

Eastern Caribbean Central Bank



Report and Statement of Accounts

For the Financial Year Ended 31 March 2003



EASTERN CARIBBEAN CENTRAL BANK

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

24 June 2003

Sirs

In accordance with Article 48(1) of the Eastern Caribbean Central Bank Agreement 1983, I have the honour to transmit herewith the Bank's Annual Report for the period ended 31 March 2003 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, KBE
GOVERNOR

The Honourable Osbourne Flemming
Chief Minister
ANGUILLA

Dr The Honourable John Osbourne
Chief Minister
MONTSERRAT

The Honourable Lester Bird
Prime Minister
ANTIGUA AND BARBUDA

Dr The Honourable Denzil Douglas
Prime Minister
ST KITTS AND NEVIS

The Honourable Pierre Charles
Prime Minister
COMMONWEALTH OF DOMINICA

Dr The Honourable Kenny Anthony
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Dr The Honourable Keith Mitchell
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ST VINCENT AND THE GRENADINES

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MONETARY COUNCIL

at 31 March, 2003



The Honourable Anthony Boatwain
Chairman 2002-2003
GRENADA



The Honourable Victor Banks
ANGUILLA



The Honourable Lester Bird
ANTIGUA AND BARBUDA



The Honourable Pierre Charles
COMMONWEALTH OF DOMINICA



The Honourable
Margaret Annie Dyer-Howe
MONTSERRAT



Dr. The Honourable Denzil Douglas
ST KITTS AND NEVIS




Dr. The Honourable Kenny Anthony
ST LUCIA



Dr. The Honourable Ralph Gonsalves
ST VINCENT AND THE GRENADINES

MISSION STATEMENT

The logo of the Eastern Caribbean Central Bank is a circular emblem. It features a blue outer ring with the text "EASTERN CARIBBEAN CENTRAL BANK" in gold capital letters. Inside this ring is a white circle containing a green laurel wreath. In the center of the wreath is a gold emblem depicting a figure holding a scale and a sword, symbolizing justice and law.

*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

at 31 March, 2003



Sir K Dwight Venner, KBE
GOVERNOR



Errol N Allen
DEPUTY GOVERNOR



Carl Harrigan
ANGUILLA



Whitfield Harris Jr
ANTIGUA and BARBUDA



Ambrose Sylvester
DOMINICA



Timothy Antoine
GRENADA



Vincent Placide
MONTSERRAT



Wendell Lawrence
ST KITTS and NEVIS



Trevor Brathwaite
ST LUCIA



Maurice Edwards
ST VINCENT and THE GRENADINES

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 Planning and Policy Department

Mrs Jennifer Nero
Senior Director - Internal Audit Department

Mrs L Mignon Wade
Senior Director - Bank Supervision Department

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 Resource Department

Mr Wayne Myers
Director - Management Information Systems Department

Dr Garth Nicholls
Director - Research Department

Mr James Simpson
Director - Accounting Department

Miss Elizabeth Tempro
Director - Corporate Relations Department

Mr John Venner
Director - Banking and Monetary Operations Department

Mr Peter Adrien
Adviser - Strategic Planning and Policy Department

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Adviser - Strategic Planning and Policy Department

Miss Ingrid Shortte
Adviser - Strategic Planning and Policy Department

Dr June Soomer
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Deputy Director - Accounting Department

Ms Brontie Duncan
Deputy Director - Banking and Monetary Operations Department

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Deputy Director - Bank Supervision Department

Mr Everette Martin
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Miss Inga Millington
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Mrs Adriana Carter
Deputy Director - Corporate Relations Department

Mrs Evadney Morris-Liburd
Deputy Director, Currency Management Department

Ms Joan Millington
Deputy Director - Human Resource Department

Mr Carl Creaux
Deputy Director - Management Information Systems Department

Mrs Hazel Corbin
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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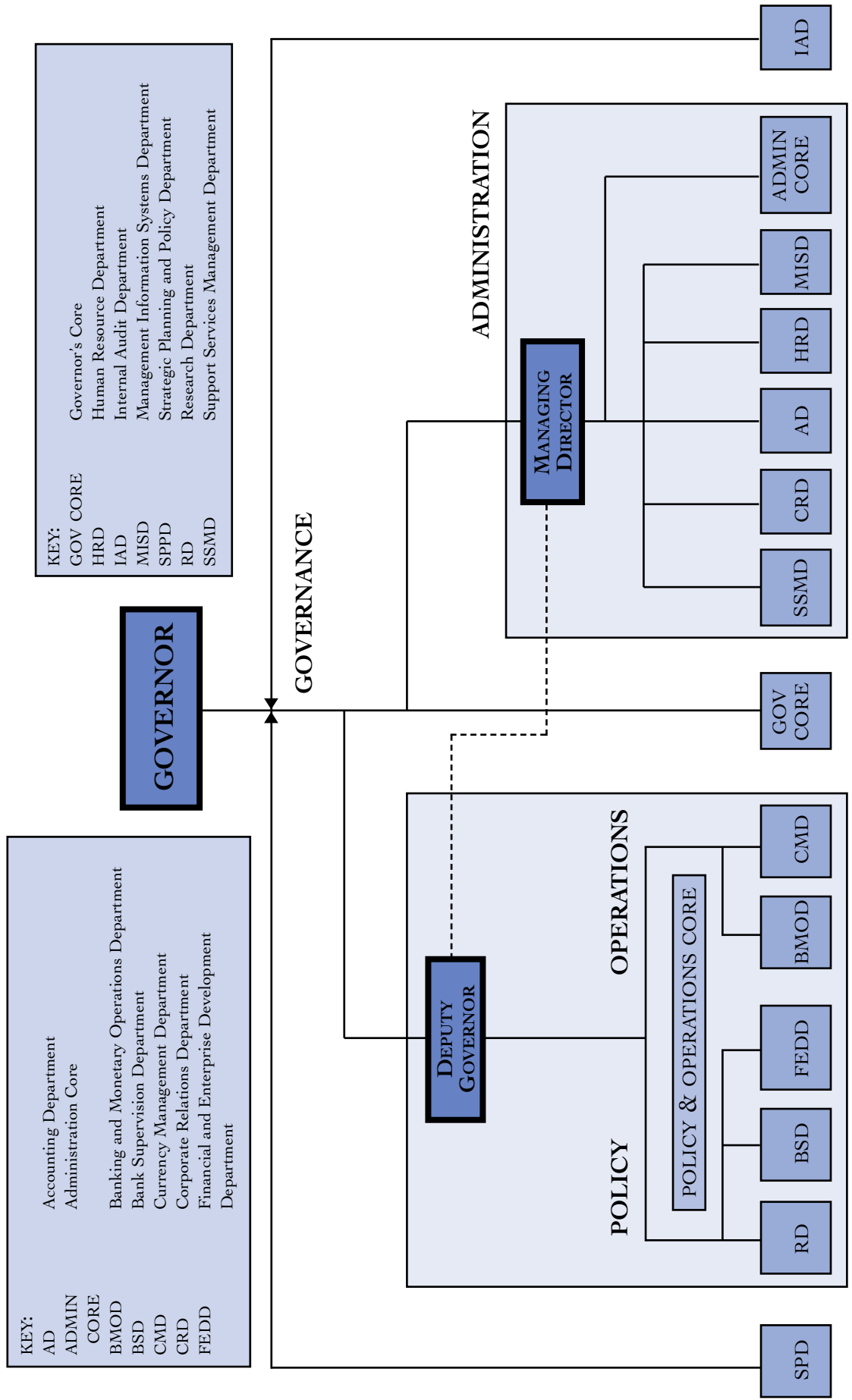
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ORGANISATIONAL CHART



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FOREWORD

FINANCIAL SUSTAINABILITY AND FINANCIAL MANAGEMENT IN THE ECCU

The Eastern Caribbean currency union (ECCU) has experienced a most challenging year in which the economic indicators have mirrored the difficulties in the international economy. Our major trading partner, the United States, has been experiencing slow growth; the Federal Reserve has made unprecedented cuts in the interest rates to stimulate growth and is still contemplating further cuts. Japan has been in recession for over a decade and Germany, the other major economy, is acknowledging a significant slowdown in economic activity.

The international community has been preoccupied since September 11 with the containment of terrorism, and two significant wars have been fought in Afghanistan and Iraq.

The external environment can therefore be characterised as being very ambivalent, which clearly puts a dampener on investment and economic activity. The tourism industry, our main foreign exchange earner, is susceptible to acts of terror and general uncertainty, and this will clearly affect our growth prospects over the immediate future.

The question for us in the currency union therefore becomes how do we respond to this series of events, most of which we have no control over? The answer lies in identifying those areas and circumstances over which we have some control and influence, and applying the appropriate policies.

The main area over which we have some control is fiscal policy. Our approach to revenue, expenditure and debt is therefore critical, particularly at this point. The responses to downturns in economic

circumstances in any nation state reverberate throughout the society, from the ordinary citizen to business firms, to the government itself. In the absence of growth revenue falls and expenditure has to be curtailed. If expenditure is not curtailed the entity has to acquire debt obligations which have to be repaid out of future income, profits or revenue. It is interesting to note the relationship between income, profits and revenue as government revenues are in fact derived from taxing incomes and profits either directly or indirectly.

Downturns in the economic cycle are usually accompanied by adjustments which are either orderly or disorderly. The process, particularly if it turns out to be disorderly, is essentially a Darwinian one, that is, survival of the fittest. An orderly adjustment requires a deliberate strategy and vision, political will, societal consensus, technical and administrative capacity, and the building of strong institutions. These are necessary to ensure that the process of stabilisation is not unnecessarily prolonged, thus leading to further suffering for the least advantaged in the society.

It is necessary to address with some urgency and in a comprehensive manner the issues of technical and administrative capacity, and institution building in the ECCU. Within the currency union three sectors - the financial sector, the non-financial private sector and the public sector will be called upon to drive the adjustment process, both in the short and long run. While the adjustment will have to take place on a country by country basis, the fact that countries are part of an integration arrangement - the Organisation of Eastern Caribbean States (OECS), and a currency union, would strongly suggest that both positive and negative cross country effects could be encountered.

The negative effects could spring from speculation allied to strong transmission mechanisms between the economies of the countries. The positive effects could come from a conscious and strategic policy to devise economies of scale and mitigate risks by spreading administrative and economic activities across the currency union.

The financial sector and the non-financial private sector require a large economic space in which to maximise their economies of scale and minimise their risks. The transaction costs of conducting business in very small country units are extremely high and have a distortional impact on the conduct of business. There is a natural tendency towards monopolies in critical areas with the resulting high price due to lack of competition.

Even the natural monopolies, particularly those in the commercial/distributive trades, are in some difficulties as they experience new competition from internet buying and from the large number of informal operators, both of which have very little overheads. The decline of these firms is further influenced by their structure as they are mainly family owned enterprises moving into the second or third generation and losing or having lost the drive of the founders. The demise of these firms have knock-on effects on employment and incomes, the non-productive loans of commercial banks and the tax receipts of the government.

The countries of the OECS need new business models to cope with the new economic environment both within their own countries and in the regional and international arenas. New trading regimes, the World Trade Organisation, Free Trade Area of the Americas, COTONOU, Caribbean Single Market and Economy (CSME), will put new competitive pressures on the non-financial private sector, which it will not be able to withstand by looking

inward and depending on the public sector for protection.

The financial sector is in a much better position to treat with the new challenges as it starts with a number of significant advantages and a platform for future development. A stable currency, low inflation and a safe and sound banking system are critical for both stabilisation and adjustment. The financial sector also has the advantage of being familiar with the use of high technology, systems of management and financial training, a cadre of well-educated workers and access to information from the international system. Its major disadvantage is fragmentation and fractionalisation as indicated in a 1997 World Bank Report.

The ECCB's money and capital market development programme is trying to address this by supporting and facilitating the development of currency union wide markets for currency, bank liquidity, government securities, secondary mortgages and equities. This has involved the creation of institutions such as the Eastern Caribbean Home Mortgage Bank (ECHMB) and the Eastern Caribbean Stock Exchange (ECSE). Other institutions in the pipeline are the Eastern Caribbean Enterprise Fund (ECEF) and the Eastern Caribbean Unit Trust (ECUT).

This brings us to the role of the public sector, which is the critical actor in creating the environment and facilitating societal consensus on the goals and objectives of the society. Public sector reform and development are critical to the efforts at stabilisation and adjustment. This is so for several reasons. First, the public sector workforce accounts for over fifty per cent of the recurrent expenditure of the government and second, it is responsible for leading, initiating and facilitating the development effort.

The ability to manage public finances is the critical factor in public sector reform. This means in the first instance paying careful attention to the institutional arrangements such as the basic collection of revenues and the efficient and effective expenditure on government programmes. For institutional arrangements to be effective they will require proper organisation, staffing, training, equipment and business practices carried out by the ministries of finance, planning and statistics departments, accountants general departments, inland revenue departments, customs and excise departments and the offices of the auditors general. These offices preside over the fiscal machinery that encompasses the budgetary process.

The preparation of the budget goes through the presentation, implementation, monitoring, evaluating and auditing stages. The need for good governance by both the public and private sectors has become an important issue in the determination of the levels of investment from both domestic and external sources. The fact that domestic expectations exceed the capacity of domestic resources and that both the public and private sectors require external resources to achieve their objectives puts a premium on the importance of good governance.

If one argues that the public sector is the driving force for facilitating the development process, then public sector reform based on good public financial management becomes a high priority. The budgetary process is a road map, so to speak, giving a clear indication of the governments' plans, programmes, and projects and the level at which government services will be funded and delivered over the financial year. Governments need to set clear targets and to put in place the machinery to implement the programmes over the

course of the year. One of the missing pieces in the process, however, is the accounting for financial resources and successfully implemented projects at the end of the financial year.

The constitution provides for government accounts to be sent to the auditor general, who after auditing them should have them passed on to the Public Accounts Committee of Parliament. This is a process of great constitutional and practical significance. It recognises the role of the parliament in passing laws to raise revenue and is the underpinning of the famous slogan "No taxation without representation." It goes further to ensure that such revenue and its usage are properly accounted for at the end of the financial year. The equivalent procedure in the private sector is the certifying of the accounts of the company by public auditors, and the holding of the annual general meeting so that shareholders can voice their comments on the company's performance.

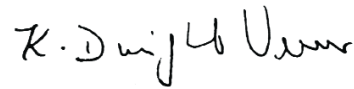
In the case of a democratic country with an elected parliament, the members of the legislature represent the shareholders, that is, the people of the country, and are bound by the constitution and the financial rules to undertake this function. The non-performance of this function has several implications, both domestic and foreign. On the domestic side, without this official and parliamentary scrutiny governments may not be inclined to pay proper attention to financial management, with dire consequences for the economy.

This should have a salutary effect on public confidence in the budgetary process and in financial management, and satisfy to a large extent the transparency requirements of the state. This will also facilitate the investment decisions of local and foreign portfolio holders of government securities,

and the development of markets for such financial instruments which are of sufficient depth, breadth and resilience to stimulate growth in the rest of the economy.

The governments therefore have to step up their performance in the area of financial management in order to ensure fiscal sustainability and the ability to stimulate economic activity, and to supply administrative and social services to the community. The level of analysis required in the ministries to assess and project the impact of expenditure and the effects of new and existing instruments of taxation are more than just part-time or episodic in relationship to the once a year preparation of the budget.

Attention to policy conception, analysis and implementation applied consistently and strategically over time are going to be the major factors in the successful management of the processes of stabilisation and adjustment. It is in the area of public finance that we in the currency union have the degrees of freedom and range of choices for such policy initiatives.



K Dwight Venner
Governor

INTERNATIONAL ECONOMIC DEVELOPMENTS

The world economy expanded by 2.6 per cent in real terms in 2002 compared with growth of 2.2 per cent in 2001. Economic growth was relatively strong at the beginning of the year, but slowed and became more uneven as the year progressed. The strong growth during the first part of the year was influenced by monetary and fiscal stimulus, which led to increased public and private spending in the United States and Europe. The effect of this stimulus was partially offset by a further slide in world equity markets and increased geopolitical tensions, which limited both household and business confidence and slowed the economic recovery.

The United States economy grew by 2.3 per cent in 2002 compared with a 0.3 per cent expansion during the previous year when the economy was in recession. Growth during the year was uneven despite record low interest rates, benign inflation and high government spending. In the first quarter of 2002 the economy grew at a 5.2 per cent annual rate, but slowed to 1.3 per cent in the second quarter. There was resurgence in growth to 4.0 per cent in the third quarter as consumers took advantage of large price reductions to purchase cars and other durable goods. During the fourth quarter growth slowed to a 1.4 per cent annual pace due to a decline in personal spending which was caused by a slump in consumer spending to its lowest level in a decade.

