

There was an improvement in the performance of the agricultural sector during 2001. Value added in that sector increased by 11.1 per cent following declines averaging 9.8 per cent in the 1998 to 2000 period. Notwithstanding, the industry's share of gross domestic output remained relatively unchanged at 5.0 per cent in 2001. The improved performance in the agricultural sector was associated with a 12.4 per cent increase in sugar cane production to 211,656 tons in 2001 owing to favourable weather in the latter half of 2000.

The tourism industry showed signs of recovery during 2001. Value added in the hotel and restaurant sector grew by 3.9 per cent, following declines averaging 18.0 per cent in 1999 and 2000 when two large hotels that sustained hurricane damage were temporarily closed for repairs. The performance in 2001 reflected an increase in the number of visitors staying in hotels, largely associated with the reopening of a major hotel in Nevis in November 2000. Visitors



staying in private homes fell, contributing to a 3.5 per cent contraction in stay-over arrivals to 70,565.



Of stay-over arrivals, the number of visitors from the US, the major market, rose by 8.9 per cent to 25,558, but was below the 1998 or pre-hurricane level. In 2001 the tourism industry was affected by the recession in the US economy, exacerbated by the events of September 11 which resulted in a decline in visitor arrivals during the second half of the year. Stay-over visitors from the US grew by 29.4 per cent in the first half of 2001, but fell by 10.4 per cent in the latter half. Stay-over visitors from the UK and Canadian markets were down by 32.1 per cent and 2.9 per cent respectively and jointly represented 19.8 per cent of stay-over arrivals, down from 24.9 per cent in 2000. The reduction in arrivals from the UK market was associated with the discontinuation of charter flights by a major airline in June 2001.

In the rest of the services sector, value added for transportation rose by 4.1 per cent, reflecting growth in the “road” sub-sector partly attributable to an increase in cruise ship visitors. During 2001 there

was a 53.2 per cent expansion in cruise ship passengers to 252,172, as a result of the introduction of weekly visits by a major cruise line. Growth in output was also recorded for wholesale and retail trade (2.1 per cent), communications (4.7 per cent), real estate and housing (4.5 per cent) and electricity and water (3.9 per cent). By contrast, value added for banking and insurance declined by 0.9 per cent which resulted in a decline in visitor arrivals during the second half of the year.

Value added in the manufacturing sector fell by 8.9 per cent in 2001 following increases of 11.3 per cent and 8.0 per cent in 2000 and 1999 respectively. The sector’s contribution to GDP fell by 1.3 percentage points to 11.1 per cent in 2001. The poor performance in the manufacturing sector was partly linked to a decline in output of electronic components due to lower demand from the US, the main export market. Sugar production grew by 24.6 per cent to 22,486 tons following the increase of 1.8 per cent in 2000 and declines averaging 24.1 per cent in 1999 and 1998.

Prices, Wages and Employment

The rate of inflation as measured by the change in the consumer price index (CPI) was 2.6 per cent in 2001 compared with 3.1 per cent in 2000. There were increases in all the sub-indices except “household supplies” which fell by 0.4 per cent. The “food” sub-index, the most heavily weighted index, rose by 2.3 per cent compared with 3.1 per cent in 2000, reflecting in part higher prices for fruits and vegetables and non-alcoholic beverages.

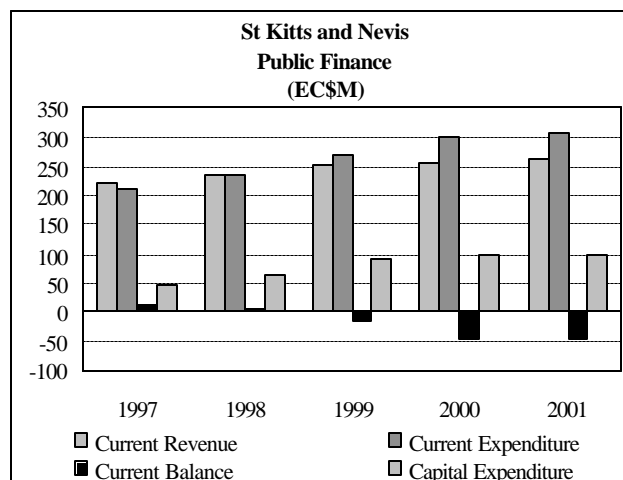
During 2001 salaries and wages in the private and public sectors remained generally stable. Complete data on employment in St Kitts and Nevis were not available for 2001. However, there were some layoffs in the hotel and restaurant, manufacturing and retail trade sectors, partly as a result of the slowdown in the US economy, particularly in the latter part of 2001.

Central Government Fiscal Operations

The fiscal performance of the central government (including the operations of the Nevis Island Administration [NIA]) remained weak in 2001. A current account deficit of \$44.9m was recorded, roughly the same level as that of 2000. As a percentage of GDP, the deficit fell to 4.8 per cent from 5.1 per cent in 2000.

Current expenditure amounted to \$307.0m, roughly 2.1 per cent higher than the total in 2000 and 1.9 per cent above the budgeted estimate of \$301.4m in 2001. As a percentage of GDP current expenditure fell to 33.1 per cent from 33.7 per cent in 2000. The growth in current expenditure was reflected in increased spending in most of the categories of expenditure, particularly interest payments. Interest payments grew by 23.0 per cent to \$52.4m (5.6 per cent of GDP), attributable to increased borrowing. Outlays on personal emoluments, which accounted for 45.7 per cent of current expenditure, rose by 2.3 per cent. Outlays on goods and services fell by 9.5 per cent to \$79.5m in contrast to growth of 13.4 per cent in 2000, attributable in part to a reduction in expenditure on fuel as a result of the fall in international oil prices in 2001.

Current revenue grew by 2.5 per cent to \$262.1m, but was 11.7 per cent below the budgeted amount of \$296.7m in 2001. As a share of GDP current revenue decreased by 0.4 percentage point to 28.3 per cent. The growth in current revenue was influenced mainly by a 3.0 per cent increase in tax revenue, in particular receipts from taxes on domestic goods and services. Revenue from taxes on domestic goods and services was up by 22.8 per cent to \$38.2m, largely on account of a more than twofold (\$5.3m) expansion in collections from the hotel and restaurant tax, consistent with the increase in stay-over visitors, particularly those staying in hotels.



Receipts from taxes on international trade and transactions remained virtually stable at \$94.2m relative to the total in 2000. The yield from consumption tax and the customs service charge rose by 6.0 per cent and 35.6 per cent respectively, but these increases were offset by a 22.6 per cent decrease in revenue from import duties. In January 2001 the rates for consumption tax and customs service charge were increased by 5.0 percentage points and 2.0 percentage points respectively. These



measures were introduced to alleviate the impact on the budget of the implementation of the third phase of the common external tariff (CET). Revenue from taxes on income and profits fell by 2.5 per cent (\$1.5m), primarily on account of a 3.7 per cent reduction in collections from company tax. Receipts from non-tax sources increased by 1.2 per cent to \$67.5m (7.3 per cent of GDP). The main contributors to the growth in non-tax revenue were a 24.1 per cent increase in revenue from offshore operations and a 4.8 per cent rise in collections from the provision of electricity services.

Capital revenue and grants jointly amounted to \$8.3m, down from \$13.2m in 2000. Capital expenditure and net lending fell by 1.2 per cent to \$99.0m (10.7 per cent of GDP). Spending in that category was associated with the upgrading of the hospitals, the road improvement and maintenance project in Nevis and the purchase of shares at a commercial bank. The developments in the current and capital accounts resulted in an overall deficit of \$135.6m (14.6 per cent of GDP), compared with one of \$132.1m (14.8 per cent of GDP) in 2000. The deficit was largely financed from external sources. In 2001 the central government (including the NIA) received proceeds amounting to \$99.4m from the issue of three external bonds.

At the end of 2001 the disbursed outstanding external debt of the central government and the Nevis Island Administration totalled \$364.2m representing a 44.0 per cent increase on the amount at the end of 2000. As a percentage of GDP the external debt rose to 39.3 per cent from 28.4 per cent in 2000.

The disaggregated fiscal accounts showed that the operations of the central government (excluding NIA) deteriorated in 2001. The current account deficit increased to \$48.3m (5.2 per cent of GDP) from \$42.4m (4.8 per cent of GDP) in 2000, reflecting a 2.6 per cent expansion in current expenditure to \$250.5m (27.0 per cent of GDP). The growth in current expenditure was attributed to increases in interest payments (14.7 per cent) and outlays on personal emoluments (3.3 per cent). Spending on these two categories accounted for 62.4 per cent of current expenditure. Current revenue grew by 0.2 per cent to \$202.1m (21.8 per cent of GDP). Capital spending declined by 35.6 per cent to \$48.3m, contributing to an overall deficit of \$91.6m (9.9 per cent of GDP), down from \$107.9m (12.1 per cent of GDP) in 2000. The total disbursed outstanding external debt (including that for utilities) rose by 39.3 per cent to \$269.4m compared with the amount at the end of 2000. As a percentage of GDP, the external debt rose to 29.0 per cent from 21.7 per cent in 2000.

In the case of the NIA there was an improvement in the current account operations, which realised a surplus of \$3.4m in 2001 in contrast to a deficit of \$2.7m in 2000. This performance was attributed to growth of 11.2 per cent in current revenue to \$59.9m (6.5 per cent of GDP). The increase in current revenue largely reflected higher yields from taxes on domestic goods and services (73.6 per cent), in particular receipts from hotel and room taxes, attributable to the reopening of the hotel in November 2000. Current expenditure amounted to \$56.5m (6.1 per cent of GDP), the same level as in 2000. Capital expenditure doubled to \$50.7m as the NIA embarked on a

number of infrastructure development projects during 2001. Consequently, the overall deficit rose to \$44.0m (4.7 per cent of GDP) from \$24.1m (3.7 per cent of GDP) in 2000.

At the end of 2001 central government's disbursed outstanding external debt (including utilities) stood at \$94.8m, roughly 59.1 per cent above the total at the end of 2000. As a percentage of GDP, the external debt increased to 10.2 per cent from 6.7 per cent in 2000.

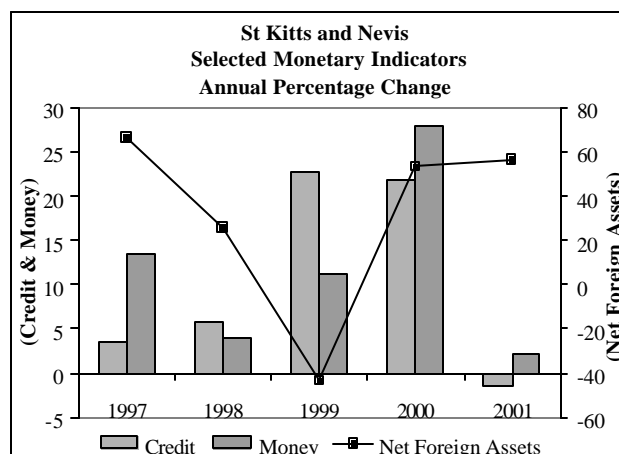
Money and Credit

During 2001 total monetary liabilities of the banking sector (M2) increased by 2.3 per cent to \$794.2m compared with the 27.9 per cent expansion in 2000, consistent with the slowdown in the pace of economic activity. The reduced rate of growth was reflected in quasi money which rose by 3.2 per cent following the 33.0 per cent increase in 2000. Time and savings deposits continued to increase, while foreign currency deposits fell following substantial growth in 2000.

Domestic credit decreased by 1.5 per cent to \$752.8m at the end of 2001, in contrast to an expansion of 21.6 per cent in 2000, partly associated with a reduction in credit to the private sector. During 2001 loans to the business sector fell by 9.1 per cent. The decline in credit to the business sector was most evident in the manufacturing (20.0 per cent) and distributive trades (10.5 per cent) sectors and the tourism industry (12.5 per cent). The decrease in credit to businesses was partly offset by a 7.2 per

cent (\$25.0m) increase in lending to households, mainly for home construction and renovation.

During 2001 the public sector continued to rely on the banking system to finance its operations. Outstanding credit expanded by 11.1 per cent to \$493.3m at the end of 2001. Of this amount central government accounted for 61.1 per cent or \$301.2m, an increase of 5.4 per cent over the total for 2000. The growth in credit reflected an almost twofold increase (\$76.9m) in holdings of treasury bills and a 21.0 per cent (\$6.5m) expansion in loans and advances to the NIA. In the rest of the public sector, lending rose by 21.3 per cent to \$192.0m, primarily due to an expansion in credit to the sugar industry. The deposits of that sector grew by 12.1 per cent to \$346.3m, largely representing increased deposits from the social security scheme.



At the end of 2001 the net foreign assets of the banking system stood at \$238.0m, roughly 56.1 per cent above the level at the end of 2000, largely reflecting a near tripling of commercial banks' net foreign assets to \$86.0m. This to a large extent was



attributed to a build up of foreign assets as commercial banks repatriated excess funds to their head offices. St Kitts and Nevis' imputed share of the Central Bank's reserves grew by 24.9 per cent to \$152.0m.

The growth in deposits coupled with the reduction in domestic credit led to an improvement in liquidity in the commercial banking system. The liquid assets to total deposits plus liquid liabilities ratio rose by 6.0 percentage points to 43.8 per cent. The loans and advances to deposits ratio improved, falling to 80.8 per cent from 86.2 per cent at the end of 2000. The cash reserve ratio rose by 1.6 percentage points to 8.2 per cent.

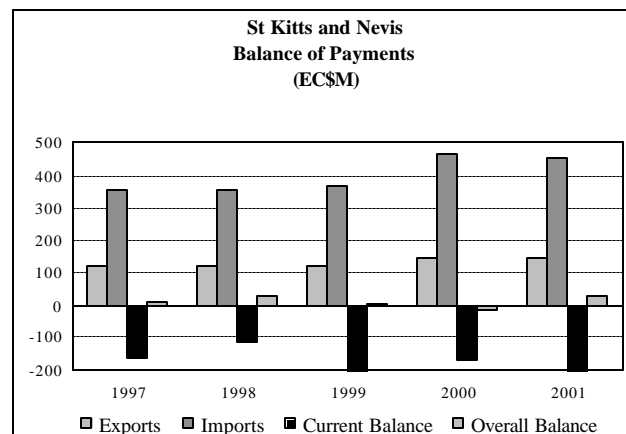
With respect to interest rates, there were some changes in rates offered on time deposits during 2001. The rates on three-month time deposits ranged from 3.0 per cent to 6.0 per cent compared with 1.5 per cent to 5.5 per cent in 2000, while the minimum interest rate on one-year time deposits fell to 2.5 per cent from 4.0 per cent. Notwithstanding the easing in liquidity in the commercial banks the upper limit on prime lending rates rose by 1.5 percentage points to 12.5 per cent and other lending rates increased by 2.1 percentage points to 22.0 per cent.

Balance of Payments

Preliminary estimates of the balance of payments for 2001 revealed a widening in the current account deficit to \$279.6m (30.1 per cent of GDP) from \$169.6m (19.0 per cent of GDP) in 2000. This performance was largely attributed to a 68.5 per cent reduction in current transfers to \$53.3m (5.7 per cent of GDP) in 2001. In the previous year net inflows of

current transfers more than doubled to \$169.2m (19.0 per cent of GDP), associated with inflows of insurance proceeds for hurricane damage to a hotel plant and the sea port.

The deficit on the goods and services account narrowed to \$242.1m, equivalent to 26.1 per cent of GDP, down from 29.2 per cent of GDP in 2000. The lower deficit reflected improvements in both the trade and travel accounts. The merchandise trade deficit narrowed by 4.5 per cent to \$311.5m, attributed to a 3.5 per cent reduction in the import bill to \$449.5m (f.o.b). Notwithstanding a 30.5 per cent (\$6.5m) increase in sugar receipts, export earnings fell by 1.1 per cent to \$138.1m, largely due to a 5.1 per cent decline in receipts from the export of electronic components. As a percentage of GDP exports remained relatively constant at 15.0 per cent. The surplus on the travel account rose by 6.0 per cent to \$142.2m (15.3 per cent of GDP), consistent with the increase in total visitor arrivals in 2001.



Developments on the income account were primarily associated with interest payments on bonds issued to the central government and a statutory

corporation. Net outflows on the income account rose to \$90.8m (9.8 per cent of GDP) from \$78.7m (8.8 per cent of GDP) in 2000.

The surplus on the capital and financial account amounted to \$309.7m (33.4 per cent of GDP) compared with \$157.9m (17.7 per cent of GDP) in 2000. The increase was reflected in higher net inflows of portfolio investment as a result of bonds totalling \$99.4m issued by the central government (including the NIA). Additionally there was a net inflow of official capital of \$15.6m to the central government, in contrast to a net outflow of \$7.7m in 2000. The transactions of the central government contributed to net inflows of public sector long term capital of \$13.1m in contrast to net outflows of \$17.4m in 2000. The lower demand for credit coupled with the growth in monetary liabilities resulted in a net outflow of \$55.3m in short term capital from the commercial banks. Net inflows associated with direct investments were estimated to have decreased by 13.9 per cent to \$223.8m. The surplus on the capital and financial account was more than sufficient to finance the deficit on the current account. As a result an overall surplus of \$30.1m (3.2 per cent of GDP) was realised, in contrast to a deficit of \$11.8m (1.3 per cent of GDP) in 2000.

Prospects

A downturn in economic activity is projected for St Kitts and Nevis in 2002 based on likely poor performances in the tourism industry and the manufacturing sector. Real GDP is projected to

decline by 2.0 to 3.0 per cent for the first time since 1983 when real output fell by 2.1 per cent.

In the tourism industry stay-over arrivals are projected to contract based on the current and anticipated occupancy levels reported by hotels. Cruise ship passengers are also expected to decrease with the likely discontinuation of weekly calls by a large vessel during the first half of 2002. Output in the manufacturing sector is expected to remain flat during the first half of the year based on developments in the US, the main market for non-sugar manufactured exports. Construction activity is likely to experience a downturn as work on a major hotel and on some ongoing public sector projects nears completion. Public sector activity in 2002 will be partly driven by the ongoing construction of the fisheries complex and the hospitality centre as well as reconstruction work on Port Zante.

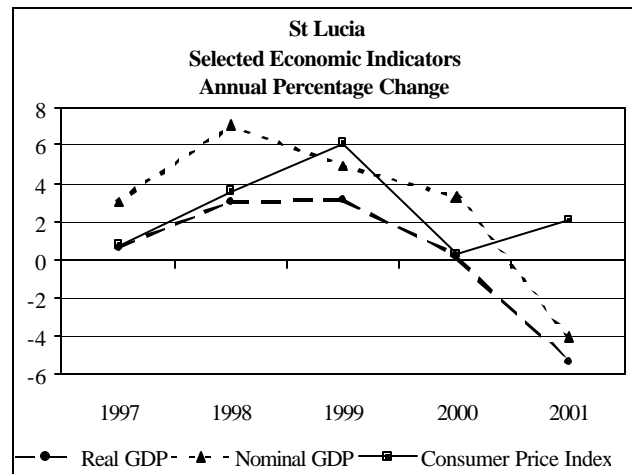
Although a reduction in the current account deficit of the central government is projected, the fiscal position is expected to remain weak based on the likely impact of the projected decline in economic activity on tax revenue, coupled with the increase in debt obligations. In the external current account, travel receipts are likely to contract as a result of an anticipated reduction in stay-over arrivals. The import bill is likely to decrease in 2002 in line with the completion of the 900-room hotel and public sector projects. Liquidity in the banking system is expected to remain stable as a result of the continued sluggish demand for credit from the private sector.

Overview

Based on the performance of the major sectors, economic activity in St Lucia contracted by 5.4 per cent in 2001 following revised growth rates of 0.2 per cent and 3.1 per cent in 2000 and 1999 respectively. The decline in activity was attributed to weak performances in the agricultural, manufacturing, construction, wholesale and retail trade, and hotel and restaurant sectors. Real growth was recorded in some of the other sectors, particularly the communications and utilities sectors. The overall fiscal deficit of the central government widened in 2001, reflecting an increase in current expenditure coupled with a reduction in current revenue. The balance of payments realised an overall surplus that was above the 2000 level, due largely to increased inflows on the capital and financial account. Liquidity in the banking system remained tight. Inflation as measured by the change in the consumer price index increased.

Output

Real gross domestic product (GDP) was estimated to have contracted by 5.4 per cent in 2001, representing a break in the trend of positive growth for more than a decade. The performance in 2001 compared with growth rates of 0.2 per cent in 2000 and 3.1 per cent in both 1999 and 1998. The contraction was attributed to decreases in value added in the major productive sectors.



Value added in the agricultural sector decreased by 24.3 per cent in 2001, representing a deterioration from the 2.6 per cent rate of growth in 2000. The contraction in agricultural production was mainly on account of developments in the banana industry. Output of bananas fell by 51.6 per cent to 34,042 tonnes, as a result of severe drought and leaf spot infestation. The output of other agricultural crops also contracted, partly as a result of the drought. An increase in value added was recorded for the livestock sub-sector.

In 2001 activity in the tourism industry, as represented by the hotel and restaurant sector, contracted due in part to the slowdown in the US economy and the events of September 11. Value added in the hotel and restaurant sector declined by 10.5 per cent in 2001 following growth rates of 2.7 per cent and 4.2 per cent in 2000 and 1999 respectively. The performance in 2001 mirrored the

developments in the stay-over visitor category. The number of stay-over visitors fell by 7.6 per cent to 249,251 after increasing steadily during the previous four years.

Of stay-over arrivals, visitors from the USA and the UK, the two main markets, declined by 6.5 per cent and 9.5 per cent respectively following increases of 16.7 per cent and 3.3 per cent in 2000. Together these markets accounted for 63.3 per cent of the total market share in 2001. Visitors from the Caribbean, the third largest market, grew by 10.3 per cent following a contraction of 10.7 per cent in 2000. Arrivals from that market accounted for 24.2 per cent of stay-over visitors, an increase of 4.0 percentage points over the total in the previous year. The growth in arrivals from the Caribbean was largely reflected in an increase in visitors from the French West Indies, attributable to the government's initiatives to attract more visitors from that source.

During 2001 there was growth of 11.1 per cent in the number of cruise ship passengers to 492,912 following the increase of 26.3 per cent to 443,551 in 2000. The increase in 2001 was largely associated with continued marketing and visits by larger cruise vessels, as the number of cruise ship calls fell by 2.8 per cent to 378 compared with the total in 2000.

The performance in the rest of the services sector was mixed. Increases in value added were recorded for electricity and water (3.6 per cent) and communications (11.8 per cent). In contrast, value added in the wholesale and retail trade sector contracted by 15.1 per cent, consistent with the

slowdown in the economy. Value added in the transportation sector declined by 6.1 per cent.

Construction activity continued to contract in 2001. Value added in construction declined by 5.0 per cent following a 4.6 per cent decrease in 2000. The contraction was based largely on the winding down and completion of a number of public sector projects, particularly the inland buying and reception depots, the correctional facility and the national stadium. In the private sector residential construction activity was likely to have contracted based on commercial bank data which showed a 29.2 per cent decrease in lending for home construction and renovation, in contrast to the 30.6 per cent increase in 2000.

Value added in the manufacturing sector fell by 4.2 per cent compared with a contraction of 2.6 per cent in 2000. This performance was as a result of decreases in the output of banana boxes, electrical products, textile and wearing apparel. Output of banana boxes recorded the largest decline (48.7 per cent), reflecting a fall in demand as a result of the decrease in banana production. Decreases were also recorded in output of clothing and apparel (12.2 per cent), textiles (14.2 per cent) and electrical products (31.3 per cent), attributable to a fall in export demand and increased competition from overseas producers.

Prices, Wages and Employment

The rate of inflation as measured by the change in the consumer price index on an end of year basis was 2.1 per cent in 2001 compared with the revised rate of 0.3 per cent in 2000. The growth in the index for



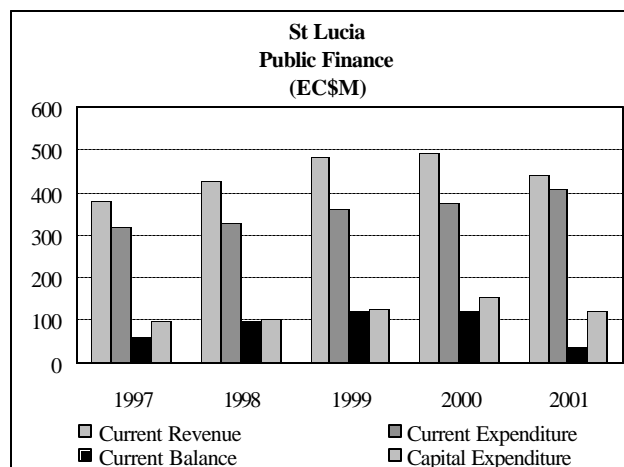
2001 was largely driven by increases in the sub-indices “food” (3.6 per cent), “alcoholic beverages and tobacco” (5.2 per cent) and “medical care and health expenses” (10.8 per cent). Those increases were partly offset by a 7.4 per cent decrease in the “fuel and light” sub-index, reflecting the fall in international oil prices.

During 2001 public servants received a salary increase of approximately 1.3 per cent. Information on wage increases in the private sector was unavailable. There are indications that employment levels were lower than those recorded in 2000, consistent with the contraction in economic activity. Preliminary data on employment by sector provided by the National Insurance Scheme (NIS) revealed decreases in the number of persons employed in agriculture (17.1 per cent), manufacturing (22.3 per cent) and construction (37.9 per cent). These declines mirrored the contraction in activity in these sectors. Complete data on employment in the tourism industry in 2001 were unavailable. Based on NIS data, more than 400 employees were laid off from the hotel and restaurant sector during the latter half of 2001.

Central Government Fiscal Operations

The fiscal performance of the central government on a calendar year basis deteriorated in 2001. An overall deficit of \$68.0m (3.8 per cent of GDP) was realised compared with one of \$25.1m (1.3 per cent of GDP) in 2000, attributed to a contraction in the current account surplus as capital expenditure declined. The overall deficit was financed largely from external sources and from non-bank financial institutions in St Lucia.

The central government’s current operations in 2001 resulted in a current account surplus of \$36.0m (2.0 per cent of GDP) compared with one of \$122.1m (6.8 per cent of GDP) in 2000. The fall in the current account surplus was due to a contraction in current revenue coupled with an increase in current expenditure. Current revenue decreased by 10.3 per cent to \$441.9m, reflecting decreases in both tax and non-tax revenue. As a share of GDP current revenue fell to 24.8 per cent from 26.5 per cent in 2000. Tax revenue fell by 8.9 per cent to \$397.2m (22.3 per cent of GDP), associated with decreases in all tax categories. Revenue from taxes on international trade and transactions was 11.5 per cent below the total recorded in 2001, largely attributable to a reduction in collections of import duty as a result of a fall in the value of merchandise imports. Receipts from taxes on domestic goods and services fell by 13.1 per cent. The main contributors to the decline in that category were excise tax and consumption duty, receipts from which fell by 15.9 per cent (\$4.2m) and 51.4 per cent (\$5.6m) respectively. Non-tax revenue fell by 20.7 per cent to \$44.7m.



During the year under review current expenditure rose by 9.6 per cent to \$405.9m compared with an increase of 2.4 per cent in 2000. Current expenditure as a percentage of GDP rose to 22.8 per cent from 19.9 per cent in 2000. The growth in current expenditure was due mainly to an increase in spending on personal emoluments (5.6 per cent) and interest payments (69.6 per cent). Growth in personal emoluments partly reflected the 1.3 per cent increase in salaries awarded to civil servants in 2001. The higher interest payments were largely attributable to increased borrowing from external sources.

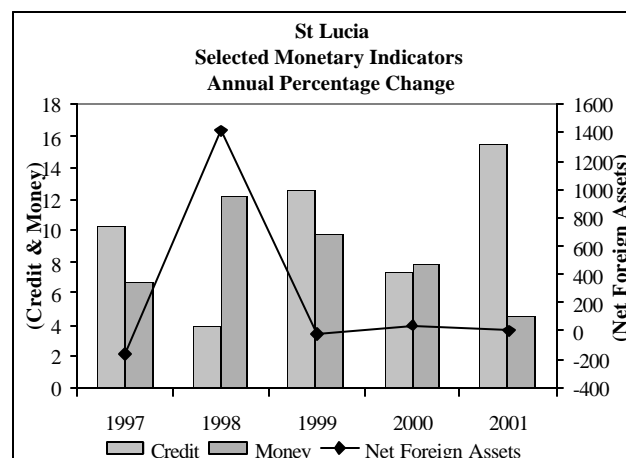
Capital expenditure amounted to \$122.9m representing an 18.6 per cent decline on the total in 2000. Capital spending was associated with the upgrading of the economic and social infrastructure.