Both household and general government expenditure in the US drove the growth in real output during the year. Real disposable income of households rose 4.2 per cent in 2002 compared with a 1.8 per cent increase in 2001, and this was reflected in higher consumption and a surge in investment in housing. Large tax reductions granted

at the beginning of the year also increased disposable income and reduced fiscal payments made by households. While households suffered a negative wealth effect due to the fall in stock market prices, this was partially offset by a positive wealth effect associated with the rise in real estate prices. In addition, record low long-term interest rates allowed many households to renegotiate mortgage loans. Government expenditure, which had increased at a faster rate in 2001 than in the previous year, rose at an even more rapid pace in 2002. This was largely as a result of the battle against terrorism in the wake of 11 September 2001.

The US labour market, which had stabilised in 2001, weakened in 2002 when employment fell by 0.9 percentage point. As a result of the weaker labour market conditions, the unemployment rate increased from 4.9 per cent of the labour force in 2001 to 5.8 per cent in 2002, its highest level since 1995. The labour market was also adversely affected by low or falling prices, which were disincentives to investment. Inflation, as measured by the consumer price index, slowed from 2.8 per cent in 2001 to 1.6 per cent in 2002, partly attributable to weak demand and a decline in capacity utilisation in the manufacturing sector.

US monetary policy remained expansionary during 2002. With inflation under control the Federal Reserve kept the federal funds rate unchanged at 1.75 per cent for the first ten months of the year but reduced the rate by 50 basis points in November. The dollar also depreciated against the currencies of the main advanced countries and American industry benefited both from the weakening of the real exchange rate and from a fall in the short-term real interest rate.

For the year 2002 real GDP in Canada grew by 3.4 per cent. This was more than double the rate for 2001 and marked the strongest growth in the group of leading industrialised countries. The economy began the year with unusually strong growth of 5.7 per cent for the first quarter; but this declined gradually to an average of 4.7 per cent for the first three quarters. In the final quarter growth of 1.6 per cent was recorded. Overall economic performance was led by an increase in demand, which was widespread across the country and boosted real exports. Consumer expenditure remained strong throughout the year, largely as a result of increases in employment. The strong labour market, together with low interest rates, resulted in solid gains in the housing sector.

Economic growth in the United Kingdom slowed further to 1.5 per cent in 2002 from 2.0 per cent in 2001, attributable to developments in final domestic demand. Household expenditure continued to be strong as indicated by increases in private consumption and expenditure on housing by 3.6 per cent and 10.5 per cent respectively. During the year mortgage interest fell to extremely low levels and together with the increases in housing prices, supported spending by consumers. The positive effect of housing prices on the assets of consumers offset to some extent the adverse effect of the fall in stock market prices. Despite the expansion in the economy the unemployment rate increased slightly from 5.1 per cent in 2001 to 5.2 per cent in 2002. Labour costs of enterprises rose as a result of an expansion in per unit labour costs combined with the smaller increase in labour productivity. Nevertheless, inflation measured on the basis of the retail price index, excluding interest payments on mortgage loans, showed no significant

change in 2002. At 2.2 per cent the inflation rate remained below the 2.5 per cent target rate.

Following a marked contraction in the second half of 2001, the Japanese economy contracted in real terms for the second consecutive year. Real GDP declined by 0.7 per cent in 2002 compared with 2001. Japan has been facing a deflationary situation since 1998 and this worsened in 2002. Consumer prices declined during the year by 1.1 per cent compared with 0.7 per cent in 2001. Among the reasons for the fall in prices were weak domestic demand and declines in domestic costs and in import prices.

In the Asia-Pacific region, excluding Japan, economic activity grew at an impressive rate with real GDP growth estimated at 6.0 per cent. China led the region with an 8.0 per cent expansion, compared with a 7.3 per cent growth rate in 2001, as a strong export performance has been underpinned by China's entry into the World Trade Organisation. During the year exports from China increased by 19.4 per cent as a result of the recovery in the United States and in the Asian trading partner countries. There was also a sharp rise in imports, which provided a boost to regional economies. The economies of Korea and Thailand improved, posting real growth of 6.1 per cent and 5.2 per cent respectively. Despite a severe drought that affected agriculture, growth in India strengthened to 4.9 per cent.

The economy of the euro area faced a number of difficulties in 2002. Real GDP grew at an average annual rate of 0.8 per cent, which was the lowest since 1993. The main reason for the poor economic growth was weak domestic demand as purchasing

by households was restrained, particularly in the first quarter. This was due mainly to sharp price increases in early 2002, caused by a weather-induced surge in the prices of seasonal food products and by higher taxes on consumption. In addition, the introduction of euro bank notes and coins in January 2002 was followed by a perceived rise in inflation, which reduced consumers' propensity to buy. While private consumption picked up in the second quarter, the pace of increase was moderate. From the middle of the year there was a sharp increase in real income, but this was counterbalanced by a number of setbacks for consumer confidence. These included a renewed decline in stock prices, the increasing risk of war in the Middle East and a worsening labour market situation. The decline in the pace of economic activity in the euro area was reflected on the labour market in 2002 when unemployment rose by half a million. Almost all member countries were affected by the deterioration in the labour market and the standardised unemployment rate rose from 8.0 per cent to 8.3 per cent. Consumer prices in the euro area rose at an annual average of 2.2 per cent, somewhat less than in 2001 when the measured rate of inflation was 2.5 per cent. Excluding the volatile components - "unprocessed foods" and "energy" - the rate of price increase in 2002 was 2.5 per cent compared with 2.0 per cent in 2001.

Latin America suffered the worst economic downturn in two decades during the period 2001-2002 but industrial production began a recovery in the second half of 2002. Overall GDP for the region is estimated to have fallen by 0.5 per cent in contrast to the 0.4 per cent increase achieved in 2001. A number of factors influenced this outturn including an adverse international environment, slow growth

in the developed countries and a deterioration in the terms of trade for the region. In addition, there were a number of country specific problems. The economic crisis in Argentina had spillover effects in Paraguay and Uruguay. A political crisis in Venezuela disrupted oil production and put upward pressure on oil prices, while Brazil was affected by a weakening in market sentiment. The economies of Mexico and Chile suffered least from the adverse external financing conditions as these countries are highly integrated with the world economy and their economic performance was underpinned by sound policies.

Growth rates for selected countries in Latin America indicated that real GDP fell by 11 per cent in Argentina, 10.8 per cent in Uruguay and 8.9 per cent in Venezuela. Growth rates were highest in Peru and Ecuador, and these were on average about 4.0 per cent. Real GDP in Brazil, Chile and Colombia recorded more modest growth at 2.0 per cent or less. In Mexico, which emerged from recession during the year, growth was estimated at 0.9 per cent.

The average rate of inflation in Latin America increased to 8.0 per cent in 2002 from 6.0 per cent in 2001. This rise in inflation marked the first increase since 1991 and was precipitated by sharp devaluations in the exchange rates of some regional currencies including those of Argentina, Venezuela and Brazil. These increases in inflation were partially offset by falling prices in Ecuador, Colombia and Nicaragua. The rise in inflation also affected the labour market, which weakened as a result of stagnation and recession. Average unemployment is estimated to have increased to a record 9.1 per cent in 2002, almost

one percentage point more than in the past two years. The weaker labour market and slow growth over the last few years have led to an increase in poverty, reversing the trend of the 1990s.

Prospects

The world economy is expected to grow at a 2.2 per cent rate in 2003, according to the most recent projections of the International Monetary Fund, which revised its initial estimate downward. The growth prospects reflect concerns about war and terrorism, which could affect the confidence of both consumers and investors and limit economic

expansion. The US economy is likely to grow by 2.2 per cent and this slow growth could dampen world performance. Canada is projected to lead the Group of Seven industrialised nations for a second straight year with 2.8 per cent growth. Japan, the world's second largest economy, shows no sign of emerging from decline in 2003 as prices of goods and services continue to fall. The euro area is expected to grow at a 1.1 per cent rate compared with 0.8 per cent growth in 2002. Developing countries in the western hemisphere are likely to grow at an estimated 0.5 per cent rate but a number of countries in the region remain vulnerable.

REGIONAL ECONOMIC DEVELOPMENTS

Overview

Despite the challenging international economic environment, most of the larger member countries of the Caribbean Community (CARICOM) realised growth in real output in 2002, although the rate slowed in some countries. The available information on performance indicated that in two of the countries - Guyana and Trinidad and Tobago - the growth in real GDP slowed. In Jamaica the economy increased at a relatively stable rate, while the Bahamas reported some improvement. Real GDP continued to contract in Barbados, but at a lower rate. During 2002 consumer price inflation moderated in all the member countries with the exception of Guyana.

The performance of the public finances was mixed, with improvements reported for the Bahamas and Guyana, while central government operations deteriorated in Barbados and Trinidad and Tobago. Lower inflows on the capital and financial accounts and a widening of the current account deficit contributed to a weakening of the overall balance of payments position in most of the countries.

Production, Prices and Employment

The economy of the Bahamas showed signs of recovery in 2002 following a weak performance in 2001. Economic trends were reported to have stabilised on the strength of local mortgage financing for residential investment and a revival in tourism. Barbados experienced a slowdown in the rate of decline in economic activity, as real GDP fell by an estimated 0.4 per cent compared with the contraction of 2.8 per cent in 2001. A weak performance in tourism, particularly during the first half of the year, and a poor sugar cane crop contributed to the sluggish outcome in 2002.

In Guyana growth in real GDP slowed to 1.1 per cent from 2.3 per cent in 2001. The slowdown was influenced by weak performances in production of bauxite, gold, rice and timber, combined with domestic security concerns that had an adverse impact on the services sector. Real GDP growth in Jamaica was estimated to have remained relatively stable, in the 1.0 per cent to 2.0 per cent range recorded in the previous year, while Trinidad and Tobago reported a slowdown as real GDP increased by 3.2 per cent compared with the revised rate of 4.0 per cent in 2001. This outcome was the result of a weak performance in the non-energy sector, particularly the manufacturing and government sectors.

During 2002 the tourism industry in the larger CARICOM countries performed sluggishly, particularly during the first half of the year. In the Bahamas, the tourism industry was reported to have remained weak relative to the performance prior to 11 September 2001, despite a revival in tourism receipts. There was a rebound in hotel room rates and sustained growth in cruise ship passengers. Sea arrivals, including cruise ship visitors, increased by 8.9 per cent, but overall growth in visitor arrivals was partly dampened by a 1.8 per cent decline in stay-over visitors. Tourism in Barbados was adversely affected by a combination of factors including increased competition from low-priced destinations, the loss of charter flights from the UK and Canada, and the impact of global economic uncertainty on vacation travel. Value added in tourism was estimated to have contracted by 2.4 per cent, compared with the 5.9 per cent rate of decline in 2001.

Consumer price inflation moderated in most of the member countries with the exception of Guyana where inflation rose to 6.1 per cent. The increase in the rate of inflation in Guyana was

influenced by higher food prices and tariff increases in the communication, electricity and water services sectors. Of the other countries, consumer price inflation was reported to have stabilised at 2.0 per cent in the Bahamas. Lower import prices and subdued credit demand contributed to a moderation in retail price inflation in Barbados. Rates of inflation were also lower in Jamaica at 7.3 per cent compared with 8.8 per cent in 2001, and Trinidad and Tobago at 4.2 per cent, down from 5.5 per cent in 2001.

In 2002 the unemployment rate in Barbados was above that recorded in the previous year, attributable to the weak economic performance. In Trinidad and Tobago the unemployment rate fell to an average of 10.4 per cent from 10.8 per cent in 2001. The contraction in the rate was driven by increased demand for labour in the services sector, particularly the distribution and transport, and the storage and communications sectors.

Central Government Fiscal Operations

The Bahamas recorded an overall deficit of \$37.2m for the first half of the fiscal year (FY) 2002/03, down from the deficit of \$68.8m in the corresponding period of FY 2001/02. Despite the narrowing of the deficit, financing requirements on a calendar year basis were reported to have been above the previous year's level on account of supplementary requirements during the second half of FY2001/02. The performance in the first half of FY2002/03 was the result of a 6.9 per cent increase in total revenue, attributable to higher collections from import duties and tourism-related taxes. In addition, total expenditure fell by 0.6 per cent, reflecting a decline in capital expenditure and net lending to public corporations.

In Barbados the government sought to stimulate real economic activity with a number of measures including higher capital spending and more stringent trade requirements to safeguard domestic production. This policy stance, coupled with shrinking revenue, led to a widening of the overall fiscal deficit to 6.3 per cent of GDP from 3.6 per cent of GDP in 2001, representing the highest deficit to GDP ratio since 1990. The deficit was financed through a drawdown of special deposits held at the central bank and from other domestic sources. Guyana reported an improvement in the overall fiscal performance of the central government in 2002, driven by higher current and capital revenue and lower capital expenditure. In Trinidad and Tobago the fiscal operations of the central government resulted in an overall deficit of \$181.1m, in contrast to the surplus of \$1,036.8m realised in 2001. Increased spending, largely associated with the payment of arrears to public servants and higher transfers to households, combined with a decline in revenue, contributed to the deterioration of the fiscal accounts. The contraction in revenue was influenced by a decrease in receipts from the energy sector, attributable to a fall in oil prices and significant tax write-offs claimed by the largest oil producer in the context of extensive exploration activity.

Money and Credit

In 2002 the growth in the money supply (M3) in the Bahamas slowed to 3.2 per cent following the increase of 4.7 per cent in 2001. The slowdown was influenced by a tapering in growth of fixed deposits to 2.3 per cent from 8.7 per cent in 2001. Meanwhile, the rate of increase in savings deposits strengthened to 4.3 per cent and demand deposits rebounded by 6.0 per cent. Domestic credit expanded by 5.6 per cent, substantially below the 11.7 per cent rate in 2001, reflecting a

lower rate of growth in commercial bank credit to the private sector and net claims on the government. Most of the increase in private sector credit was associated with lending for housing development.

In Barbados there was a build-up of excess liquidity in the banking system in 2002, largely attributable to sluggish domestic credit demand together with a drawdown of the special deposits from the central bank by the government. Deposit transactions associated with merger and acquisition activities in the financial sector also contributed to the excess liquidity. During 2002 the Central Bank of Barbados reduced the minimum deposit interest rate and maintained its policy stance of setting indicative targets for the average lending rate on selected loans. As a result there was a narrowing of the spreads between the interest rates on loans and deposits, thereby facilitating a reduction in the cost of borrowing to the productive sector.

In Guyana the growth in broad money slowed to 5.0 per cent, reflecting a deceleration in credit to the private sector as a result of the cautious lending policy of the commercial banking sector. Quasi money expanded by 5.2 per cent in 2002 following growth of 12.6 per cent in 2001. The spread between the weighted average lending and savings deposit rates widened, despite a decline in the average discount rate on 91-day treasury bills to 3.91 per cent from 6.25 per cent in 2001.

The growth in the monetary base in Jamaica was restrained at 2.4 per cent in 2002, partly reflecting the programmed 1.0 percentage point reduction of the cash reserve requirement of deposit taking institutions to 9.0 per cent in March. One of the most significant developments in the banking industry in Jamaica in 2002 was a 57.2 per cent expansion in loans, largely concentrated

in tourism, communications and distribution, and for personal use. At the end of 2002 the weighted average loan rate fell to 18.3 per cent from 19.5 per cent at the end of 2001, and was 9.3 percentage points above the weighted average deposit rate.

The Central Bank of Trinidad and Tobago introduced a new framework for the conduct of monetary policy in May 2002. This involved the monthly announcement of the rate at which it would provide overnight liquidity to the banking system (the “repo” rate), initially set at 5.75 per cent. This rate was reduced by 50 basis points at the end of August in an effort to stimulate demand in light of the subdued inflationary conditions. As a result interest rates fell, with prime lending rates declining to 11.5 per cent from 14.5 per cent at the end of 2001. Notwithstanding the lower interest rates, credit growth was sluggish as reflected in increases of 9.3 per cent and 1.8 per cent in lending to businesses and consumers respectively, compared with expansions of 17.4 per cent and 8.2 per cent in 2001.

External Sector

In 2002 there was some weakening in external sector performance in most of the countries, with the exception of the Bahamas. In the Bahamas an improvement in the external current account was reported, as the deficit narrowed to \$188.1m from \$274.0m in 2001, influenced by reduced net outflows for imports and higher net inflows from tourism. A strengthening in private foreign investment combined with higher inflows of short term commercial bank capital contributed to an increase in the surplus on the capital and financial account to \$417.1m from \$260.2m in 2001. Barbados recorded its first overall balance of payments deficit since 1998 and the second in 11 years. The deficit of \$46.8m was the result of a deterioration

of the current account balance coupled with a fall in net long-term capital inflows. In Guyana there was a weakening in the overall balance of payments position in 2002, influenced largely by reduced inflows on the capital account associated with lower inflows to the non-financial public sector. The current account deficit narrowed, attributable to reduced fuel imports. In Jamaica there was a drawdown of US\$238.0m in reserves. This reduction was the result of a widening of the current account deficit to US\$942.3m, and lower net official inflows that fell to US\$76.0m from US\$653.0m in 2001. The foreign reserves position in Trinidad and Tobago was reported to have remained strong in 2002 with gross official reserves at US\$1,923.5m, equivalent to 5.8 months of imports of prospective goods and non-factor services. Notwithstanding, there was a substantial reduction in the current account surplus to US\$48.9m from US\$470.6m in 2001, reflecting a fall in receipts from exports of petroleum, petroleum products and chemicals.