At the end of 2001 total disbursed external debt of the central government stood at \$371.1m (20.8 per cent of GDP) compared with \$331.6m (17.8 per cent of GDP) in 2000.

Money and Credit

During 2001 total monetary liabilities (M2) of the banking sector expanded by 4.7 per cent to \$1,234.3m compared with an increase of 7.9 per cent in the previous year. The slower rate of growth in M2 was partly attributable to the lower level of economic activity. Of the components of M2, the growth in quasi money slowed to 6.4 per cent from 8.2 per cent in 2000. Private sector savings deposits, which accounted for 60.3 per cent of quasi money, grew by 4.0 per cent compared with 7.5 per cent in 2000, while time deposits increased by 8.9 per cent,

substantially below the 14.5 per cent rate of growth in 2000. The narrow money supply (M1) declined by 0.8 per cent following growth of 6.9 per cent in 2000, largely reflecting a 3.0 per cent contraction in currency held with the public.



Domestic credit grew by 15.5 per cent to \$1,381.9m, compared with an increase of 7.4 per cent in 2000. The higher rate of credit expansion was attributed to increases in credit extended to both households and businesses. Borrowing by households and businesses grew by 3.0 per cent (\$22.4m) and 5.1 per cent (\$37.8m) respectively compared with rates of 8.6 per cent and 4.1 per cent in 2000. The net deposits of the non-bank financial institutions rose by 74.3 per cent (\$18.5m), influenced by a 24.7 per cent increase in their deposits. The net deposits of the central government rose by 31.8 per cent to \$113.1m, largely reflecting an increase in deposits in the commercial banking system. The growth in central government deposits was attributable to the receipt of loan funds from a Trinidad based institution during the latter part of 2001. The net deposits of the rest of the public sector declined by 2.4 per cent to \$168.6m.



An analysis of commercial bank credit by economic activity revealed growth of 36.9 per cent in loans to the agricultural sector, reflecting increased borrowing for livestock and dairy. Lending for manufacturing increased by 15.5 per cent in contrast to the 11.3 per cent decline in 2000. Loans for construction and land development rose at the reduced rate of 18.2 per cent compared with 27.2 per cent in 2000, reflecting the lower level of construction activity. Outstanding loans and advances to the tourism industry grew by 9.2 per cent in contrast to the 4.5 per cent contraction in 2000. Lending for personal use fell by 1.0 per cent, largely reflecting a decline in borrowing for home construction and renovation and durable consumer goods.

The net foreign assets of the banking system expanded by 0.7 per cent to \$117.4m during 2001 compared with an increase of 43.2 per cent in 2000. The slowdown in the rate of growth was attributed to an expansion in commercial banks' net foreign liabilities which almost offset an increase in St Lucia's imputed share of the ECCB's reserves. St Lucia's imputed share of the Central Bank's reserves increased by 13.2 per cent to \$235.2m in 2001. The net external liabilities of the commercial banks increased by 29.2 per cent (\$26.6m). This performance largely reflected a 58.3 per cent increase in commercial banks' liabilities to banks and other institutions outside the Eastern Caribbean currency union, as banks borrowed from overseas to satisfy the growth in credit demand.

During 2001 liquidity in the commercial banking system increased but remained tight. The liquid assets to total deposits plus liquid liabilities ratio grew by

4.1 percentage points to 17.4 per cent. The loans and advances to deposits ratio fell by approximately 2.6 percentage points to 92.8 per cent.

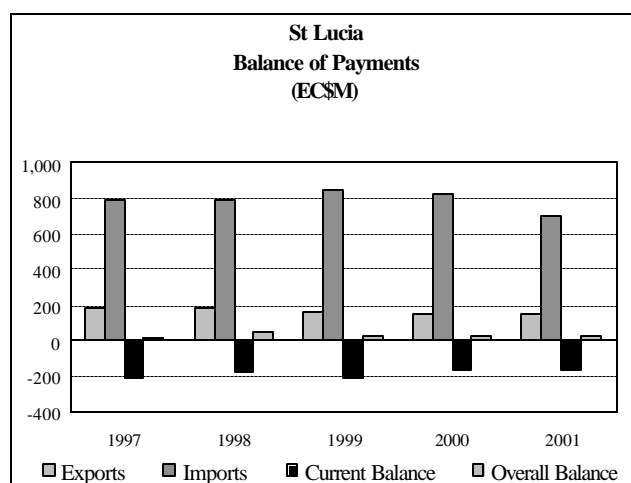
Interest rates at commercial banks remained generally stable except for the maximum rate offered on time deposits within one year which fell to 6.5 per cent from 9.3 per cent in 2000. Interest rates on time deposits over one year remained unchanged and ranged from 2.0 per cent to 8.5 per cent. The maximum rate offered on savings deposits remained at 6.0 per cent. Prime lending rates ranged from a minimum of 9.5 per cent to a maximum of 10.5 per cent, while the maximum rate for other lending was 18.0 per cent.

Balance of Payments

The external position of St Lucia improved in 2001 as an overall balance of payments surplus of \$27.4m (1.5 per cent of GDP) was realised compared with a surplus of \$22.2m (1.2 per cent of GDP) in 2000. The improvement in the overall position was largely attributed to developments in the capital and financial account.

Net inflows on the capital and financial account totalled \$192.5m compared with \$166.5m in 2000. In relation to GDP, the surplus rose by 1.9 percentage points to 10.8 per cent. An increase in inflows of official capital grants, largely from the European Union, was the main contributing factor to the overall performance. Net inflows of capital grants amounted to \$24.2m (1.4 per cent of GDP) compared with \$3.5m (0.2 per cent of GDP) in 2000. Net inflows on the financial account rose marginally to \$162.8m,

the equivalent of 9.1 per cent of GDP in 2001. There was a net inflow (\$26.6m) of short term capital by commercial banks in contrast to a net outflow of \$23.1m in 2000. During the year under review there was a significant reduction in net inflows of official long-term capital.



The current account deficit widened to \$165.1m (9.3 per cent of GDP) in 2001 from \$144.3m (7.8 per cent of GDP) in 2000. The increase in the current account deficit was primarily driven by lower inflows associated with services transactions which more than offset a decline in net payments for goods. The surplus on the services account totalled \$473.1m, roughly 16.9 per cent less than the surplus in 2000, primarily as a result of a fall in tourism earnings. Gross receipts from travel fell to \$695.9m (39.0 per cent of GDP) in 2001 from \$802.9m (43.1 per cent of GDP) in 2000. In 2001 the merchandise trade deficit contracted by 14.9 per cent to \$585.2m (32.8 per cent of GDP). Merchandise imports (f.o.b) fell by 16.0 per cent to \$698.6m, reflecting in part the contraction in economic activity and lower payments for petroleum products as a result of a fall in international oil prices. Inflows

from merchandise exports fell, partly as a result of developments in the banana industry. Receipts from banana exports amounted to \$40.1m, roughly 53.3 per cent below the total for 2000, largely attributable to a fall in the volume exported. Net inflows of current transfers increased by 18.7 per cent to \$57.8m in 2001.

Prospects

Economic activity in St Lucia is expected to improve in 2002. This forecast is based primarily on anticipated developments in the banana and tourism industries and the construction sector. In the agricultural sector output is projected to increase as banana production is expected to recover from the adverse effects of drought and leaf spot infestation. Additionally, the proposed monetary transfer by the central government to the St Lucia Banana Corporation is likely to have a positive impact on the output of bananas as the funds will be used to purchase inputs and improve the irrigation system. Performance in the tourism industry is expected to be influenced by developments in the economies of the major markets. Growth in cruise ship visitors and stay-over arrivals is likely in the second half of 2002 based on an anticipated strengthening of the US economy.

The construction sector is likely to experience an expansion based on projects planned for implementation by the public and private sectors. In the public sector, construction work on a number of projects is likely to commence in 2002. These include the fisheries complex, phase two of the Basic Education Reform project, the Technical Water Sector Reform project and major road works. Activity in the private sector is expected to focus on work on



the Soufriere Bay Development project that involves the construction of a marina, quay, condominium complex and a 120-room hotel.

The current account surplus of the central government is likely to decrease further in 2002 as the expected growth in both current and capital

expenditure is likely to outpace the projected increase in current revenue. In the external sector, the current account balance is projected to worsen, largely reflecting a deterioration in the merchandise trade account due to an anticipated increase in imports associated with the projected expansion in economic activity.

ST VINCENT AND THE GRENADINES

Overview

During 2001 the pace of economic activity in St Vincent and The Grenadines slowed, with real GDP provisionally estimated to have increased by 0.2 per cent compared with the revised rate of 2.0 per cent in 2000. The slowdown in the rate of growth in output was a result of decreases in value added in the agricultural, manufacturing, communications and hotel and restaurant sectors which almost offset increases in value added in the wholesale and retail, electricity and water, and government services sectors. The general price level fell by 0.7 per cent during 2001 in contrast to the 1.4 per cent increase in 2000. The fiscal operations of the central government realised an overall deficit of \$14.6m in contrast to a surplus of \$1.2m in 2000. Liquidity in the banking sector was high during 2001.

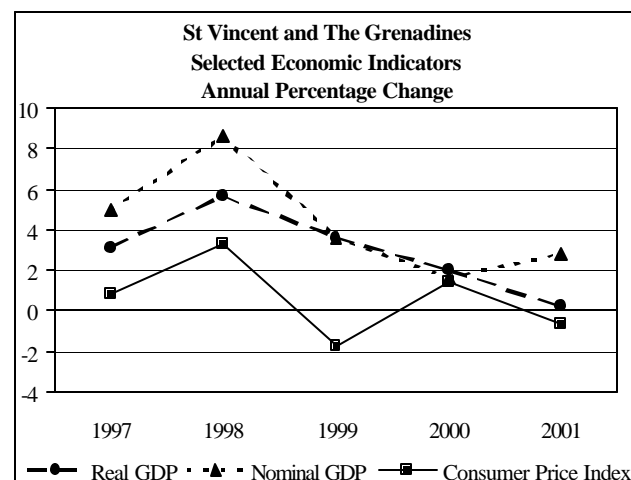
Output

In 2001 the growth in real GDP slowed to 0.2 per cent from 2.0 per cent in 2000 and an average of 4.1 per cent in 1997-99, largely reflecting developments in the agricultural, manufacturing and communications sectors.

Real value added in the agricultural sector declined by 7.2 per cent in 2001 following growth of 6.6 per cent in 2000. As a consequence, the sector's contribution to GDP decreased to 11.2 per cent from 12.1 per cent in 2000. This performance was mainly on account of a contraction in output in the banana

industry. Banana production fell by 28.0 per cent in 2001 in contrast to a 13.3 per cent increase in 2000, largely as a result of drought during the first half of 2001. In the fishing sub-sector value added fell by 7.2 per cent following the 14.5 per cent increase in 2000.

The declining trend in the manufacturing sector continued in 2001. Value added in that sector fell by 1.8 per cent compared with a contraction of 9.4 per cent in 2000 and decreases averaging 2.5 per cent in 1997-99. The sector's share of GDP fell to 6.1 per cent in 2001 from 6.2 per cent in 2000. The weak performance of the sector was partly as a result of increased competition and a fall in export demand. Decreases were recorded for some of the major products, including flour and rice.



Performance in the tourism industry weakened during 2001. Real output in the hotel and restaurant sector, an indicator of the level of tourism activity, contracted by 3.0 per cent following the revised rate



of increase of 6.3 per cent in 2000. The sector's share of GDP fell marginally to 2.4 per cent. The fall in value added was attributed to a 3.0 per cent decrease in the number of stay-over visitors to 70,686. Data on stay-over visitors by country of origin revealed that the number of visitors from the US, a major market, contracted by 4.4 per cent. This performance reflected in part the effects of reduced airlift services from the US to St Vincent and The Grenadines. During 2001 the share of stay-over visitors from the US fell to 27.4 per cent of the total from 27.8 per cent in 2000. Increases of 15.4 per cent and 5.1 per cent were recorded in the number of stay-over arrivals from the UK and Caribbean markets respectively. As a consequence the shares of visitors from the UK and the Caribbean rose to 21.0 per cent and 36.0 per cent respectively, from 17.7 per cent and 33.2 per cent in 2000.

The fall in stay-over visitors contributed to a 0.9 per cent decline in total visitors to 253,849 in contrast to the expansion of 14.7 per cent in 2000. Excursionists and cruise ship passenger arrivals fell by 29.9 per cent and 11.3 per cent respectively, while yacht visitors grew by 21.2 per cent following the 15.5 per cent decline in 2000.

In the other services sector, growth in output was recorded for electricity and water (11.2 per cent) and transportation (0.4 per cent), while the communications sector contracted (12.3 per cent).

Output in the construction sector grew by 7.1 per cent in contrast to the decline of 13.5 per cent in 2000, driven by increased investment by both the private and public sectors. Private sector residential

construction activity remained buoyant, as evidenced by growth in commercial bank lending for home construction and renovation. Public sector construction activity was also buoyant during 2001 and focussed on school repair and road maintenance programmes.

Prices, Wages and Employment

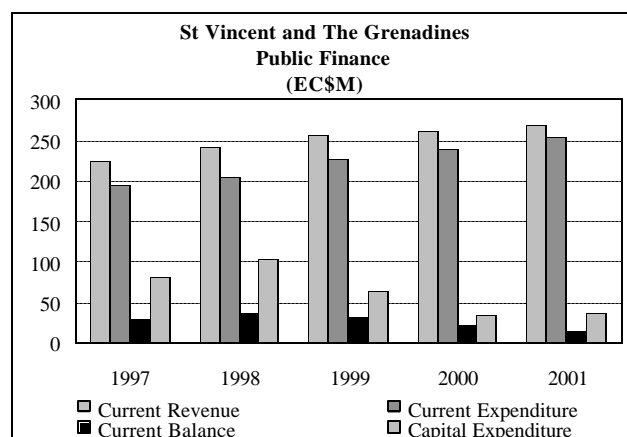
During 2001 the general price level fell by 0.7 per cent in contrast to the 1.4 per cent increase in 2000. The fall in average prices in 2001 resulted from decreases in the sub-indices "food and beverages" (0.6 per cent), "fuel and light" (0.7 per cent), "furniture, furnishings and domestic appliances" (1.4 per cent), and "household supplies" (0.7 per cent). These decreases were moderated by increases in the sub-indices "alcohol and tobacco" (1.3 per cent) and "transport and communications" (0.9 per cent).

There was a freeze on wages and salaries in the public sector during 2001. It was likely that wage and salary rates in the private sector remained relatively stable during the period. Data on employment were not available for 2001. The number employed in the hotel industry was likely to have been below the level in 2000, based on the contraction in value added in the hotel and restaurant sector.

Central Government Fiscal Operations

In 2001 the fiscal operations of the central government realised an overall deficit of \$14.6m (1.6 per cent of GDP) in contrast to a surplus of \$1.2m (0.1 per cent in GDP) in 2000. The deficit was financed largely from external borrowing. The decline

in the overall balance was the result of reduced savings and a fall in capital grants. The current account surplus fell to \$13.6m (1.4 per cent of GDP) in 2001 from \$22.8m (2.5 per cent of GDP) in 2000. This performance was attributed to growth of 6.2 per cent in current expenditure to \$253.7m. Current expenditure at \$253.7m was 16.9 per cent below the amount budgeted for 2001.



The growth in current expenditure reflected higher outlays on transfers and subsidies and personal emoluments. Transfers and subsidies expanded by 31.0 per cent (\$11.3m) during 2001, reflecting severance payments to former estate workers and the payment of outstanding contributions to regional organisations. Personal emoluments rose by 4.7 per cent (\$5.7m). Expenditure on goods and services fell by 4.0 per cent while interest payments remained constant.

Current revenue rose 2.1 per cent to \$267.3m in 2001, but was 12.5 per cent below the budgeted amount. Of current revenue, receipts from taxes rose by 5.0 per cent (\$10.9m), primarily reflecting an 8.6 per cent (\$8.8m) increase in collections from taxes on international trade and transactions. This

performance reflected growth of 9.9 per cent in the yield from consumption tax. Receipts from taxes on domestic goods and services increased by 6.4 per cent (\$2.6m), while property tax yielded \$1.1m more than the total in 2000. Revenue from taxes on income and profits fell by 2.4 per cent (\$1.7m), mainly associated with an 8.2 per cent (\$3.0m) contraction in receipts from company taxes as the yield from personal income taxes increased. Revenue from non-tax sources fell by 11.9 per cent to \$39.3m in 2001, reflecting a decline in receipts from the category “interest, rent and dividend”.

Capital expenditure grew by 3.6 per cent (\$1.2m) during 2001, associated with improvements to the social and economic infrastructure. As a proportion of GDP capital spending remained constant at 3.7 per cent. Capital grants fell by 38.9 per cent (\$3.7m).

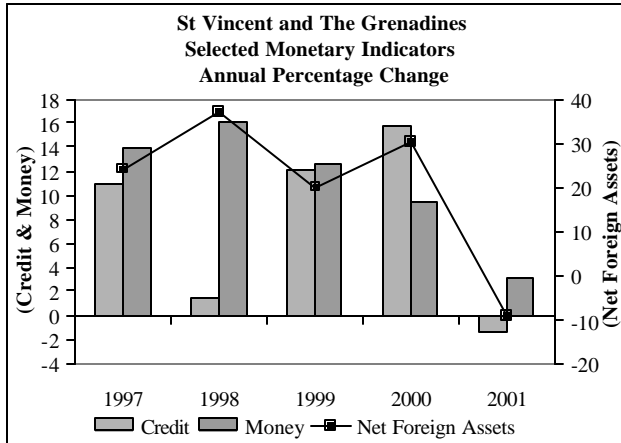
The disbursed outstanding external debt of the central government stood at \$431.0m (45.9 per cent of GDP) at the end of 2001, compared with \$402.6m (44.5 per cent of GDP) at the end of 2000.

Money and Credit

Total monetary liabilities (M2) of the banking system grew by 3.1 per cent to \$654.9m compared with an increase of 9.5 per cent in 2000. The reduced rate of growth reflected in part the slowdown in the pace of economic activity. The increase in 2001 was reflected in an expansion in quasi-money which rose by 2.9 per cent compared with 6.4 per cent in 2000. Of quasi-money, the growth in private sector time deposits slowed to 4.4 per cent from 22.0 per cent in 2000. Saving deposits rose by 2.7 per cent compared



with 3.2 per cent in 2000. During 2001 the narrow money supply (M1) grew by 3.3 per cent, reflecting a 4.7 per cent (\$7.6m) rise in demand deposits. In 2000 M1 increased by 16.2 per cent, driven by strong growth in demand deposits.



Domestic credit declined by 1.5 per cent to \$468.6m in 2001, in contrast to an expansion of 15.8 per cent in 2000. The decrease in domestic credit was influenced by a 59.3 per cent (\$22.3m) increase in the net deposits of the non-bank financial institutions and a 29.3 per cent (\$18.2m) reduction in net credit to the central government. The increase in the net deposits of the non-bank financial institutions was reflected in growth in demand deposits, associated in part with the sale of shares by one of these institutions. Despite the weak performance of the fiscal accounts, the central government increased its deposits in the banking system by 35.8 per cent (\$22.9m). The growth in deposits was possibly associated with higher receipts of external loan funds by the central government. Lending to the central government by the domestic banking system increased by 3.7 per cent compared with 10.6 per cent in 2000. The net

deposits of the non-financial public enterprises declined by 14.0 per cent to \$120.9m.

During 2001 credit extended to the private sector increased by 2.3 per cent (\$13.4m) compared with the 8.5 per cent expansion in 2000. The growth in credit to the private sector was reflective of a 6.6 per cent increase in credit to households as lending to businesses declined by 4.6 per cent.

An analysis of commercial bank credit by economic activity revealed that the largest increase in credit was recorded for the acquisition of property (11.0 per cent), followed by agriculture (4.5 per cent) and tourism (2.6 per cent). Declines were reported in lending for most of the other economic activities.

At the end of 2001 the net foreign assets of the banking system decreased by 9.4 per cent to \$254.0m, in contrast to an expansion of 30.1 per cent in the previous year. The decline in the net foreign assets was reflected in a 32.5 per cent (\$43.3m) fall in the net foreign assets of the commercial banks. This performance was influenced by a 32.7 per cent (\$68.9m) decrease in commercial banks' foreign assets held in financial institutions in the rest of the Eastern Caribbean currency union (ECCU). Commercial banks' net foreign liabilities to institutions outside the ECCU decreased by 60.2 per cent (\$34.1m). During 2001 St Vincent and The Grenadines' imputed share of the reserves held by the Central Bank increased by 11.6 per cent (\$17.1m), indicating an overall surplus on the balance of payments.

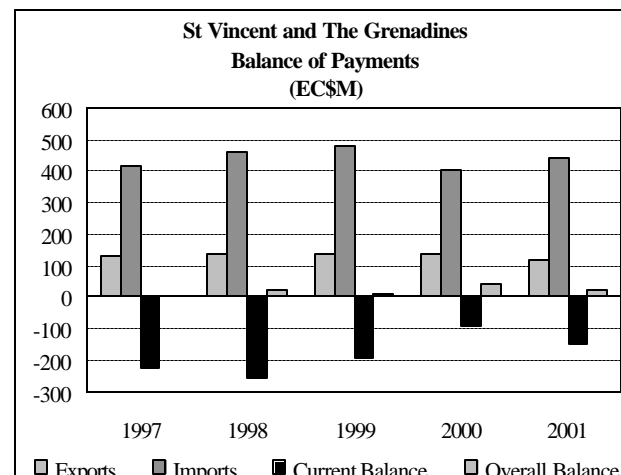
During 2001 liquidity in the commercial banking system remained at a high level. The ratio of liquid assets to total deposits plus liquid liabilities was 39.9 per cent, roughly 1.0 percentage point below the level at the end of 2000. The loans and advances to deposits ratio declined by 2.1 percentage points to 68.3 per cent.

There were some changes in interest rates during 2001. The maximum rate on three-month time deposits increased by 0.5 percentage point to 6.0 per cent, while the minimum prime lending rate declined by 0.5 percentage point to 9.0 per cent. The rates offered on savings deposits remained unchanged and ranged from 4.0 per cent to 5.0 per cent.

Balance of Payments

In 2001 an overall balance of payments surplus of \$24.6m was realised compared with one of \$37.9m in 2000. The surplus fell to an equivalent of 2.6 per cent of GDP from 4.2 per cent of GDP in 2000. This performance was attributed to a widening of the current account deficit to \$148.2m (15.8 per cent of GDP) from \$88.1m (9.7 per cent of GDP) in 2000. The worsening of the current account deficit was primarily on account of developments in the merchandise trade account. The merchandise trade deficit increased to 35.1 per cent of GDP from 29.1 per cent of GDP in 2000, reflecting higher import payments. During 2001 merchandise imports (f.o.b) increased by 10.9 per cent to \$442.0m, largely associated with refurbishing work at a major hotel. Inflows from merchandise exports decreased by 17.7 per cent to \$111.6m due to a fall in receipts from banana exports. Earnings from banana exports

amounted to \$33.3m in 2001, representing a 35.6 per cent decline compared with the total in 2000, partly attributable to a fall in the volume exported.



The net surplus on the services account increased by 2.6 per cent to \$182.2m, largely associated with a 4.0 per cent increase in travel receipts. Despite the fall in visitor arrivals, gross travel receipts rose, attributable to an increase in yacht visitors. These visitors accounted for 36.2 per cent of total visitors, and have a longer average stay and a higher average daily expenditure relative to the levels for the other categories of visitors. The net outflows on the income account fell to 6.0 per cent of GDP from 6.1 per cent of GDP in 2000.

During 2001 the surplus on the capital and financial account increased to 18.4 per cent of GDP from 13.9 per cent of GDP in 2000. This increase was partly associated with higher inflows of direct investment and official long-term capital. In addition, there was a net inflow of commercial bank short-term capital of \$43.3m in 2001, in contrast to a net outflow of \$30.7m in 2000.



Prospects

In 2002 real GDP growth is projected to strengthen. This projection is based on an anticipated recovery in the agricultural sector and a likely improvement in performance in the tourism industry as the US economy comes out of the recession. A pick-up in construction activity is projected in the latter part of 2002, spurred by planned public sector projects including the Windward water project, the Windward highway rehabilitation project and the construction of the Kingstown public library and lecture theatre.

Based on the projected growth in economic activity current revenue for the central government is expected to increase. Current expenditure is likely to

be below the level in 2001 when outlays rose partly as a result of severance payments.

In the external sector, transactions between St Vincent and The Grenadines and the rest of the world are expected to result in a widening of the current account deficit of the balance of payments in 2002. Merchandise imports are projected to increase as a result of the anticipated growth in economic activity. Growth in merchandise exports is expected based on an anticipated recovery in agricultural exports, particularly bananas, as a result of favourable weather. Gross receipts from travel are projected to be above the 2001 level, based on the anticipated increase in visitor arrivals associated with a likely recovery in the world economy.

REVIEW OF PERFORMANCE

This section of the Report gives an account of the ECCB's performance during the financial year 2001/02 based on the core purposes of the institution.

Section 4 of the ECCB Agreement Act 1983 lists the core purposes of the Bank as follows:

- (i) to regulate the availability of money and credit;**
- (ii) to promote and maintain monetary stability;**
- (iii) to promote credit and exchange conditions and a sound financial structure conducive to the balanced growth and development of the economies of the territories of the Participating Governments; and**
- (iv) to actively promote through means consistent with its other objectives the economic development of the territories of the Participating Governments.**

The core purposes are intended to support the efforts of the member governments in advancing economic development and improving the well-being of the peoples of the countries. Core purposes (i) and (ii) relate to monetary stability while (iii) and (iv) speak to issues of supervision and regulation, the development of the money and capital markets as well as the Bank's catalytic role in the economic development of the member states.

MONETARY STABILITY

Monetary Policy

The formulation of monetary policy is the primary responsibility of the Monetary Council. Article 7(2) of the ECCB Agreement imposes a duty on the Governor of the Bank to report to the Monetary Council on monetary and credit conditions and to receive from the Council directives and guidelines on matters of monetary and credit policy to the Bank.

The Monetary Council met on three occasions during the financial year. Chairmanship of the Monetary Council, which rotates among the member countries every July, passed from the Honourable Lester Bird, Prime Minister of Antigua and Barbuda to the Honourable Pierre Charles, Prime Minister of Dominica.

The Board of Directors is responsible for the policy and general administration of the Bank. The Board met five (5) times during the fiscal year. There was one new appointment to the Board of Directors with Mr Carl Harrigan replacing Mr Ralph Hodge as the Director for Anguilla.

The mandate "to promote and maintain monetary stability" is interpreted to mean maintenance of the integrity and value of the currency. Typically, central banks pursue this core purpose through the conduct of monetary policy aimed at maintaining price stability. In the ECCB area, price stability is largely achieved through the fixed exchange rate link with the US dollar.



Price stability is seen as a precondition for achieving the wider economic goal of sustainable growth and employment. High inflation can be damaging to the functioning of the economy, while low inflation – price stability – fosters sustainable long-term economic growth. The fixed exchange rate peg at EC\$2.70 to US\$1.00, in effect since July 1976, has served the currency union relatively well. It has delivered low inflation, a credible currency and a stable environment for investment.

The ECCB is charged with the responsibility “to regulate the availability of money and credit”. However, the Bank’s ability to influence interest rates and thereby money and credit conditions is limited by institutional and other factors. In principle, interest rates in the currency union are set at the discretion of the commercial banks, except that there is a regulated minimum rate payable on savings deposits. In general interest rates tend to be relatively inflexible, with the result that there are often significant deviations between local rates and US rates. Apart from the regulated rate on savings, the deviations tend to reflect the banks’ monopolistic structure and the relatively high operating cost due to their small size.

During the 2001/2002 financial year the ECCB reduced the discount rate from 8.0 per cent to 7.0 per cent as a signal to commercial banks to reduce interest rates in order to stimulate economic activity in the aftermath of September 11. Changes in the official discount rate are intended to convey the policy stance of the Central Bank through the announcement effect. In practice, the commercial banks rarely borrow from the ECCB. There was no change made to the regulated savings rate, which was kept at 4.0 per cent.

During the period 1985 – 2001 the ECCB operated an official interbank market which enabled

commercial banks with excess reserves at the Central Bank to make loans for periods up to 30 days to banks with reserve deficiencies, thereby enhancing overall liquidity management in the system. Borrowing banks were required to provide collateral to the Central Bank in the form of fixed deposits, treasury bills or other acceptable securities. Loans were guaranteed and rates were determined by the Central Bank, while the anonymity of both the borrowing and lending banks was preserved. This arrangement was terminated effective October 15, 2001 and free market arrangements that did not require the guarantee of the ECCB were introduced. Interbank funds are now traded, on both secured and unsecured bases, through a bulletin board service operated by the Central Bank to which all banks have access. Under the new arrangements, the interbank funds rate on a weighted average basis has ranged between 6.0 per cent and 7.0 per cent as compared to the previously regulated rate of 5.0 per cent.

Commercial banks in the currency union are required to hold reserves against eligible deposit liabilities (interbank deposits are exempted) but this has not been used as an active tool of monetary management. The required reserve ratio was kept unchanged at 6.0 per cent during the year.

Currency Management

The Bank has the sole right to issue notes and coins in its member countries and to arrange for the printing of these notes and the minting of coins. During the 2001/2002 financial year the Bank continued to ensure that the supply of notes and coins in circulation was adequate and of a high quality.

As at March 31, 2002, the total value of currency in circulation was EC\$465.2m. Of this, notes in circulation amounted to EC\$417.3m, representing an

increase of 1.4 per cent over the total in the financial year ended 2001. Coins in circulation rose by 4.0 per cent.

Reserve Management

The Bank's broad objectives of reserve management are to preserve capital, to meet liquidity requirements and to realise a satisfactory return.

The ECCB's foreign reserves are divided into two tranches - the liquidity tranche and the core tranche. The liquidity tranche is available to meet day-to-day liquidity requirements and generally for short-term liquidity needs, while the core tranche is designed for long-term investment. The main focus of the reserve management function during the financial year 2001/2002 as mandated by the Board of Directors was to identify avenues for increasing returns with no adjustments to ECCB's risk profile as embodied in its customised benchmark.

The Bank's liquidity tranche of the foreign reserve portfolio increased by 98.0 per cent to \$322.0m. For the year under review the market value of the core tranche increased by \$43.7m representing a return on investment of approximately 5.0 per cent. This was achieved in spite of the continued reduction in international interest rates, and reflected active but prudent management of the foreign reserve core portfolio by the Bank's money managers, including the ECCB's Investment Management and Financial Analysis Unit.

The ECCB has broadened its investment guidelines to include all the countries of the euro-zone in its investment options.

The staff of the Investment Management and Financial Analysis Unit continued to upgrade their

skills through attachments with the Bank's external money managers and other in-house training programmes.

FINANCIAL SYSTEM STABILITY

Supervision

The Bank's role of promoting a sound financial system is achieved through prudential surveillance of the financial system, supported by research activities and the promotion of initiatives to effect supervisory and regulatory policies.

During the 2001/2002 financial year the bank strengthened its surveillance capability and implemented a risk-focussed approach to supervision. To enhance the surveillance process, effective November 2001 all financial institutions licensed under the Banking Act are required to submit additional information to allow for the off-site assessment of risk within institutions.

In keeping with its role of promoting a sound financial system the Bank continued to undertake research and monitor institutional developments to identify possible threats to domestic financial stability. In the aftermath of September 11 the United States passed the Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act 2001, which requires correspondent banks in the US to adopt prescribed anti-money laundering measures such as taking steps to prevent services to shell banks. Given the dependence of our locally incorporated banks on overseas correspondent relationships, the Central Bank took steps to preserve the integrity of the operations of commercial banks in the currency area. Accordingly, the Central Bank issued to commercial banks Administrative Guidelines



Governing the Establishment and Maintenance of Relationships with Shell Banks.

The ECCB continued to promote the need for an integrated approach to the regulation and supervision of financial institutions in the currency union. This need arose from a series of developments in the financial system, including the reduced dependence by banks on traditional banking for income, the more frequent occurrence of mergers and acquisitions, the establishment of bank holding companies, and the expansion by banks and insurance companies into new products. The proposed regulatory framework encompasses shared responsibility and a harmonised approach between the ECCB and the national regulators in its member states. Administrative Guidelines have been drafted to formalise this approach.

During the year under review the Bank has sought to improve the legal framework for the supervision of domestic commercial banks. The International Monetary Fund provided assistance with the drafting of amendments to the (Uniform) Banking Act and the ECCB Agreement Act 1983. These amendments are necessary to bring the regulatory and supervisory system in the currency union in line with internationally accepted best practices and standards for banking supervision.

In order to further enhance efficiency in the supervision of offshore banks and trust companies, the ECCB began preparation of a Memorandum of Understanding (MOU) with its member states. The terms of the MOU include a requirement for member states to enact the necessary legislation to give effect to Article 41 of the ECCB Agreement pertaining to the operations of offshore financial institutions.

In January 2002 the Bank in collaboration with the International Monetary Fund (IMF) and the World Bank held a round table on the theme “The Development, Integration and Regulation of the Financial Sector in the ECCU”. The discussions focussed on issues including the development of a single financial space, development of institutions and markets, regulation of the financial system and the establishment of an Enterprise Fund and a Unit Trust. The event was attended by officials from regional and international financial institutions and ministries of finance in the member countries.

Payment Systems

In 2001 work on the payment system focussed on the development of a programme to improve the small value payment system and on the resolution of legal issues that could impact both the small and large value payment systems.

Two committees – the National Technical Operating Committee (NTOC) and the Regional Technical Operating Committee (RTOC) – comprising commercial bankers were established to work on the small value payments project. The National Technical Operating Committee (NTOC), which consisted of operations personnel in each country, focussed on details of the small value payment system at the national level. The main functions of that committee were to determine the strengths and weaknesses of the small value payment system in each country and to identify areas for improvement. The Regional Technical Operating Committee (RTOC) comprised representatives from each NTOC who met to report on issues discussed at the national level.

The two committees and the ECCB arrived at a consensus on an Automated Clearing House (ACH) for the more efficient clearing of cheques and for other business-to-business transactions. A consultant was commissioned to undertake a study on the feasibility of an ACH in the ECCB area. The study is expected to be completed during the first half of 2002.

MONEY AND CAPITAL MARKET DEVELOPMENT

Markets

In fulfilment of its mandate to promote credit and exchange conditions conducive to the balanced growth and development of the economies of the territories of the participating governments, the Bank is actively engaged in the development of money and capital markets in the currency union. The Bank's objective in the 2001/02 financial year was to further develop an integrated financial system in general and the money and capital markets in particular.

The Bank made significant progress during the year with the launching of the Eastern Caribbean Securities Market (ECSM) in October 2001. The market is the first fully electronic regional securities market in the western hemisphere. It is also the first to operate in a fully dematerialised environment, in which trades are settled on a T+1 cycle, on a Delivery versus Payment (DvP) basis.

Institutions

During the year the Eastern Caribbean Securities Exchange (ECSE) was incorporated in St Kitts and Nevis under the Companies Act and began operations. The ECSE provides an efficient trading mechanism where prices are determined by supply and demand. A daily call auction process has been established that

matches all submitted bids and offers and strikes a single price for each security at which the maximum of shares are traded. The capacity to move to continuous trading when trading volumes permit is built into the system.

Two other institutions, the Eastern Caribbean Central Securities Depository (ECCSD) and the Eastern Caribbean Central Securities Registry (ECCSR), which are wholly owned subsidiaries of the ECSE, also began operations.

The institutional and operational infrastructure for the Regional Government Securities Market (RGSM) was established during the 2001/02 financial year. The Bank also identified the amendments to the existing legislation for treasury bills and bonds to create uniformity in the terms and conditions governing the operations of the market across the region. Amendments to provide for the uncertificated form of issue and for tax neutrality were drafted.

Legislation

To support the money and capital market initiative the Bank collaborated with member governments on the establishment of the legal and regulatory framework for the ECSM. The Securities Bill was finalised and transmitted to member governments for enactment. The Bill was passed into law by all the member states, creating a single regulatory framework for securities business in the ECCU. Eight of the ten proposed securities regulations were also drafted and transmitted to member governments.

The Securities Act 2001 provides for the establishment of the Eastern Caribbean Securities Regulatory Commission (ECSRC) as the regulatory authority, with full and ultimate responsibility for



the safe and sound operation of the market and for investor protection. The Commission has been established and is fully operational, with the Bank lending administrative and technical support.

SUPPORT FOR POLICY AND ECONOMIC DEVELOPMENT

Research

Research is the basis of the operational work required to achieve the ECCB's overall objectives. Basing the Bank's work on research ensures that its policy advocacy and advice are credible.

During the 2001/2 financial year teams were established to pursue the Bank's research agenda in the following six main policy areas:

1. Exchange Rates – The Bank monitored the real effective exchange rates and developed a conceptual framework for analysing the nexus between wages, prices, productivity and competitiveness which is fundamental to the management of a fixed exchange rate regime.
2. Money and Credit Conditions/Interest Rates - The appropriate interest rate policy for the currency union was investigated, given the fixed exchange rate with an open capital account.
3. Financial Sector Stability – Research work was conducted on the concept of an integrated regulatory framework for the financial system of the ECCU and of a single financial space. The Bank also explored the causes of currency crises in small open economies.
4. Money and Capital Market Development in the ECCU – Research in this area concentrated on issues related to the establishment of the Eastern Caribbean Stock Exchange and The Regional Government Securities Market. Work was also

done on the issue of fiscal rules in the context of the currency union, both as a mechanism for curtailing perceived excessive public debt levels and for ensuring fiscal convergence along the lines of the European Union's Maastricht Treaty.

5. The Development of the Payments System – Work under this heading focussed on providing intellectual and analytical support to our own efforts at the Central Bank in reforming the payment and settlement systems.
6. Economic Development in the currency union – Much of the work in this area focussed on explaining the causes of growth and of the slowdown in economic activity in the currency union as a whole and for individual countries as case studies.

Research findings were presented at meetings of the Board of Directors and Monetary Council as well as at several regional and international conferences.

Consultation

Given the multinational character of the Bank's arrangements, the Monetary Council has established a framework for ensuring the effective coordination of the Bank's activities throughout the currency union. The three consultative bodies are:

- (i) Officials of the ministries of finance who also serve as a Regional Debt Coordinating Committee.
- (ii) Representatives of the commercial banking sector who also function as the Payments Council for the currency union.
- (iii) Representatives of the private sector.

The Bank met regularly with these groups during the financial year.

Networking

The Bank also provides advice and support to government departments and institutions. To assist in its policy advisory role, the Bank has established a networking system to gather information and opinions on the prevailing economic and financial circumstances in member countries. During the year, the Bank held meetings with attorneys general, development banks, social security schemes, accountants general, budget directors and directors of audit, comptrollers of customs and inland revenue departments and departments of planning and statistics. Senior officials of the Bank also met with representatives of commercial banks at regular intervals during the year. Officials of the Bank meet formally, once a year, with representatives of the chambers of industry and commerce, but less formal consultations take place periodically throughout the year.

These meetings serve to enhance the effectiveness and transparency of the Bank's operations and policies and to provide valuable feedback and exchange of ideas.

During the year under review the Bank in collaboration with the OECS met with regional and international organisations to discuss issues pertaining to aid co-ordination for the member countries of the currency union.

In November 2001 the Bank met with representatives from the World Bank and other donor agencies to discuss the establishment of a mechanism for the effective and efficient delivery of aid to achieve sustainable development in the ECCB member countries.

Technical Assistance

Technical assistance to ECCU member countries is one of the ways in which the Bank fulfils its mandate "to actively promote through means consistent with its other objectives the economic development of the territories of the Participating Governments".

During 2001 the Bank provided technical assistance to its member countries in the preparation of macroeconomic stabilisation/financial programmes, statistical compilation and debt management.

The Bank in conjunction with the Caribbean Development Bank (CDB) and the Ministry of Finance in Antigua and Barbuda, and Dominica, prepared macroeconomic stabilisation programmes for these two countries. Based on a request from the new administration, the Bank in collaboration with the CDB, prepared an economic review on St Vincent and The Grenadines.

The Bank assisted all countries in the currency union with the compilation and analysis of balance of payments statistics. With respect to national accounts statistics, assistance was provided to all countries with the exception of St Lucia which compiles its own statistics.

In the area of debt management much of the assistance provided related to the introduction and application of the new version of the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS). Among the beneficiaries were the ministries of finance in the currency union and the central banks of Belize, Barbados, and the Bahamas. The ECCB was the Commonwealth Secretariat's pilot site for the implementation of the CS-DRMS in the Caribbean.



The Bank worked with member countries in facilitating the household expenditure survey which culminated in the launch of a new Consumer Price Index on 15 October 2001. The consumer price index is now comparable across countries both in terms of base year and categories.

Public Education/Public Relations

During the 2001/2002 financial year the Bank continued to demonstrate its commitment to inform and educate its publics. A number of press releases on the Central Bank's activities were issued. The Bank also issued communiqués following the three meetings of the Monetary Council held during the year and held media briefings with the local press.

Following the events of 11 September 2001, the governor gave a television address on "The Economic and Financial Situation in the Eastern Caribbean Currency Union". This address was aired in all eight member countries. The governor also delivered a number of speeches at various private and public sector events.

During the 2001/2002 financial year the Bank's public education programme was geared primarily towards supporting its money and capital markets development initiative. A marketing, education and awareness programme was implemented to prepare key market participants for their respective roles and to sensitise them to the potential benefits of these markets. During the year the focus was on the execution of the programme associated with the launching of the Eastern Caribbean Securities Exchange which took place on 19 October 2001. The programme included promotional tools such as brochures, radio messages, informational video and training seminars. The Bank was also engaged in developing the education and awareness

programme for the Regional Government Securities Market which is scheduled to come on stream in 2002.

The Bank continued its "Know Your Notes" public education programme, which was launched to coincide with the issue of a new family of notes with enhanced security features.

The public education thrust was underscored by the Bank's hosting of a financial journalism seminar for media personnel from the member countries of the currency union.

Information Dissemination

The Bank published four quarterly Economic and Financial Reviews and its Annual Report and Statement of Accounts for the year ending March 31, 2001. These publications kept the public abreast of economic and financial developments and prospects in its member countries and the currency union as a whole. The Bank also published an Annual Balance of Payments Digest and an Annual National Accounts Digest, which included statistics compiled jointly with the statistics offices in member countries. The Annual Report and Economic and Financial Reviews are available on the ECCB's website.

Community Outreach

The ECCB's Community Outreach Programme aims at fostering the development of the region through the educational and social advancement of its people. In November 2001 the Bank hosted the Sixth Sir Arthur Lewis Memorial Lecture to honour the Nobel Laureate in Economics from the currency union. The lecture, held in St Lucia, was delivered by Mr Marius St Rose, Managing Director of the East Caribbean Financial Holding Company Ltd, on the topic "Culture

and Economics – Is Our Socialisation a Constraint to Our Development.” On the basis of customer surveys and bank profiles, the “Best Corporate Citizen” awards were presented to commercial banks operating in the region. The ECCB-sponsored annual essay competition for secondary school students in the member countries was again arranged and judged. The Bank also continued to sponsor the OECS Under 23 Netball Tournament.

Event	Date
6th Annual Conference on Development	8 - 9 Oct 2001
12th Annual Conference with Commercial Banks	7 - 9 Nov 2001
Meeting of the Caribbean Regional Technical Assistance Centre (CARTAC)/IMF and Offshore National Regulators	23 Jan 2002
IMF/World Bank/ECCB meeting on Money and Capital Markets	25 Jan 2002
Regional Training Course for Regulators of Offshore Banks and Trust Companies	28 Jan - 1 Feb 2002
CARTAC/ECCB Debt Management and Strategies Workshop	28 Jan - 5 Feb 2002
World Bank/ECCB Workshop on the Preparation of Medium Term Economic Strategy Paper (MTESP)	18 - 22 Feb 2002

Conferences and Seminars

The Bank hosted several regional and international conferences, seminars and workshops including:

THE BANK'S FINANCES

The Bank's financial objective for the year 2001/2002 was to manage its expenses in keeping with the projected reduction in income on the foreign reserves portfolio due to falling interest rates internationally. In the previous year there was an escalation in expenditure due to the purchase of a new family of notes and the gradual withdrawal of the old family, an increase in depreciation following the acquisition of a new banking and accounting system

and increased maintenance costs. The task was to bring expenditure back in line with the trend established prior to the unusual growth spurt. This was particularly urgent given the anticipated fall in income.

The result of these efforts was that actual spending (\$58.9m) in 2001/02 was slightly below the budget of \$59.7m, consistent with the Bank's objective to reduce overall expenditure. Staff costs were slightly above budget by \$144,000, partly due to the increase in salaries as a result of the restructuring of the Bank. However, administration and general expenses realised the anticipated reduction due to tighter controls implemented to institute cost savings.

Balance Sheet

The financial statements for the year ended 31 March 2002, together with comparable figures for the previous year are shown at pages 115 to 125. As at 31 March 2002, total assets of the Central Bank amounted to \$1,405.6m compared with \$1,220.5m at 31 March 2001, representing an increase of 15.2 per cent (\$185.1m). External assets rose by \$197.3m (19.5 per cent) to \$1,210.9m. This was due mainly to an increase of \$126.6m (19.0 per cent) in securities and \$112.9m (44.3 per cent) in fixed deposits and money at call. However, there was a decline of \$40.5m in investment in certificates of deposits.

Internal assets fell by \$12.1m (5.9 per cent) to \$194.8m at the end of March 2002. The decrease was due to a decline of \$9.4m in the value of participating governments' securities held by the Bank, as securities matured over the period. There was also a decline of \$4.5m in fixed assets as a result of depreciation charges. These movements were offset by an increase of \$4.0m in amounts due from participating governments.



On the liabilities side, the major increase was recorded for demand liabilities which rose \$199.1m (19.3 per cent). This was due to an increase of \$163.4m in bankers reserves, \$38.1m in bankers call accounts and \$6.6m in currency in circulation.

Other liabilities contracted by \$4.0m (23.3 per cent) to \$13.2m, mainly as a result of a reduction in profits available for distribution to participating governments. A decline of \$14.8m was recorded in Reserve Funds, due to a transfer of \$9.2m from the Profit Equalisation Fund for distribution to participating governments and a \$5.6m depreciation in the market value of securities during the year under review.

Income Statement

During the year total income declined by \$7.9m, due mainly to a fall of \$5.1m in interest earned on fixed deposits and money at call, associated with the lower interest rate environment prevailing internationally during most of the year under review.

Total expenses fell by \$4.2m as a result of a decline of \$2.8m and \$1.9m in interest paid and currency supplies respectively. Payroll costs increased by \$1.8m due to increased salaries and restructuring costs, while administration and general expenses declined by \$1.3m reflecting increased efforts on expenditure control.

Net income for the year amounted to \$11.5m reflecting a decline of \$3.8m over the total for the previous year. Of net income, \$9.7m (84.3 per cent) was transferred to the General Reserve. In accordance with Article 6 (3) of the ECCB Agreement Act 1983 approval was obtained from each of the participating governments to allocate from net income an amount in excess of the stipulated 50.0 per cent of net income

for the year to the General Reserve to maintain it at 5.0 per cent of demand liabilities.

After making appropriations to the General Reserve and from the Profit Equalisation Fund, the amount available for distribution to participating governments was \$11.0m.

THE BANK'S INTERNAL MANAGEMENT

Risk Management

In an effort to minimise/mitigate the risks to which the ECCB is exposed in pursuit of its objectives the following were undertaken:

Each department was asked to identify its output in the form of objectives that were clearly measurable. These objectives were expected to reflect the core functions of the Bank. The risks associated with the execution of these objectives were matched with specific controls. The specific controls were classified and documented in a matrix that, in conjunction with the objectives, subsequently formed the basis for the writing of more effective audit programmes.

Focussing on the areas deemed to be high risk, the audit programmes were tested to determine the existence and effectiveness of the documented controls and the adequacy of the overall control environment. In addition to programmed audits, several ad hoc/special review audits were undertaken in response to specific needs.

Organisational Structure

During the 2001/2002 financial year the Bank undertook a restructuring exercise aimed at making its management and operations more efficient and

effective. The restructuring resulted in the establishment of three main divisions – Policy, Operations and Administration which came into effect on January 1, 2002. (See Organisational Chart on page vi).

Human Resource Management

During the 2001/2002 financial year the Bank’s objective was to strengthen the professional and personal development of its staff in order to enhance its resource capacity and improve the efficiency of its operations. In line with this objective the Bank upgraded its Human Resource Division to a department comprising the Personnel Services and Performance Development Units.

To enhance the Bank’s thrust to promote a continuous learning culture, an in-house learning resource centre was established. This on-site facility provides a range of services to meet the professional and personal development needs of staff.

During the year the Bank’s focus was on internal or in-house training. The Performance Development Unit designed and implemented seven training programmes at which one hundred and sixty six members of staff were trained.

As at 31 March 2002, the Bank had a staff complement of 278. The table below shows the staffing figures over a three year period.

Financial Year	No of Recruited Staff	No of Staff Leaving	Staff Complement at End of Financial Year	Turnover Rate
1999-2000	45	35	307	11.40%
2000-2001	15	38	284	13.38%
2001-2002	21	27	278	9.71%

A total of 27 persons left the Bank in the 2001-2002 financial year. Of that number, 10 had completed in excess of 10 years of service, compared with 7 in 2000-2001 and 4 in 1999-2000.

An after-school programme which was introduced in January 2001 completed its first year of operation. The purpose of this programme is to bridge the gap between the schedules of working parents in the Bank and the hours of operation of the schools. The programme caters to children between the ages of 5-14 years and is available on an all-day basis during school vacations.

Major Activities In The Year Ahead

In the 2002/2003 financial year the Bank will undertake the following activities:

MONETARY STABILITY

Currency Management

- Introduce a round coin family of one, two and five cent pieces and one dollar. These coins will be in circulation from July 2002.

FINANCIAL SYSTEM STABILITY

- Sign the Administrative Guidelines with member states to formalise an integrated approach to regulation and supervision of all licensed financial institutions and implement a strategy for strengthening the ECCU’s financial system.
- Finalise legislative arrangements in relation to bank supervision (domestic and offshore) and financial oversight.



- Sign the MOU with member states to enhance the efficiency of the supervision of offshore banks and trust companies.
- Finalise legislative arrangements to regulate and supervise money wire transfer businesses.

MONEY AND CAPITAL MARKET DEVELOPMENT

- Work with ECCU member governments towards the launch of the Regional Government Securities Market (RGSM).
- Develop a regional unit trust, to provide all types of savers with investment opportunities they might not otherwise have had.
- Develop a blueprint for the establishment of an enterprise fund to provide appropriate forms of financing business development, and advisory services and technical assistance for private enterprise within the ECCU.

SUPPORT FOR POLICY AND ECONOMIC DEVELOPMENT

Research

- Conduct research on issues relating to Macroeconomic Stabilisation, Money and Capital Market Development and Financial Sector Stability.

Research to be conducted in the following areas:

- The relationship between currency crisis and fiscal sustainability
- A determination of an appropriate interest rate policy in the ECCU
- Rates of return, credit allocation, economic growth and development planning

- Indices of financial stability in the ECCU
- Tourism, its impact, potential and challenges.
- Construct a framework for wages, prices and productivity in the region, with the aim of promoting exchange rate stability and improving growth.
- Develop options to respond to bank crises.
- Develop a forecasting model for new notes and coins.

Technical Assistance

- Collaborate with member governments of Anguilla, Grenada, Montserrat, St Kitts and Nevis, St Lucia, and St Vincent and The Grenadines to develop financial programming frameworks.
- Assist member countries with the compilation of balance of payments and national accounts statistics.

Public Education/Public Relations

- Execute a public education campaign on genuine EC notes.
- Execute education and awareness projects in support of the Bank's advocacy and outreach programmes.

THE BANK'S FINANCES

- Contain the overall expenditure budget at \$56.8m. The Bank has also taken the decision to bring its total expenditure in line with its income from external assets. This is expected to be implemented by continuous restructuring aimed at arriving at an optimal level of staffing for the achievement of its mandate.

RISK MANAGEMENT

- Conduct Value for Money Audits
- Explore computer-based auditing
- Assist management and the Board in the execution of their oversight functions through the identification and application of the elements of good governance, i.e. records management, protocol arrangements, telecommunications management

Acknowledgments

The Board of Directors wishes to record its thanks and appreciation to all members of staff for their services and devotion to duty during the financial year 2001/2002. The Board acknowledges the strong sense of commitment and joint efforts of the staff in discharging their duties to achieve excellence and maintain the credibility and stature of the Eastern Caribbean Central Bank.

The Board extends congratulations to Governor Venner, on being awarded Knight Commander of the Most Excellent Order of the British Empire (KBE) on 16 June 2001 for services to the financial sector.

CHRONOLOGY OF THE EASTERN CARIBBEAN CENTRAL BANK

- 1983** - The Agreement to establish the Eastern Caribbean Central Bank (ECCB) was signed on July 5 by the governments of Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, St Kitts and Nevis, St Lucia, and St Vincent and The Grenadines.
- The ECCB came into being on October 1 as successor to the East Caribbean Currency Authority, following the enactment of enabling legislation by the respective governments.
 - The first meeting of the ECCB Board of Directors was held on October 5.
 - The Bank Supervision Department was established in late 1983. The Department's operations were centred on the powers granted to the Bank under Article 3(2) of the Central Bank Agreement to regulate banking business on behalf of and in collaboration with Participating Governments; and also Article 35(1) which specifically gives the Bank the right to require financial institutions to open their books for inspection to verify compliance with the directives issued.
- 1984** - The first meeting of the Monetary Council, established in accordance with Article 7 of the Eastern Caribbean Central Bank Agreement, was held on January 20.
- ECCB required all commercial banks operating in the currency union to hold with it minimum reserves at the level of 6.0 per cent of their deposit liabilities, effective April 30. Prior to this, commercial banks operating in most of the territories were required to hold special deposits at the treasury of their respective government.
 - All banks operating in more than one territory were required to maintain separate accounts at the ECCB for their territorial operations, effective April 30.
 - All commercial banks were required to disclose to their customers and the ECCB, the effective rates of interest charged on loans given by them.
 - An Export Credit and Guarantee Department was established on July 1, with the purpose of promoting exports from the Eastern Caribbean. An Export Finance Guarantee Scheme was introduced to provide pre-shipment insurance for exporters.
 - An Infrastructure for Productive Investment Project (IPIP) was established in August. The Bank entered into an agreement with the United States Agency for International Development to provide commercial banks with access to long term funds to finance commercial loans to private sector developers of industrial properties. The Bank was responsible for co-ordinating the project and monitoring the use of project funds to ensure that developers adhered to acceptable construction standards and practices.

- The \$10.00 bill, the first in a series of coded notes to replace the series issued under the ECCA, was introduced on November 15. Country codes were assigned to the new series of notes.
- An ECCB Agency Office, the first to be established, was opened in Grenada on November 1.
- 1985** - Commercial banks were required to pay a minimum rate of 4.0 per cent interest on savings deposits, effective January. Prior to this measure the rate on savings deposits in some member countries was as low as 2.5 per cent.
- 1986** - An official interbank market was established in March. It provided an opportunity for banks to invest funds held in current account balances as well as to recycle liquidity among the territories.
 - The coded \$1.00 note was introduced on August 1, and the \$100.00 note on December 5.
- 1987** - The government of Anguilla became a full member of the ECCB on April 1.
 - The coded \$5.00 and \$20.00 notes were introduced on April 8.
 - An ECCB Agency Office was established in St Lucia on October 1.
- 1988** - ECCB established a market for discounting and rediscounting treasury bills, effective January 1988. An initial amount of \$20.0m at face value was made available from the bank's portfolio.
 - ECCB spearheaded the installation of the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) in some of the member countries.
 - A revised Pre-Shipment Finance Guarantee (PSFG) scheme and a new Post-Shipment Discounting Guarantee (PSDG) scheme became operational in September.
- 1989** - ECCB ceased to issue the \$1.00 note which was replaced by the \$1.00 coin.
 - Work commenced on the development of a Computer Enhanced Balance of Payments Estimation System (CEBOPS), with assistance from the Canadian International Development Agency (CIDA).
 - The first Governor of the ECCB, Mr Cecil Jacobs, OBE, retired in September after many years of service to the Bank and its predecessor, the East Caribbean Currency Authority.
 - An ECCB Agency Office was established in Dominica on November 1.
 - Mr K. Dwight Venner succeeded Mr Jacobs as Governor of the ECCB from December 1.
- 1990** - An ECCB Agency Office was established in St Vincent and The Grenadines on April 1.