Prospects for 2003

The recent forecasts for some of the member countries point to an improvement in economic activity in 2003. In Barbados the economic outcome is projected to range between a decline of 0.8 per cent and growth of 0.5 per cent. The original projection for growth of 2.0 per cent was revised downwards based on an anticipated weak performance of tourism in the aftermath of the war in Iraq. Manufacturing output in Barbados is expected to benefit from an increase in sugar production and from measures implemented to improve performance, including the continuation of the “Buy Local” campaign and the 60.0 per

cent tariff on selected imports. Inflation is projected to remain low, although an increase is likely as a result of higher oil prices. The fiscal deficit as a proportion of GDP is projected to decline as economic activity expands.

Real GDP in Guyana is projected to grow moderately between 1.0 and 2.0 per cent in 2003. During the year efforts will continue on the stabilisation of the macroeconomic fundamentals. Inflation is targeted at 5.0 per cent. In 2003 the Bank of Guyana, the country’s central bank, will focus on ensuring price stability while creating the monetary conditions to promote credit growth and a competitive exchange rate regime.

The outlook for the economy of Jamaica appears promising, with real GDP projected to increase between 2.0 and 3.0 per cent. This projection hinges on the catalytic effect of a number of relatively large ongoing projects. Construction activity is likely to be buoyed by major road construction and rehabilitation projects, while agricultural output is expected to rebound as a result of favourable weather. An expansion in capacity by major processors of alumina is expected to result in an increase in output and productivity. Growth in tourism activity is also projected, but this could be dampened if hostilities in the Middle East have an adverse effect on world travel.

For Trinidad and Tobago, the forecast is for real GDP growth to strengthen to 4.0 per cent in 2003. An inflation rate of 4.5 per cent is anticipated. The external current account balance is projected to improve as the surplus is projected to increase to US\$359.0m.

DOMESTIC ECONOMIC DEVELOPMENTS

Overview

In 2002 the Eastern Caribbean currency union continued to be adversely affected by international developments. Preliminary data and information for 2002 indicated that overall economic activity was sluggish although some improvement was evident, as real GDP grew on average by an estimated 0.2 per cent following the 1.3 per cent contraction in 2001. The outturn in 2002 was influenced in part by strong growth in the agricultural sector, partly on account of favourable weather, that was almost offset by contractions in output in most of the other sectors. Among the member countries of the currency union economic performance differed widely. Growth rates in real GDP exceeded the currency union's average in four of the countries - Montserrat (4.6 per cent), Antigua and Barbuda (2.1 per cent), St Vincent and the Grenadines (1.4 per cent) and St Kitts and Nevis (0.8 per cent). In St Lucia real GDP grew by 0.1 per cent, while contractions in economic activity were estimated for the other three - Dominica (4.7 per cent), Anguilla (3.2 per cent) and Grenada (1.1 per cent).

The fiscal operations of the combined central governments in 2002 resulted in a current account deficit equivalent to 1.5 per cent of GDP, roughly 0.2 percentage point above the level in 2001. The larger deficit position was driven by increased spending associated with debt servicing and transfers, as well as the purchase of goods and services. Higher capital expenditure coupled with a larger current account deficit led to a deterioration in the overall deficit, which rose to 6.8 per cent of GDP from 6.4 per cent in 2001. Developments in the banking system were characterised by an increase in commercial bank liquidity, reflecting strong growth in monetary liabilities relative to the expansion in domestic credit. The ECCB

reduced the minimum rate on savings deposits by 1.0 percentage point to 3.0 per cent effective 1 September 2002. The overall balance of payments for the currency union recorded an increase in the surplus to \$225.1m (2.9 per cent of GDP) from \$173.6m (2.3 per cent of GDP) in 2001. The outstanding external public debt at the end of 2002 amounted to \$4,933.0m, equivalent to 62.7 per cent of GDP.

Output

Preliminary estimates indicated that real GDP for the Eastern Caribbean currency union rose by 0.2 per cent in 2002 in contrast to the revised rate of decline of 1.3 per cent in 2001. The improvement in 2002 was attributed to increased value added from the agricultural and government services sectors. Within the currency union growth in economic activity was observed in Antigua and Barbuda, Montserrat, St Kitts and Nevis, St Lucia and St Vincent and the Grenadines. However, the overall increase in the currency union was dampened by contractions in economic activity in Anguilla, Dominica and Grenada.

Value added in the agricultural sector, which accounted for 7.5 per cent of GDP, grew by 6.6 per cent following the contraction of 8.0 per cent in 2001. The increase in this sector in 2002 was largely as a result of an expansion in the production of traditional export crops, in particular bananas. Output of bananas for the four banana producing territories - Dominica, Grenada, St Lucia and St Vincent and the Grenadines - amounted to 98,894 tonnes in 2002, an expansion of 19.6 per cent when compared with the total in 2001. The improved performance in 2002 was attributed to an increase in acreage under irrigation, favourable

weather particularly in the first nine months of 2002, the ongoing banana restructuring programme, and the control of crop disease. In 2002 banana production rose in two of the islands - St Lucia and St Vincent and the Grenadines - at rates of 41.5 per cent and 12.6 per cent respectively. However, the strong increase in 2002 masked a contraction in output in the last quarter as a result of damage to the banana crop by tropical storm Lili in September 2002. Activity in the agricultural sector was also boosted by growth in the output of cocoa (27.3 per cent), nutmeg (40.8 per cent) and mace (9.9 per cent) in Grenada. Output of sugar cane produced in St Kitts and Nevis was 7.6 per cent above the total in 2001.

Construction activity fell for the second year in succession, reflecting the completion of some major public and private sector projects and a weak investment climate because of international developments. Value added in the construction sector contracted by 2.2 per cent, following the revised rate of decline of 1.8 per cent in 2001. Five of the member countries - Anguilla, Dominica, St Kitts and Nevis, St Lucia and St Vincent and the Grenadines - recorded declines in value added from this sector. During 2002 construction activity in the currency union focussed on improving the economic and social infrastructure. Projects undertaken during 2002 included road upgrading and maintenance, rehabilitation of hospitals, schools, air and sea ports, and the construction of fisheries complexes. Private sector activity was driven by expansion and upgrading of the hotel plant and the construction of commercial and residential properties.

Tourism activity continued to weaken in 2002, reflective of the global economic slowdown as well as reduced airlift services and increased

competition from other tourist destinations. Activity in tourism, as measured by value added in the hotel and restaurant sector, fell for the third year in succession, by an estimated 0.9 per cent in 2002 following declines of 5.2 per cent and 1.2 per cent in 2001 and 2000 respectively. In 2002 stay-over visitors to the currency union rose by 1.9 per cent to 870,131; however the number of visitors staying in paid accommodation was estimated to have contracted.

The classification of stay-over visitors by country of origin indicated increases in arrivals from the USA and the rest of the Caribbean - two of the major markets. Stay-over visitors from the USA, the largest market, amounted to 286,610, roughly 4.3 per cent above the number in 2001, attributable to increased marketing by some of the member countries. Arrivals from the rest of the Caribbean region, the second largest source, rose by 7.9 per cent to 246,074. By contrast, visitors from the United Kingdom and Canada declined by 0.3 per cent and 4.8 per cent respectively, associated with reduced airlift services from these markets. As a consequence of these developments, the USA's share of the market rose to 33.7 per cent from 33.0 per cent in 2001. The Caribbean's share of the market increased by 1.6 percentage points to 29.0 per cent, while the UK's share fell to 22.8 per cent from 23.3 per cent in 2001.

In the rest of the tourism industry the number of cruise ship passengers fell by 24.0 per cent to 1,206,406 compared with the total in 2001, reflecting a decrease in cruise ship calls. The downturn in cruise ship traffic was attributed to changes in the itineraries of some of the major cruise lines in the wake of the September 11 attacks and the cancellation of visits to some member countries by a major cruise line.

Manufacturing activity remained depressed in 2002 as the sector continued to experience lower demand for some products as a result of increased competition in the domestic and export markets. Value added in that sector fell by 0.8 per cent in 2002 following the 1.6 per cent decline in 2001. The outcome in 2002 was influenced in part by declines in the production of soap and dental cream in Dominica and sugar in St Kitts and Nevis. Despite an increase in sugar cane production in St Kitts and Nevis, the output of sugar fell by 4.8 per cent to 21,398 tons, associated with a reduction in the sucrose content of the sugar cane. Output of electronic components fell, reflective of lower demand for some products as a result of the slow economic recovery in the USA - the major market.

In the other sectors, performance was mixed. There were increases in value added in the banking and insurance sector (4.5 per cent) and the government services sector (2.7 per cent). By contrast value added in the transportation sector contracted by 1.9 per cent, partly as a result of the decline in cruise ship traffic and construction activity, both of which debilitated the road transport sub-sector. Value added in the communications sector fell by 2.9 per cent, attributable to lower profits realised by the telecommunications sub-sector as a result of increased competition.

Prices, Wages and Employment

Data on consumer price movements in the member countries (excluding Antigua and Barbuda for which information was not available) indicate that inflation in the currency union was low in 2002. Consumer prices increased on average by 0.6 per cent compared with 1.8 per cent in 2001. Increases in the consumer price indices ranged from 0.5 per cent in Dominica to 3.5 per

cent in Montserrat. These increases were partly offset by decreases ranging from 0.1 per cent in St Vincent and the Grenadines to 1.5 per cent in Anguilla.

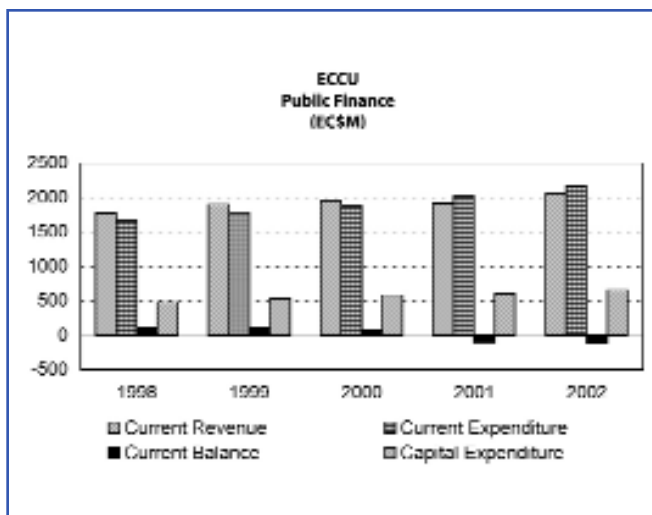
The available information on wages and salaries indicated that in 2002 civil servants in Montserrat were granted a 10.0 per cent increase. Bonuses were awarded to public sector employees in St Vincent and the Grenadines and to staff of the revenue collection departments in Antigua and Barbuda.

Complete data on employment were not available for the currency union. It was likely that the lower level of economic activity in some member countries of the currency union would have resulted in some lay-offs in the private sector, particularly in tourism and construction.

Central Government Fiscal Operations

The fiscal situation of the combined central governments deteriorated in 2002 as evidenced by a widening of the overall deficit to 6.8 per cent of GDP from 6.4 per cent in the previous year. This performance was attributed in part to an increase in capital expenditure and net lending, coupled with an increase in the current account deficit.

In 2002 the combined fiscal accounts of the central governments showed a widening in the current account deficit to \$119.7m (1.5 per cent of GDP) from \$97.3m (1.3 per cent of GDP) in 2001. Total current revenue rose by 6.8 per cent to \$2,047.5m in 2002, while current expenditure increased by 7.6 per cent to \$2,167.2m. In relation to GDP, current revenue rose by 1.0 percentage point to 26.0 per cent, while current expenditure increased by 1.3 percentage points to 27.6 per cent.



Among the member countries, higher current account deficits were recorded for Antigua and Barbuda, Dominica and Montserrat. In St Kitts and Nevis the deficit narrowed. Of the other member countries, St Lucia and St Vincent and the Grenadines recorded current account surpluses that were above the levels in 2001. In Grenada the surplus fell, while in Anguilla a current account surplus was recorded in contrast to the deficit in 2001.

Total tax revenue rose by 7.0 per cent to \$1,756.5m (22.3 per cent of GDP) in 2002, reflecting increases in all its components with the exception of taxes on income and profits. The growth in tax revenue resulted in part from an improvement in tax administration and from new budgetary measures introduced by some member governments in 2002. Receipts from taxes on international trade and transactions expanded by 8.3 per cent to \$937.4m, in contrast to the decline of 2.4 per cent in 2001. As a percentage of GDP, revenue from this source rose to 11.9 per cent from 11.3 per cent in 2001. The growth in revenue was largely reflected in higher collections from the consumption tax, associated in part with a rate increase in St Vincent and the Grenadines and

enhanced efficiency at the customs departments in some of the member countries. Revenue from taxes on domestic goods and services grew by 10.8 per cent, more than doubling the rate of growth in the previous year. This improved outturn was attributed to increased collection of stamp duties, particularly in St Lucia. Proceeds from the property tax went up by 51.6 per cent to \$43.8m, partly attributable to higher receipts in Grenada as a result of improved administration and a property revaluation exercise. Receipts from taxes on income and profits fell by 1.7 per cent to \$414.8m, largely reflecting a contraction in proceeds from the company tax.

On the expenditure side, increases were recorded in all its categories. Spending on wages and salaries, which accounted for 48.1 per cent of current expenditure, increased by 1.8 per cent to \$1,041.4m, equivalent to 13.2 per cent of GDP. An analysis of individual country performances indicated strong growth in expenditure on personal emoluments in Antigua and Barbuda (5.1 per cent) and St Vincent and the Grenadines (7.5 per cent). In Antigua and Barbuda the increase reflected honoraria to staff of the revenue collection departments, while for St Vincent and the Grenadines the expansion was attributable to the bonus to civil servants and growth in employment. Outlays on the procurement of goods and services rose by 11.3 per cent to \$508.4m compared with growth of 6.7 per cent in 2001. The increase in 2002 was primarily influenced by higher spending on supplies and other equipment for the new office complex in Antigua and Barbuda. Interest payments in 2002 were 17.9 per cent above the amount in 2001, reflecting higher external payments, particularly in Grenada and St Kitts and Nevis, due to the contraction of new debt. Expenditure on transfers and subsidies rose by 13.2 per cent to \$330.2m, influenced by higher transport subsidies

in Montserrat. In 2002 responsibility for the operations of the ferry and helicopter services in Montserrat was transferred to the central government.

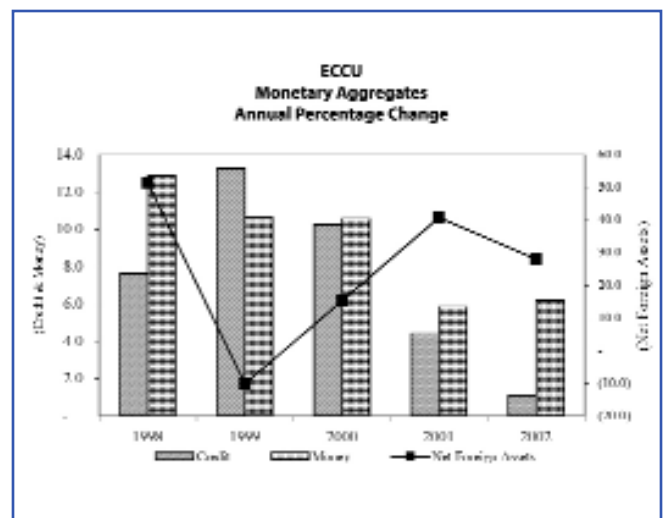
During 2002 capital expenditure and net lending increased by 9.0 per cent to \$661.6m (equivalent to 8.4 per cent of GDP), largely influenced by developments in Grenada and St Kitts and Nevis. Capital revenue and grants together amounted to \$247.9m in 2002, roughly 17.3 per cent above the total for 2001.

The deterioration of the current account deficit coupled with higher capital expenditure and net lending led to a widening of the overall deficit to \$533.5m from \$492.9m in 2001. The deficit was financed largely by external borrowing, including the issue of bonds by the central governments of Grenada, St Kitts and Nevis, and St Lucia. Dominica benefited from loan disbursements from some of the member governments of the Caribbean Community, as well as from the International Monetary Fund (IMF) in support of the IMF Stand-By Arrangement.