- 1991** - ECCB Agency Offices were established in Montserrat on March 4, in Anguilla on May 23 and in Antigua and Barbuda on June 15.
- A Uniform Banking Act to provide for the regulation of banking business was passed by the legislative assembly of the eight member territories. This Act gives the Central Bank direct authority to examine financial institutions. With the passage of the Act the regulatory functions of the Central Bank were extended to include non-bank financial institutions.
- 1992** - A ground breaking ceremony for the new ECCB Headquarters building at Bird Rock took place on November 21.
- 1993** - In early April the Central Bank reduced its discount rate from 10.0 per cent to 9.0 per cent. This was done in an effort to encourage banks to reduce their lending rates following the emergence of a large spread between their lending and deposit rates.
- In June, under the Special Emergency Powers, the ECCB came to the assistance of the Bank of Montserrat which ran into difficulties. Certain non-performing loans and advances were bought by the Caribbean Assets and Liabilities Management Services (CALMS) Ltd., a private company established by the ECCB. The purchase was effected by the issue (by CALMS) of a 20-year interest bearing promissory note.
 - A new series of notes was put into circulation in October to coincide with the 10th anniversary of the Bank.
- 1994** - The Bank established a Monetary Policy Unit, a Money and Capital Market Development Unit and an Administrative, Policy Co-ordination and Evaluation Unit in January.
- ECCB spearheaded the implementation of the Eastern Caribbean Economic Management Project (ECEMP) sponsored by the Canadian International Development Agency (CIDA). There were two components to the project; (i) the restructuring and computerisation of the inland revenue departments in member territories, and (ii) enhancing the financial management functions of the accountants general departments.
 - In September the Eastern Caribbean Home Mortgage Bank (ECHMB) was formally established as a legal entity, following the ratification of the ECHMB Agreement by seven of the eight territories.
 - The Bank moved into its new headquarters building in August. The headquarters was officially opened on October 29.

- The ECCB issued prudential guidelines governing large credit exposures and money laundering to all supervised banks during the course of the year. These guidelines were based on the principles as enunciated by the Basle Committee on International Banking Supervision.
- 1995** - On June 25, Mr K. Dwight Venner, Governor of the ECCB, was appointed Chairman of the first Board of Directors of the ECHMB.
- The Bloomberg System was installed at the ECCB on October 16 to provide economic, financial and political information on all market sectors on a 24 hour basis.
 - The Bank surveyed the government securities market and facilitated an IMF mission to review the market and prepare proposals for the further development of the primary and secondary markets for government securities.
 - The Bank entered into negotiations with the Caribbean Development Bank (CDB) and the Inter-American Development Bank (IDB) for funding via the Multilateral Investment Fund (MIF) to provide technical assistance for the establishment of the Over-The-Counter Call Exchange, the development of uniform securities legislation and a Central Securities Depository.
- 1996** - The first Annual General Meeting of the shareholders of ECHMB was held at the ECCB Headquarters on March 16.
- The Bank established the Financial and Enterprise Development Unit by merging the Export Credit Unit and the Money and Capital Market Development Unit.
 - In August the Bank lowered its official discount rate from 9.0 per cent to 8.0 per cent, as a means of stimulating investment activity.
 - The Eastern Caribbean Institute of Banking was launched on July 7, in Grenada.
 - In September the Bank commissioned the World Bank to undertake a review of the OECS financial sector. This involved assessing the institutional infrastructure and scope of financial institutions, and determining the measures required for developing and deepening money and capital markets and creating a single financial space.
 - In October the Bank commissioned the World Bank and the Commonwealth Secretariat to undertake a study of the payment systems with a view to identifying and creating a framework for an effective payment system.
- 1997** - The ground breaking ceremony for phase II of the ECCB Headquarters building project, which involved the construction of new office buildings, an auditorium and a cafeteria/staff facility, was held on September 16.



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- 1998** - The Banking and Operations Department was split into two - the Banking and Monetary Operations Department and the Accounting and Currency Department.
- 1999** - The Monetary Council approved the “Guidelines for the Regulation of Offshore Financial Services Sector” on July 30, in accordance with Article 41 of the Eastern Caribbean Central Bank Agreement 1983.
- The official Opening Ceremony of the ECCB Auditorium and Conference Centre was held on October 8. The Auditorium seats 500 persons and is used as a national and regional centre for conferences, seminars and cultural performances.
- 2000** - The Monetary Council approved the draft Eastern Caribbean Securities Regulatory Commission Agreement, and sanctioned ECCB share-ownership of 30.0 per cent of the Eastern Caribbean Securities Exchange at EC\$3.0m.
- 2001** - Effective October 15 the Bank established a bulletin board service through which commercial banks could trade funds on the interbank market. The new arrangement replaced the brokerage service provided by the ECCB since 1985.
- The Eastern Caribbean Securities Market (ECSM) was launched on October 19. The ECSM comprises the Eastern Caribbean Securities Exchange, the Eastern Caribbean Central Securities Depository and the Eastern Caribbean Central Securities Registry. The ECSM is the first fully electronic regional securities market in the western hemisphere.
 - On October 26, the Monetary Council announced a 100 basis point cut to 7.0 per cent in the discount rate. The move was aimed at stimulating economic activity in the aftermath of September 11.

NOTES ON STATISTICAL TABLES

GENERAL

All figures have been rounded to either the nearest whole number or the first decimal place (except in cases where values are small and need to be rounded off at two decimal places instead).

--	denotes 'nil'
0.0	denotes 'negligible'
n.a.	denotes 'not available'
**	denotes 'not applicable'

Some figures may differ from those in previous publications because of subsequent revision based on more accurate data.

NOTES TO THE MONETARY SURVEY

1. Central government represents central and local government.
 - 1.1 Domestic Credit to Central Government (net)
 - Central Bank and commercial banks' total holdings of Treasury Bills and Debentures
 - plus Central Bank and commercial banks' loans and advances to central government
 - plus Central Bank interest due on Securities
 - minus Total central government deposits held with the Central Bank and commercial banks
 - minus Sinking Fund Call Account and Government Operating Account held with the Central Bank
2. Other Public Sector represents national insurance (social security scheme) and non-financial public enterprises.
3. Private Sector represents households and private businesses.
4. Currency = total currency liabilities of the Central Bank less commercial banks' holdings of local currency cash.
5. Demand Deposits = total private businesses and households residents' demand deposits.
6. Savings Deposits = total private businesses and households residents' savings deposits.
7. Time Deposits = total private businesses and households residents' time deposits.
8. Foreign Currency Deposits = total private businesses and households residents' foreign currency deposits.

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Table 1
ECCB Area
Selected Economic Indicators

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
(Annual percentage change unless otherwise stated)					
National Income and Prices					
Nominal GDP at basic prices	5.7	6.9	5.5	4.1	0.3
Real GDP at basic prices	3.2	4.0	4.1	2.4	(1.5)
GDP Deflator	2.4	2.8	1.4	1.6	1.8
Consumer Prices (end of period)	2.2	2.6	2.5	2.1	2.1
Consumer Prices (period average)	2.2	2.4	2.5	2.2	2.1
Real GDP at basic prices by Selected Sectors					
Agriculture	(7.6)	1.0	(5.0)	0.9	(9.2)
Manufacturing	2.6	2.2	3.2	4.1	(5.9)
Electricity and Water	6.3	5.9	8.3	8.3	6.4
Construction	7.4	10.3	7.7	3.9	(1.3)
Wholesale and Retail	3.5	4.0	4.4	0.8	(3.0)
Hotel and Restaurant	7.3	0.3	3.5	(1.4)	(5.1)
Transportation	5.7	2.3	3.4	1.3	(2.2)
Communications	5.7	9.3	13.5	4.0	(0.6)
Banks and Insurance	9.1	7.3	5.9	6.0	2.5
Government Services	2.0	4.6	0.7	1.8	2.9
Other Services	0.7	2.1	3.9	5.7	0.1
(as a percentage of GDP)					
External Sector					
Current Account Balance	(16.0)	(14.4)	(16.5)	(15.4)	(15.1)
Overall Balance	0.9	2.2	0.5	0.7	2.2
Trade Balance	40.1	38.9	39.6	39.1	37.3
External Debt (end of period)	36.6	37.0	38.8	39.8	41.6
Central Government					
Current Account Balance	1.2	1.7	1.6	1.0	(1.1)
Current Revenue	24.9	25.3	25.7	25.4	24.8
Current Expenditure	23.7	23.7	24.1	24.4	25.9
Capital Expenditure and Net Lending	6.4	7.1	7.3	7.7	8.1
Overall Fiscal Balance	(2.6)	(1.6)	(3.0)	(4.3)	(6.5)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	4.3	4.3	4.3	4.5	4.3
Weighted Lending Interest Rates	11.9	11.6	12.0	11.9	11.5
(in millions of EC dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	5,496.3	5,875.5	6,198.5	6,451.4	6,472.3
Real GDP at basic prices	4,469.2	4,647.3	4,837.5	4,954.3	4,880.5
Nominal GDP at Market Prices	6,526.9	7,006.4	7,407.5	7,655.1	7,681.0
GDP Per Capita (EC\$)	9,746	10,384	10,813	11,136	11,127
Merchandise Imports (f.o.b)	3,308.5	3,470.1	3,732.0	3,832.7	3,567.1
Merchandise Exports (f.o.b)	692.5	746.5	795.1	836.4	700.7
Gross Visitor Expenditure	2,331.6	2,443.8	2,472.1	2,511.6	2,352.4

Source: ECCB and Statistical Offices, in ECCB member countries

^R = Revised ^P = Preliminary

Data as at June 6, 2002

Table 2
ECCB Area
Consolidated Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	1997	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Current Revenue	1,628.0	1,774.8	1,902.9	1,946.7	1,906.8
Tax Revenue	1,391.4	1,524.1	1,598.8	1,657.0	1,634.0
Taxes on Income & Profits ¹	299.1	337.4	368.0	430.0	421.7
Tax on Property	20.6	19.6	23.6	25.7	28.6
Taxes on Domestic Goods & Services	257.2	272.1	275.6	313.0	320.5
Taxes on International Trade & Transactions	814.5	895.0	931.6	888.4	863.1
Of which:					
Consumption Tax ²	404.2	457.3	463.9	404.0	415.1
Import Duty	255.4	279.3	287.6	282.8	250.8
Customs Service Charge ²	100.5	102.2	118.2	123.4	132.4
Non-Tax Revenue	236.5	250.7	304.2	289.8	272.8
Current Expenditure	1,549.3	1,657.4	1,784.8	1,870.8	1,992.2
Personal Emoluments	834.4	887.2	941.9	969.8	1,015.9
Goods & Services	356.9	375.2	418.0	432.7	460.1
Interest Payments	125.4	127.3	156.8	202.0	230.0
Domestic	89.5	93.8	100.8	116.9	144.2
External	35.8	33.5	56.0	85.1	85.7
Transfers & Subsidies	232.7	267.7	268.0	266.3	286.2
Of which:					
Pensions	81.5	89.4	94.2	107.4	101.7
Current Account Balance	78.7	117.4	118.1	76.0	(85.4)
Capital Revenue ³	41.7	42.8	20.1	18.4	11.1
Grants	126.3	220.8	181.8	164.2	197.2
Capital Expenditure and Net Lending	417.6	496.4	539.9	587.1	621.8
Of which: Capital Expenditure	421.3	498.9	550.8	604.8	621.9
Overall Balance	(170.9)	(115.3)	(219.9)	(328.6)	(498.9)
Financing	171.0	115.3	219.9	328.6	498.9
Domestic	(10.6)	(64.6)	60.3	114.7	105.0
ECCB (net)	(5.4)	(19.8)	8.0	3.8	6.1
Commercial Banks (net)	12.4	26.6	50.3	163.8	6.0
Other*	(17.6)	(71.4)	2.0	(52.9)	92.9
External	131.6	117.6	156.3	148.3	251.0
Net Amortisation	127.5	131.5	104.9	103.7	264.0
Disbursement	197.8	202.0	185.0	217.2	396.8
Amortisation	(70.3)	(70.6)	(80.1)	(113.5)	(132.9)
Change in Govt. Foreign Assets	0.8	(17.4)	(30.8)	(20.5)	(13.0)
Other Foreign Financing	3.3	3.5	82.2	65.2	0.0
Arrears ⁴	50.0	62.4	3.3	65.5	142.9
Domestic	47.8	56.5	31.8	61.4	97.6
External	2.1	5.9	(28.5)	4.1	21.7

Source: ECCB

^P = Preliminary ^R = Revised

¹ Taxes on Income & Profits are not collected in Anguilla

² Excludes Anguilla

³ Excludes Anguilla & Montserrat

⁴ Excludes St Vincent & The Grenadines

*Includes residual

Data as at 24 May 2002

Table 3
ECCB Area
Monetary Survey
(In millions of Eastern Caribbean Dollars at end of period)

	1997	1998	1999 ^R	2000 ^R	2001 ^P
Net Foreign Assets	653.4	999.0	889.5	806.7	1,218.6
Central Bank (net)	815.8	961.4	975.9	1,018.8	1,192.2
Commercial Banks (net)	(162.3)	37.6	(86.4)	(212.1)	(26.4)
External Assets	867.1	1,086.9	1,338.4	1,292.7	1,668.9
External Liabilities	1,029.4	1,049.3	1,424.8	1,504.9	1,642.4
Net Domestic Assets	3,669.4	3,880.2	4,507.3	5,162.0	5,101.0
Domestic Credit	4,135.6	4,451.9	5,043.3	5,779.7	6,033.3
Central Government (net)	452.7	459.5	517.8	685.3	697.2
Other Public Sector (net)	(502.7)	(570.9)	(509.4)	(524.0)	(498.6)
Non-Bank Financial Institutions (net)	(189.9)	(180.8)	(184.4)	(163.0)	(230.8)
Subsidies & Affiliates (net)	(68.3)	(55.9)	(74.1)	(61.5)	86.4
Private Sector	4,443.9	4,799.9	5,293.4	5,842.8	5,978.8
Other Items (net)	(466.3)	(571.7)	(536.0)	(617.7)	(932.3)
Money Supply (M2)	4,322.8	4,879.1	5,396.8	5,968.6	6,319.6
Currency with the Public	312.8	344.5	388.9	386.9	373.4
Demand Deposits	648.6	744.0	802.0	824.8	872.2
Savings Deposits	1,937.8	2,127.6	2,313.3	2,460.6	2,591.5
Time Deposits	993.9	1,185.7	1,338.7	1,530.6	1,680.6
Foreign Currency Deposits	429.7	477.4	553.9	765.8	801.5

Source: ECCB

^R = Revised^P = Preliminary

Data as at May 14, 2002

Table 4
ECCB Area
Balance of Payments - Analytical Summary
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Current Account	(1,042.0)	(1,006.9)	(1,220.3)	(1,178.7)	(1,161.2)
Goods and Services	(950.7)	(934.0)	(1,085.6)	(1,054.5)	(996.9)
Goods	(2,519.5)	(2,628.0)	(2,857.2)	(2,881.7)	(2,768.2)
Merchandise	(2,616.0)	(2,723.6)	(2,936.9)	(2,996.3)	(2,866.4)
Repair on Goods	2.6	2.6	0.1	0.1	0.1
Goods Procured in Ports					
by Carriers	93.9	93.0	79.6	114.5	98.2
Services	1,568.8	1,694.0	1,771.6	1,827.2	1,771.3
Transportation	(266.2)	(304.2)	(349.1)	(332.1)	(286.6)
Travel	2,086.9	2,181.0	2,187.4	2,216.8	2,051.5
Insurance Services	(89.4)	(41.8)	(51.7)	(56.1)	(56.6)
Other Business Services	(115.3)	(77.9)	19.5	42.1	123.0
Government Services	(47.3)	(63.1)	(34.4)	(43.5)	(60.0)
Income	(362.6)	(426.7)	(496.2)	(547.3)	(513.9)
Compensation of Employees	(5.8)	0.6	2.8	(2.9)	(2.7)
Investment Income	(356.7)	(427.2)	(499.1)	(544.4)	(511.2)
Current Transfers	271.2	353.7	361.5	423.1	349.5
Capital & Financial Account	1,099.8	1,164.0	1,254.8	1,232.3	1,327.5
Capital Account	240.8	287.9	261.6	255.6	310.1
Capital Transfers	240.8	287.9	261.4	261.1	310.1
Acquisition & Disposal of Non-Produced, Non-Financial Assets	--	--	0.2	(5.5)	--
Financial Account	859.0	876.1	993.2	976.7	1,017.4
Direct Investment	705.6	857.3	915.7	798.7	817.1
Portfolio Investment	53.8	16.9	116.4	131.1	116.9
Other Investment	99.6	1.8	(38.8)	46.8	83.4
Public Sector Long Term	164.7	112.8	117.3	108.1	193.2
Other Public Sector Capital	8.7	16.2	30.9	29.1	22.6
Commercial Banks	100.1	(199.9)	124.0	125.7	(238.6)
Other Assets	(43.8)	(132.7)	(159.3)	(166.8)	(128.6)
Other Liabilities*	(130.1)	205.5	(151.7)	(49.4)	234.7
Overall Balance	57.8	157.0	34.5	53.6	166.3
Financing	(57.8)	(157.0)	(34.5)	(53.6)	(166.3)
Change in SDR Holdings	--	--	(0.0)	0.0	--
Change in Reserve Position with the Fund	(1.5)	6.0	(0.2)	0.0	--
Change in Government Foreign Assets	0.8	(17.4)	(31.5)	(20.5)	(13.0)
Change in ECCU's Net Foreign Assets*	(57.0)	(145.6)	(2.8)	(33.1)	(153.3)

Source: ECCB

^R = Revised^P = Preliminary

* includes errors & omissions

* adjusted for valuation changes

Data as at June 12, 2002



Table 5
ECCB Area - Public Sector External Disbursed Outstanding Debt (DOD)*
(In millions of Eastern Caribbean dollars)

Country	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Anguilla	25.6	27.6	24.7	23.7	26.9
Antigua and Barbuda	939.0	1,073.6	1,134.5	1,153.8	1,097.9
Dominica	240.3	245.4	247.7	267.7	327.9
Grenada	251.5	259.7	285.1	348.8	389.8
Montserrat	28.5	27.5	21.6	21.0	20.8
St Kitts and Nevis	290.6	336.3	413.4	437.2	547.1
St Lucia	374.6	392.4	431.3	498.8	524.2
St Vincent and The Grenadines	239.6	271.8	432.3	430.2	452.7
TOTAL ECCB AREA	2,389.6	2,634.2	2,990.6	3,181.3	3,387.2

Source: ECCB

* includes arrears of principal

^R = Revised

^P = Preliminary

Data as at April 24, 2002

Table 6
ECCB Area - Total Actual Debt Service Payments*
(In millions of Eastern Caribbean dollars)

Country	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Anguilla	2.9	3.5	3.3	3.4	3.4
Antigua and Barbuda	27.9	38.2	38.9	71.9	49.3
Dominica	28.9	21.7	21.7	19.3	22.1
Grenada	22.8	22.9	25.4	27.7	30.9
Montserrat	1.7	1.4	0.8	0.4	0.2
St Kitts and Nevis	21.0	30.8	46.4	57.9	57.2
St Lucia	33.9	38.6	44.3	53.7	95.3
St Vincent and The Grenadines	25.3	26.1	32.9	28.9	32.1
TOTAL ECCB AREA	164.3	183.3	213.7	263.3	290.5

Source: ECCB

* The amounts are actual payments and not contractual obligations.

^R = Revised

^P = Preliminary

Data as at April 24, 2002

Table 7
Anguilla - Selected Economic Indicators

	1997	1998	1999 ^R	2000 ^R	2001 ^P
(Annual percentage change unless otherwise stated)					
National Income and Prices					
Nominal GDP at basic prices	10.5	7.8	11.3	0.2	2.8
Real GDP at basic prices	9.2	5.2	8.7	(0.3)	2.0
GDP Deflator	1.2	2.5	2.5	0.5	0.7
Consumer Prices (end of period)	0.6	2.5	2.2	6.5	3.3*
Consumer Prices (period average)	2.4	2.2	1.6	4.7	4.6*
Real GDP at basic prices by Selected Sectors					
Agriculture	5.1	7.2	(11.4)	(7.7)	3.9
Manufacturing	3.1	9.7	59.9	3.4	2.1
Electricity and Water	25.3	9.7	20.3	8.3	14.8
Construction	4.0	8.0	21.2	(6.7)	(19.1)
Wholesale and Retail	6.7	7.5	5.0	3.3	(5.0)
Hotel and Restaurant	15.2	1.6	6.6	(6.4)	9.5
Transportation	13.6	5.7	1.1	(2.2)	(4.2)
Communications	28.0	1.5	19.4	9.1	6.8
Banks and Insurance	(8.5)	5.9	13.0	25.7	5.6
Government Services	3.9	3.2	2.8	3.9	6.8
Other Services	14.3	4.9	6.3	8.1	4.9
(as a percentage of GDP)					
External Sector					
Current Account Balance	(21.1)	(21.1)	(48.6)	(51.6)	(24.9)
Overall Balance	2.1	1.9	1.7	0.4	3.5
Trade Balance	59.3	63.2	74.3	72.9	58.9
External Debt (end of period)	10.7	10.8	8.7	8.1	8.6
Central Government					
Current Account Balance	1.1	5.1	2.0	0.0	(1.8)
Current Revenue	23.0	28.4	23.3	24.6	23.9
Current Expenditure	21.9	23.2	21.3	24.5	25.7
Capital Expenditure and Net Lending	4.3	6.3	4.5	5.2	4.1
Overall Fiscal Balance	(1.0)	0.3	(1.6)	(1.9)	(3.9)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	3.8	3.7	3.8	3.8	3.3
Weighted Lending Interest Rates	11.3	11.2	11.3	11.4	10.6
(in millions of EC Dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	194.2	209.2	233.0	233.4	239.9
Real GDP at basic prices	162.1	170.5	185.2	184.6	188.3
Nominal GDP at Market Prices	239.7	254.9	283.4	291.5	297.6
GDP Per Capita (EC\$)	16,297	16,882	18,099	17,257	21,229
Merchandise Imports (f.o.b)	146.4	169.6	218.3	224.6	184.6
Merchandise Exports (f.o.b)	4.3	8.5	7.8	11.9	9.5
Gross Visitor Expenditure	163.0	166.5	155.7	153.6	168.7

Source: Development Planning Unit in Anguilla and ECCB

^R = Revised ^P = Preliminary

* ECCB Estimates

Data as at April 23, 2002

Table 8
Anguilla - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Current Revenue	55.1	72.3	66.1	71.7	72.7
Tax Revenue	44.7	60.6	53.8	59.0	58.3
Taxes on Property	0.3	0.2	0.3	0.4	0.6
Taxes on Domestic					
Goods & Services	15.1	17.1	16.4	18.1	23.1
Of which:					
Accommodation Tax	5.7	6.3	6.6	4.7	7.8
Bank Deposit Levy	1.4	1.5	1.3	2.0	2.4
Taxes on International					
Trade & Transactions	29.3	43.3	37.2	40.0	34.6
Of which:					
Import Duty	25.5	39.8	33.4	36.0	30.1
Foreign Exchange Tax	1.0	0.7	0.8	2.0	2.4
Embarkation Tax	1.7	1.7	1.8	1.0	1.1
Non-tax Revenue	10.4	11.7	12.3	13.1	14.3
Current Expenditure	52.5	59.2	60.4	71.6	78.2
Personal Emoluments	28.9	29.7	33.9	36.8	39.6
Goods & Services	21.4	27.2	23.4	31.6	34.1
Interest Payments	0.1	0.6	0.5	0.5	1.8
Domestic	0.1	0.3	0.3	0.3	1.4
External	--	0.3	0.2	0.2	0.4
Transfers & Subsidies	2.1	1.7	2.6	2.7	2.6
Of which: Pensions	1.1	1.0	1.5	1.3	1.5
Current Account Balance	2.6	13.1	5.6	0.1	(5.5)
Capital Grants	5.2	3.7	2.5	9.8	6.2
Capital Expenditure	10.3	16.0	12.8	15.3	12.4
Overall Balance	(2.4)	0.8	(4.7)	(5.4)	(11.7)
Financing	2.4	(0.8)	4.7	5.4	11.7
Domestic	2.3	(0.5)	2.8	7.3	10.3
ECCB (net)	(0.3)	0.3	0.5	0.7	5.0
Commercial Bank (net)	2.8	(3.4)	2.2	12.2	3.4
Other	(0.3)	2.6	0.1	(4.2)	2.0
External	0.2	(0.3)	(0.2)	(0.4)	1.3
Net Amortisation	0.2	(0.3)	(0.2)	(0.4)	1.3
Disbursements	0.5	0.3	--	--	1.4
Amortisation	(0.3)	(0.6)	(0.2)	(0.3)	0.1
Change in Govt. Foreign Assets	--	--	--	--	--
Arrears	--	--	2.0	(1.6)	0.1
Domestic	--	--	2.0	(1.6)	--
External	--	--	--	--	0.1

Source: Ministry of Finance and ECCB

^R = Revised ^P = Preliminary

Data as at April 23, 2002



Table 9
Anguilla - Monetary Survey
(In millions of Eastern Caribbean dollars)

	1997	1998 ^R	1999 ^R	2000	2001 ^P
Net Foreign Assets	118.1	167.7	109.0	102.5	151.7
Central Bank (net)	44.0	49.0	53.8	54.8	65.3
Commercial Banks (net)	74.1	118.7	55.2	47.7	86.4
External (net)	55.7	91.2	33.9	18.0	50.6
Assets	178.6	257.7	206.0	211.2	229.6
Liabilities	122.9	166.4	172.1	193.2	178.9
Other ECCB Territories (net)	18.4	27.5	21.4	29.7	35.7
Assets	28.3	34.1	35.8	40.2	49.9
Liabilities	10.0	6.7	14.5	10.5	14.2
Net Domestic Assets	165.1	173.3	260.8	329.6	332.5
Domestic Credit	203.2	220.5	300.3	385.2	409.8
Central Government (net)	(0.6)	(3.7)	(1.0)	11.6	19.8
Other Public Sector	(40.7)	(34.9)	(39.0)	(50.6)	(57.0)
Non-Bank Financial Institutions (net)	(2.3)	(3.3)	(4.5)	(7.3)	(14.0)
Subsidiaries & Affiliates (net)	1.6	1.5	7.6	6.7	3.1
Private Sector	245.1	260.9	337.1	424.8	457.7
Other Items (net)	(38.1)	(47.2)	(39.5)	(55.6)	(77.2)
Money Supply (M2)	283.2	341.0	369.8	432.1	484.3
Currency with the Public	7.2	8.5	8.7	8.8	9.0
Demand Deposits	7.7	9.1	9.8	11.4	11.4
Savings Deposits	37.5	41.4	44.8	49.2	47.0
Time Deposits	30.1	32.6	38.4	39.9	44.5
Foreign Currency Deposits	200.8	249.5	268.1	322.9	372.6

Source: ECCB

^R = Revised

^P = Preliminary

Data as at April 23, 2002

Table 10
Anguilla - Balance of Payments
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Current Account	(50.6)	(53.8)	(137.8)	(150.6)	(75.9)
Goods and Services	(42.1)	(50.2)	(128.2)	(147.1)	(71.7)
Goods	(142.2)	(161.6)	(210.5)	(212.9)	(175.4)
Merchandise	(142.1)	(161.0)	(210.5)	(212.6)	175.1
Repair on Goods	--	--	--	0.0	0.0
Goods Procured in Port					
by Carriers	(0.1)	(0.5)	0.0	0.3	(0.3)
Services	100.0	111.4	82.3	65.8	103.7
Transportation	(23.2)	(39.3)	(35.9)	(34.0)	(23.0)
Travel	144.1	144.3	133.2	130.3	144.5
Insurance Services	(2.9)	(3.0)	(4.4)	(4.3)	(3.4)
Other Business Services	(12.2)	(13.4)	(17.9)	(26.2)	(13.2)
Government Services	(5.7)	22.8	7.3	(0.1)	(1.3)
Income	(10.3)	(10.1)	(8.8)	(7.7)	(2.2)
Compensation of Employees	--	--	--	--	--
Investment Income	(10.3)	(10.1)	(8.8)	(7.7)	(2.2)
Current Transfers	1.8	6.5	(0.9)	4.2	(2.0)
General Government	4.5	7.1	5.8	2.4	2.3
Other Sectors	(2.7)	(0.7)	(6.6)	1.8	(4.3)
Capital and Financial Account	55.6	58.8	142.5	151.6	86.4
Capital Account	6.8	5.6	7.2	13.0	17.4
Capital Transfers	6.8	5.6	7.2	13.0	17.4
Acquisition & Disposal of non-produced, non-financial assets	--	--	--	--	--
Financial Account	48.8	53.2	134.5	138.6	69.1
Direct Investment	57.4	75.8	102.6	106.3	74.2
Portfolio Investment	--	(0.6)	--	--	--
Other Investment	(8.5)	(22.0)	32.8	32.3	(5.1)
Public Sector Long Term	0.2	(0.4)	(3.2)	(1.7)	4.6
Other Public Sector Capital	--	--	--	--	--
Commercial Banks	(4.4)	(44.6)	63.5	7.5	(38.7)
Other Assets	(1.7)	(1.5)	(3.5)	(1.9)	(1.9)
Other Liabilities*	(2.7)	24.5	(24.1)	28.4	30.8
Overall Balance	5.0	5.0	4.8	1.0	10.5
Financing	(5.0)	(5.0)	(4.8)	(1.0)	(10.5)
Change in SDR Holdings	--	--	--	--	--
Change in Reserve Position with the Fund	--	--	--	--	--
Change in Government Foreign Assets	--	--	--	--	--
Change in Imputed Reserves	(5.0)	(5.0)	(4.8)	(1.0)	(10.5)

Source: ECCB and Development Planning Unit

^R = Revised

^P = Preliminary

* Includes errors & omissions

Data as at April 23, 2002

Table 11
Antigua and Barbuda - Selected Economic Indicators

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
(Annual percentage change unless otherwise stated)					
National Income and Prices					
Nominal GDP at basic prices	7.9	7.5	5.9	3.3	2.9
Real GDP at basic prices	5.6	5.0	4.9	2.5	1.5
GDP Deflator	2.2	2.4	0.9	0.8	1.4
Consumer Prices (end of period)	(1.1)	4.7	1.0	0.5	1.7
Consumer Prices (period average)	0.2	3.4	1.1	0.7	1.5
Real GDP at basic prices by Selected Sectors					
Agriculture	4.8	4.2	3.2	3.3	0.9
Manufacturing	6.0	5.5	4.5	3.0	3.0
Electricity and Water	6.2	1.1	12.5	10.0	6.1
Construction	8.0	10.0	8.0	6.5	4.0
Wholesale and Retail	4.0	4.5	4.5	4.3	2.8
Hotel and Restaurant	5.7	(2.2)	2.7	(0.9)	(7.0)
Transportation	8.6	1.1	2.0	4.6	(0.9)
Communications	10.0	10.0	20.5	(6.8)	4.7
Banks and Insurance	23.9	13.3	0.0	1.4	1.1
Government Services	2.3	10.6	0.6	2.5	2.5
Other Services	4.5	3.3	4.0	4.0	2.5
(as a percentage of GDP)					
External Sector					
Current Account Balance	(8.2)	(9.7)	(11.8)	(12.1)	(8.7)
Overall Balance	0.1	0.7	0.0	(2.6)	1.1
Trade Balance	51.1	48.9	51.4	48.7	46.3
External Debt (end of period)	60.0	62.3	60.2	60.6	57.3
Central Government					
Current Account Balance	0.2	(0.9)	(1.6)	(3.2)	(2.9)
Current Revenue	20.9	2.04	19.7	18.3	19.2
Current Expenditure	20.7	21.4	21.3	21.5	22.1
Capital Expenditure and Net Lending	3.7	4.3	2.7	2.7	3.9
Overall Fiscal Balance	(3.2)	(3.7)	(3.7)	(5.4)	(6.4)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	4.5	4.4	4.3	5.0	4.4
Weighted Lending Interest Rates	12.1	12.2	12.2	12.2	11.5
(in millions of EC dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	1,315.9	1,414.1	1,496.2	1,546.2	1,591.7
Real GDP at basic prices	1,099.2	1,153.8	1,210.3	1,240.5	1,259.2
Nominal GDP at Market Prices	1,568.8	1,674.2	1,758.1	1,786.6	1,853.2
GDP Per Capita (EC\$)	19,101	20,240	21,116	21,535	22,011
Merchandise Imports (f.o.b)	836.1	859.5	946.1	913.4	904.3
Merchandise Exports (f.o.b)	35.0	40.0	42.6	44.1	45.5
Gross Visitor Expenditure	749.3	759.6	782.9	784.5	734.6

Source: Antigua and Barbuda Statistics Division and ECCB

^R = Revised ^P = Preliminary

Data as at May 13, 2002

Table 12
Antigua and Barbuda - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Current Revenue	327.6	342.3	347.1	326.1	355.8
Tax Revenue	281.3	292.6	302.4	283.7	316.5
Taxes on Income & Profits	25.6	27.2	35.1	37.5	47.8
Of which:					
Company	23.7	25.7	33.6	35.1	43.0
Business Tax	1.9	1.5	1.5	2.2	1.2
Taxes on Property	4.9	4.1	4.2	4.7	6.0
Taxes on Domestic Goods & Services	63.4	64.2	63.3	59.8	67.1
Of which:					
Stamp Duty	12.2	15.1	14.4	13.0	16.1
Hotel & Guest Taxes	23.4	21.8	22.3	22.0	23.1
Telecommunications Tax	10.3	11.7	10.0	9.8	9.6
Taxes on International Trade & Transactions	187.5	197.1	199.8	181.8	195.6
Of which:					
Import Duty	56.8	57.2	57.2	56.6	55.9
Consumption Tax	83.1	90.2	88.1	71.6	76.8
Customs Service Charge	23.2	24.8	30.1	26.4	38.9
Foreign Currency Levy	7.2	7.8	8.0	9.3	6.5
Non-Tax Revenue	46.2	49.6	44.7	42.4	39.3
Current Expenditure	324.1	357.6	375.1	383.3	410.3
Personal Emoluments	177.6	206.3	206.1	214.6	220.0
Goods & Services	73.3	78.9	94.6	87.6	111.8
Interest Payments	38.7	40.3	31.8	38.9	39.6
Of which:					
Domestic	29.8	26.8	23.4	28.5	31.9
External	8.6	7.1	8.4	12.1	8.7
Transfers & Subsidies	34.7	38.5	42.4	40.6	38.0
Of which: Pensions	15.5	18.8	17.1	16.3	17.7
Current Account Balance	3.5	(15.3)	(28.0)	(57.2)	(54.5)
Capital Revenue	3.7	9.3	4.0	6.3	1.4
Grants	0.9	15.7	6.8	2.7	7.7
Of which: Capital Grants	0.9	15.7	6.8	2.7	7.7
Capital Expenditure	58.4	71.2	47.5	47.9	73.1
Overall Balance	(50.3)	(61.5)	(64.6)	(96.0)	(118.6)
Financing	50.3	61.5	64.6	96.0	118.6
Domestic	1.4	25.7	53.5	27.7	22.7
ECCB (net)	(0.7)	(1.9)	(1.7)	11.1	(1.6)
Commercial Banks (net)	37.7	32.9	40.7	15.0	(12.6)
Other	(35.6)	(5.4)	14.5	1.6	36.9
External	9.9	(5.4)	15.3	6.5	(2.3)
Net Amortisation	8.4	(5.4)	15.3	(17.0)	(2.3)
Disbursements	18.2	5.9	32.3	18.9	20.8
Amortisation	(9.8)	(11.3)	(17.1)	(35.9)	(23.1)
Change in Govt. Foreign Assets	0.0	0.0	0.0	0.0	0.0
Other	1.5	0.0	0.0	23.5	0.0
Arrears	39.0	41.3	(4.2)	61.8	98.2
Domestic	39.2	35.9	22.7	61.8	80.4
External	(0.2)	5.4	(26.9)	0.0	17.8

Source: Ministry of Finance and ECCB

^R = Revised ^P = Preliminary

Data as at May 13, 2002



Table 13
Antigua and Barbuda - Monetary Survey
(In millions of Eastern Caribbean dollars at end of period)

	1997	1998	1999	2000 ^R	2001
Net Foreign Assets	21.0	49.0	54.9	(73.5)	95.3
Central Bank (net)	136.9	160.3	188.2	171.6	215.2
Commercial Banks (net)	(115.9)	(111.3)	(133.3)	(245.0)	(119.9)
External (net)	(25.5)	6.7	7.1	(47.4)	(19.3)
Assets	115.9	160.3	404.0	425.4	466.1
Liabilities	141.5	153.6	396.9	472.7	485.4
Other ECCB Territories (net)	(90.3)	(118.0)	(140.4)	(197.7)	(100.6)
Assets	42.8	32.3	28.3	39.5	39.7
Liabilities	133.1	150.3	168.7	237.2	140.3
Net Domestic Assets	1009.1	1138.6	1256.8	1,460.5	1,358.2
Domestic Credit	1126.6	1254.3	1408.4	1,552.4	1,551.9
Central Government (net)	207.4	238.6	277.4	303.5	289.3
Other Public Sector (net)	(45.9)	(30.5)	12.2	15.5	10.8
Non-Bank Financial Institutions (net)	(30.9)	(34.1)	(32.1)	(44.9)	(63.5)
Subsidiaries & Affiliates (net)	(31.0)	(22.8)	(45.0)	(29.8)	(33.4)
Private Sector	1027.0	1103.2	1196.0	1,308.6	1,348.7
Other Items (net)	(117.5)	(115.8)	(151.6)	(91.92)	(193.7)
Money Supply (M2)	1030.1	1187.5	1311.7	1,387.0	1,453.3
Currency	66.5	79.8	85.0	84.6	78.1
Demand Deposits	175.8	218.9	217.6	199.7	229.0
Savings Deposits	393.3	453.6	471.3	483.5	511.6
Time Deposits	341.5	372.7	467.5	522.6	554.3
Foreign Currency Deposits	52.9	62.5	70.3	96.5	80.6

Source: ECCB

^R = Revised

Data as at April 5, 2002

Table 14
Antigua and Barbuda - Balance of Payments
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Current Account	(127.9)	(163.0)	(207.1)	(215.6)	(161.1)
Goods and Services	(94.5)	(78.1)	(162.0)	(133.2)	(113.0)
Goods	(742.7)	(765.3)	(852.8)	(807.5)	(797.0)
Merchandise	(801.1)	(819.5)	(903.5)	(869.3)	(858.8)
Repair on Goods	2.5	2.6	0.0	0.0	0.0
Goods Procured in Ports by Carriers	55.9	51.6	50.7	61.8	61.8
Services	648.2	687.2	690.8	674.3	684.0
Transportation	40.0	15.4	(5.8)	13.9	22.1
Travel	677.1	681.4	701.3	701.6	650.9
Insurance Services	(34.0)	10.3	8.9	0.6	0.9
Other Business Services	(31.1)	(22.7)	(20.8)	(45.4)	7.1
Government Services	(3.8)	2.8	7.1	3.6	3.1
Income	(59.8)	(79.7)	(98.3)	(106.6)	(90.2)
Compensation of Employees	--	--	--	--	--
Investment Income	(59.8)	(79.7)	(98.3)	(106.6)	(90.2)
Current Transfers	26.4	(5.2)	53.3	24.2	42.0
General Government	(1.9)	0.7	4.2	5.0	7.4
Other Sectors	28.4	(5.9)	49.1	19.2	34.6
Capital and Financial Account	135.9	186.4	235.1	198.9	204.8
Capital Account	24.8	36.5	27.8	48.0	39.8
Capital Transfers	24.8	36.5	27.8	45.4	39.8
Acquisition & Disposal of Non- Produced, Non-Financial Assets	--	--	--	--	--
Financial Account	111.1	149.9	207.3	150.9	165.0
Direct Investment	62.0	74.1	98.6	89.5	145.1
Portfolio Investment	--	(0.8)	7.3	6.1	6.2
Other Investment	49.2	76.6	101.4	55.3	13.7
Public Sector Long Term	1.9	(2.2)	13.6	(12.7)	10.9
Other Public Sector Capital	6.2	11.8	27.8	29.1	22.4
Commercial Banks	103.3	(4.6)	22.0	111.7	(125.2)
Other Assets	(6.5)	(55.1)	(9.5)	(1.0)	(1.0)
Other Liabilities*	(55.7)	126.7	47.4	(71.8)	106.6
Overall Balance	8.0	23.4	28.0	(16.7)	43.7
Financing	(8.0)	(23.4)	(28.0)	16.7	(43.7)
Change in SDR Holdings	--	--	--	--	--
Change in Reserve Position with the Fund	--	--	--	--	--
Change in Government Foreign Assets	--	--	--	--	--
Change in Imputed Reserves	(8.0)	(23.4)	(28.0)	16.7	(43.7)

Source: ECCB and Statistics Division

^R = Revised

^P = Preliminary

* Includes errors & omissions

Data as at May 1, 2002

Table 15
Dominica - Selected Economic Indicators

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
(Annual percentage change unless otherwise stated)					
National Income and Prices					
Nominal GDP at basic prices	3.2	5.5	4.2	1.3	(2.7)
Real GDP at basic prices	2.0	2.8	1.6	0.7	(4.6)
GDP Deflator	1.2	2.6	2.5	0.6	1.9
Consumer Prices (end of period)	2.3	1.4	(0.0)	1.1	1.9
Consumer Prices (period average)	2.4	1.0	1.2	0.9	1.9
Real GDP at basic prices by Selected Sectors					
Agriculture	(1.5)	(2.0)	(2.1)	(1.1)	(11.4)
Manufacturing	2.5	16.8	(17.3)	8.5	(14.8)
Electricity and Water	7.5	9.3	5.2	2.5	2.7
Construction	(1.7)	(4.1)	3.7	2.0	(4.6)
Wholesale and Retail	2.5	2.6	2.5	2.5	(3.0)
Hotel and Restaurant	2.0	(4.0)	4.3	(5.6)	(4.1)
Transportation	(0.2)	3.6	1.3	(2.0)	(6.5)
Communications	12.9	11.0	12.6	(4.4)	(7.7)
Banks and Insurance	(4.2)	8.0	6.8	0.3	2.2
Government Services	2.9	5.5	0.2	4.4	4.4
Other Services	2.0	3.9	3.1	(0.5)	0.5
(as a percentage of GDP)					
External Sector					
Current Account Balance	(10.6)	(4.8)	(14.9)	(22.6)	(18.0)
Overall Balance	0.4	1.0	3.9	0.2	1.5
Trade Balance	21.1	17.3	25.3	28.1	26.8
External Debt (end of period)	36.3	35.0	34.3	36.6	43.6
Central Government					
Current Account Balance	0.6	1.5	(0.8)	(1.6)	(4.0)
Current Revenue	28.5	29.3	27.8	29.4	28.1
Current Expenditure	27.9	27.8	28.6	31.0	32.1
Capital Expenditure and Net Lending	4.9	6.4	11.0	7.9	9.9
Overall Fiscal Balance	(2.3)	(0.7)	(9.8)	(5.6)	(8.6)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	4.3	4.0	4.0	3.7	4.0
Weighted Lending Interest Rates	11.0	11.2	11.7	10.6	11.0
(in millions of EC Dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	554.7	585.1	609.7	617.3	600.5
Real GDP at basic prices	431.3	443.2	450.5	453.6	432.8
Nominal GDP at Market Prices	661.6	700.5	722.8	728.0	710.5
GDP Per Capita (EC\$)	7,344	7,701	8,016	8,108	8,467
Merchandise Imports (f.o.b)	280.8	288.7	333.0	351.2	310.6
Merchandise Exports (f.o.b)	141.3	167.2	146.7	147.0	120.0
Gross Visitor Expenditure	130.3	125.6	132.0	135.2	130.0

Source: Central Statistical Office in Dominica, and ECCB
^R = Revised ^P = Preliminary
 Data as at April 19, 2002

Table 16
Dominica - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Current Revenue	188.6	205.0	200.8	214.1	199.7
Tax Revenue	154.9	173.0	168.6	181.6	161.9
Taxes on Income & Profits	41.7	51.0	48.2	63.5	44.6
Of which:					
Personal	23.8	28.6	31.1	35.2	30.1
Company	19.4	23.6	18.6	29.6	16.0
Taxes on Property	2.1	2.1	2.5	2.5	2.4
Taxes on Domestic Goods & Services	24.5	25.6	26.0	26.9	30.0
Of which:					
Sales Tax	10.1	11.2	11.7	12.5	10.8
Consumption Duty	5.0	5.2	5.4	5.1	5.0
Hotel Occupancy Tax	0.5	0.5	0.7	0.6	0.6
Taxes on International Trade & Transactions	86.6	94.3	91.9	88.7	84.9
Of which:					
Consumption Duty (imports)	55.4	62.0	58.1	49.9	49.4
Import Duty	23.2	23.4	24.6	25.4	21.1
Service Charge (imports)	3.3	3.4	3.7	5.7	6.5
Non-Tax Revenue	33.7	32.0	32.1	32.5	37.8
Current Expenditure	184.7	194.8	206.5	225.7	227.9
Personal Emoluments	105.5	108.3	116.5	121.4	123.3
Goods & Services	29.4	33.8	34.4	29.9	31.5
Interest Payments	16.5	18.9	19.6	41.9	36.8
Foreign	4.2	2.9	7.4	24.8	15.1
Domestic	12.4	16.1	12.3	17.1	21.7
Transfers & Subsidies	33.2	33.7	36.0	32.5	36.3
Of which: Pensions	7.0	8.2	8.9	9.5	10.4
Current Account Balance	3.8	10.2	(5.8)	(11.5)	(28.2)
Capital Revenue	8.5	5.4	3.1	2.6	3.2
Grants	4.7	24.3	11.6	25.7	34.3
Of which: Capital Grants	4.7	24.3	11.6	25.7	34.3
Capital Expenditure & Net Lending	32.6	45.0	79.8	57.8	70.2
Overall Balance	(15.5)	(5.1)	(70.8)	(40.9)	(61.0)
Financing	15.5	5.1	70.8	40.9	61.0
Domestic	14.9	(11.9)	5.7	(24.6)	8.3
ECCB (net)	0.1	(1.4)	(0.3)	(0.6)	(1.7)
Commercial Banks (net)	(3.5)	(21.5)	8.1	10.4	22.6
Other	18.3	11.0	(2.3)	34.4	(12.6)
External	3.8	10.9	70.5	51.2	33.2
Net Amortisation	0.4	6.2	7.5	17.0	38.9
Disbursements	15.6	13.8	13.8	22.3	44.4
Amortisation	(15.3)	(7.6)	(6.3)	(5.4)	(5.5)
Change in Govt. Foreign Assets	1.6	1.2	(19.1)	(7.2)	(5.7)
Other Foreign Financing	1.8	3.5	82.2	41.4	0.0
Arrears	(3.2)	6.1	(5.4)	14.4	19.5
Domestic	(2.0)	10.0	(1.4)	13.4	(17.2)
External	(1.2)	(3.9)	(4.0)	1.0	2.4

Source: Ministry of Finance and ECCB
^R = Revised ^P = Preliminary
 Data as at April 19, 2002



Table 17
Dominica - Monetary Survey
(In millions of Eastern Caribbean Dollars at end of Period)

	1997	1998	1999	2000	2001 ^P
Net Foreign Assets	64.7	91.1	125.4	66.3	105.8
Central Bank (net)	64.5	74.7	85.2	79.3	84.3
Commercial Banks (net)	0.2	16.5	40.2	(12.9)	21.5
External (net)	9.9	30.8	42.1	7.5	15.6
Assets	102.8	133.1	137.0	94.5	105.7
Liabilities	92.9	102.3	94.8	87.0	90.1
Other ECCB Territories	(9.7)	(14.3)	(1.9)	(20.5)	5.9
Assets	13.5	6.9	25.8	26.1	32.6
Liabilities	23.2	21.2	27.7	46.6	26.7
Net Domestic Assets	316.3	333.2	342.9	404.7	406.3
Domestic Credit	370.6	401.9	420.4	491.7	503.7
Central Government (net)	74.5	51.5	59.5	69.3	90.1
Other Public Sector (net)	(27.0)	(14.3)	(10.6)	5.5	10.0
Non-Bank Financial Institutions (net)	(60.3)	(43.4)	(43.9)	(35.8)	(37.7)
Subsidiaries & Affiliates (net)	(3.0)	(1.9)	(4.5)	(1.3)	1.6
Private Sector	386.3	410.0	419.8	454.1	439.6
Other Items	(54.3)	(68.7)	(77.5)	(87.0)	(97.5)
Money Supply (M2)	381.0	424.3	468.3	471.0	512.1
Currency with the Public	28.2	29.1	34.1	35.4	34.6
Demand Deposits	46.5	56.3	72.7	54.9	57.0
Savings Deposits	202.5	208.6	236.7	249.0	254.0
Time Deposits	96.5	120.2	111.8	121.7	150.6
Foreign Currency Deposits	7.3	10.1	12.9	10.0	15.9

Source: ECCB
^P = Preliminary
Data as at April 19, 2002

Table 18
Dominica - Balance of Payments
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Current Account	(69.9)	(33.5)	(107.5)	(164.7)	(127.9)
Goods and Services	(52.2)	(25.5)	(74.8)	(95.8)	(90.3)
Goods	(136.5)	(118.4)	(181.9)	(201.1)	(188.0)
Merchandise	(139.6)	(121.5)	(182.7)	(204.3)	(190.6)
Repair on Goods	0.0	0.0	0.0	0.0	0.0
Goods Procured in Ports by Carriers	3.1	3.2	0.8	3.1	2.6
Services	84.3	92.8	107.1	105.3	97.8
Transportation	(38.3)	(32.0)	(36.5)	(39.6)	(34.2)
Travel	110.5	103.4	106.7	111.1	106.6
Insurance Services	(4.0)	(5.4)	(4.3)	(3.4)	(2.8)
Other Business Services	19.2	38.2	46.8	47.0	40.0
Government Services	(3.1)	(11.4)	(5.5)	(9.7)	(11.9)
Income	(45.7)	(42.4)	(69.3)	(101.6)	(75.6)
Compensation of Employees	(0.1)	0.7	1.9	1.7	1.7
Investment Income	(45.6)	(43.0)	(71.1)	(103.3)	(77.3)
Current Transfers	28.0	34.4	36.6	32.7	37.9
General Government	2.6	8.9	8.7	4.0	8.2
Other Sectors	25.4	25.6	27.9	28.7	29.7
Capital and Financial Account	71.7	42.5	137.2	166.0	138.6
Capital Account	60.8	39.8	31.8	38.4	52.0
Capital Transfers	60.8	33.3	32.2	42.0	52.0
Acquisition & Disposal of non- produced, non-financial assets	0.0	0.0	0.5	(3.8)	--
Financial Account	10.9	2.6	105.4	127.8	86.6
Direct Investment	57.0	17.6	48.5	29.2	38.2
Portfolio Investment	(0.5)	3.5	77.6	36.8	2.4
Other Investment	(42.4)	(16.0)	(20.7)	61.8	46.1
Public Sector Long Term	2.6	4.0	5.6	26.5	61.1
Other Public Sector Capital	2.5	4.4	1.6	0.0	0.2
Commercial Banks	9.1	(16.3)	(23.8)	53.2	(34.5)
Other Assets	(8.1)	(14.5)	(10.6)	(28.1)	(12.9)
Other Liabilities*	(51.8)	3.9	6.5	10.1	32.1
Overall Balance	1.8	9.0	29.7	1.3	10.7
Financing	(1.8)	(9.0)	(29.7)	(1.3)	(10.7)
Change in SDR Holdings	--	--	0.0	0.0	--
Change in Reserve Position with the Fund	(1.5)	0.0	0.0	0.0	--
Change in Government Foreign Assets	1.6	1.2	(19.1)	(7.2)	(5.7)
Change in Imputed Reserves	(1.9)	(10.2)	(10.5)	5.9	(5.0)

Source: ECCB and Statistics Department
^R = Revised
^P = Preliminary
* Includes errors & omissions
Data as at April 18, 2002

Table 19
Grenada - Selected Economic Indicators

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
(Annual percentage change unless otherwise stated)					
National Income and Prices					
Nominal GDP at basic prices	12.2	9.1	8.2	7.3	(0.7)
Real GDP at basic prices	4.2	7.3	7.5	6.6	(3.4)
GDP Deflator	4.7	1.6	0.6	0.7	2.8
Consumer Prices (end of period)	0.8	1.2	1.0	3.5	2.5
Consumer Prices (period average)	1.3	1.3	0.6	2.2	3.2
Real GDP at basic prices by Selected Sectors					
Agriculture	(8.6)	(1.2)	10.0	(2.2)	(3.3)
Manufacturing	11.4	14.1	12.1	13.8	(7.6)
Electricity and Water	11.6	6.5	6.3	12.5	7.0
Construction	14.1	16.9	9.3	15.8	(14.7)
Wholesale and Retail	8.0	5.6	5.4	4.0	(3.2)
Hotel and Restaurant	3.6	2.1	11.2	2.9	(4.3)
Transportation	18.8	5.6	4.8	(0.5)	(2.1)
Communications	10.1	24.9	11.5	20.9	(11.5)
Banks and Insurance	9.2	10.0	11.5	10.2	6.1
Government Services	1.6	4.4	3.5	(2.6)	4.3
Other Services	6.6	4.0	4.9	15.9	4.5
(as a percentage of GDP)					
External Sector					
Current Account Balance	(22.3)	(22.9)	(12.6)	(20.2)	(17.1)
Overall Balance	2.3	1.2	1.2	1.6	1.6
Trade Balance	41.0	40.3	30.4	35.1	34.5
External Debt (end of period)	29.7	26.7	27.4	31.5	35.8
Central Government					
Current Account Balance	0.7	1.0	4.2	6.1	2.3
Current Revenue	25.0	24.3	26.6	27.1	26.3
Current Expenditure	24.3	23.3	22.5	21.0	24.0
Capital Expenditure and Net Lending	8.6	8.5	10.4	12.3	15.1
Overall Fiscal Balance	(2.3)	(3.0)	(2.8)	(3.2)	(8.6)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	4.0	4.3	4.3	4.2	4.2
Weighted Lending Interest Rates	11.5	11.8	11.7	11.5	10.1
(in millions of EC Dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	706.2	770.2	833.1	894.0	887.9
Real GDP at basic prices	564.5	605.8	651.3	694.1	670.7
Nominal GDP at Market Prices	823.3	946.7	1,020.2	1,097.8	1,075.3
GDP Per Capita (EC\$)	7,098	7,694	8,273	8,816	8,800
Merchandise Imports (f.o.b)	418.2	494.0	498.2	596.4	531.5
Merchandise Exports (f.o.b)	80.4	112.3	187.6	211.0	160.7
Gross Visitor Expenditure	211.8	224.4	238.1	250.2	225.3

Source: Central Statistical Office in Grenada, and ECCB

^R = Revised

^P = Preliminary

Data as at June 10, 2002

Table 20
Grenada - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001
Current Revenue	205.9	230.1	271.8	297.3	282.8
Tax Revenue	185.8	207.0	236.3	265.2	254.6
Taxes on Income & Profits	22.0	24.7	40.0	52.1	57.2
Of which:					
Personal ¹	5.3	4.6	5.4	6.7	8.4
Company ²	16.5	19.7	34.1	44.7	46.7
Taxes on Property	4.8	5.8	9.3	9.3	10.0
Taxes on Domestic Goods & Services	39.0	42.5	42.8	51.1	44.9
Of which:					
Value-added Tax	0.5	0.2	0.3	0.5	0.0
Consumption Duty	18.8	20.7	23.3	26.4	25.9
Stamp Duty	3.2	4.4	2.6	3.0	2.8
Licences	6.8	7.7	6.5	9.3	5.6
Taxes on International Trade & Transactions	120.1	133.9	144.3	152.8	142.5
Of which:					
Import Duty	27.4	30.2	32.2	34.0	31.9
Consumption Tax	68.9	75.1	79.1	87.4	83.7
Customs Service Charge	19.7	22.1	23.6	27.2	25.2
Non-Tax Revenue	20.1	23.1	35.5	32.1	28.2
Current Expenditure	199.8	221.0	229.2	230.5	258.1
Personal Emoluments	110.7	115.3	120.2	114.4	127.6
Goods & Services	32.1	36.7	34.9	43.7	52.7
Interest Payment	19.4	14.8	24.9	24.2	27.9
Domestic	13.2	9.9	16.0	11.7	17.9
External	6.2	4.9	8.9	12.5	10.0
Transfers & Subsidies	37.8	54.1	49.2	48.2	49.9
Of which: Pensions	11.3	12.9	11.8	12.0	14.2
Current Account Balance	6.1	9.2	42.7	66.8	24.7
Capital Revenue	24.3	16.1	3.7	0.7	0.5
Grants	21.6	26.6	31.1	32.6	45.2
Of which:					
Capital Grants	21.6	26.6	31.1	25.9	33.6
Capital Expenditure	70.7	80.0	106.4	135.2	162.6
Overall Balance	(18.8)	(28.1)	(28.9)	(35.0)	(92.2)
Financing	18.8	28.1	28.9	35.0	92.2
Domestic	(25.7)	(0.7)	(8.8)	29.4	26.5
ECCB (net)	(4.3)	(2.8)	(2.8)	(2.8)	1.0
Commercial Banks (net)	19.5	(2.1)	(24.9)	19.0	33.9
Other	(40.8)	4.2	18.9	13.1	(8.4)
External	30.3	13.8	27.8	21.9	42.0
Net Amortisation	30.3	13.8	29.6	21.3	42.0
Disbursements	42.9	24.8	42.9	42.6	63.2
Amortisation	(12.5)	(11.0)	(13.3)	(21.3)	(21.2)
Change in Govt. Foreign Assets	0.0	0.0	(1.8)	0.6	0.0
Arrears	14.1	15.0	9.9	(16.2)	23.7
Domestic	10.6	10.6	8.4	(12.2)	0.0
External	3.5	4.4	1.5	(4.0)	0.0