Money and Credit

During 2002 the broad money supply (M2) of the currency union expanded at a rate above that recorded in 2001, largely influenced by an increase in net foreign assets. M2 rose by 6.2 per cent to \$6,711.5m compared with growth of 5.9 per cent in the previous year. The growth in 2002 partly reflected an increase of 5.9 per cent in the narrow money supply (M1) in comparison to a 2.8 per cent expansion in 2001. Of the components of M1, currency with the public grew by 5.3 per cent in contrast to the 3.5 per cent decline in 2001, while the rate of growth in private sector demand deposits increased to 6.1 per cent from 5.8 per cent in 2001. Quasi money, which includes private

sector savings, time and foreign currency deposits, went up by 6.3 per cent (\$318.8m). Savings deposits, the largest component of quasi money, grew by 9.1 per cent (\$235.7m), while deposits denominated in foreign currency rose by 11.8 per cent (\$94.2m). Time deposits contracted by 0.7 per cent (\$11.1m).

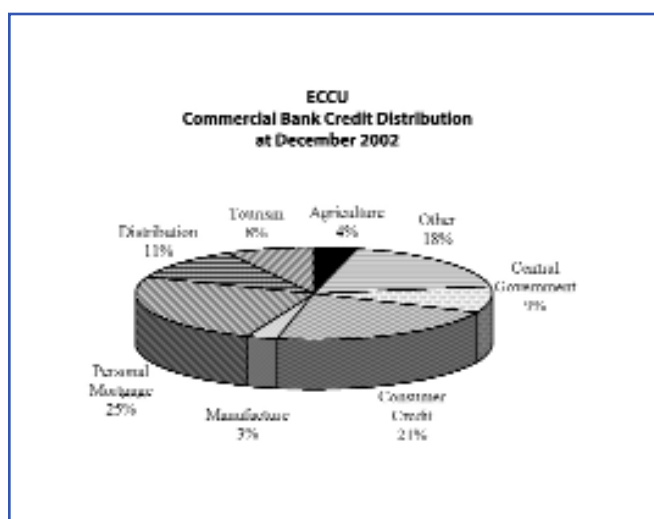


During 2002 the growth in domestic credit decelerated to 1.1 per cent from 4.4 per cent in the previous year. This slowdown was influenced in part by a reduced rate of growth in outstanding credit to the private sector and a decline in net lending to the combined central governments. Private sector credit demand increased by 1.6 per cent, compared with 2.3 per cent in 2001. Of private sector credit, loans and advances to businesses went up by 2.6 per cent in contrast to the decline of 0.2 per cent in the previous year. Outstanding credit to households, largely for the acquisition of property, rose by 0.7 per cent compared with the 4.4 per cent increase in 2001.

The central governments' net indebtedness to the banking system contracted in 2002. Net credit to the central governments combined fell by 2.6 per cent to \$678.0m, largely associated with an

expansion of 18.9 per cent in their deposits with the banking system. The growth in central government deposits was largely reflective of developments in Dominica and Grenada during 2002. In Dominica the expansion in deposits was associated with inflows of official capital and loan funds in support of the Stand-By Arrangement, while for Grenada the increase was attributed to proceeds from the issue of bonds overseas. At the end of December 2002 the Central Bank's credit to the central governments was 20.2 per cent below the level at the end of 2001 as loans and investment in government securities contracted. By contrast, outstanding credit from the commercial banks was 8.0 per cent above the total at the end of the previous year.

The demand for credit by the non-financial public enterprises was less robust during 2002, expanding by 7.4 per cent as against 12.4 per cent in 2001. Their deposits with the banking system rose by 3.0 per cent, resulting in a decline of 0.2 per cent in their net deposits to \$724.4m at the end of 2002.



The distribution of credit by economic activity showed relatively strong increases in lending for agriculture (11.5 per cent), tourism (9.2 per cent), manufacturing (7.5 per cent) and

construction (5.1 per cent). Personal credit expanded by 3.4 per cent.

The net foreign assets of the banking system rose by 28.0 per cent to \$1,847.8m in 2002, reflecting increases in the net foreign assets of both the Central Bank and the commercial banks. The net foreign assets of the commercial banking system almost doubled to \$492.7m. In 2002 the net international reserves of the Central Bank rose by 13.7 per cent to \$1,355.1m, largely reflecting an expansion in foreign assets.

During 2002 liquidity in the commercial banking system increased as evidenced by improvements in the liquidity ratios. The ratio of liquid assets to total deposits plus liquid liabilities rose by 2.5 percentage points to 31.2 per cent, while the loans and advances to total deposits ratio fell by 3.3 percentage points to 77.8 per cent.

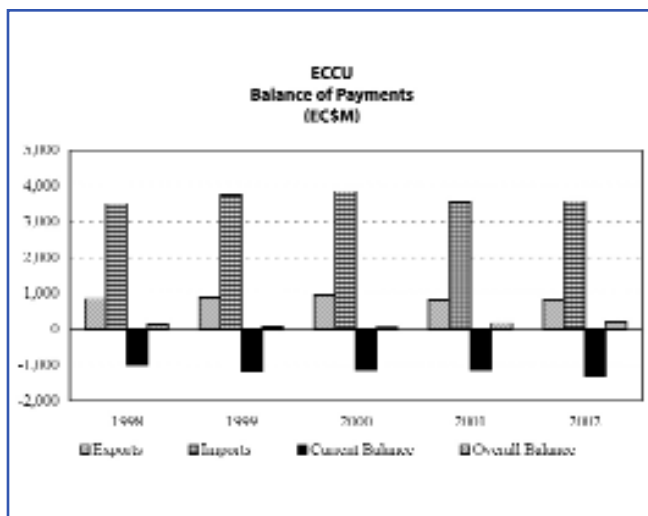
In September 2002 the Central Bank eased its monetary policy stance in an effort to induce lower lending rates and stimulate economic activity. The minimum rate offered on savings deposits was reduced by 1.0 percentage point to 3.0 per cent. As a consequence, prime lending rates fell to a range of 8.5 per cent to 12.0 per cent at the end of September 2002 from a range of 9.0 per cent to 12.5 per cent at the end of June 2002, and remained at that range at the end of 2002.

Balance of Payments

The overall balance of payments position of the Eastern Caribbean currency union improved in 2002 as reflected by the growth in the overall surplus. An overall surplus of \$225.1m was realised compared with one of \$173.6m in 2001. As a percentage of GDP the surplus moved to 2.9 per cent, up from 2.3 per cent in 2001. This

performance was largely as a result of higher net inflows on the capital and financial account that more than offset an increase in net outflows on the current account.

Net inflows on the capital and financial account rose to \$1,525.1m (19.4 per cent of GDP) in 2002 from \$1,303.2m (17.0 per cent of GDP) in 2001. This performance mirrored developments on the financial account. The surplus on the financial account grew by 22.2 per cent to \$1,197.5m (15.2 per cent of GDP), attributable to an increase in inflows of bond proceeds to the combined central governments to \$586.3m from \$88.3m in 2001. The recipients of the majority of these proceeds were the governments of Grenada and St Lucia. Net inflows of other official loans fell by 43.0 per cent to \$207.1m.



Net inflows of private direct investment were estimated to have declined by 6.3 per cent to \$669.6m in 2002, largely reflecting lower inflows associated with hotel development, as work on a major hotel project in St Kitts and Nevis neared completion. Commercial banks increased their stock of net foreign assets by \$241.5m in 2002 following an accumulation of \$244.4m in 2001.

This performance is indicative of a weak demand for credit combined with the relatively strong growth in deposits.

The surplus on the capital account grew to \$327.6m from \$323.4m in 2001, but as a percentage of GDP remained unchanged at 4.2 per cent. This outcome was mainly attributed to a 1.2 per cent increase in inflows of grants to \$236.8m (3.0 per cent of GDP).

The current account deficit was estimated to have widened to \$1,300.0m in 2002 from \$1,129.6m in 2001. As a percentage of GDP, the deficit rose to 16.5 per cent in 2002 from 14.7 per cent in 2001. This outcome reflected lower inflows from services and higher net outflows for merchandise trade and investment income.

Net inflows from services transactions contracted by 5.1 per cent to \$1,691.7m (21.5 per cent of GDP), associated in part with lower inflows from travel. Gross inflows from travel were estimated to have declined by 1.3 per cent to \$2,326.0m. This performance was partly as a result of a fall in visitor arrivals and the discounting of hotel rooms by some hoteliers in the aftermath of September 11. Net inflows from other business services fell by 39.2 per cent to \$56.2m, reflecting higher outflows from financial services, associated with penalty payments as a result of the early redemption of bonds by a member government.

The merchandise trade deficit grew by 1.0 per cent to \$2,829.9m, but as a percentage of GDP fell to 36.0 per cent from 36.5 per cent in 2001. The widening of the deficit resulted from an increase in payments for imports, which more than offset the growth in receipts from exports. The import bill (f.o.b) rose by 1.3 per cent to \$3,557.8m in 2002, driven largely by growth in imports in

Antigua and Barbuda and St Kitts and Nevis. Receipts from merchandise exports grew by 2.6 per cent to \$728.0m or 9.3 per cent of GDP, largely as a result of an increase in earnings from the export of bananas. Banana export receipts grew by 24.6 per cent to \$117.7m in 2002, reflecting an increase in the volume exported. This increase was partly offset by lower receipts from the export of dental cream, sugar, nutmeg and electronic components.

Net outflows of investment income increased to \$556.5m (7.1 per cent of GDP) from \$502.0m (6.5 per cent of GDP) in 2001. This outcome was primarily associated with increased debt servicing by the public sector. Interest payments on the combined public sector external debt, excluding bonds, increased by 23.2 per cent to \$174.5m, equivalent to 2.2 per cent of GDP compared with 1.9 per cent of GDP in 2001. Interest payments on bonds issued in Trinidad and Tobago by some of the member governments amounted to \$40.8m in 2002 compared with \$18.5m in 2001.

External Debt

Preliminary data indicated that at the end of December 2002 the total public sector external debt including arrears for the currency union was \$4,933.0m, representing a 21.9 per cent increase compared with growth of 14.0 per cent in 2001. As a percentage of GDP the public sector external debt rose to 62.7 per cent from 52.7 per cent in 2001. The performance in 2002 reflected a 23.8 per cent increase in the combined central governments' debt, which rose to an equivalent of 52.2 per cent of GDP in 2002 from 43.2 per cent of GDP in 2001. Increases were observed in the outstanding public sector debt of all the member countries

with the exception of Montserrat, St Vincent and the Grenadines and Anguilla. This performance was partly attributed to bond issues by some countries and increased loan receipts by Dominica. The outstanding debt of statutory bodies was 13.3 per cent above the level recorded for the previous year and reflected increases in Grenada, Dominica, Antigua and Barbuda and St Kitts and Nevis.

An analysis of the currency composition of the external debt for the combined member countries revealed that 71.4 per cent of the debt was denominated in US dollars. Of the other currencies, 10.4 per cent was denominated in euros, 4.8 per cent in special drawing rights and 4.1 per cent in Kuwaiti dinars. An examination of the sectoral distribution of the outstanding debt revealed that utilities accounted for 15.5 per cent, while 14.6 per cent was targeted at multi-sector projects. There were allocations of 9.5 per cent to the tourism industry and 7.0 per cent for roads and bridges.

During 2002 external debt service payments (including interest, principal and other payments) rose by 13.4 per cent to \$372.9m, reflecting the increase in the outstanding debt of the currency union. As a percentage of current revenue, external debt service payments increased to 18.2 per cent in 2002 from 17.1 per cent in 2001. The expansion in the debt service ratio was attributed to an increase in the total public and publicly guaranteed debt in Grenada (78.9 per cent), St Kitts and Nevis (24.9 per cent), St Lucia (19.4 per cent) and Dominica (16.6 per cent), Antigua and Barbuda (12.6 per cent). As a component of total debt service payments, principal repayments accounted for 52.2 per cent of the total, while interest payments represented 47.2 per cent.

Prospects for 2003

Economic activity in the currency union is projected to be sluggish during the first half of 2003. This projection is based on a likely contraction in agricultural output, particularly bananas, and a weak tourism performance. Banana production is likely to be below the level in the first half of 2002 as a result of damage sustained by the industry during the passage of tropical storm Lili. In the tourism industry, visitor arrivals are likely to contract, particularly in the first quarter, reflecting the impact of the war in Iraq on global travel.

The outlook for the second half of 2003 appears promising. Economic activity is projected to strengthen, influenced in part by a likely expansion in construction activity and growth in visitor arrivals based on the prospects for improved growth in the global economy. Value added in the hotel and restaurant sector is likely to expand as growth in tourist arrivals is projected, based on an improvement in economic conditions in the major markets, increased airlifts from the USA and UK, an expansion in hotel room capacity and intensive marketing and promotion. Construction activity is expected to improve based on projects to be implemented in the private and public sectors. During 2003 ongoing and new projects likely to come on stream include airport construction and expansions, the building of a hospital, improvement to roads and schools, housing development, construction of a hotel resort, a development bank and headquarters for a regional airline.

The current operations of the central governments combined are likely to result in a smaller current account deficit, based on efforts to control expenditure and a projected increase in revenue as a result of new fiscal measures introduced in some member countries. These measures include increases in the rate of the customs service charge and consumption tax and the introduction of an environmental levy. Capital expenditure is projected to increase based on projects planned for implementation in 2003, while net lending is likely to be below the level in 2002 when loans to public enterprises rose substantially. The overall deficit is expected to be financed by grants as well as by domestic and external loans. Monetary liabilities are projected to increase, broadly in line with growth in nominal GDP. Consumer price inflation is projected to increase as a result of new budgetary measures, including an increase in the fuel surcharge, that are expected to result in higher prices for some goods.

In the external sector, the current account balance is expected to be influenced by developments in the travel and investment income sub-accounts. Gross travel receipts are projected to increase in the second half of 2003, consistent with the anticipated growth in visitor arrivals. Net inflows of investment income are likely to be above the level in 2002, as debt service payments are projected to increase based on the higher debt stock of the combined governments. Payments for imports are projected to grow in line with the growth in nominal GDP.

ANGUILLA

Overview

The economic recovery experienced in Anguilla in 2001 was short-lived, as the economy was estimated to have contracted in 2002. Based on preliminary data, real GDP contracted by 3.2 per cent following the revised rate of growth of 2.1 per cent in 2001 and the 0.3 per cent decline in 2000. The performance in 2002 was influenced largely by decreased activity in the hotel and restaurant and construction sectors that more than offset increases in value added in some of the other sectors, particularly communications and government services. The fiscal position of the central government improved, largely on account of strong growth in current revenue relative to the increase in current expenditure and a reduction in capital expenditure. The liquidity of the commercial banking system increased. The minimum interest rates on savings deposits fell by 1.0 percentage point following the Central Bank's decision to reduce the rate to 3.0 per cent effective 1 September 2002. On the external accounts, the overall balance of payments surplus was reduced, largely as a result of a decrease in net inflows in the capital and financial account.

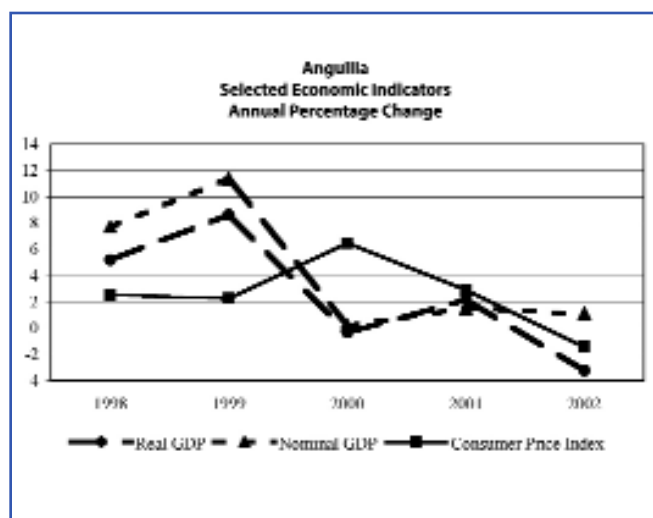
Output

Developments in tourism, a major activity in Anguilla, were mainly responsible for the 3.2 per cent contraction in economic activity in 2002. Value added in the hotel and restaurant sector, an indicator of the level of tourism activity, fell by 8.3 per cent following growth of 9.5 per cent in 2001. Stay-over visitors - the major contributor to value added in the hotel and restaurant sector - fell by 8.3 per cent to 43,969 in 2002 and represented 39.6 per cent of the total visitors to Anguilla. The decline in stay-over visitors was largely associated

with decreases in arrivals from the USA and Europe, in particular Italy. The number of visitors from the USA fell by 4.5 per cent to 28,755. However, arrivals from the USA as a share of stay-over visitors rose to 65.4 per cent in 2002 from 62.8 per cent in 2001. The number of stay-over visitors from Italy fell sharply to 707 from 2,746 in 2001, partly as a result of the closure of an hotel that accommodated visitors from that market. Increases of 3.4 per cent and 3.6 per cent were recorded in the number of stay-over visitors from Canada and the rest of the Caribbean respectively. During 2002 the number of excursionists grew by 17.8 per cent to 67,149, attributable to an improvement in tourism activity in the neighbouring island of St Maarten, the major source of excursionists. In the previous year excursionists contracted by 17.0 per cent, reflecting the impact of the slowdown in the US economy and September 11 on tourism activity in St Maarten. Excursionists accounted for 60.4 per cent of visitor arrivals in 2002, up from 54.3 per cent in 2001.

In 2002 activity in the construction sector contracted for the third year in succession. Value added in that sector was estimated to have declined by 14.2 per cent following decreases averaging 14.2 per cent in 2001 and 2000. Consequently, the sector's contribution to GDP fell to 10.3 per cent from 11.6 per cent in 2001. The contraction in value added in 2002 was partially attributed to reduced investment by the public sector. Capital expenditure by the central government declined in 2002 following the completion of some major projects in late 2001. These included the Island Harbour Polyclinic and the West End Primary School. In 2002 capital expenditure was associated largely with the construction of roads and the Welches Polyclinic. Private sector residential construction activity appeared to have been less

robust in 2002 than in 2001. This assessment is based on commercial bank data which showed an 18.3 per cent increase in lending for home construction and expansion compared with the 36.0 per cent growth in 2001.



Among the other sectors, value added in the wholesale and retail trades sector fell by 10.8 per cent, consistent with the contraction in the economy. Value added in the transportation sector fell by 5.8 per cent, partly associated with the fall in construction activity. The mining and quarrying sector declined by 3.6 per cent, directly associated with the contraction in the construction sector. In the agricultural sector value added rose by 15.1 per cent during 2002, after decreasing by 8.1 per cent on average in the previous three years. The sector's contribution to GDP increased to 3.2 per cent in 2002 from 2.7 per cent in 2001. Performance in the agricultural sector was largely influenced by growth of 66.0 per cent in value added in the livestock sub-sector, reflecting an increase in egg production. Increases in value added were also recorded for electricity and water (9.2 per cent), communications (7.5 per cent), government services (2.6 per cent) and manufacturing (1.2 per cent).

Prices, Wages and Employment

On an end of period basis the general price level, as measured by the consumer price index (CPI), contracted by 1.5 per cent in 2002 after increasing by 2.9 per cent in 2001. Contractions in the sub-indices "food" (0.7 per cent), "housing" (8.6 per cent) and "fuel and light" (5.0 per cent) were the main contributing factors to the decline in the CPI. Increases in the sub-indices "clothing and footwear" (5.3 per cent), "education" (9.4 per cent) and "personal services" (14.6 per cent) moderated the overall decline in the price level.

During 2002 there were some increases in wages and salaries in the public sector based on performance factors. In the private sector there were upward adjustments in salaries in some institutions, following a mandatory salaries review exercise.

Data from the Social Security Board indicate that in 2002 the number of employees stood at 4,962, roughly 2 per cent lower than the total recorded in 2001. The data also indicated that the number of persons with multiple employment decreased to 952 from 981 in 2001. In the hotel and restaurant sector, a major contributor to employment in Anguilla, the number employed was reported to have decreased by 7.1 per cent to 2,197, primarily on account of the decline in activity in that sector. Construction related employment also contracted, as the number fell to 508 from 590 in 2001. Based on the Labour Force Survey conducted in 2001, the unemployment rate for 2001 was estimated at 6.7 per cent. It is likely that this rate would have declined in 2002 in light of the weak economic performance.

Central Government Fiscal Operations

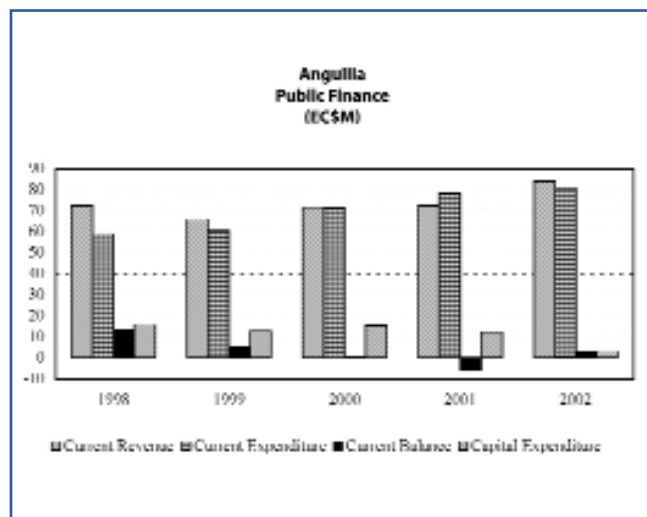
During 2002 the current account operations of the central government improved, as a result of measures implemented in the last quarter of 2001 to strengthen revenue and restrain expenditure growth.

A current account surplus of \$2.9m (1.0 per cent of GDP) was recorded in 2002, in contrast to the deficit of \$5.5m (1.9 per cent) in 2001. The improvement in 2002 was influenced by a higher rate of growth in current revenue relative to the increase in current expenditure. Current revenue grew by 15.4 per cent to \$83.9m and as a percentage of GDP rose to 28.0 per cent from 24.7 per cent in 2001. Current expenditure rose by 3.6 per cent to \$81.0m, equivalent to 26.8 per cent of GDP in 2002 compared with 26.5 per cent of GDP in 2001.

The growth in current revenue was reflected in increases in collections from taxes on domestic goods and services, and from non-tax revenue. Receipts from taxes on domestic goods and services increased by 25.1 per cent to \$28.9m compared with the 27.6 growth in 2001. The increase was partly attributed to growth of 17.9 per cent to \$9.2m in receipts from the hotel accommodation tax, associated with an improvement in tax administration. Receipts from taxes on international trade and transactions fell by 0.6 per cent to \$34.4m compared with the decline of 13.5 per cent in 2001, reflecting a contraction in imports. Revenue from import duties fell by 1.0 per cent to \$29.8m, representing 35.5 per cent of current revenue. Non-tax revenue rose by 39.6 per cent to \$20.1m compared with the 9.9 per cent growth in 2001.

As a percentage of current revenue, non-tax revenue increased to 24.0 per cent from 19.8 per cent in 2001.

The increase in current expenditure was influenced by higher interest payments and outlays on personal emoluments. Interest payments were 78.9 per cent (\$1.5m) above the total in 2001, largely reflecting growth in domestic interest payments. Expenditure on personal emoluments rose 3.8 per cent to \$41.1m compared with growth of 7.6 per cent in 2001, and represented 50.7 per cent of current expenditure. By contrast, outlays on goods and services fell by 0.9 per cent to \$33.8m following the 8.3 per cent growth in 2001.



Capital expenditure contracted by 73.5 per cent to \$3.3m in 2002 compared with the 19.0 per cent decrease during 2001, and as a percentage of GDP fell to 1.1 per cent from 4.2 per cent in 2001. The completion of some major projects in 2001 and the fact that no relatively large new projects were started in 2002 accounted for the fall in capital expenditure. Capital expenditure was associated with the continuation of construction work on a polyclinic and a primary school that commenced in 2001. Capital grants fell by 67.7 per cent to

\$2.0m in 2002. The improvement in the current account balance combined with the fall in capital expenditure contributed to an overall surplus of \$1.7m (0.6 per cent of GDP). This performance contrasts with the deficit of \$11.7m (4.0 per cent of GDP) in 2001.

The external debt of the central government stood at \$8.4m compared with \$8.3m at the end of 2001. As a percentage of GDP the external debt remained stable at 2.8 per cent.

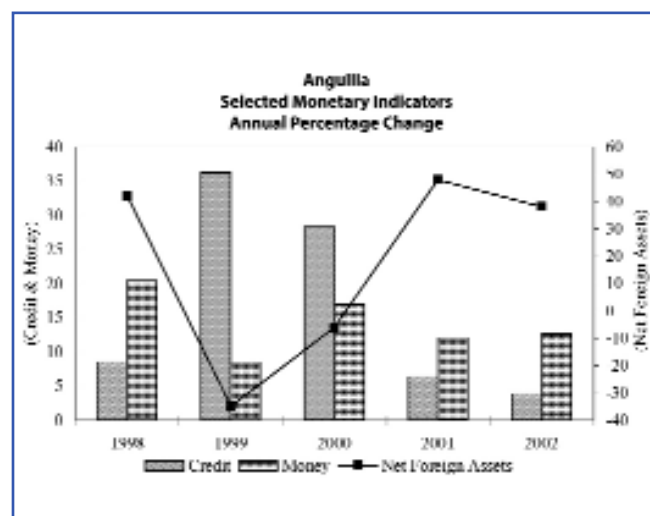
Money and Credit

During 2002 broad money (M2) expanded by 12.7 per cent to \$545.6m, marginally above the 12.1 per cent rate in 2001. The growth in M2 was driven in part by a 14.5 per cent (\$4.2m) increase in foreign currency deposits. Time deposits increased by 10.6 per cent (\$4.7m), while savings deposits grew by 6.6 per cent (\$3.1m). The narrow money supply fell by 4.2 per cent (\$0.8m).

Domestic credit rose by 3.9 per cent to \$425.7m in 2002 compared with growth of 6.4 per cent during 2001. The expansion in credit largely reflected a 4.7 per cent increase in lending to the private sector, compared with 7.7 per cent in 2001. Lending to businesses accounted for the major portion of the growth in private sector credit and increased by 5.6 per cent, up from the 4.4 per cent rate in 2001. Credit to households grew at the reduced rate of 3.9 per cent, compared with 11.0 per cent in 2001. In the case of the public sector there was a 3.5 per cent (\$0.7m) decrease in net credit to the central government, partly attributable to the improved fiscal performance. The central government's deposits with the banking system more than doubled to \$3.0m, while its borrowings rose by 4.7 per cent (\$1.0m). The net deposits of the non-financial

public enterprises grew by 15.4 per cent (\$8.8m), while those of the non-bank financial institutions decreased by 20.1 per cent (\$2.8m).

An analysis of credit by economic activity indicated that lending to households for home construction and renovation accounted for the major portion of the increase in credit. Lending for construction declined by 6.8 per cent (\$1.4m), while loans for tourism increased by 2.7 per cent (\$2.5m).



During 2002 the net foreign assets of the banking system rose by 38.0 per cent to \$209.4m, following the 48.0 per cent expansion in 2001. A 60.4 per cent (\$52.2m) increase in the net foreign assets of the commercial banks was largely responsible for the growth in net foreign assets of the banking system. The expansion in commercial banks' net foreign assets was reflected in part in a 24.0 per cent (\$55.1m) increase in assets held with banks and other institutions outside the Eastern Caribbean currency union. Anguilla's imputed share of the reserves held at the Central Bank grew by 8.4 per cent to \$70.8m.

Liquidity in the commercial banking system increased in 2002. The ratio of liquid assets to total deposits plus liquid liabilities rose by 3.1 percentage

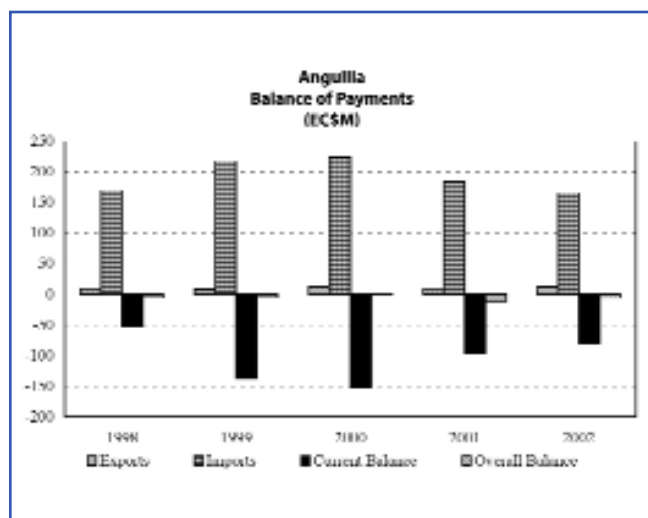
points to 45.2 per cent. Also reflecting the increase in liquidity was a 5.5 percentage point decline in the loans and advances to total deposits ratio to 66.4 per cent.

Interest rates exhibited some downward movements in 2002. The ECCB reduced the minimum rate on savings deposits from 4.0 per cent to 3.0 per cent, effective 1 September. There were some changes in the rates payable on time deposits in the various maturity categories. The minimum rate for time deposits between three and twelve months increased by 50 basis points to 2.5 per cent. The maximum rates for time deposits of three to six months fell by 25 basis points and those for deposits of over six to twelve months fell by 75 basis points. Time deposits over 2 years fell from a range of 5.5 per cent to 7.5 per cent at the end of 2001 to one of 2.5 per cent to 7.0 per cent. These changes were in keeping with liquidity management practices as the weak economic environment reduced the number and quality of investment opportunities available to banks. Prime lending rates remained stable in the range of 10.5 per cent to 12.0 per cent.

Balance of Payments

Preliminary estimates of the balance of payments for 2002 revealed an improvement in the current account deficit which fell to \$78.6m from \$96.4m in 2001. In relation to GDP, the deficit contracted by 6.7 percentage points to 26.0 per cent in 2002. Net inflows on the capital and financial account declined by 21.3 per cent to \$84.1m, the equivalent of 27.8 per cent of GDP. Consequently the overall surplus fell to \$5.4m (1.8 per cent of GDP) from \$10.5m (3.6 per cent of GDP) in 2001.

The narrowing of the current account deficit was attributed in part to developments in the merchandise trade sub-account. The merchandise trade deficit fell by 12.5 per cent to \$153.1m, reflecting a decline in the value of imports (f.o.b) coupled with an increase in export earnings. In relation to GDP, the deficit fell to 50.6 per cent from 59.4 per cent in 2001. Merchandise imports totalled \$166.1m, roughly 10.1 per cent below the level recorded in 2001, reflecting the contraction in the economy, particularly in the construction sector. Export earnings rose by 35.8 per cent (\$3.4m).



In 2002 the services sub-account continued to be the major recipient of inflows in the current account. Net inflows from services transactions amounted to \$82.7m (27.3 per cent of GDP), down from \$88.0m (29.9 per cent of GDP) in 2001. This performance was as a direct consequence of lower inflows from travel. Gross travel receipts were estimated to have decreased by 7.4 per cent to \$156.3m, consistent with the decline in stay-over visitors.

In the case of the capital and financial account, higher net outflows of commercial bank

short term capital contributed largely to the reduction in the surplus. Commercial banks' transactions resulted in a net outflow of \$52.2m compared with one of \$38.7m in 2001. There was a net outflow of \$1.1m in official long-term capital in contrast to net inflows of \$3.2m in 2001. Net inflows associated with direct investment were estimated to have increased by 1.7 per cent (\$1.5m).

Prospects

In 2003 real GDP is projected to increase by 3.6 per cent, partly on account of anticipated growth in the construction sector based on plans for a number of public sector projects. These projects include the Wallblake Airport expansion project and road construction and upgrading. Construction activity in the private sector is expected to be buoyed by the commencement of a major resort and golf course during the year. Value added in the hotel and restaurant sector is projected to expand, driven by an anticipated rebound in stay-over arrivals. The growth in arrivals is based on intense marketing and on activities planned for 2003 including a regatta in May and a jazz festival

in November. Consumer price changes are expected to remain relatively low based on inflation expectations in the US, the major trading partner. Liquidity in the banking system is expected to remain high.

The current operations of the central government are projected to improve, influenced by a likely increase in revenue as a result of measures implemented in the 2003 budget, including the introduction of an environmental levy and a customs service charge. A weakening in the overall fiscal position is expected, based on an increase in capital expenditure mainly associated with road development and extension of the airport runway. Monetary liabilities and commercial bank credit to the private sector are projected to increase based on the growth in economic activity.

In the external sector the current account deficit of the balance of payments is likely to widen. This assessment is based on a projected increase in merchandise imports associated with the recovery in construction activity and the expansion in the economy.

ANTIGUA AND BARBUDA

Overview

Economic activity in Antigua and Barbuda was estimated to have expanded by 2.1 per cent in 2002 compared with growth of 1.5 per cent in 2001. The expansion in 2002 was driven by a rebound in activity in the tourism industry and the banks and insurance sector and growth in the construction and government services sectors. The overall increase in output was tempered by weak performances in the transportation and wholesale and retail trades sectors. In 2002 the overall fiscal deficit of the central government widened, attributable to increases in both current and capital expenditure. Liquidity in the banking system improved. Monetary liabilities increased in line with the growth in nominal GDP. Effective 1 September 2002 the ECCB reduced the minimum interest rate on savings deposits by 1.0 percentage point to 3.0 per cent. The balance of payments realised an overall surplus that was below the level in 2001, influenced by higher net outflows on the merchandise trade account and lower net inflows from services.