Source: Ministry of Finance and ECCB

^R = Revised

¹Includes Debt Service Levy

²Includes Business Levy

Data as at April 22, 2002



Table 21
Grenada - Monetary Survey
(In millions of Eastern Caribbean Dollars at end of period)

	1997	1998	1999	2000	2001 ^P
Net Foreign Assets	85.0	88.2	133.8	136.7	203.5
Central Bank (net)	115.2	126.4	137.3	155.7	172.6
Commercial Banks (net)	(30.2)	(38.2)	(3.5)	(19.0)	30.9
External (net)	(42.6)	(59.9)	(39.5)	(65.4)	(33.8)
Assets	128.4	119.3	155.0	136.5	224.5
Liabilities	171.1	179.2	194.5	201.8	258.3
Other ECCB Territories (net)	12.4	21.7	36.0	46.3	64.7
Assets	25.6	29.1	41.3	52.0	76.2
Liabilities	13.2	7.4	5.3	5.7	11.5
Net Domestic Assets	586.6	662.3	720.8	849.2	886.8
Domestic Credit	618.0	707.8	762.4	911.5	968.0
Central Government (net)	76.2	71.2	43.6	59.8	94.7
Other Public Sector	(20.7)	(24.8)	(34.9)	(19.8)	(5.5)
Non-Bank Financial Institutions (net)	(25.4)	(23.4)	(14.1)	(6.9)	(7.6)
Private Sector	588.0	684.7	767.9	878.4	886.4
Other Items (net)	(31.4)	(45.5)	(41.6)	(62.3)	(81.1)
Money Supply (M2)	671.5	750.4	854.6	985.8	1,090.4
Currency with the Public	58.3	64.1	64.7	71.1	70.2
Demand Deposits	86.2	95.3	110.4	111.2	122.1
Savings Deposits	370.0	390.6	440.0	493.8	540.0
Time Deposits	123.8	170.8	197.1	240.7	283.3
Foreign Currency Deposits	33.2	29.6	42.3	68.9	74.8

Source: ECCB
^P = Preliminary
Data as at April 23, 2002

Table 22
Grenada - Balance of Payments
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Current Account	(181.3)	(217.2)	(128.8)	(224.5)	(203.1)
Goods and Services	(195.6)	(233.7)	(108.7)	(186.2)	(193.5)
Goods	(329.7)	(370.1)	(297.8)	(368.3)	(370.7)
Merchandise	(337.9)	(381.7)	(310.6)	(385.4)	(370.7)
Repair on Goods	0.0	0.0	0.0	0.0	--
Goods Procured in Ports by Carriers	8.2	11.7	12.9	17.1	0.0
Services	134.1	136.4	189.1	182.1	177.3
Transportation	(62.4)	(77.3)	(66.8)	(76.9)	(66.8)
Travel	197.0	209.0	219.0	229.5	205.2
Insurance Services	(12.8)	(13.0)	(12.3)	(13.6)	(13.5)
Other Business Services	15.6	23.8	47.5	38.9	58.7
Government Services	(3.4)	(6.1)	1.7	4.1	(6.4)
Income	(43.8)	(62.3)	(71.9)	(92.5)	(72.9)
Compensation of Employees	0.1	0.1	0.1	0.0	0.1
Investment Income	(43.9)	(62.3)	(72.0)	(92.6)	(73.0)
Current Transfers	58.1	78.8	51.8	54.3	63.3
General Government	3.8	25.2	(1.2)	6.2	9.2
Other Sectors	54.3	53.6	53.0	48.1	54.1
Capital and Financial Account	202.1	227.9	141.3	239.2	213.5
Capital Account	85.8	77.2	84.2	80.1	96.4
Capital Transfers	85.8	77.2	83.5	80.1	96.4
Acquisition & Disposal of Non- Produced, Non-Financial Assets	0.0	--	0.7	0.0	--
Financial Account	116.3	150.8	57.2	159.1	117.1
Direct Investment	90.5	131.5	112.2	96.4	92.6
Portfolio Investment	(0.1)	(0.2)	1.1	53.2	0.0
Other Investment	25.9	19.5	(56.1)	9.5	24.6
Public Sector Long Term	23.9	6.5	25.3	21.3	42.0
Other Public Sector Capital	0.0	0.0	0.0	0.0	0.0
Commercial Banks	60.8	8.0	(34.7)	15.5	(49.9)
Other Assets	(15.9)	(10.3)	(33.5)	(29.9)	(8.8)
Other Liabilities*	(42.9)	15.2	(13.2)	2.6	41.3
Overall Balance	18.9	11.2	12.7	17.8	16.9
Financing	(18.9)	(11.2)	(12.7)	(17.8)	(16.9)
Change in SDR Holdings	0.0	0.0	--	0.0	--
Change in Reserve Position with the Fund	0.0	0.0	0.0	--	--
Change in Government Foreign Assets	0.0	0.0	(1.8)	0.6	0.0
Change in Imputed Reserves	(18.9)	(11.2)	(10.9)	(18.4)	(16.9)

Source: Central Statistical Department and ECCB
^R = Revised
^P = Preliminary
* Includes errors & omissions
Data as at April 23, 2002

Table 23
Montserrat - Selected Economic Indicators

	1997	1998 ^R	1999 ^R	2000 ^R	2001 ^P
(Annual percentage change unless otherwise stated)					
National Income and Prices					
Nominal GDP at basic prices	(15.3)	(7.5)	(9.3)	(1.2)	4.1
Real GDP at basic prices	(20.0)	(10.1)	(12.6)	(3.0)	(3.8)
GDP Deflator	5.8	2.9	3.7	1.3	8.2
Consumer Prices (end of period)	2.8	0.8	0.8	1.7	4.9
Consumer Prices (period average)	n.a.	n.a.	4.6	0.5	4.7
Real GDP at basic prices by Selected Sectors					
Agriculture	(81.1)	(33.3)	7.6	46.5	(17.3)
Manufacturing	(45.2)	(84.9)	10.6	--	--
Electricity and Water	(41.2)	(33.3)	33.3	5.1	4.9
Construction	72.7	33.5	(13.5)	(35.8)	(7.7)
Wholesale and Retail	(49.1)	34.5	(4.9)	(16.6)	(7.9)
Hotel and Restaurant	(42.9)	8.3	7.7	4.3	21.9
Transportation	(35.9)	(33.7)	(7.7)	(5.2)	2.5
Communications	(29.9)	8.5	(13.5)	33.6	(30.3)
Banks and Insurance	(23.4)	15.6	24.1	64.5	1.9
Government Services	4.6	(13.9)	(17.1)	(0.1)	2.6
Other Services	(54.6)	20.0	5.3	13.6	4.7
(as a percentage of GDP)					
External Sector					
Current Account Balance	(4.9)	(4.9)	(4.2)	(27.1)	(21.1)
Overall Balance	6.5	36.1	(30.2)	(10.8)	(6.1)
Trade Balance	49.1	48.6	51.3	53.4	47.2
External Debt (end of period)	26.0	27.3	22.8	23.1	24.3
Central Government					
Current Account Balance	(31.9)	(35.1)	(32.9)	(24.5)	(28.4)
Current Revenue	25.1	23.0	28.2	30.3	26.4
Current Expenditure	57.0	58.1	61.1	54.8	54.8
Capital Expenditure and Net Lending	20.6	17.6	14.6	50.9	50.0
Overall Fiscal Balance	(0.4)	1.9	1.8	5.3	3.1
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	2.5	2.8	3.3	3.5	3.4
Weighted Lending Interest Rates	12.4	12.1	11.4	11.4	11.6
(In millions of EC dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	95.8	88.6	80.3	79.3	82.6
Real GDP at basic prices	76.7	69.0	60.3	58.5	56.3
Nominal GDP at Market Prices	109.6	100.8	94.7	90.5	93.3
GDP Per Capita (EC\$)	15,717	24,637	16,835	16,067	16,767
Merchandise Imports (f.o.b)	75.9	52.3	52.0	51.4	46.0
Merchandise Exports (f.o.b)	22.1	3.3	3.4	3.0	2.0
Gross Visitor Expenditure	12.8	15.1	22.0	24.0	19.3

Source: Statistics Department in Montserrat, and ECCB

^R = Revised^P = Preliminary

Data as at April 15, 2002

Table 24
Montserrat - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	1997	1998	1999	2000 ^R	2001 ^P
Tax Revenue					
Tax Revenue	24.8	20.3	24.3	25.5	23.0
Taxes on Income & Profits	9.0	6.6	7.6	9.6	11.0
Of which:					
Personal	7.8	6.4	6.8	7.3	9.4
Company	1.2	0.2	0.8	2.4	1.4
Taxes on Property	0.9	0.5	0.8	0.8	0.6
Taxes on Domestic Goods & Services	3.2	2.4	3.1	3.6	3.1
Of which:					
Hotel Occupancy Tax	0.1	0.1	0.1	0.0	--
Insurance Company Levy	0.4	0.1	0.1	0.2	0.19
Stamp Duty & Licenses	2.2	2.1	2.0	2.3	1.86
Taxes on International Trade & Transactions	11.7	10.8	12.8	11.5	8.4
Of which:					
Import Duty	2.1	2.1	2.7	2.5	1.8
Consumption Tax	4.2	3.3	4.3	3.8	2.8
Customs Service Charge	3.6	3.4	4.2	3.8	2.8
Foreign Currency Levy	0.9	1.4	1.1	0.9	0.7
Non-Tax Revenue	2.7	2.9	2.5	1.9	1.7
Capital Revenue					
Personal Emoluments	26.1	18.7	19.9	20.6	22.9
Goods & Services	28.5	28.1	31.3	23.2	22.2
Interest Payment	1.5	1.0	0.8	0.7	0.0
Domestic	0.7	0.7	0.7	0.6	--
External	0.8	0.4	0.1	0.0	0.0
Transfers & Subsidies	6.4	10.8	5.9	5.1	6.0
Of which: Pensions	2.4	3.2	3.6	3.6	4.6
Grants					
Grants	57.2	55.0	46.7	73.0	76.0
Of which: Capital Grants	19.4	19.5	13.4	46.1	46.6
Financing					
Domestic	0.4	(1.9)	(1.7)	(4.8)	(2.9)
ECCB (net)	1.0	(1.4)	(1.9)	(4.4)	(2.7)
Commercial Banks (net)	(0.8)	(0.8)	(0.5)	0.5	(1.1)
Other	(17.5)	7.4	6.9	3.9	(4.2)
External	19.3	(7.9)	(8.2)	(8.8)	(2.6)
Net Amortisation	(0.6)	(0.6)	0.2	(0.4)	(0.2)
Disbursements	(0.6)	(0.6)	(0.2)	(0.4)	(0.2)
Amortisation	--	--	--	--	--
Change in Govt. Foreign Assets	(0.6)	(0.6)	(0.2)	(0.4)	(0.2)
Arrears	--	--	0.4	--	--
Domestic	--	--	--	--	--
Foreign	--	--	--	--	--

Source: Ministry of Finance and ECCB

^R = Revised^P = Preliminary

Data as at April 15, 2002



Table 25
Montserrat - Monetary Survey
(In millions of Eastern Caribbean dollars at end of period)

	1997	1998	1999	2000	2001
Net Foreign Assets	99.2	131.2	133.5	119.1	130.2
Central Bank (net)	30.5	66.9	37.9	28.1	33.7
Commercial Banks (net)	68.7	64.3	95.6	91.0	96.4
External (net)	12.0	10.7	14.4	(0.9)	4.0
Assets	28.0	31.1	35.8	21.6	26.7
Liabilities	16.0	20.4	21.4	22.5	22.8
Other ECCB Territories (net)	56.8	53.6	81.2	91.9	92.4
Assets	60.4	58.0	83.8	99.9	94.6
Liabilities	3.6	4.4	2.5	8.0	2.2
Net Domestic Assets	(0.4)	(13.8)	(22.2)	(18.0)	(28.1)
Domestic Credit	18.5	(1.4)	(1.6)	2.6	(3.2)
Central Government (Net)	(25.4)	(18.8)	(12.5)	(8.2)	(13.5)
Other Public Sector	(4.7)	(7.5)	(8.8)	(10.6)	(13.2)
Non-Bank Financial Institutions (net)	(8.2)	(7.6)	(3.0)	(1.8)	(0.4)
Subsidiaries & Affiliates (net)	(0.6)	(0.2)	--	--	--
Private Sector	57.4	32.8	22.7	23.1	23.9
Other Items (net)	(18.9)	(12.4)	(20.6)	(20.6)	(24.9)
Money Supply (M2)	98.8	117.4	111.3	101.1	102.0
Currency with the Public	17.5	13.3	13.4	9.7	11.8
Demand Deposits	16.7	24.1	18.1	16.5	13.6
Savings Deposits	56.7	73.9	72.2	69.2	69.9
Time Deposits	5.4	3.9	4.0	3.6	4.3
Foreign Currency Deposits	2.4	2.3	3.7	2.1	2.4

Source: ECCB
Data as at April 15, 2002

Table 26
Montserrat - Balance of Payments
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Current Account	(5.3)	5.0	(4.0)	(24.4)	(19.7)
Goods and Services	(51.2)	(74.1)	(52.2)	(56.4)	(54.7)
Goods	(53.8)	(49.0)	(48.6)	(48.3)	(44.1)
Merchandise	(53.8)	(49.0)	(48.6)	(48.4)	(44.1)
Repair on Goods	--	--	0.0	--	--
Goods Procured in Ports by Carriers	0.0	--	0.0	0.0	0.0
Services	2.6	(25.1)	(3.6)	(8.0)	(10.6)
Transportation	(5.3)	(7.6)	(6.3)	(7.3)	(6.9)
Travel	9.2	11.5	18.1	19.5	14.4
Insurance Services	(3.0)	(1.0)	(0.8)	(1.1)	(0.9)
Other Business Services	8.5	9.1	10.1	3.2	3.2
Government Services	(6.8)	(37.1)	(24.7)	(22.4)	(20.4)
Income	(6.3)	(4.8)	(16.0)	(7.3)	(7.5)
Compensation of Employees	--	--	--	--	--
Investment Income	(6.3)	(4.8)	(16.0)	(7.3)	(7.5)
Current Transfers	52.1	83.8	64.3	39.2	42.4
General Government	35.0	85.8	54.0	39.2	42.5
Other Sectors	17.1	(2.0)	10.3	0.0	0.0
Capital and Financial Account	12.4	31.4	(24.6)	14.6	25.3
Capital Account	9.6	9.7	3.6	6.5	20.2
Capital Transfers	9.6	9.7	3.6	6.5	20.2
Acquisition & Disposal of Non- Produced, Non-Financial Assets	--	--	--	--	--
Financial Account	2.8	21.7	(28.2)	8.1	5.1
Direct Investment	6.9	6.9	22.2	9.3	9.6
Portfolio Investment	0.2	0.3	(0.1)	1.5	1.5
Other Investment	(4.3)	14.6	(50.3)	(2.8)	(6.0)
Public Sector Long Term	(1.9)	(1.1)	(0.3)	(0.4)	(0.2)
Other Public Sector Capital	--	--	--	--	--
Commercial Banks	(29.7)	4.4	(31.3)	4.6	(5.4)
Other Assets	(3.3)	(2.9)	(2.5)	(12.4)	(12.4)
Other Liabilities*	30.6	14.1	(16.2)	5.5	12.0
Overall Balance	7.1	36.4	(28.7)	(9.8)	5.6
Financing	(7.1)	(36.4)	(28.7)	9.8	(5.6)
Change in SDR Holdings	--	--	--	--	--
Change in Reserve Position with the Fund	--	--	--	--	--
Change in Government Foreign Assets	--	--	(0.4)	--	--
Change in Imputed Reserves	(7.1)	(36.4)	29.0	9.8	(5.6)

Source: ECCB and Statistics Departments

^R = Revised

^P = Preliminary

* Includes errors & omissions

Data as at April 19, 2002

Table 27
St Kitts and Nevis - Selected Economic Indicators

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
(Annual percentage change unless otherwise stated)					
National Income and Prices					
Nominal GDP at basic prices	12.5	4.3	6.3	10.6	3.9
Real GDP at basic prices	7.3	1.0	3.7	5.5	2.0
GDP Deflator	4.8	3.3	2.5	4.8	1.8
Consumer Prices (end of period)	11.3	0.9	2.2	3.1	2.6
Consumer Prices (period average)	8.7	3.6	3.4	2.1	2.0
Real GDP at basic prices by Selected Sectors					
Agriculture	20.7	(11.7)	(9.1)	(8.5)	11.1
Manufacturing	11.2	(0.9)	8.0	11.3	(8.9)
Electricity and Water	13.3	6.3	(1.1)	11.0	3.9
Construction	6.0	7.0	12.6	29.2	4.3
Wholesale and Retail	5.6	4.2	3.7	(3.2)	2.1
Hotel and Restaurant	5.2	2.2	(12.6)	(23.4)	3.9
Transportation	6.7	(0.5)	1.7	7.9	4.1
Communications	5.6	0.9	10.0	0.7	4.7
Banks and Insurance	12.8	(0.1)	3.4	11.6	(0.9)
Government Services	3.1	4.7	2.7	2.5	2.6
Other Services	3.5	(3.0)	4.0	4.0	3.0
(as a percentage of GDP)					
External Sector					
Current Account Balance	(22.4)	(14.4)	(27.6)	(19.0)	(30.1)
Overall Balance	1.3	3.9	0.7	(1.3)	3.2
Trade Balance	31.4	31.0	29.8	36.6	33.6
External Debt (end of period)	39.2	43.4	50.2	49.1	59.0
Central Government					
Current Account Balance	1.4	0.4	(2.0)	(5.1)	(4.8)
Current Revenue	29.6	30.5	30.6	28.7	28.3
Current Expenditure	28.3	30.2	32.7	33.7	33.1
Capital Expenditure and Net Lending	6.1	8.3	11.0	11.2	10.7
Overall Fiscal Balance	(4.3)	(7.7)	(11.9)	(14.8)	(14.6)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	4.1	4.2	4.3	4.3	4.2
Weighted Lending Interest Rates	11.3	11.3	11.2	11.1	11.1
(in millions of EC dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	625.1	652.0	693.3	766.5	796.3
Real GDP at basic prices	496.3	501.4	520.1	548.9	559.9
Nominal GDP at Market Prices	742.3	775.2	822.7	891.2	927.5
GDP Per Capita (EC\$)	15,343	16,248	16,407	17,224	17,372
Merchandise Imports (f.o.b)	353.0	353.1	364.8	465.6	449.5
Merchandise Exports (f.o.b)	119.6	113.0	119.7	139.6	138.1
Gross Visitor Expenditure	193.7	205.3	182.7	157.8	167.0

Source: Statistics Department in St Kitts and Nevis, and ECCB

^R = Revised

^P = Preliminary

Data as at April 18, 2002

Table 28
St Kitts and Nevis - Central Government Fiscal Operations*
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Current Revenue	220.0	236.7	252.0	255.7	262.1
Tax Revenue	162.4	175.4	183.5	189.0	194.6
Taxes on Income & Profits	38.4	47.3	49.5	59.2	57.7
Of which:					
Company	25.1	30.1	32.3	37.8	36.4
Social Services Levy	12.0	14.9	16.3	19.7	20.3
Taxes on Property	3.9	3.6	3.4	3.9	4.4
Taxes on Domestic Goods & Services	33.5	38.6	38.1	31.1	38.2
Of which:					
Hotel Room Tax	9.2	8.8	9.4	4.7	10.0
Licenses	6.2	5.8	5.4	5.1	4.8
Gasolene Levy	3.1	5.8	6.0	2.2	3.7
Taxes on International Trade & Transactions	86.5	86.0	92.5	94.7	94.2
Of which:					
Import Duty	35.0	35.6	38.9	40.3	31.2
Consumption Tax	37.1	38.1	40.8	41.5	44.0
Customs Service Charge	9.5	9.4	10.0	10.1	13.7
Non-Tax Revenue	57.6	61.3	68.4	66.7	67.5
Current Expenditure	209.9	233.8	268.6	300.7	307.0
Personal Emoluments	106.6	118.6	128.1	137.1	140.3
Goods & Services	60.3	64.9	77.4	87.8	79.5
Interest Payment	20.9	24.7	32.0	42.6	52.4
Domestic	16.7	17.2	19.6	29.0	34.0
External	4.1	7.5	12.4	13.6	18.5
Transfers & Subsidies	22.2	25.5	31.2	33.2	34.7
Of which: Pensions	13.1	13.2	13.9	15.8	17.1
Current Account Balance	10.0	3.0	(16.7)	(45.0)	(44.9)
Capital Revenue	1.2	0.8	1.3	5.7	3.7
Grants	2.0	0.6	7.6	7.5	4.6
Of which: Capital Grants	2.0	0.5	7.6	7.3	4.0
Capital Expenditure & Net Lending	45.3	64.1	90.3	100.2	99.0
Overall Balance	(32.0)	(59.7)	(98.1)	(132.1)	(135.6)
Financing	32.0	59.7	98.1	132.1	135.6
Domestic	(28.6)	18.4	61.5	125.1	23.2
ECCB (net)	(3.1)	(10.1)	8.5	7.0	(0.7)
Commercial Banks (net)	(30.8)	43.5	37.5	107.4	14.0
Other	5.3	(15.1)	15.5	10.7	9.9
External	60.6	41.4	36.1	5.7	111.0
Net Amortisation	61.5	48.2	36.0	5.9	110.7
Disbursements	68.2	57.2	49.0	25.9	129.1
Amortisation	(6.8)	(8.9)	(13.0)	(20.0)	(18.4)
Change in Govt. Foreign Assets	(0.9)	(6.9)	0.1	(0.1)	0.2
Arrears	0.0	0.0	0.5	1.2	1.5
Domestic	0.0	0.0	0.0	0.0	0.0
External	0.0	0.0	0.5	1.2	1.5

Source: Ministry of Finance and ECCB

*Includes Nevis Island Administration

^R = Revised

^P = Preliminary

Data as at April 18, 2002



Table 29
St Kitts and Nevis - Monetary Survey
(In millions of Eastern Caribbean dollars at end of period)

	1997 ^R	1998 ^R	1999 ^R	2000	2001
Net Foreign Assets	140.0	175.5	99.5	152.5	238.0
Central Bank (net)	97.3	126.3	133.6	121.7	152.0
Commercial Banks (net)	42.7	49.2	(34.1)	30.7	86.0
External (net)	(52.4)	35.9	(56.5)	19.3	196.9
Assets	208.9	240.9	178.1	246.9	373.5
Liabilities	261.2	205.0	234.7	227.6	176.7
Other ECCB Territories (net)	95.0	13.2	22.5	11.4	(110.9)
Assets	120.2	91.9	125.8	154.1	73.5
Liabilities	25.2	78.7	103.4	142.7	184.4
Net Domestic Assets	385.1	370.4	507.9	624.2	556.2
Domestic Credit	484.3	512.2	628.0	763.9	752.8
Central Government (net)	79.1	112.5	158.6	273.0	286.2
Other Public Sector (net)	(91.7)	(139.4)	(107.0)	(150.7)	(154.2)
Non-Bank Financial Institutions (net)	(4.0)	(0.2)	(3.5)	(3.8)	(4.5)
Subsidiaries & Affiliates (net)	(20.1)	(24.4)	(30.2)	(35.1)	(50.0)
Private Sector	521.1	563.7	610.2	680.5	675.3
Other Items (net)	(99.3)	(141.8)	(120.1)	(139.7)	(196.6)
Money Supply (M2)	525.0	545.9	607.4	776.7	794.2
Currency with the Public	31.9	35.8	41.5	40.6	36.1
Demand Deposits	50.3	55.6	64.6	69.5	70.1
Savings Deposits	228.8	239.6	267.0	287.1	305.9
Time Deposits	93.3	110.8	115.3	130.3	147.3
Foreign Currency Deposits	120.8	104.1	119.0	249.1	234.8

Source: ECCB
^R = Revised
Data as at April 15, 2002

Table 30
St Kitts and Nevis - Balance of Payments
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Current Account	(166.5)	(112.0)	(226.7)	(169.6)	(279.6)
Goods and Services	(151.0)	(116.6)	(205.3)	(260.0)	(242.1)
Goods	(230.8)	(233.8)	(243.6)	(320.7)	(306.1)
Merchandise	(233.4)	(240.1)	(245.2)	(326.1)	(311.5)
Repair on Goods	0.0	0.0	0.0	0.0	0.0
Goods Procured in Ports by Carriers	2.6	6.4	1.5	5.4	5.3
Services	79.8	117.1	38.3	60.6	64.0
Transportation	(50.1)	(50.1)	(56.8)	(56.3)	(55.4)
Travel	177.7	188.6	164.3	134.1	142.2
Insurance Services	(11.1)	(6.5)	(14.7)	(14.4)	(14.3)
Other Business Services	(31.4)	(10.3)	(51.5)	(2.2)	(9.3)
Government Services	(5.3)	(4.5)	(3.0)	(0.6)	0.8
Income	(56.2)	(68.5)	(76.7)	(78.7)	(90.8)
Compensation of Employees	(6.4)	(0.8)	0.0	(5.8)	(5.4)
Investment Income	(49.8)	(67.7)	(76.7)	(73.0)	(85.4)
Current Transfers	40.7	73.1	55.3	169.2	53.3
General Government	(5.0)	(2.0)	(0.8)	(4.0)	0.8
Other Sectors	45.8	75.2	56.2	173.2	52.4
Capital and Financial Account	176.4	141.9	232.6	157.9	309.7
Capital Account	11.3	22.3	15.7	33.1	38.3
Capital Transfers	11.3	22.3	15.7	33.1	38.3
Acquisition & Disposal of non- produced, non-financial assets	0.0	0.0	0.0	0.0	0.0
Financial Account	165.1	119.6	216.9	124.8	271.4
Direct Investment	53.1	86.2	155.9	259.8	223.8
Portfolio Investment	41.7	6.1	38.7	16.5	95.1
Other Investment	70.3	27.4	22.4	(151.5)	(47.4)
Public Sector Long Term	88.8	41.8	40.0	(17.4)	13.1
Commercial Banks	(46.7)	(6.5)	83.2	(64.8)	(55.3)
Other Assets	(8.9)	(9.7)	(24.9)	(29.0)	(25.3)
Other Liabilities*	37.1	1.8	(76.0)	(40.3)	20.1
Overall Balance	9.9	29.9	5.8	(11.8)	30.1
Financing	(9.9)	(29.9)	(5.8)	11.8	(30.1)
Change in SDR Holdings	0.0	0.0	0.0	0.0	0.0
Change in Reserve Position with the Fund	0.0	6.0	(0.2)	0.0	0.0
Change in Government Foreign Assets	(0.9)	(6.9)	0.1	(0.1)	0.2
Change in Imputed Reserves	(9.0)	(29.0)	(7.3)	11.8	(30.3)

Source: ECCB and Statistics Department
^R = Revised
^P = Preliminary
* Includes errors & omissions
Data as at April 18, 2002

Table 31
St Lucia - Selected Economic Indicators

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
(Annual percentage change unless otherwise stated)					
National Income and Prices					
Nominal GDP at basic prices	3.0	7.0	4.9	3.3	(4.0)
Real GDP at basic prices	0.6	3.1	3.1	0.2	(5.4)
GDP Deflator	2.4	3.9	1.8	3.1	1.4
Consumer Prices (end of period)	0.7	3.6	6.1	0.3	2.1
Consumer Prices (period average)	0.3	2.8	3.5	3.7	1.9
Real GDP at basic prices by Selected Sectors					
Agriculture	(17.9)	3.1	(17.6)	2.6	(24.4)
Manufacturing	(0.3)	(1.2)	4.2	(2.6)	(4.2)
Electricity and Water	7.5	8.2	7.1	7.2	3.6
Construction	0.4	10.5	12.8	(4.6)	(5.0)
Wholesale and Retail	3.2	1.1	2.9	(6.4)	(15.1)
Hotel and Restaurant	10.6	2.4	4.2	2.7	(10.5)
Transportation	1.6	2.8	5.2	(1.3)	(6.1)
Communications	(0.6)	2.8	6.2	5.5	11.8
Banks and Insurance	7.6	5.0	8.8	3.0	2.5
Government Services	0.4	1.5	1.2	1.3	1.1
Other Services	3.1	3.0	3.2	3.3	(7.3)
(as a percentage of GDP)					
External Sector					
Current Account Balance	(13.6)	(10.5)	(11.8)	(7.8)	(9.3)
Overall Balance	0.9	2.4	1.2	1.2	1.5
Trade Balance	40.0	37.0	38.3	36.9	32.8
External Debt (end of period)	24.0	23.1	24.1	25.9	33.2
Central Government					
Current Account Balance	3.8	5.7	6.7	6.6	2.0
Current Revenue	24.3	25.0	26.7	26.5	24.8
Current Expenditure	20.5	19.3	20.0	19.9	22.8
Capital Expenditure and Net Lending	6.1	5.8	7.0	8.1	6.9
Overall Fiscal Balance	(0.9)	3.8	3.4	(1.3)	(3.8)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	4.6	4.8	4.8	4.9	4.8
Weighted Lending Interest Rates	12.8	11.2	13.1	13.1	12.8
(in millions of EC dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	1,337.9	1,432.2	1,502.6	1,551.7	1,488.9
Real GDP at basic prices	1,090.7	1,124.2	1,159.0	1,161.4	1,099.0
Nominal GDP at Market Prices	1,561.5	1,697.5	1,807.9	1,860.8	1,782.9
GDP Per Capita (EC\$)	8,842	9,425	9,776	10,009	9,422
Merchandise Imports (f.o.b)	789.2	796.5	842.4	831.6	698.6
Merchandise Exports (f.o.b)	165.4	167.9	150.3	144.3	113.4
Gross Visitor Expenditure	683.9	749.6	752.1	802.9	695.9

Source: Statistics Department in St Lucia, and ECCB
^R = Revised ^P = Preliminary
 Data as at April 18, 2002

Table 32
St Lucia - Central Government Fiscal Operations*
(In millions of Eastern Caribbean dollars)

	1997	1998	1999	2000 ^R	2001
Current Revenue	378.9	423.6	482.4	492.6	441.9
Tax Revenue	351.1	388.9	414.8	436.2	397.2
Taxes on Income & Profits	101.4	107.8	117.1	136.7	133.7
Of which:					
Personal	42.8	40.3	44.6	48.2	49.2
Company	43.1	38.9	50.7	62.7	62.6
Taxes on Property	2.0	1.2	0.7	1.9	1.3
Taxes on Domestic Goods & Services	49.6	53.8	54.4	81.6	70.9
Of which:					
Excise Tax	1.3	1.2	1.2	26.4	22.2
Consumption Duty	11.1	12.4	11.4	10.9	5.3
Hotel Occupancy Tax	13.9	15.0	18.1	21.2	20.9
Taxes on International Trade & Transactions	198.0	226.1	242.6	216.1	191.3
Of which:					
Consumption Duty (imports)	93.9	122.2	123.9	90.9	93.8
Import Duty	63.1	68.5	74.6	65.5	53.7
Service Charge (imports)	31.8	28.9	35.8	34.4	28.8
Non-Tax Revenue	27.8	34.7	67.7	56.4	44.7
Current Expenditure	320.3	327.7	361.8	370.5	405.9
Personal Emoluments	173.8	178.7	198.4	203.8	215.3
Goods & Services	66.9	60.9	71.3	72.2	73.8
Interest Payment	16.1	19.9	27.0	27.0	45.8
Domestic	8.5	14.2	18.8	18.4	24.9
Foreign	7.5	5.7	8.2	8.7	21.0
Transfers & Subsidies	63.5	68.3	65.1	67.5	71.0
Of which: Pensions	21.5	20.6	26.5	33.0	31.2
Current Account Balance (after grants)	58.6	95.9	120.6	122.1	36.0
Capital Revenue	1.8	5.1	3.0	0.3	1.3
Grants	21.9	62.3	62.8	3.5	17.5
Of which: Capital Grants	21.9	62.3	62.8	3.5	17.5
Capital Expenditure & Net Lending	95.8	99.1	125.8	151.0	122.9
Overall Balance (after grants)	(13.5)	64.2	60.7	(25.1)	(68.0)
Financing	13.5	(64.2)	(60.7)	25.1	68.0
Domestic	2.7	(75.3)	(61.9)	(38.1)	24.9
ECCB (net)	(1.0)	(1.7)	(4.3)	(4.4)	7.4
Commercial Banks (net)	1.0	(13.8)	(20.6)	(17.6)	(34.7)
Other	2.7	(59.8)	(37.0)	(16.1)	52.2
External	10.7	11.1	0.8	57.3	43.1
Net Amortisation	10.7	26.1	11.1	67.4	43.1
Disbursements	23.6	46.9	28.4	87.1	94.4
Amortisation	(12.8)	(20.8)	(17.3)	(19.7)	(51.3)
Change in Govt. Foreign Assets	--	(15.0)	(10.3)	(10.1)	--
Arrears	--	--	0.4	5.9	--
Domestic	--	--	--	--	--
External	--	--	0.4	5.9	--

Source: Ministry of Finance, Treasury Department and ECCB
 * Data for 1998 - 2001 are on a calendar year basis; Data for 1997 are available only on a fiscal year basis, from April to March.
^R = Revised
 Data as at April 18, 2002



Table 33
St Lucia - Monetary Survey
(In millions of Eastern Caribbean Dollars at end of period)

	1997	1998	1999	2000	2001
Net Foreign Assets	(7.0)	92.6	81.4	116.6	117.4
Central Bank (net)	159.4	185.0	195.6	207.8	235.2
Commercial Banks (net)	(166.4)	(92.4)	(114.2)	(91.2)	(117.8)
External (Net)	(88.6)	(78.8)	(113.1)	(86.9)	(165.2)
Assets	62.4	82.9	87.4	80.7	100.1
Liabilities	151.0	161.7	200.5	167.5	265.2
Other ECCB Territories (net)	(77.8)	(13.6)	(1.2)	(4.3)	47.4
Assets	25.5	60.4	59.1	55.3	76.0
Liabilities	103.3	74.0	60.3	59.6	28.6
Net Domestic Assets	895.6	903.8	1011.9	1,062.8	1,116.9
Domestic Credit	953.1	989.9	1114.6	1,196.7	1,381.9
Central Government (net)	(23.4)	(38.9)	(63.8)	(85.8)	(113.1)
Other Public Sector (net)	(134.7)	(171.3)	(175.4)	(172.7)	(168.6)
Non-Bank Financial Institutions (net)	(45.3)	(49.9)	(38.6)	(24.9)	(43.4)
Subsidiaries & Affiliates (net)	(15.3)	(8.1)	(1.9)	(1.6)	165.1
Private Sector	1171.8	1258.2	1394.2	1,481.7	1,541.8
Other Items (net)	(57.5)	(86.1)	(102.7)	(134.0)	(265.0)
Money Supply (M2)	888.6	996.4	1093.3	1,179.4	1,234.3
Currency with the Public	69.6	77.5	84.1	84.6	82.1
Demand Deposits	169.6	170.4	183.6	201.5	201.7
Savings Deposits	427.4	467.9	512.5	551.1	573.3
Time Deposits	217.6	273.6	292.2	334.7	364.4
Foreign Currency Deposits	4.2	7.1	20.9	7.6	12.8

Source: ECCB
Data as at April 18, 2002

Table 34
St Lucia - Balance of Payments
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Current Account	(211.7)	(178.1)	(213.9)	(144.3)	(165.1)
Goods and Services	(142.3)	(108.4)	(170.5)	(91.7)	(97.9)
Goods	(599.7)	(606.7)	(677.9)	(661.3)	(571.0)
Merchandise	(623.8)	(628.6)	(692.1)	(687.3)	(585.2)
Repair on Goods	0.1	0.0	0.0	0.0	0.0
Goods Procured in Ports by Carriers	24.0	21.9	14.2	25.9	14.2
Services	457.4	498.3	507.4	569.6	473.1
Transportation	(82.6)	(66.4)	(91.2)	(92.0)	(77.8)
Travel	604.3	665.4	663.1	713.0	602.4
Insurance Services	(12.2)	(12.6)	(13.6)	(12.0)	(13.1)
Other Business Services	(41.7)	(68.6)	(41.5)	(25.2)	(20.0)
Government Services	(10.4)	(19.5)	(9.3)	(14.2)	(18.5)
Income	(104.4)	(122.4)	(102.8)	(101.2)	(125.0)
Compensation of Employees	0.4	0.4	0.5	0.7	0.5
Investment Income	(104.8)	(122.8)	(103.3)	(101.9)	(125.5)
Current Transfers	35.1	52.7	59.4	48.7	57.8
General Government	(0.6)	11.6	16.4	8.0	14.5
Other Sectors	35.6	41.0	43.0	40.7	43.4
Capital and Financial Account	225.0	218.8	234.8	166.5	192.5
Capital Account	25.9	60.9	70.4	4.2	29.7
Capital Transfers	25.9	60.9	70.4	8.5	29.7
Acquisition & Disposal of non-produced, non-financial assets	0.0	--	--	(4.3)	--
Financial Account	199.1	157.9	164.5	162.3	162.8
Direct Investment	129.1	225.2	224.3	132.2	137.5
Portfolio Investment	7.9	9.0	(7.8)	13.1	13.1
Other Investment	62.0	(76.2)	(52.0)	17.0	12.1
Public Sector Long Term	39.5	24.2	32.5	88.4	29.6
Other Public Sector Capital	0.0	0.0	0.0	0.0	0.0
Commercial Banks	32.1	(73.4)	21.8	(23.1)	26.6
Other Assets	8.8	(30.9)	(52.2)	(40.5)	(40.5)
Other Liabilities*	(18.4)	4.0	(54.1)	(7.8)	(3.5)
Overall Balance	13.3	40.7	20.9	22.2	27.4
Financing	(13.3)	(40.7)	(20.9)	(22.2)	(27.4)
Change in SDR Holdings	--	--	--	0.0	--
Change in Reserve Position with the Fund	0.0	0.0	--	--	--
Change in Government Foreign Assets	0.0	(15.0)	(10.3)	(10.1)	0.0
Change in Imputed Reserves	(13.3)	(25.7)	(10.6)	(12.2)	27.4

Source: ECCB and Statistics Department
^R = Revised
^P = Preliminary
* includes errors & omissions
Data as at April 18, 2002

Table 35
St Vincent and The Grenadines
Selected Economic Indicators

	1997	1998 ^R	1999 ^R	2000 ^R	2001 ^P
(Annual percentage change unless otherwise stated)					
National Income and Prices					
Nominal GDP at basic prices	5.0	8.6	3.6	1.7	2.8
Real GDP at basic prices	3.1	5.7	3.6	2.0	0.2
GDP Deflator	1.8	2.7	0.0	(0.3)	2.6
Consumer Prices (end of period)	0.8	3.3	(1.8)	1.4	(0.7)
Consumer Prices (period average)	0.5	2.1	1.0	0.2	0.9
Real GDP at basic prices by Selected Sectors					
Agriculture	(15.3)	8.3	(3.8)	6.6	(7.2)
Manufacturing	(0.9)	(5.6)	(0.9)	(9.4)	(1.8)
Electricity and Water	4.1	7.5	8.8	6.1	11.2
Construction	15.9	13.8	(4.1)	(13.5)	7.1
Wholesale and Retail	8.6	10.0	8.0	7.7	3.9
Hotel and Restaurant	4.5	(4.2)	9.1	6.3	(3.0)
Transportation	10.7	3.7	4.1	1.3	0.4
Communications	2.7	11.6	19.6	9.2	(12.3)
Banks and Insurance	9.9	3.6	11.0	5.4	4.5
Government Services	3.1	2.3	(0.2)	2.1	2.7
Other Services	2.0	4.0	5.0	6.0	4.0
(as a percentage of GDP)					
External Sector					
Current Account Balance	(28.6)	(29.7)	(21.7)	(9.7)	(15.8)
Overall Balance	0.4	2.8	1.2	4.2	2.6
Trade Balance	35.9	37.6	38.3	29.1	35.1
External Debt (end of period)	30.2	31.7	48.1	47.5	46.3
Central Government					
Current Account Balance	3.7	4.3	3.4	2.5	1.4
Current Revenue	28.3	28.2	28.5	28.9	28.4
Current Expenditure	24.6	23.9	25.1	26.4	27.0
Capital Expenditure and Net Lending	10.3	12.1	7.1	3.7	3.7
Overall Fiscal Balance	(4.8)	(3.2)	(1.7)	0.1	(1.6)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	4.2	4.4	4.6	4.5	4.5
Weighted Lending Interest Rates	11.4	11.4	11.6	11.5	11.9
(in millions of EC dollars, unless Otherwise Stated)					
Memo					
Nominal GDP at basic prices	666.6	724.2	750.4	762.9	784.6
Real GDP at basic prices	548.4	579.9	600.8	612.9	614.3
Nominal GDP at Market Prices	793.1	856.6	897.7	905.3	940.3
GDP Per Capita (EC\$)	5,970	6,477	6,699	6,813	6,882
Merchandise Imports (f.o.b)	408.9	456.6	477.1	398.5	442.0
Merchandise Exports (f.o.b)	124.5	134.5	133.4	135.5	111.6
Gross Visitor Expenditure	186.7	197.7	206.5	203.4	211.6

Table 36
St Vincent and The Grenadines
Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999	2000 ^R	2001 ^P
Current Revenue	224.5	241.5	256.0	261.7	267.3
Tax Revenue	186.5	206.2	215.1	217.2	228.0
Taxes on Income & Profits	61.0	72.9	70.6	71.4	69.7
Of which:					
Individual	27.3	30.4	31.1	31.9	32.9
Company	26.8	38.6	33.1	36.3	33.3
Taxes on Property	1.8	2.0	2.3	2.3	3.4
Taxes on Domestic Goods & Services	28.9	27.8	31.7	40.7	43.3
Of which:					
Consumption Duties	6.6	6.2	6.1	7.2	6.3
Hotel Turnover	3.8	3.8	4.4	5.2	5.4
Taxes on International Trade & Transactions	94.8	103.5	110.6	102.8	111.6
Of which:					
Import Duty	22.2	22.5	23.9	22.6	25.0
Consumption Duties	61.6	66.4	69.7	58.8	64.6
Customs Service Charge	9.3	10.2	10.9	15.9	16.5
Non-Tax Revenue	38.0	35.3	40.9	44.6	39.3
Current Expenditure	195.5	204.8	225.2	239.0	253.7
Personal Emoluments	105.2	111.7	118.8	121.1	126.8
Goods & Services	45.0	44.6	50.7	56.8	54.5
Interest Payment	12.5	13.5	20.1	24.6	24.6
Domestic	8.2	8.6	9.7	11.3	12.6
External	4.3	4.9	10.4	13.3	12.1
Transfers & Subsidies	32.8	35.1	35.6	36.5	47.8
Of which: Pensions	9.7	11.6	10.8	16.0	5.0
Current Account Balance	29.0	36.7	30.8	22.8	13.6
Capital Revenue	2.1	6.2	4.9	2.7	1.0
Grants	12.8	32.6	12.6	9.5	5.8
Of which: Capital Grants	12.8	32.6	12.6	9.5	5.8
Capital Expenditure and Net Lending	81.9	103.3	63.6	33.8	35.0
Overall Balance (after grants)	(38.0)	(27.8)	(15.3)	1.2	(14.6)
Financing	38.0	27.8	15.3	(1.2)	14.6
Domestic	21.4	(18.9)	9.4	(7.4)	8.4
Central Banks	4.7	(1.3)	8.4	(7.4)	2.0
Commercial Banks	(3.7)	(16.5)	0.4	13.5	16.1
Other	20.4	(1.2)	0.6	(13.6)	9.8
External (net)	16.6	46.7	5.9	6.2	22.9
Net Amortisation	16.6	43.5	5.9	10.0	30.4
Disbursements	28.8	53.2	18.5	20.5	43.6
Amortisation	(12.2)	(9.7)	(12.6)	(10.5)	(13.2)
Change in Govt. Foreign Assets	--	3.2	--	(3.8)	(7.5)

Source: Statistics Department in St Vincent and The Grenadines, and ECCB
^R = Revised ^P = Preliminary
 Data as at May 7, 2002

Source: Ministry of Finance and ECCB
^R = Revised ^P = Preliminary
 Data as at April 23, 2002



Table 37
St Vincent and The Grenadines - Monetary Survey
(In millions of Eastern Caribbean dollars at end of period)

	1997	1998 ^R	1999	2000	2001 ^P
Net Foreign Assets	131.0	179.5	215.4	280.2	254.0
Central Bank (net)	82.1	102.5	112.9	147.0	164.1
Commercial Banks (net)	48.8	77.0	102.5	133.2	89.9
External (net)	(30.8)	0.9	25.3	(56.6)	(22.5)
Assets	42.0	61.6	135.2	75.9	142.6
Liabilities	72.8	60.7	109.9	132.5	165.1
Other ECCB Territories (net)	79.6	76.1	77.2	189.8	112.3
Assets	87.1	82.8	107.6	210.4	141.5
Liabilities	7.5	6.8	30.4	20.6	29.2
Net Domestic Assets	313.6	336.5	365.1	355.3	400.9
Domestic Credit	361.3	366.6	410.9	475.7	468.6
Central Government (net)	65.0	47.2	56.0	62.2	44.0
Other Public Sector (net)	(137.3)	(148.3)	(146.0)	(140.6)	(120.9)
Non-Bank Financial Institutions (net)	(13.6)	(18.8)	(44.7)	(37.6)	(59.9)
Subsidiaries & Affiliates (net)	--	--	--	(0.4)	--
Private Sector	447.2	486.4	545.6	592.1	605.5
Other Items (net)	(47.7)	(30.1)	(45.8)	(120.3)	(67.7)
Money Supply (M2)	444.6	516.1	580.5	635.5	654.9
Currency	33.5	36.4	57.5	52.1	51.5
Demand Deposits	95.8	114.3	125.2	160.1	167.7
Savings Deposits	221.7	252.0	268.8	277.5	285.0
Time Deposits	85.5	101.2	112.4	137.1	143.1
Foreign Currency Deposits	8.1	12.1	16.6	8.6	7.6

Source: ECCB
^R = Revised
^P = Preliminary
 Data as at April 23, 2002

Table 38
St Vincent and The Grenadines - Balance of Payments
(In millions of Eastern Caribbean dollars)

	1997 ^R	1998 ^R	1999 ^R	2000 ^R	2001 ^P
Current Account	(227.1)	(254.8)	(195.0)	(88.1)	(148.2)
Goods and Services	(222.0)	(247.3)	(184.1)	(84.0)	(146.9)
Goods	(284.3)	(323.2)	(344.1)	(261.6)	(329.1)
Merchandise	(284.4)	(322.1)	(343.7)	(263.0)	(330.5)
Repair on Goods	0.0	0.0	0.0	0.0	0.0
Goods Procured in Ports by					
Carriers	0.1	(1.1)	(0.4)	1.4	1.4
Services	62.3	75.9	160.0	177.6	182.2
Transportation	(44.3)	(47.0)	(49.7)	(39.9)	(44.6)
Travel	166.9	177.4	181.6	177.9	185.3
Insurance Services	(9.4)	(10.6)	(10.6)	(8.0)	(9.4)
Other Business Services	(42.2)	(33.9)	46.8	52.0	56.5
Government Services	(8.7)	(10.0)	(8.1)	(4.4)	(5.6)
Income	(34.2)	(37.1)	(52.6)	(54.8)	(56.1)
Compensation of Employees	0.2	0.2	0.3	0.4	0.4
Investment Income	(34.4)	(37.3)	(52.9)	(55.2)	(56.5)
Current Transfers	29.1	29.6	41.7	50.7	54.8
General Government	1.7	0.7	2.5	7.5	10.6
Other Sectors	27.4	28.9	39.2	43.2	44.2
Capital and Financial Account	230.2	271.8	205.2	126.1	172.8
Capital Account	15.9	36.0	21.1	32.6	16.4
Capital Transfers	15.9	36.0	21.1	32.6	16.4
Acquisition & Disposal of non-produced, non-financial assets	--	--	--	--	--
Financial Account	214.3	235.8	184.1	93.5	156.4
Direct Investment	249.7	240.2	151.4	76.1	96.3
Portfolio Investment	4.6	(0.3)	(0.3)	3.9	(1.5)
Other Investment	(40.0)	(4.1)	33.0	13.5	61.6
Public Sector Long Term	9.7	40.0	3.6	4.1	31.1
Other Public Sector Capital	--	--	--	--	--
Commercial Banks	(22.5)	(28.2)	(25.5)	(30.7)	43.3
Other Assets	(8.2)	(7.8)	(22.7)	(23.9)	(25.7)
Other Liabilities*	(19.0)	(8.1)	77.6	64.0	11.9
Overall Balance	2.9	17.1	10.4	37.9	24.6
Financing	(2.9)	(17.1)	(10.4)	(37.9)	(24.6)
Change in SDR Holdings	--	--	--	--	--
Change in Reserve Position with the Fund	--	--	--	--	--
Change in Government Foreign Assets	--	3.2	--	(3.8)	(7.5)
Change in Imputed Reserves	(2.9)	(20.4)	(10.4)	(34.1)	(17.1)

Source: ECCB and Statistics Department
^R = Revised
^P = Preliminary
 * Includes errors & omissions
 Data as at May 7, 2002

AUDITORS' REPORT TO THE PARTICIPATING GOVERNMENTS

EASTERN CARIBBEAN CENTRAL BANK

We have audited the Balance Sheet of the Eastern Caribbean Central Bank as at 31 March 2002 and the related Statements of Income and Expenditure and General Reserve for the year then ended. These Accounts are the responsibility of the management of the Eastern Caribbean Central Bank. Our responsibility is to express an opinion on these Accounts based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform an audit to obtain reasonable assurance that the Accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these Accounts present fairly, in all material respects, the financial position of the Eastern Caribbean Central Bank as at 31 March 2002 and the results of its operations for the year then ended in accordance with the Eastern Caribbean Central Bank Agreement Act 1983, and the significant accounting policies described in Note 3 to the Accounts.

Chartered Accountants

BASSETERRE – St Kitts

23 May 2002



**EASTERN CARIBBEAN CENTRAL BANK
BALANCE SHEET
AT 31 MARCH 2002
(Expressed in Eastern Caribbean Dollars)**

ASSETS	<u>Notes</u>	<u>2002</u>	<u>2001</u>
EXTERNAL ASSETS:			
Securities		791,376,809	664,839,237
Certificates of Deposit		-	40,504,482
Fixed Deposits and Money at Call		368,020,301	255,141,845
Balances with Foreign Banks		8,995,630	10,068,505
Interest Accrued on Securities and Deposits		11,615,419	13,681,888
Foreign Currencies		<u>30,877,930</u>	<u>29,360,115</u>
		<u>1,210,886,089</u>	<u>1,013,596,072</u>
INTERNAL ASSETS:			
Participating Governments Securities		44,350,108	53,715,572
Balances with Local Banks		204,798	174,950
Due from Participating Governments		43,224,294	39,177,412
Long Term Loans Receivable		419,908	540,112
Investments – At Cost		4,700,748	2,500,020
Fixed Assets	4	<u>76,471,544</u>	<u>81,020,680</u>
		<u>169,371,400</u>	<u>177,128,746</u>
OTHER ASSETS:			
Accounts Receivable and Prepaid Expenses		28,796,261	32,781,137
Accounts Payable, Accruals and Provisions		<u>(3,406,961)</u>	<u>(3,008,472)</u>
		<u>25,389,300</u>	<u>29,772,665</u>
TOTAL		<u>\$1,405,646,789</u>	<u>\$1,220,497,483</u>
REPRESENTED BY:-			
LIABILITIES AND RESERVES			
Demand Liabilities	5	1,233,272,067	1,034,186,122
Other Liabilities	6	13,213,898	17,213,900
Bankers' Deposits		19,502,265	19,590,000
Participating Governments Fixed Deposits		-	5,673,610
Local Governments Fixed Deposits		1,000,000	1,000,000
Statutory Bodies Fixed Deposits		818,000	818,000
Long Term Loan Payable	7	2,607,592	2,856,508
General Reserve		61,663,603	51,940,757
Reserve Funds		71,368,636	86,157,586
Self Insurance Fund		<u>2,200,728</u>	<u>1,061,000</u>
TOTAL		<u>\$1,405,646,789</u>	<u>\$1,220,497,483</u>

The attached Notes form part of these Accounts.

K Dwight Venner
Governor

James Simpson
Director – Accounting

**EASTERN CARIBBEAN CENTRAL BANK
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2002
(Expressed in Eastern Caribbean Dollars)**

INCOME	<u>2002</u>	<u>2001</u>
Interest	49,794,260	54,901,227
Other	<u>20,758,217</u>	<u>23,640,173</u>
	<u>70,552,477</u>	<u>78,541,400</u>
 EXPENDITURE		
Interest	2,812,574	5,555,614
Administration and General Supplies of Currency	50,012,735	49,604,309
	<u>6,215,649</u>	<u>8,070,982</u>
	<u>59,040,958</u>	<u>63,230,905</u>
 NET INCOME FOR THE YEAR	 11,511,519	 15,310,495
Transfers (to)/from:		
General Reserve	(9,722,846)	-
Profit Equalisation Fund	<u>9,211,327</u>	<u>(310,495)</u>
 BALANCE DISTRIBUTABLE TO PARTICIPATING GOVERNMENTS (Note 6)	 <u>\$11,000,000</u>	 <u>\$15,000,000</u>

The attached Notes form part of these Accounts.



**EASTERN CARIBBEAN CENTRAL BANK
STATEMENT OF GENERAL RESERVE
FOR THE YEAR ENDED 31 MARCH 2002
(Expressed in Eastern Caribbean Dollars)**

	<u>2002</u>	<u>2001</u>
GENERAL RESERVE – At Beginning of Year	51,940,757	51,940,757
Amount allocated out of Net Income for the Year	<u>9,722,846</u>	<u>-</u>
GENERAL RESERVE – At End of Year	<u>\$61,663,603</u>	<u>\$51,940,757</u>

Allocation to General Reserve (See Note 3(f))

In accordance with Article 6 (3) of the Eastern Caribbean Central Bank Agreement 1983, written approval was obtained from each of the Participating Governments to allocate from income an amount in excess of the stipulated 50 per cent of net income for the year to General Reserve to maintain it at 5 per cent of Demand Liabilities.

The attached Notes form part of these Accounts.

**EASTERN CARIBBEAN CENTRAL BANK
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2002
(Expressed in Eastern Caribbean Dollars)**

1 INCORPORATION

The Governments participating in the East Caribbean Currency Authority signed the Eastern Caribbean Central Bank Agreement Act 1983 on 5 July 1983 to establish the Eastern Caribbean Central Bank.

In accordance with Article 54(2) of the Agreement, the Bank was formally established on 1 October 1983 on which date the Authority was deemed to have ceased to exist. Effective from this date, all the assets and liabilities of the Authority, together with all its rights and obligations that are not inconsistent with the provisions of this Agreement were deemed to have been transferred to and to vest in the Bank.

2 PRINCIPAL ACTIVITY

The Principal Activity of the Eastern Caribbean Central Bank is to issue and manage the Eastern Caribbean Currency, to safeguard its international value, to promote monetary stability and a sound financial structure and to further the economic development of the territories of the Participating Governments.

3 SIGNIFICANT ACCOUNTING POLICIES

These Accounts have been prepared in accordance with the Eastern Caribbean Central Bank Agreement Act 1983 and the following significant accounting policies:

a) Fixed Assets and Depreciation:

Fixed Assets are stated at cost and are depreciated on the straight line basis at annual rates estimated to write off the assets over their expected useful lives.

Depreciation rates are as follows:

Buildings	- 2 per cent
Computer System	- 33 1/3 per cent
Furniture and Office Equipment	- 10 per cent and 20 per cent
Machinery	- 20 per cent
Motor Vehicles	- 20 per cent

b) Taxation:

In accordance with Article 50(8) (a) of the Eastern Caribbean Central Bank Agreement 1983 the Bank's Income is exempt from any form of taxation.

c) Income and Expenditure:

Income and Expenditure items are dealt with in these Accounts on the accrual basis of accounting.