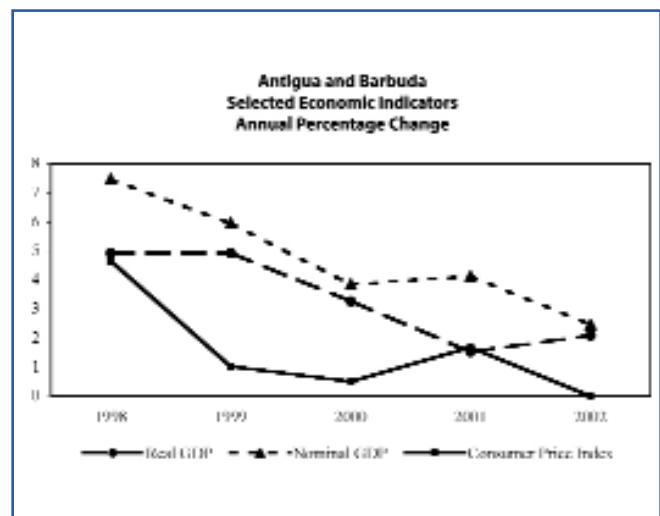
The economy is projected to expand by 3.2 per cent in 2003, based on anticipated developments in tourism and construction.

Output

Real gross domestic product (GDP) was estimated to have expanded by 2.1 per cent in 2002, reflecting a 0.6 percentage point increase on the rate recorded in 2001. Growth was driven primarily by increased activity in the tourism industry as well as in the construction and banks and insurance sectors.

Tourism showed signs of recovery during 2002. Value added in the hotel and restaurant sector, an indicator of the level of tourism activity, grew by 2.1 per cent following declines of 7.8 per cent

and 0.9 per cent in 2001 and 2000 respectively. The expansion in 2002 mirrored the developments in the stay-over visitor category. The number of stay-over visitors increased by 1.7 per cent to 218,399 following declines averaging 3.7 per cent in 2001 and 2000 when the industry suffered external shocks. Of stay-over arrivals, visitors from the UK, the major market, rose by 6.8 per cent to 72,401, reflecting an increase in the number of flights and seats available from that market. In 2001 visitors from the UK declined by 9.6 per cent. Arrivals from the USA, the second major source of stay-over visitors, grew by 0.8 per cent compared with the 2.0 per cent increase in 2001. The slowdown was partly attributed to the fallout from September 11 and the sluggishness of the US economy in 2002. Stay-over arrivals from the rest of the Caribbean were up by 9.1 per cent in 2002, following declines of 0.5 per cent and 1.2 per cent in 2001 and 2000 respectively. The growth in stay-over arrivals from these markets was partly offset by a 20.7 per cent contraction in arrivals from Canada, attributed to a reduction in the number of flights from that destination.



In the rest of the tourism industry performance was mixed. There was a 23.6 per cent decrease in the number of cruise ship passengers, following the 4.8 per cent decline in 2001. This outturn

reflected a 39.0 per cent contraction in the number of cruise ship calls, the result of increased competition from other tourist destinations. By contrast, yacht visitors increased by 2.0 per cent in 2002 after remaining relatively stable in 2001.

Value added in the construction sector increased by 3.5 per cent following growth of 4.0 per cent in 2001. The performance in 2002 was largely attributed to increased activity in the private sector associated with expansions to and refurbishment of the hotel plant, as well as the construction of commercial and residential properties. In the public sector construction activity focussed on the Nevis Street Pier, the Mount St John Hospital, road refurbishing, building of sidewalks and fishing complexes, as well as renovation and expansion to schools, some of which were completed during 2002.

Value added in the government services sector, the largest contributor to GDP, rose by 5.7 per cent, influenced by higher outlays on personal emoluments. The government services sector as a percentage of GDP has been increasing steadily over the past three years. In 2002 the sector's share of GDP rose to 17.0 per cent, up from 16.4 per cent in 2001. Value added in the banks and insurance sector increased by 12.0 per cent following the 5.9 per cent contraction in 2001.

The performance in the rest of the services sector was mixed. Increases in value added were recorded for electricity and water (4.1 per cent) and communications (0.1 per cent), while a 2.0 per cent decline was recorded for the wholesale and retail trades sector. Value added in the transportation sector declined by 3.3 per cent, reflecting decreases in the "road transport" and "sea transport" sub-sectors, largely influenced by the downturn in the cruise sub-sector.

Prices, Wages and Employment

Data on consumer price movements in Antigua and Barbuda were not available for 2002. In the case of wages, the available information indicated that private businesses awarded wage increases in the range of 3.0 to 4.0 per cent in 2002. There were no increases in wages and salaries of civil servants, apart from the usual annual increments. During the year there was a payment of a bonus to the staff of the revenue collection departments. In the case of employment, it is likely that the number of workers in the hotel and restaurant sector increased in 2002 as a result of the rebound in activity in that sector.

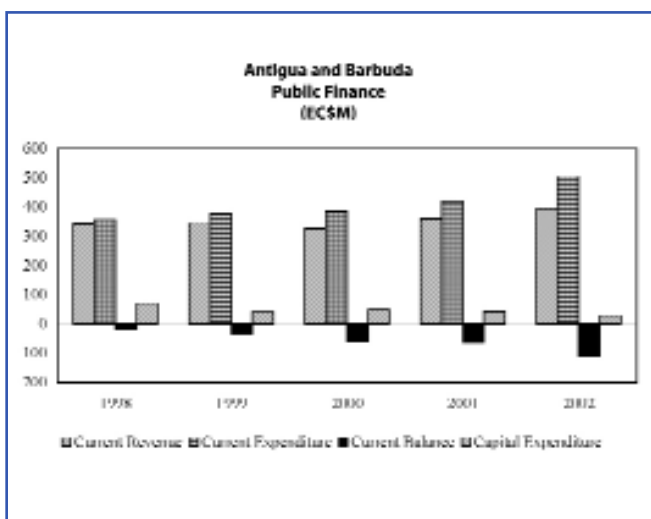
Central Government Fiscal Operations

The fiscal performance of the central government worsened in 2002 relative to the position in 2001. A current account deficit of \$109.5m (5.6 per cent of GDP) was recorded compared with one of \$65.3m (3.5 per cent of GDP) in 2001. The widening of the deficit was attributed to an increase in current expenditure.

During 2002 current expenditure rose by 19.9 per cent to \$506.0m compared with the increase of 9.5 per cent in 2001, and was approximately 15.6 per cent below the budgeted amount of \$599.2m. Current expenditure as a percentage of GDP rose to 26.0 per cent from 22.5 per cent in 2001. The growth in expenditure in 2002 was due mainly to an increase in spending on goods and services (55.4 per cent) and on personal emoluments (5.1 per cent). The purchase of office supplies, furniture and equipment for a newly built office complex contributed to the growth in outlays on goods and services. The increase in expenditure on personal emoluments partly reflected the payment of a bonus to the staff at the revenue collection departments. Of the other categories of expenditure,

interest payments totalled \$57.9m, roughly 14.9 per cent above the amount in 2001, largely reflecting an increase in the disbursed outstanding external debt. Spending associated with transfers and subsidies rose by 12.4 per cent (\$4.6m), in contrast to the contraction of 8.6 per cent (\$3.5m) in 2001, attributable in part to an increase in contributions to regional institutions.

In 2002 current revenue grew by 10.7 per cent to \$396.5m, but was 30.7 per cent below the budgeted amount of \$571.7m. As a share of GDP current revenue increased by 1.3 percentage points to 20.4 per cent. The growth in current revenue was influenced by an 11.9 per cent increase in tax revenue, in particular receipts from taxes on international trade and transactions. Revenue from taxes on international trade and transactions rose by 6.5 per cent to \$208.3m, partly associated with an expansion in imports and an improvement in tax collection. There were increases in receipts from consumption tax (5.5 per cent) and the customs service charge (25.4 per cent).



Receipts from taxes on domestic goods and services rose by 13.5 per cent to \$79.2m relative

to the total in 2001, attributable in part to the collection of arrears in relation to the betting and gaming tax. There was a 10.4 per cent decrease in collections from the hotel and restaurant tax, despite the increase in stay-over visitors. This outcome resulted from the discounting of room rates by a number of hotels in Antigua and Barbuda in the aftermath of September 11. Revenue from taxes on income and profits rose by 28.9 per cent (\$13.8m), mainly on account of a 29.3 per cent (\$12.6m) increase in collections from company tax, reflecting an improvement in tax administration. The yield from property tax was 31.7 per cent (\$1.9m) above the level in 2001. Receipts from non-tax sources rose by 0.8 per cent to \$39.6m.

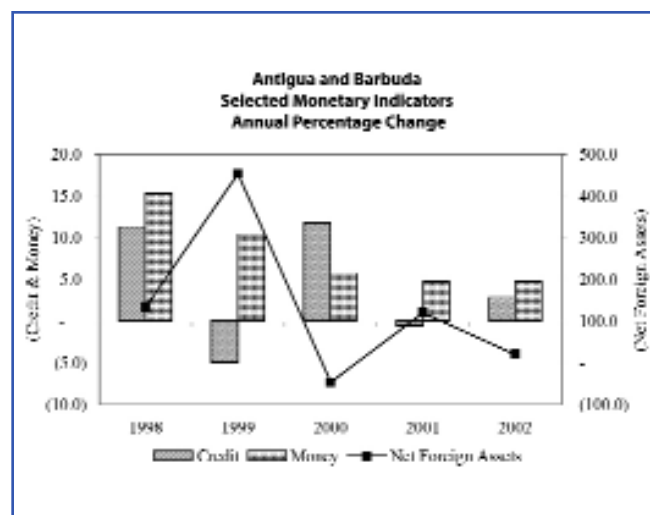
During 2002 capital revenue and grants amounted to \$21.5m, up from \$9.1m in 2001. Capital expenditure totalled \$29.5m, roughly 34.3 per cent less than the amount in 2001, and as a percentage of GDP fell to 1.5 per cent in 2002 from 2.4 per cent in 2001. The contraction in expenditure was attributed to the completion during 2002 of two major construction projects, namely the Mount St John Hospital and the first phase of the Heritage Quay expansion. The developments in the current and capital accounts resulted in an overall deficit of \$117.6m (6.0 per cent of GDP) compared with one of \$127.6m (6.8 per cent of GDP in 2001). The deficit was financed through domestic and external borrowing as well as the accumulation of arrears.

At the end of 2002 the total disbursed outstanding debt (including arrears) of the central government stood at \$2,515.0m. Of that total, the disbursed outstanding external debt (including arrears) amounted to \$1,555.0m (79.9 per cent of GDP) compared with \$1,371.9m (72.9 per cent of GDP) at the end of 2001.

Money and Credit

In 2002 total monetary liabilities (M2) increased by 4.7 per cent to \$1,522.1m in comparison to growth of 4.8 per cent in 2001, mirroring the expansion in economic activity. The increase in M2 was as a result of growth in quasi-money, which rose by 5.9 per cent in 2002 following the 4.0 per cent increase in the previous year. Of the components of quasi-money, savings deposits rose by 2.6 per cent, well below the 5.8 per cent growth rate in 2001. Time deposits rose by 7.3 per cent compared with growth of 6.1 per cent in 2001, while private sector foreign currency deposits expanded by 17.2 per cent following the 16.5 per cent contraction in 2001. The narrow money supply (M1) rose marginally, by 0.3 per cent compared with the 8.0 per cent increase in 2001. Growth of 12.9 per cent in currency held by the public in 2002 was almost offset by a 4.0 per cent contraction in private sector demand deposits. In 2001 private sector demand deposits rose by 14.7 per cent, partly associated with an increase in the deposits from two relatively large business enterprises.

Domestic credit expanded by 2.9 per cent to \$1,365.4m in contrast to the decline of 0.5 per cent in 2001. The expansion was fuelled largely by an increase in private sector borrowing, partly reflecting the growth in economic activity. Credit to the private sector rose by 3.5 per cent to \$1,395.5m, associated with an expansion in lending to business entities. During 2002 loans to businesses were 11.5 per cent above the level in 2001. Most of the expansion in credit was concentrated in the manufacturing and construction sectors where lending increased by 5.9 per cent and 19.3 per cent respectively. The increase in credit to businesses was partly offset by a 3.1 per cent (\$22.9m) decrease in lending to households, mainly for the purchase of durable consumer goods.



During 2002 the central government relied on the banking system to finance some of its operations. Net claims on the central government rose by 4.0 per cent to \$301.0m in contrast to the 4.7 per cent contraction in 2001. The growth in credit largely reflected a 10.0 per cent (\$23.2m) expansion in loans and advances from the commercial banks, following the 3.3 per cent decrease in 2001. Commercial bank holdings of treasury bills and debentures rose by 20.0 per cent (\$4.9m) and 13.9 per cent (\$2.0m) respectively, after remaining relatively stable in 2001. In the rest of the public sector, lending to the non-financial public enterprises fell by 8.1 per cent to \$75.6m, and the deposits of those enterprises contracted by 2.1 per cent to \$290.0m. This resulted in growth of 0.2 per cent in their net deposits held with commercial banks.

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 2002 net foreign assets of the banking system stood at \$385.0m, roughly 20.3 per cent above the level at the end of 2001. The increase in net foreign assets mainly reflected growth of 41.6 per cent to \$148.4m in commercial banks' net foreign assets and an expansion in reserves held by the ECCB. Antigua and Barbuda's imputed

share of the Central Bank's reserves grew by 9.9 per cent to \$236.6m.

During 2002 the liquidity position of the commercial banking system improved. The ratio of liquid assets to total deposits plus liquid liabilities rose by 1.2 percentage points to 31.6 per cent. The loans and advances to total deposits ratio stood at 81.7 per cent at the end of 2002, roughly 3.1 percentage points below the level reported in 2001.

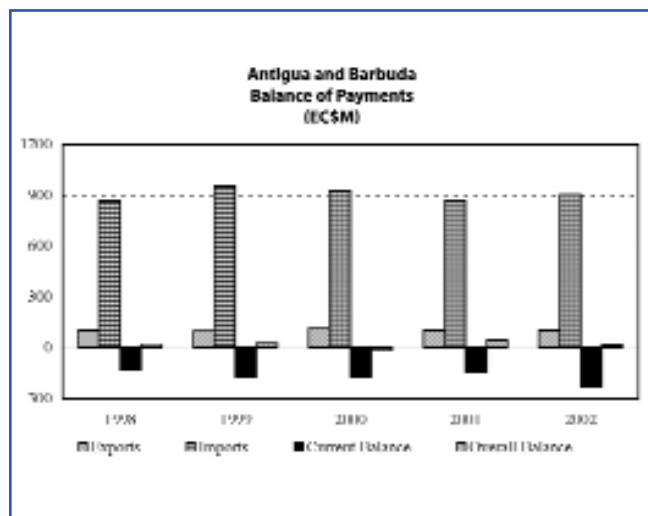
There were some changes in interest rates during 2002. The ECCB reduced the minimum interest rate on savings deposits by 1.0 percentage point to 3.0 per cent effective 1 September 2002. The rates offered on three-month time deposits ranged from 3.2 per cent to 6.0 per cent compared with the range of 3.5 per cent to 6.25 per cent in 2001. The minimum interest rates on six-month and two-year time deposits fell to 6.0 per cent and 6.5 per cent respectively from 6.3 per cent and 7.5 per cent. The minimum prime lending rate increased by 0.5 percentage point to 10.5 per cent, while the maximum rate fell by 0.5 percentage point to 11.0 per cent. Other lending rates rose at the upper limit by 0.3 percentage point to 22.5 per cent.

Balance of Payments

The current account deficit was estimated to have increased to \$234.5m (12.0 per cent of GDP) in 2002 from \$146.4m (7.8 per cent of GDP) in 2001, reflecting developments on the merchandise trade, services and income accounts. The merchandise trade deficit expanded by 5.1 per cent to \$801.9m (41.2 per cent of GDP) in 2002 compared with the deficit of \$762.9m (40.5 per cent of GDP) in 2001. Payments for merchandise imports (f.o.b.) rose by 4.7 per cent to \$887.0m, consistent with the expansion in economic activity. Receipts from merchandise exports rose by 2.0 per cent to \$47.0m.

The surplus on the services account fell by 3.8 per cent to \$646.9m (33.2 per cent of GDP) in 2002. This outturn was attributed mainly to a 1.6 per cent (\$10.7m) contraction in net inflows from travel. Gross travel receipts contracted by 1.2 per cent, influenced by the decline in the number of cruise ship passengers and the discounting of hotel rates. Net inflows from transportation fell by 12.4 per cent to \$51.1m, reflecting higher outflows associated with freight payments, consistent with the growth in merchandise imports.

On the income account, there were net outflows of \$96.4m compared with \$72.4m in 2001. The increase largely reflected a 58.1 per cent (\$23.6m) expansion in interest payments by the public sector, reflecting growth in the stock of disbursed external outstanding debt in 2002.



On the capital and financial account, net inflows associated with foreign direct investment fell by 6.9 per cent to \$98.2m. Commercial bank transactions resulted in a net outflow of \$43.6m, substantially below the level of \$130.9m in 2001. Net inflows in the capital account were estimated to have declined by 35.4 per cent, mainly associated with a contraction in capital grants. The surplus on the capital and financial account was more than

sufficient to finance the current account deficit. As a consequence, an overall balance of payments surplus of \$21.4m (1.1 per cent of GDP) was realised in 2002, just under half the surplus of \$43.7m (2.3 per cent of GDP) in 2001.

Prospects

Economic activity in Antigua and Barbuda is expected to improve in 2003, with output projected to increase by 3.2 per cent. This forecast is based on expected developments in the tourism industry and the construction sector.

In the tourism industry growth in visitor arrivals is projected, partly as a result of an anticipated increase in arrivals from the USA, European and Caribbean markets. Increased marketing efforts by the tourism authorities are likely to contribute to the growth in arrivals. In addition, there is likely to be an increase in the number of direct flights from the UK and the commencement of a charter flight from Portugal. The number of cruise passengers is expected to increase as a result of increased marketing and the completion of the first phase of the port facilities at Heritage Quay in 2002.

Construction activity is likely to experience an upturn, based on ongoing projects and on plans to start work on a number of major projects in both the public and private sectors. In the public sector, work is scheduled to commence on the construction of two fisheries complexes. In addition, work on the airport parallel taxi way and on road infrastructure

is expected to boost public sector construction activity. In the private sector, activity is expected to be driven by the start of a number of residential homes and condominiums, as well as on-going work on the Antigua and Barbuda Investment Bank headquarters and reconstruction and refurbishing of two major hotels. The transportation and wholesale and retail trades 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 widen in 2003, based on the likely expansion in capital expenditure. An improvement in the current operations is expected as a result of the likely contraction in current expenditure and an increase in current revenue. Outlays on goods and services are anticipated to decline as the higher spending associated with furnishing the new office complex in 2002 is not expected to occur in 2003. The increase in current revenue is expected to be consistent with growth in nominal GDP.

In the external current account, travel receipts are likely to increase as a result of anticipated growth in stay-over arrivals. Growth in the import bill is projected in 2003 based on an increase in crude oil prices particularly in the first half of 2003 and in line with the expected expansion in both public and private sector investment activity. Liquidity in the banking system is expected to tighten as a result of a likely increase in demand for credit from both the public and private sectors.

DOMINICA

Overview

During 2002 real gross domestic product (GDP) was estimated to have declined by 4.7 per cent following the revised contraction of 4.2 per cent in 2001. This outturn was largely influenced by a downturn in activity in the agricultural, construction and manufacturing sectors and the tourism industry. In an effort to promote renewed and sustainable growth over the medium term, Dominica implemented an economic stabilisation and adjustment programme in July 2002. A Stand-By Arrangement for the period 28 August 2002 to 27 August 2003 was agreed upon between the Government of Dominica and the International Monetary Fund (IMF) as support for the stabilisation and adjustment programme. The programme was also supported by loan funds from some CARICOM member governments and the ECCB's fiscal tranche.

The contraction in the economy in 2002 had a negative impact on the central government's finances, as reflected in a deterioration in the current account deficit. The current account deficit widened to \$34.1m (5.0 per cent of GDP) in 2002 from \$32.7m (4.6 per cent of GDP) in 2001, largely attributed to a decline in current revenue. Developments in the banking sector in 2002 were characterised by an expansion in the rate of growth of monetary liabilities, mainly influenced by an increase in net foreign assets as domestic credit declined. Liquidity in the commercial banking system increased, attributable to growth in deposits. The ECCB reduced the minimum interest rates on savings deposits by 1.0 percentage point to 3.0 per cent, effective 1 September 2002. In the external sector an expansion in the overall surplus

was realised, influenced by lower net outflows on the current account.

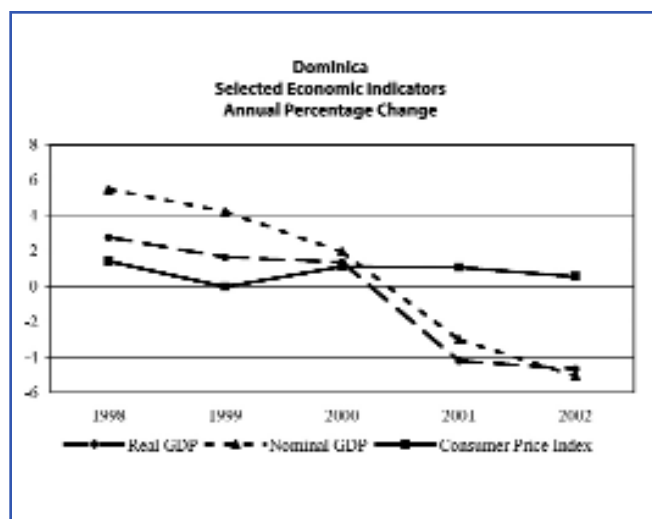
The prospects for economic growth in 2003 will depend on the success of measures introduced under the Stand-By Arrangement to stabilise the fiscal operations and to stimulate economic activity.

Output

The declining trend experienced by the agricultural sector since 1997 continued into 2002. Value added for agriculture, which accounted for 18.3 per cent of total GDP in 2002, fell by 0.6 per cent following the revised rate of decline of 6.6 per cent in 2001. This performance largely reflected a decline in the production of banana - the main crop, which fell by 3.4 per cent to 16,985 tonnes. During 2002 the banana industry continued to be affected by the lingering effects of the drought experienced in 2001 and low returns as a result of a decline in acreage under cultivation. The contraction in acreage cultivated was attributed in part to the exit of some farmers from the industry.

In 2002 activity in the construction sector was weak, as reflected in a 22.9 per cent decrease in value added in that sector following the decline of 2.2 per cent in 2001. The sector's share of total output fell from 8.3 per cent in 2001 to 6.7 per cent in 2002. This outturn was attributed to the completion of some major public sector projects in 2001 and a fall in the rate of implementation of the public sector investment programme (PSIP) in 2002. The decline in public sector construction activity mirrored a 53.2 per cent decrease in the central government's capital expenditure. In the private sector, residential construction activity

appeared to have contracted based on commercial bank data which indicated a 3.6 per cent decrease in lending for home construction and renovation in 2002.



Value added in the manufacturing sector fell by 0.3 per cent in 2002 following the revised double-digit decline of 14.0 per cent in 2001. However, the sector's share of total output increased to 6.5 per cent from 6.2 per cent in 2001. The weak performance of the sector was attributed to declines in the production of soap and dental cream - the two major manufactured goods. Production of soap decreased by 13.8 per cent to 9,171 tonnes and output of dental cream contracted by 16.5 per cent to 1,324 tonnes, mainly due to a fall in export demand as a result of increased competition in the export market.

Performance in the tourism industry continued to be weak during 2002. Value added in the hotel and restaurant sector, an indicator of the level of tourism activity, contracted by 5.5 per cent compared with the revised rate of decline of 7.4 per cent in 2001. However, the sector's share of real output

remained unchanged at 2.5 per cent. Despite a 1.1 per cent increase in stay-over visitors to 67,108 in 2002, the number staying in hotels and other paid accommodation was estimated to have contracted, contributing to the decline in value added in the hotel and restaurant sector. Data on stay-over visitors by country of origin revealed that visitors from the Caribbean, the largest market - accounting for 56.0 per cent of total stay-over arrivals - declined by 0.8 per cent compared with the revised contraction of 5.1 per cent in 2001. The number of visitors from the USA, the second largest market, increased by 1.7 per cent in contrast to the revised decrease of 3.9 per cent in 2001. Visitors from the USA accounted for 22.0 per cent of total stay-over visitors. In the rest of the tourism industry cruise ship passengers decreased by 34.1 per cent to 136,859. This performance was attributable in part to a decline in the number of cruise ship calls to 186 from 231 in 2001, reflecting the discontinuation of visits by a major cruise line. The contraction in cruise ship passengers more than offset the increase in stay-over visitors. Consequently, total visitor arrivals contracted by 25.7 per cent to 204,999.

In the other services sector, wholesale and retail trade activity contracted, marked by a 5.2 per cent decrease in value added compared with the revised rate of decline of 0.7 per cent in 2001. This outturn was influenced by the fall in output in the agricultural, construction and manufacturing sectors. Value added in the communications sector fell by 9.5 per cent compared with the decline of 6.5 per cent in 2001, reflecting lower profits as a result of a decrease in overseas telephone rates. In the transportation sector value added was estimated to have declined by 14.1 per cent compared with the revised decrease of 5.5 per cent in 2001. The

outturn in that sector was largely influenced by declines in activity in the construction sector and tourism industry. Value added for banks and insurance increased by 2.4 per cent in contrast to the decrease of 3.3 per cent in 2001, and that for electricity and water services rose by 0.6 per cent compared with the expansion of 3.3 per cent in 2001.

Prices, Wages and Employment

Consumer prices rose by 0.5 per cent on average during 2002. This performance was mainly reflected in increases in the sub-indices “food” and “fuel and light”. The “food” sub-index, which has the highest weight in the basket of consumer goods and services, rose by 0.4 per cent, attributable in part to higher prices for meat, dairy products and cereals. Prices in the “fuel and light” sub-index increased by 17.6 per cent, mainly reflecting the effect of a 5.0 per cent sales tax on petroleum products introduced in July 2002. The increases were offset by declines in the sub-indices “transportation and communication” (4.8 per cent) and “household furnishings and supplies” (0.1 per cent).

During 2002 wages in the public sector remained stable. Information on wage increases in the private sector was unavailable. It is likely that wages in the private sector were also stable during 2002 compared with the levels in 2001, in light of the general weakness in the economy. Employment data for 2002 were not available. Based on the decline in economic activity employment appeared to have decreased in some sectors, particularly in construction and manufacturing. In the public sector the number

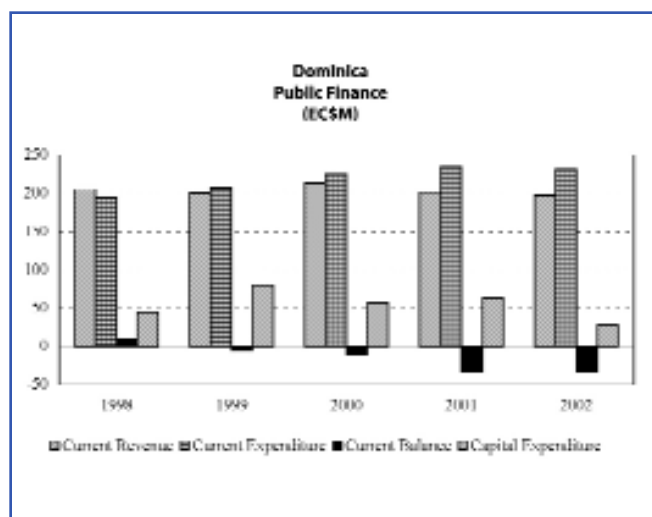
of established workers was estimated to have remained flat, while non-established workers increased as reflected in an expansion in central government’s spending on wages and salaries for that category of workers.

Central Government Fiscal Operations

In 2002 the fiscal operations of the central government realised an overall deficit of \$33.9m (5.0 per cent of GDP) compared with one of \$65.8m (9.2 per cent of GDP) in 2001. The deficit was financed from external borrowing. The narrowing of the overall deficit was largely attributed to a contraction in capital expenditure. Capital expenditure decreased by 53.2 per cent (\$34.6m) and as a proportion of GDP fell to 4.4 per cent from 9.1 per cent in 2001. This performance reflected in part a decline in the rate of implementation of the public sector investment programme. Capital revenue and grants amounted to \$27.4m compared with \$29.2m in 2001.

The current account deficit widened to \$34.1m (5.0 per cent of GDP) in 2002 from \$32.7m (4.6 per cent of GDP) in 2001, influenced by a fall in current receipts. There was a decline of 2.2 per cent in current revenue to \$197.3m, in spite of new revenue measures introduced in July 2002. The measures included a stabilisation levy of 4.0 per cent, applied to gross incomes of persons earning \$9,000 or more annually. Of current revenue, the yield from taxes on income and profits fell by 6.5 per cent (\$2.9m), associated with a 5.6 per cent (\$1.7m) decline in revenue from personal income tax and a 38.8 per cent (\$6.2m) decrease in collections from corporation taxes. These decreases were partly offset by receipts of \$4.9m from the stabilisation

levy. Revenue from taxes on international trade and transactions decreased by 0.4 per cent, primarily reflecting an 8.0 per cent decline in collections of import duties as receipts from consumption duty rose by 3.4 per cent. Of the other tax categories, revenue from taxes on domestic goods and services increased by 6.9 per cent (\$2.1m). The higher yield from taxes on domestic goods and services was mainly influenced by an expansion in receipts from sales tax, attributable in part to a broadening of the base to include telecommunications services in July 2002. Revenue from non-tax sources fell by 9.0 per cent (\$3.5m) in 2002, reflecting a decrease in receipts in relation to transfers. In the previous year, revenue from transfers rose substantially, largely attributable to the collection of arrears.



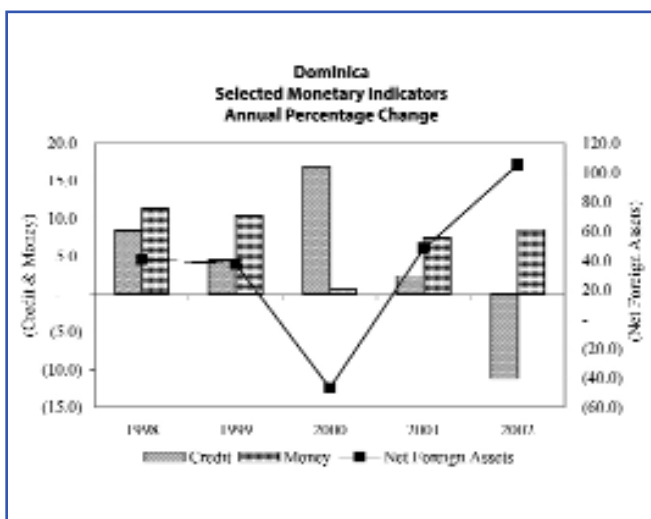
Current expenditure contracted by 1.3 per cent to \$231.4m in contrast to growth of 4.3 per cent in 2001. The reduction in current expenditure reflected lower outlays on goods and services (7.4 per cent or \$2.4m) and interest payments (2.5 per cent or \$1.0m). By contrast, expenditures on personal emoluments remained virtually stable at \$123.9m, while outlays associated with transfers and subsidies rose by 0.8 per cent (\$0.3m).

At the end of 2002 the total disbursed outstanding debt of the central government amounted to \$626.6m, an increase of 13.0 per cent over the level in 2001. As a percentage of GDP, the total debt rose to 91.4 per cent from 77.7 per cent in 2001. Increases were recorded in both external and domestic disbursed outstanding debt. At the end of 2002 the external debt stood at \$409.2m (59.7 per cent of GDP) compared with \$348.7m (48.8 per cent of GDP) at the end of 2001. The growth in external debt reflected in part an inflow of approximately \$41.2m representing loans in support of the IMF Stand-By Arrangement. At the end of 2002 the domestic disbursed outstanding debt amounted to \$217.5m (31.7 per cent of GDP) compared with \$205.9m (28.8 per cent of GDP) at the end of 2001. Consequently, in 2002 total debt service payments rose by 0.4 per cent to \$46.4m, with external debt service payments accounting for 54.4 per cent of the total. As a percentage of current revenue, the total debt service payments increased to 23.5 per cent from 22.9 per cent in 2001. Of debt service payments, interest payments accounted for 85.1 per cent of the total in 2002.

Money and Credit

During 2002 developments in the banking sector were characterised by an expansion in the rate of growth of broad money, influenced by an increase in net foreign assets associated with loan inflows in support of the Stand-By Arrangement. Total monetary liabilities (M2) expanded by 8.5 per cent to \$549.2m compared with the increase of 7.4 per cent in 2001. This performance was partly reflected in growth of 16.5 per cent in the narrow money supply to \$106.6m, largely attributable to

an increase in private sector demand deposits (\$14.1m). Quasi money rose by 6.8 per cent to \$442.6m compared with the expansion of 8.9 per cent in 2001. Of the components of quasi money, savings deposits, which accounted for 59.2 per cent of the total, expanded by 1.2 per cent to \$262.2m compared with growth of 4.0 per cent in 2001. Time deposits grew at a reduced rate of 13.4 per cent to \$158.2m relative to the increase of 14.6 per cent in 2001, while foreign currency deposits rose by 40.3 per cent to \$22.3m.



Domestic credit contracted by 11.2 per cent to \$447.3m during 2002 in contrast to the expansion of 2.4 per cent in 2001. This performance was mainly influenced by a 43.2 per cent contraction in net borrowing by the central government, reflecting an increase in deposits. The central government's deposits with the banking system more than doubled to \$62.2m compared with the total at the end of 2001, largely associated with the inflow of funds in support of the stabilisation programme. Consequently, the central government's borrowing from the domestic banking system fell by 6.2 per cent (\$7.5m). In the rest of the public

sector, net credit from the banking system grew at a reduced rate of 6.0 per cent to \$10.6m in 2002 compared with 2001 when an increase of 81.8 per cent was recorded, associated with a loan to a non-financial public enterprise. Outstanding credit to the private sector fell by 1.5 per cent to \$433.2m, largely reflecting a contraction of 4.0 per cent in lending to businesses, attributable to the weak economic activity and low business confidence.