**EASTERN CARIBBEAN CENTRAL BANK
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2002
(Continued)
(Expressed in Eastern Caribbean Dollars)**

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) Investments:

Subsidiary Company – At Cost

Caribbean Assets and Liabilities Management Services Limited (CALMS)

CALMS Limited, a wholly-owned subsidiary of the Eastern Caribbean Central Bank, was not consolidated since it is considered a Special Purpose Entity that operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent.

Securities:

Foreign Securities are classified at the time of purchase as Available for Sale. Available for Sale securities include securities that may be sold in response to or in anticipation of changes in interest rates or to meet liquidity needs. These securities are carried at current market value. Unrealised gains and losses on these securities are reported in Reserve Funds on the Balance Sheet. Participating Governments Securities are stated at cost, which in the opinion of the directors is not greater than market value.

Gains and losses realised on the disposal of securities are included in Gain on Sale of Securities in Other Income in the Statement of Income and Expenditure.

Other Investments:

Other investments are stated at cost. While it is not practical to determine the current market value of the investments, it is not considered necessary to make any provision for permanent impairment in the value of the investments at 31 March 2002.

e) Pension Contribution:

It is the policy of the Bank to ensure that Pension Fund Liabilities are adequately funded, to cover substantially all of the Bank's employees.

f) General Reserve:

The Eastern Caribbean Central Bank Agreement 1983 – Article 6(3) (as amended) provides that “if and so long as the General Reserve is less than five per cent of the Bank's demand liabilities at the end of a financial year in which net profits were earned the Bank shall allocate to the General Reserve one half of such net profits or such smaller amounts as will make that reserve equal to five per cent of those liabilities; provided however that with the written agreement of each of the Participating Governments further allocation may be made to increase the General Reserve beyond five per cent but not more than ten per cent of the Bank's demand liabilities”.

**EASTERN CARIBBEAN CENTRAL BANK
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2002
(Continued)
(Expressed in Eastern Caribbean Dollars)**

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g) Conversion of Foreign Currencies:

The rates of exchange used to convert foreign currency transactions during the year were the rates prevailing at the dates of the transactions.

Assets and Liabilities in foreign currencies at 31 March 2002 are converted at the mid-market rates as follows:-

Swedish Kronor	Sek 1	=	EC \$0.2610
Sterling	£1	=	EC \$3.847
United States	\$1	=	EC \$2.70
Canadian	\$1	=	EC \$1.6931
SDR	SDR1	=	EC \$3.366414
Trinidad	\$1	=	EC \$0.432762
Barbados	\$1	=	EC \$1.35
Jamaica	\$1	=	EC \$0.056715
Guyana	\$1	=	EC \$0.014324
Japan	Y1	=	EC \$0.0204
Australia	\$1	=	EC \$1.4243
Belize	\$1	=	EC \$1.35
Switzerland	CHF1	=	EC \$1.6093
EURO	EUR	=	EC \$2.3578
Kuwait	KWD	=	EC \$8.7791
Venezuela	VEB 1	=	EC\$0.0029
S. Korea	KRW 1	=	EC\$0.002042
Denmark	DKK 1	=	E\$0.3172

Gains and Losses other than unrealised gains and losses on marketable securities thus arising are dealt with in the Statement of Income and Expenditure.

h) Bad and Doubtful Debts

Specific provisions are made against advances when, in the opinion of the Directors, recovery is doubtful. Bad debts are written off in part or in whole when a loss has been confirmed.

i) Numismatic Coins

The nominal value of numismatic coins sold is excluded from the balance of 'notes and coins in circulation', while the net proceeds from sales are included in the Statement of Income and Expenditure under Other Income.



**EASTERN CARIBBEAN CENTRAL BANK
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2002
(Continued)
(Expressed in Eastern Caribbean Dollars)**

4 FIXED ASSETS

	<u>Cost 2001</u>	<u>Additions (Disposals)</u>	<u>Cost 2002</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u> <u>2002</u> <u>2001</u>	
Freehold Properties	77,014,473	166,657	77,181,130	6,917,228	70,263,902	71,559,261
Office Equipment	11,644,716	855,921 (56,000)	12,444,637	9,701,438	2,743,199	3,406,482
Computer System	16,332,859	495,687	16,828,546	13,820,440	3,008,106	5,683,583
Machinery	398,646	-	398,646	398,646	-	-
Motor Vehicles	879,487	53,000 (34,500)	897,987	763,987	134,000	153,700
Capital Work-in-Progress	<u>217,654</u>	<u>104,683</u>	<u>322,337</u>	-	<u>322,337</u>	<u>217,654</u>
TOTAL	<u>\$106,487,835</u>	<u>\$1,675,948</u> <u>\$(90,500)</u>	<u>\$108,073,283</u>	<u>\$31,601,739</u>	<u>\$76,471,544</u>	<u>\$81,020,680</u>

5 DEMAND LIABILITIES

	<u>2002</u>	<u>2001</u>
Currency in Circulation	465,253,270	458,731,643
Bankers' Balances – Current Accounts	655,515,352	492,117,776
Bankers' Call Accounts	68,864,839	30,761,237
Bankers' Dormant Accounts	4,301,875	3,448,927
Foreign Liabilities	19,389,247	18,965,957
Eastern Caribbean Central Bank Unpresented Cheques	608,516	637,636
Participating Governments Call Accounts	11,099,635	17,694,162
Participating Governments Drug Service Accounts	593,414	1,405,430
Participating Governments Sinking Fund Call Accounts	392,623	3,455,994
Participating Governments Operating Accounts	1,163,310	1,975,256
Local Governments Operating Accounts	5	779,693
Statutory Bodies Call Accounts	-	442,988
Statutory Bodies Operating Accounts	327,263	478,058
OECS Accounts	3,394,805	253,099
OECS Contribution to Belize	27,000	-
ECHMB Operating Accounts	1,237,808	1,065,348
Multilateral Investments Fund	-	113,263
Government of St Kitts & Nevis Disaster Mitigation Fund	-	1,647,155
ECSE Subscriptions	<u>1,103,105</u>	<u>212,500</u>
TOTAL	<u>\$1,233,272,067</u>	<u>\$1,034,186,122</u>

**EASTERN CARIBBEAN CENTRAL BANK
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2002
(Expressed in Eastern Caribbean Dollars)**

6 OTHER LIABILITIES	<u>2002</u>	<u>2001</u>
Profits available for Distribution to		
Participating Governments	11,000,000	15,000,000
Commemorative Coins in Circulation	1,379,972	1,379,972
British Caribbean Currency Board Residual Fund	<u>833,926</u>	<u>833,928</u>
TOTAL	<u>\$13,213,898</u>	<u>\$17,213,900</u>
 7 LONG TERM LOAN PAYABLE	 <u>2002</u>	 <u>2001</u>
USAID	<u>\$2,607,592</u>	<u>\$2,856,508</u>

The loan due to the United States Agency for International Development (USAID) is repayable within 25 years from the date of the first disbursement of the loan in approximately 41 equal semi-annual instalments of principal and interest.

ECCB will pay to USAID interest which will accrue at the rate of 2 per cent per annum for five (5) years following the date of the first disbursement of the loan, and at the rate of 3 per cent per annum thereafter on the outstanding balance of principal and on any due and unpaid interest.

8 CAPITAL COMMITMENTS

At 31 March 2002 there were no commitments for Capital Expenditure (2001 = Nil).

9 CONTINGENT LIABILITIES

(i) Caribbean Assets and Liabilities Management Services Limited (CALMS LTD)

The Bank has guaranteed repayment of a promissory note valued \$11,784,799 bearing interest at the rate of 6 ½ per cent per annum given by CALMS LTD to the Bank of Montserrat Limited under a Purchase and Assumption Agreement dated 23 June 1993.

This guarantee shall continue in effect until all sums whatsoever by the principal under the said Purchase and Assumption Agreement have been finally paid in full.

CALMS LTD is established principally to acquire and take over all or any of the assets and liabilities of any company or institution engaged in banking business in the territories of Participating Governments to the Eastern Caribbean Central Bank Agreement 1983 or of any other government and realise these assets through recovery, sale or by any other means.



**EASTERN CARIBBEAN CENTRAL BANK
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2002
(Continued)
(Expressed in Eastern Caribbean Dollars)**

9 CONTINGENT LIABILITIES (cont'd)

(ii) Export Credit Guarantee Scheme

The Bank is contingently liable for pre and post shipment credit given by Financial Institutions covered under the Scheme to manufacturers operating in its member territories. The liability outstanding under this scheme at 31 March 2002 amounted to \$267,163 (2001 = \$835,209).

(iii) Claim No. GDAHCV2001/0490

Counsel had advised that there is a pending claim in the Grenada High Court (Claim No. GDAHCV2001/0490) instituted against the Eastern Caribbean Central Bank and the Eastern Caribbean Central Bank's Governor Sir K D Venner by Capital Bank International Limited ("CAP Bank"). In the Suit the Claimant seeks a variety of relief from the Court including Declarations, Injunctions, unspecified Damages and Costs.

The core of the case is the Claimant's complaint that the Eastern Caribbean Central Bank unlawfully refused to permit the Claimant to benefit from direct access to the Eastern Caribbean Central Bank's Clearing House Facility.

On 26th March 2002 Mr Justice Kenneth Benjamin delivered an oral decision on a preliminary point raised on behalf of the Eastern Caribbean Central Bank which resulted in the dismissal of the claim against the Defendants with Costs, on the grounds of the Defendants' statutory immunity from legal process.

The Claimant has since filed an appeal (No 13 of 2002) to the Eastern Caribbean Court of Appeal against Justice Benjamin's dismissal of the claim.

The appeal is not likely to be adjudicated upon until later this year or, more likely, in 2003.

As the Claimant has to date given no details of any financial loss or damage which it alleges was suffered by it, it is not possible at this point in time to quantify the potential claim being made against the Bank.

**EASTERN CARIBBEAN CENTRAL BANK
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2002
(Continued)
(Expressed in Eastern Caribbean Dollars)**

10 FOREIGN EXCHANGE GAINS/(LOSSES)

The Bank's investment guidelines require that all Non-US dollar securities be hedged back to the US dollar. As at 31 March 2002 Euro securities amounting to \$38.7m formed part of the Foreign Securities portfolio. The Fund Managers have entered into forward contracts to sell the Euro forward on a monthly rolling basis. However, because the criteria for hedge accounting cannot be applied, all gains and losses arising from currency revaluation of these assets and the forward contracts are reported in the Statement of Income and Expenditure as they occur.

11 COMPARATIVE FIGURES

Certain comparative amounts for 2001 have been reclassified to conform to the current year's presentation.



THE INTERNET ECONOMY: CHALLENGES AND OPPORTUNITIES FOR CARIBBEAN EXPORTS¹

by
Allister Mounsey

Introduction and Motivation

The collection of Internet Protocol (IP) based networks known as the Internet is perhaps one of the greatest developments of the twentieth century. It has revolutionised almost every aspect of human society, not the least of which is commerce. Although the Internet as we know it is only about 12 years old its impact on business and commerce has been profound. Many have already conceptually dichotomised the world economy into the 'Internet economy' and the 'old economy', suggesting that the world is at a major transition point where the old way of life is about to give way to the new.

The Internet economy (IE) comprises the value-added chain of firms/institutions that wholly or partially transact business via the electronic networks of the internet and the array of institutions that provide the necessary infrastructure and peripheral services to make these transactions happen. The collection of agents that provide the basic platform for this Internet i.e telecommunication, hardware backbone and access service etc. is referred to as the *infrastructure level*. The *e-commerce (electronic commerce) level* comprises a miscellaneous collection of agents who, through the medium of the Internet, purchase or sell goods and services.

There are varied opinions in the Caribbean² about this new economy. E-commerce is perhaps the sector of the Internet economy that generates the most extreme views. Some merchandisers see e-commerce as a threat to their businesses, and some governments speak with trepidation about the possibility of e-commerce significantly reducing tax revenues. On the other hand some export-oriented businesses in the region are excited by the possibilities of trading in cyberspace. This article outlines in broad terms the opportunities and challenges for Caribbean exports by way of the Internet

DEVELOPMENTS IN THE INTERNET ECONOMY

Though the Internet has its roots in the US space programme when the department of defense commissioned the Advanced Research Project Agency Network (ARPANET) in 1969, the modern Internet as we know it

¹ The views expressed are those of the author and do not necessarily reflect the position or policy stance of the ECCB.

² Caribbean is used in this paper to mean the English Speaking Caribbean.

did not come into being until 1990 when *world.std.com* became the world's first commercial provider of Internet dial-up access. Since then the Internet has grown exponentially. In 1996 there were 61 million Internet users and this figure increased to over 150 million by the end of 1998. It is estimated that in 2000 the number more than doubled to over 320 million³.

Commensurate with the increase in the number of Internet users, the new economy has grown at an astronomical rate. Forrester Research estimates that the US Internet economy has expanded more than eightfold in three years, moving from US\$15.5b in 1996 to US\$128.3b by the end of 1999 (see table 1). It was estimated to have almost tripled at the end of 2001 compared with the total at the end of 1999.

Table 1
The US Internet Economy (US\$Billions)

Year	Infrastructure		E commerce				
	Total US Internet Economy	Hardware & Telecoms Infrastructure	Access Providers	Financial Transactions	Intra-business (B2B)	Consumer	Content
1996	15.50	4.40	4.20	0.24	0.81	0.58	5.20
1997	38.80	8.50	6.70	1.20	7.90	2.50	12.10
1998	72.50	16.50	11.20	2.50	17.30	5.00	20.10
1999	128.30	27.30	19.70	3.20	42.10	8.30	27.90
2000	234.00	41.70	33.10	4.10	105.80	12.70	36.60
2001	354.50	58.90	48.10	5.00	186.10	18.40	38.10

Forrester Research Inc. estimates

Source: E-Biz Business Week October 7, 1999

The largest growth in e-commerce is in the business to business category (B2B), which moved from US\$0.81b in 1996 to US\$105.8b in 2000 and an estimated US\$186.1b in 2001 (see table I). This growth is reflective of the cost saving that B2B e-commerce brings to the firm. First, it reduces procurement costs by making the cheapest supplier easier to find and also reducing the cost of processing transactions. Second, it improves supply chain management. It also makes it possible for companies to have tighter inventory control, thereby reducing inventory size. A recent Goldman Sachs report estimates that firms which purchase from the Internet save from about 2.0 per cent in the coal industry to 40.0 per cent in the electronic component industry⁴.

In the United States Internet commerce (e-commerce) is occupying a greater share of GDP over time as shown by table 2. In 1997 Internet commerce accounted for only 0.2 per cent of GDP, however by the end of 2000 it was estimated to have accounted for 2.0 per cent.

³ Computer Industry Almanac Inc.

⁴ "A Thinkers' Guide" *The Economist*, 1 April, 2000



Table 2
Internet Commerce in the USA

	1996	1997	1998	1999	2000
US GDP (US\$ billions)	7,813	8,301	8,790	9,269	9,873
GDP Growth	5.58%	6.24%	5.90%	5.44%	6.52%
Internet Commerce (IC) (US\$ billions)	2	13	40	95	187
IC as % of GDP	0.03%	0.16%	1.02%	1.02%	1.89%

Source: The Keenan Report & MSDW, IFS CDROM

Table 3 shows the distribution of Internet users by countries. One interesting deduction from this table is that the 'Web' is predominantly a North-American phenomenon. Users from that geographical area accounted for 55.0 per cent of total users on the 'net' in 1998, with the US commanding 50.7 per cent of the number of users worldwide. Table 3 also points to the fact that the Internet is an English language phenomenon. Of the 131.1 million Internet users from the top 15 countries in table 3, almost 73.0 per cent of them are from countries where English is the official language.

Table 3
Distribution of Internet Users Among countries in 1998

Rank	Country	Weekly Internet Users (Mil)	% of Total
1	U.S	76.50	51%
2	Japan	9.75	6%
3	U.K	8.10	5%
4	Germany	7.14	5%
5	Canada	6.49	4%
6	Australia	4.36	3%
7	France	2.79	2%
8	Sweden	2.58	2%
9	Italy	2.14	1%
10	Taiwan	2.12	1%
	Top 10 countries	121.97	81%
	Other Countries	28.93	19%
	Worldwide	150.90	100%

Source: Computer Industry Almanac Inc www.c-i-a.com

CARIBBEAN EXPORTS IN THE INTERNET ECONOMY

Opportunities

Opportunities in the Internet economy are not uniformly distributed across nations, as some might believe. Language, telecommunication infrastructure and technical competence are some of the factors that determine one country's relative strength in the new economy.

Language

The ability to effectively communicate in English is a definite advantage in this new environment as the majority of users are from countries where English is the first language. This gives the English speaking Caribbean an advantage in new economy services such as call centres that require a significant amount of conversation with the customers.

Proximity to major markets

In the trade of *tangible deliveries* (goods that must be physically delivered) on the Internet, the issue of proximity to major markets is critical, as it has implications for transportation cost and delivery time. As the largest geographical market on the Internet, the US market is important not just for its size but also for its spending power. The Caribbean region is strategically positioned in that it is one of the closest regions to this very important market.

Cultural assets

The entertainment industry is one of the fastest growing sectors in the digital economy. A recent survey on the online purchasing habits of Britons⁵ reveals that the category of purchases with the second highest frequency by both males and females was the compact disc and video category. The Caribbean, populated by peoples of diverse ethnic and cultural origin, is thought by many to be a great repository of cultural assets. These endowments place the region at a strategic advantage to exploit the growing entertainment industry in the digital economy. The importance of this cultural endowment must not be underestimated; the English-speaking Caribbean is the world's largest producer of calypso, soca, reggae and dancehall/dub, each of which is growing in popularity internationally.

⁵ Nesrin Hijazi, *Online Purchasing Habits of Britons*, Commerce Net, June 7, 2000



Relatively high levels of functional literacy

Functional literacy is a requirement for active participation in the digital economy. Other things being equal any country with a significantly higher literacy rate than another would be at an advantage in this new economy. Although data are incomplete it has long been believed that the Caribbean has relatively low levels of illiteracy when compared to countries in similar income groups. Four Caribbean countries reported their illiteracy rates in the World Development Indicators, 1999. Jamaica had the highest level at 14.5 per cent, which was 1.5 percentage points lower than the average for its income group (lower middle). Guyana, also a lower middle income country, reported a 2.0 per cent illiteracy rate. Trinidad and Tobago and the Bahamas reported rates of 2.2 per cent and 4.2 per cent respectively.

High rates of telecommunication penetration

Telecommunication is the backbone of the Internet. The higher a country's rate of telecommunication penetration the greater should be its chances of competitive participation in the Internet economy. Table 4 ranks selected countries based on the average number of telephone mainlines per 1000 persons. The region has a relatively high rate of telecommunication penetration; all eleven Caribbean countries reporting this statistic are in the top 100 with the exception of Guyana. The high rate of telecommunication penetration would therefore prove to be an advantage in exploiting the opportunities presented by the new economy.

Table 4
Telephone mainlines (per 1,000 people)

Telephone mainlines (per 1,000 people)	1996 Average	Rank
Antigua and Barbuda	429	32
St Kitts and Nevis	382	39
Barbados	370	42
Bahamas, The	278	53
Dominica	264	56
Grenada	243	59
St Lucia	235	63
St Vincent and The Grenadines	171	77
Trinidad and Tobago	168	80
Jamaica	142	86
Guyana	60	115

Raking based on the 189 countries reporting data in WDI 1998

Challenges

High cost of Internet access

Active participation in the Internet economy, especially at the level of the producer, requires dedicated Internet access. Table 5 gives an indication of the price of business Internet services in the Caribbean relative to the rest of the world. A basic requirement for a firm that is doing ‘on-line business’ is *dedicated access* to the Internet. Dedicated access means that (a) the service is unlimited and (b) the customer does not connect by ‘dialing-up’ to his Internet service provider (ISP). Table 5 shows the monthly charges⁶ on a 128 kilobyte integrated services digital network (ISDN) account. In most of the countries in the sample there is more than one ISP, however, those represented were selected on the basis of data availability and comparability in service offered by other ISPs in the sample. Each ISP offers various packages. Table 5 shows the minimum priced package, which typically includes domain name registration, five or more mail accounts and 10 to 20 megabytes of commercial World Wide Web space.

The high rates of telecommunications and Internet access in the Caribbean may limit the potential for doing business on the Internet. However, it is likely that the current liberalisation of the telecommunications market will result in the reduction of charges associated with dedicated access. This would translate into lower costs of doing business over the Internet, thereby improving the potential for Caribbean businesses.

Table 5
Business Internet Charges 2001

Country	ISDN (128K)/Dedicated Access (monthly charge)*	US\$
Jamaica (1)		2,420
Trinidad (2)		1,474
Barbados (3)		920
UK (4)		55
US (5)		150

**All prices are for the minimum cost package*

Source: (1) Cable & Wireless Jamaica Ltd, (2) WOWnet, (3) Sunbeach, (4) CIX Business Internet Solutions, (5) Infinite Communications Inc.

⁶CIX Business Internet Solutions charges a first year and a second year annual fee. The author added both fees and divided by 24 to arrive at the monthly figure.



Getting noticed

In order for trade to take place, a buyer must meet a seller. As the number of Web sites increases, the chances of a particular site being noted by consumers decreases. In July 1999 there were about 56 million IP addresses. By January 2000 that number had grown to 72 million⁷. This represents a growth rate of 4.3 per cent per month or 65.3 per cent per annum. Adamic and Huberman (1999) in a study covering over 120,000 web sites, found that in the case of all sites, and sites in specific categories, the distribution of visitors per site follows a universal power law. This implies that a small number of sites command the traffic of a large segment of Internet users - the signature of a winner-take-all market. Table 6 reproduces the result of their study.

Table 6
Distribution of User Volume Among Sites
% Volume by User

% Sites	All Sites	Adult Sites	Education Sites
0.1	32.36	1.40	2.81
1.0	55.63	15.83	23.76
5.0	74.81	41.75	59.50
10.0	82.26	59.29	74.48
50.0	94.92	90.76	96.88

Source: Adamic & Huberman

Problems specific to small firms

The Caribbean firm is typically small. Ba, Whinston and Zhang state that in the digital products industry the share of small firms is rapidly shrinking. They highlight three causes for the low level of competitiveness by small firms:

- (1) Limited product selection
- (2) Inadequate resources to reach consumers
- (3) The asymmetric information problem: the electronic market is inherently uncertain. Consumers do not have the indicators of product quality that they have in the physical economy. Consumers who possess asymmetric information about the quality of a product will rely on the next best proxy for quality – brand name.

⁷ According to EDS Financial Industry, Industry News April 25, 2000

Acquiring trust

The Internet is rife with impersonators and frauds. In an environment absent of indicators of trustworthiness, online consumers are more likely to interact solely with firms whose names they recognise. This phenomenon gives a clear advantage to two types of firms:

Type A: Those firms that have a history in the 'brick and mortar' economy and are able to transfer that goodwill to the digital world e.g Barnes and Noble and www.barnesandnoble.com.

Type B: Those firms that spend large amounts on public relations and advertising to create a brand name in the digital world. e.g. www.amazon.com.

Caribbean firms are unlikely to fall into either of the above categories. In order to export in the digital economy, firms that are of neither type must find alternative ways of building consumer trust. Trust certificates may be one possible solution. Trust certificates are digital certificates issued by a certification authority (CA) e.g VeriSign and GTECyberTrust, that essentially authenticate the identity of the organisation holding the digital certificate. The use of such certificates helps to instill consumer confidence, although they may not be enough on their own to encourage consumers to trust fully. Consumers in the US for example may be reluctant to purchase a commodity from a Caribbean firm, as the firm will not be subject to the legal standards and norms governing business transactions in the United States. By engaging the services of a trusted third party (TTP) firms can overcome this problem as the terms and conditions governing the business transactions will be explicitly stated by the TTP, which would have some powers to impose pecuniary or non-pecuniary sanctions on the individual firm.

Impediments from the 'old economy'

The Internet economy does not exist in a vacuum. As a matter of fact most of its production processes take place in the 'old' economy. The basic infrastructure necessary for the existence of the digital economy exists within the systems of the old economy - the education system is one such example. The Caribbean has unresolved challenges in the old economy that will definitely haunt the region in this new economy. Among these issues are:

- (a) retention of skilled personnel
- (b) the relatively high cost of factors of production versus the productivity of those factors
- (c) high taxation
- (d) administrative and bureaucratic impediments to business development.



The Internet will continue to expose Caribbean businesses to increased competition, as international firms will have greater access to the region's markets. Inefficient firms will either shape-up or exit the market. While the level of efficiency within Caribbean firms is difficult to assess, it is quite likely that limited market size and the high cost of intra-regional transport have constrained the extent to which opportunities of scale have been exploited.

The Beginnings of a Strategic Response

Creating the enabling infrastructure

The high cost of dedicated Internet access in the region is hampering the cost efficiency of Caribbean online business, thereby limiting the overall competitiveness of these entities. A key component of any plan for more competitive participation of regional business in the new economy must involve a strategy by governments to reduce the high price of Internet access.

Government along with the private sector must find interesting ways of increasing the participation rate in new communication technologies like the Internet. One way of achieving this (apart from lowering the cost of Internet access) is by reducing the cost of acquiring the hardware (e.g computers) that allows for participation. The starting price of a Pentium III computer is around US\$700; this may prove quite expensive for low-income households. The Indian Institute of Science and Engineers has designed a handheld Internet device for less than \$200. In Brazil the government is seeking to produce a basic computer with Internet software for under \$300, plus they hope to put a financing scheme in place for low-income families who want to purchase these computers. The Caribbean region needs to find a similar way to facilitate universal access.

The banking sector also plays a critical role in the development of this enabling environment. Policymakers should examine the relative charges on merchant account services (these accounts facilitate credit card transactions on the Internet) by the region's financial institutions to ascertain if the cost of these services is significantly hindering the online export sector.

Encouraging Strategic Alliances

The typical consumer in the online market (be it business or individual) is very time conscious. In the business to consumer (B2C) segment of the market in particular, survival depends on delivering small quantities in relatively short spaces of time. The logistics and cost of supplying to the US market or any other international market may be beyond the capability of the typical small Caribbean firm. Alliances between small firms could considerably reduce the complexity and cost involved in servicing the B2C market. The issues of high cost and

logistical complexity involved in shipping small quantities to the consumer can be addressed through the establishment of fulfilment centres in strategic geographic locations. The total cost of operating a fulfilment centre may be prohibitive for any one firm, but as a collective it is likely to be cheaper than each firm paying high prices for courier services each time they fill an order.

Firms need to attract attention to their products and services. This could prove to be quite a task for the typical Caribbean firm, with a practically unknown brand name and weak advertising dollars. Goldstein and O'Connor (2001) state that "even the best e-marketing strategy does not substitute for traditional media. Indeed, such advertising is normally viewed as an unavoidable sunk cost to establish brand name recognition." Small firms by themselves will be unable to afford the advertising sunk cost that is necessary for effective market penetration. By engaging in a cooperative effort in marketing, using a Web portal and sharing advertising cost, firms may better penetrate the on-line market.

Conclusion

The forces of market competition are by no means diminished in the new economy; as a matter of fact evidence suggests that competition is stronger in this new environment than in the traditional business environment.

Market research suggests that some of the fastest growing sectors in the new economy are areas in which the Caribbean region could have a comparative advantage. The liberalisation of the telecommunications market in Caribbean countries should lower the cost of Internet access, allowing for greater participation in the new economy. However a strategy for the effective exploitation of opportunities in the Internet economy is yet to be formulated by many Caribbean countries. This strategy should be comprehensive and must be cast within the larger context of exploiting recent communication technologies for economic development.



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LIST OF COMMERCIAL BANKS THAT MAINTAIN
CLEARING ACCOUNTS WITH THE ECCB

Antigua Barbuda Investment Bank Ltd
Antigua Commercial Bank Ltd
Bank of Antigua Ltd
Bank of Montserrat Ltd
Bank of Nevis Ltd
Bank of Nova Scotia
Bank of St Lucia Ltd
Banque Francaise Commerciale
Barclays Bank PLC
Caribbean Commercial Bank (Anguilla) Ltd
CIBC Caribbean Ltd
Grenada Cooperative Bank Ltd
National Bank of Anguilla Ltd
National Commercial Bank of Dominica
National Commercial Bank of Grenada Ltd
National Commercial Bank (SVG) Ltd
RBTT Bank Caribbean Ltd
RBTT Bank Grenada Ltd
RBTT Bank (SKN) Ltd
Royal Bank of Canada
Scotiabank Anguilla Ltd
St Kitts-Nevis-Anguilla National Bank Ltd
St Lucia Cooperative Bank Co Ltd