An analysis of credit by economic activity during 2002 revealed declines in credit for manufacturing (1.2 per cent), construction (13.9 per cent), distributive trades (0.9 per cent) and tourism (7.2 per cent), as well as for personal use (0.3 per cent), partly indicative of the contraction in economic activity. Credit to households increased by 0.4 per cent to \$256.7m, reflecting growth in lending for the acquisition of property, mainly house and land purchase.

The counterpart to the growth in M2 was an expansion in net foreign assets. During 2002 the net foreign assets of the banking system more than doubled to \$201.8m compared with the level in 2001, largely reflecting increased inflows associated with the stabilisation programme. The increase in the net foreign assets was marked by growth in both Dominica's imputed share of the reserves held at the Central Bank and the net foreign assets of commercial banks. Dominica's imputed share of the reserves held at the ECCB rose by 45.7 per cent to \$122.8m at the end of 2002 and the net foreign assets of the commercial banks increased to \$79.0m from \$14.0m in 2001. Commercial banks' net external assets held in banks and other financial institutions outside the Eastern Caribbean currency union rose to \$64.1m from

\$15.6m in 2001. Commercial banks' transactions with banks and other institutions in the rest of the currency union resulted in a build up of net assets of \$14.9m at the end of 2002 in contrast to net liabilities of \$1.5m at the end of 2001.

Liquidity in the commercial banking system increased in 2002, mainly attributed to growth in deposits. The higher level of liquidity was reflected in an increase in the ratio of liquid assets to total deposits plus liquid liabilities to 36.3 per cent in 2002 from 27.0 per cent in 2001. The loans and advances to deposits ratio fell to 71.6 per cent from 84.0 per cent in 2001, while the cash reserves to deposits ratio rose to 13.3 per cent at the end of 2002 from 9.0 per cent at the end of the previous year.

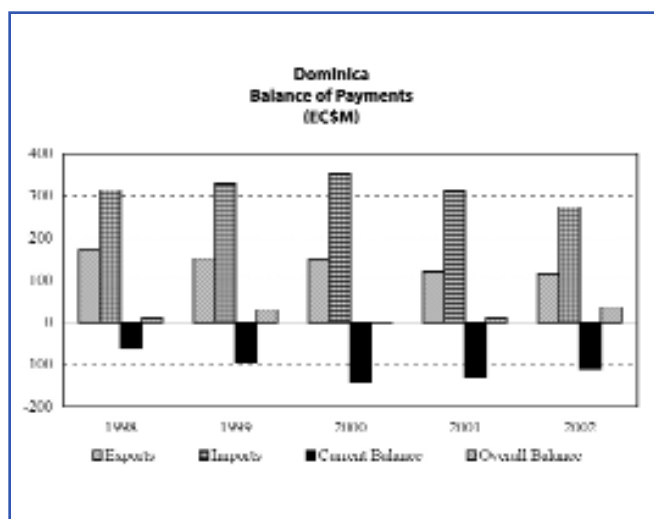
During 2002 there were some changes in commercial bank interest rates, following a decision by the Central Bank to reduce the minimum rate on savings deposits by one percentage point to 3.0 per cent in September 2002. The maximum rate on savings deposits fell by 2.0 percentage points to 3.5 per cent at the end of 2002. Consequently, the rates on savings deposits ranged from 3.0 per cent to 3.5 per cent in 2002 compared with the range of 4.0 per cent to 5.5 per cent at the end of 2001. The maximum rate on time deposits contracted by 0.5 percentage point to 8.0 per cent and the maximum prime lending rate declined by 0.5 percentage point to 10.0 per cent. Interest rates on time deposits ranged from 2.5 per cent to 8.0 per cent, and prime lending rates ranged from 8.5 per cent to 10.0 per cent.

Balance of Payments

In 2002 an overall balance of payments surplus of \$36.3m was realised compared with one of \$9.3m in 2001. The surplus increased to 5.3 per cent of GDP in 2002 from 1.3 per cent of GDP in 2001. This outturn was largely attributed to a reduction in the current account deficit to \$109.9m (16.0 per cent of GDP) from \$128.7m (18.0 per cent of GDP) in 2001. The decline in the current account deficit was largely associated with lower outflows in the merchandise trade account. In 2002 net payments on the merchandise trade account fell to \$160.9m (23.5 per cent of GDP) from \$194.2m (27.2 per cent of GDP) in 2001, due mainly to lower payments for imports. The value of imports (f.o.b.) fell by 12.1 per cent to \$273.7m, consistent with the decline in activity, particularly in the construction and wholesale and retail trades sectors. Receipts from merchandise exports decreased by 3.7 per cent to \$112.8m (equivalent to 16.5 per cent of GDP). Earnings from the export of bananas fell by 1.7 per cent to \$19.7m, largely attributable to the contraction in production. Receipts from the export of dental cream decreased by 22.1 per cent to \$12.9m, mainly as a result of a reduction in export demand.

In 2002 net inflows from services increased by 4.0 per cent to \$70.3m, in contrast to the 32.5 per cent decline in 2001. This outturn was mainly associated with a reduction in net outflows associated with transportation and insurance services. Net inflows from travel declined by 5.2 per cent in 2002, marked by a 4.6 per cent decrease in gross

travel receipts to \$119.2m. The fall in receipts was attributed to the decrease in total visitor arrivals, particularly cruise ship passengers. Net inflows with respect to current transfers fell by 31.6 per cent to \$32.3m compared with the decline of 3.3 per cent in 2001.



Net inflows on the capital and financial account increased to \$146.2m (21.3 per cent of GDP) in 2002 from \$138.0m (19.3 per cent of GDP) in 2001. This outturn was mainly attributed to developments on the financial account. Net inflows on the financial account rose to \$95.0m (13.9 per cent of GDP) from \$89.5m (12.5 per cent of GDP) in 2001, as increases in direct investment and portfolio investment more than offset outflows of commercial bank short-term capital and reduced inflows of official loans. Net inflows of direct investment were estimated to have increased by 21.2 per cent to \$38.9m. There were net inflows of portfolio investment of \$28.3m in 2002, in contrast to net outflows of \$0.6m in 2001. These inflows were largely associated with bonds and treasury bills purchased by some CARICOM member countries in support of the Stand-By Arrangement. There was a net outflow

of \$64.9m in commercial bank short-term capital compared with one of \$27.0m in 2001, indicative of the increase in liquidity and the scarcity of bankable projects in Dominica. Net inflows of public sector long-term capital declined to \$37.5m from \$67.1m in 2001, largely associated with a reduction in loans contracted by the central government. Net inflows on the capital account rose to \$51.2m (7.5 per cent of GDP) from \$48.5m (6.8 per cent of GDP) in 2001, mainly reflecting a 6.0 per cent increase in inflows of grants to \$43.8m.

Prospects

The prospects for growth in the economy of Dominica are uncertain, but will be largely dependent on the success of measures introduced under the Stand-By Arrangement to stabilise the fiscal operations and stimulate economic activity. Based on the performance in the first six months of 2003, Dominica's Stand-By Arrangement has been off track as a result of policy slippages and weaker than expected economic activity. It is likely that the arrangement will be extended to the end of 2003 and additional measures will be introduced to improve the situation.

Activity in the construction sector is projected to increase, driven largely by anticipated developments in the public sector. There is likely to be an improvement in the implementation rate of the PSIP in an effort to stimulate economic activity. Major projects to be implemented include the Melville Hall to Roseau road improvement project and the Marigot Fisheries project. Output in the agricultural sector is likely to contract, indicative of developments with respect to banana production, which is likely to be affected by a low level of

inputs and a decline in acreage under cultivation. Performance in the tourism industry is expected to be influenced by developments in the global economy. Growth in cruise ship passengers is projected, partly based on an increase in the number of cruise ship calls scheduled for 2003 compared with the total in 2002.

The current account deficit of the central government is expected to contract, as revenue is projected to increase at a rate higher than that of expenditure. A higher intake is anticipated from consumption tax, particularly on fuel related products, based on an increase in fuel prices at the pump. Current expenditure is likely to increase as a result of higher interest payments associated with loans contracted in 2002. Spending on personal emoluments is projected to decline based on proposals to reduce the wage bill to a level consistent with performance criteria under the IMF Stand-By Arrangement. Capital expenditure is projected to increase based on projects to be implemented by the government to stimulate economic activity. Consequently, the overall deficit is projected to widen.

The central government's borrowing from

the banking system and other domestic sources is likely to decline as government attempts to reduce its indebtedness and clear arrears. However, external borrowing is likely to increase to meet financing requirements. Given the IMF Stand-By Arrangement it is anticipated that the debt would be contracted on highly concessional terms. The broad money supply is projected to increase in 2003, assuming inflows of grant or loan funds from overseas associated with the implementation of the PSIP. Domestic credit is expected to rise, influenced by a likely growth in credit to the private sector as the economy expands.

In the external sector, the merchandise trade deficit is projected to widen based on an anticipated increase in the import bill associated with the expansion in construction activity. Growth in gross travel receipts is projected, mainly as a result of an anticipated rebound in cruise ship activity. A net inflow of commercial bank short-term capital is expected based on a likely increase in demand for credit, while inflows of capital grants and external loan disbursements are expected, associated with the implementation of the PSIP.

GRENADA

Overview

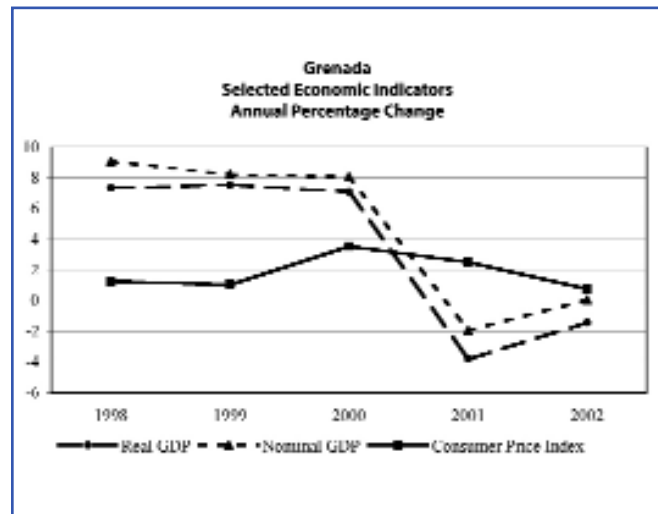
During 2002 the economy of Grenada continued to be adversely affected by global developments. Economic activity contracted for the second consecutive year, although at a slower rate than in 2001. Preliminary estimates for real gross domestic product (GDP) revealed a decrease of 1.1 per cent in 2002 compared with the 3.8 per cent rate of decline recorded in 2001. Decreases in value added for manufacturing, communications, government services and wholesale and retail trades were largely responsible for the decline in real GDP in 2002. Activity in the agricultural sector increased, influenced by growth in the output of the major crops - nutmeg, mace and cocoa. In the tourism industry stay-over visitors increased, contributing to an expansion in value added in the hotel and restaurant sector. The fiscal operations of the central government resulted in a larger overall deficit than the position in 2001, due to increases in current and capital expenditure. Liquidity in the commercial banking system increased, as evidenced by improvements in the liquidity ratios. There were some downward movements in interest rates on deposits following a decision by the Central Bank to reduce the minimum rate on savings deposits by 1.0 percentage point to 3.0 per cent, effective 1 September 2002. Consumer price inflation moderated in 2002, with price increases averaging 0.7 per cent compared with 2.5 per cent in 2001. In the external sector the current account deficit widened, reflecting to a large extent higher outflows of investment income and lower export earnings.

During 2003 real output is projected to decrease by 0.4 per cent, based on a likely reduction in activity in the agricultural and communication sectors and the tourism industry. The overall deficit of the central government is projected to narrow to 11.5 per cent of GDP from 19.4 per cent of GDP in 2002.

Output

Despite improved performances in the agricultural, construction and hotel and restaurant sectors, economic activity continued to contract in 2002. This outcome was influenced largely by developments in the manufacturing, communications, government services and wholesale and retail trades sectors, which together accounted for 44.7 per cent of GDP in 2002.

In 2002 value added in the agricultural sector increased by 19.0 per cent in contrast to the 2.9 per cent reduction in 2001. The sector's share of GDP rose to 9.9 per cent from 8.2 per cent in 2001. The improvement in performance was driven by increases in the production of nutmeg (40.8 per cent or 889 tonnes), cocoa (27.3 per cent or 188 tonnes), and mace (9.9 per cent or 17 tonnes). The production of banana fell by 10.8 per cent (61 tonnes), due in part to damage to the crop by tropical storm Lili in September 2002. The available data on the rest of the agricultural sector indicate that fish production continued to expand in 2002, as real value added in the fishing sub-sector increased by 22.6 per cent following growth of 32.2 per cent in 2001.



Value added in the construction sector expanded by 1.0 per cent in 2002, contrasting with the decline of 19.3 per cent in 2001. The sector accounted for 7.9 per cent of GDP, slightly above the 7.7 per cent share recorded in 2001. Construction activity was driven largely by public sector projects associated with the ongoing implementation of the public sector investment programme (PSIP). Activity during 2002 included ongoing work on Phase I of the new general hospital, as well as bridges and road maintenance. In the private sector, residential construction activity appeared to have been weak. Commercial bank data showed a 4.4 per cent contraction in lending for home construction and renovation in 2002.

Activity in the tourism industry, as measured by value added in the hotel and restaurant sector, expanded by 5.7 per cent in 2002 in contrast to the decline of 1.8 per cent in 2001, influenced by growth in stay-over visitors. The sector's contribution to real output increased by 0.6 percentage point to 8.2 per cent. The number of stay-over visitors grew by 7.3 per cent to 132,416, in contrast to the contraction of 4.3 per cent in 2001. The increase in stay-over visitors reflected in part growth of 25.1 per cent in visitors from the rest of the Caribbean to 34,463, associated with intense marketing in that region. The number of visitors from the USA also rose, by 13.3 per cent to 36,508, influenced in part by an increase in airlift services from that market. These increases were partially offset by a decline in visitors from Canada (13.9 per cent) and Europe, mainly West Germany (18.7 per cent) as arrivals from the UK rose by 4.5 per cent in 2002.

In the rest of the tourism industry cruise ship passengers fell by 8.4 per cent to 135,061, associated with a 10.1 per cent decline in cruise ship calls. During the year the tourism industry in Grenada experienced a number of challenges including

increased competition from other destinations, the lingering effects of the discontinuation of visits by a major cruise ship in the latter half of 2001, and the cancellation by an airline of service out of Germany.

The increases in the agricultural, construction and hotel and restaurant sectors were more than offset by declines in value added for manufacturing, communications and government services. During 2002 manufacturing activity continued to contract, partly as a result of competition and lower export demand. Value added in the manufacturing sector was estimated to have decreased by 4.0 per cent in 2002 following the 7.6 per cent decline in 2001. The available data on manufacturing activity indicated lower production of electronic components and flour in particular. The fall in output of electronic components was attributed to a fall in export demand from the USA - the main market, while the contraction in flour production was partly on account of competition in the domestic and regional markets.

In the communications sector, value added fell by an estimated 18.3 per cent compared with the decrease of 3.6 per cent in 2001. The performance in 2002 was partly as a result of a decrease in the rates for overseas telephone calls which led to lower profits from the provision of telephone services. Of the other sectors, real value added for government services fell by an estimated 2.5 per cent in contrast to the 4.3 per cent growth in 2001, and that for wholesale and retail trades contracted at the slower rate of 1.1 per cent compared with 3.2 per cent in 2001.

Value added in the transportation sector increased by 1.7 per cent, contrasting with the 9.0 per cent decline in 2001. In the case of banks and insurance, value added expanded by 5.6 per cent compared with growth of 6.1 per cent in 2001.

Prices, Wages and Employment

During 2002 the rate of inflation, as measured by the change in the consumer price index, (on an end of period basis), was 0.7 per cent compared with 2.5 per cent in 2001. The moderation in inflation was influenced by a lower rate of growth in the “food, drink and tobacco” sub-index which has the highest weight in the goods and services basket. Price increases were also recorded for the sub-indices “recreational and educational material” (5.1 per cent) and “transport equipment, and vehicles” (0.6 per cent). Prices in that sub-index rose at a reduced rate of 2.9 per cent on average compared with 3.5 per cent in 2001. Prices in the “housing and fuel supplies” sub-index declined on average by 0.6 per cent in contrast to the 2.4 per cent growth in 2001, reflecting a decrease in the fuel surcharge.

Wages in the public sector remained stable over the year under review. In the private sector an increase in the minimum wage for some categories of workers was likely, as a result of the enactment of minimum wage laws in September 2002. The new laws cover labourers such as agricultural workers, domestic workers, catering assistants and construction workers.

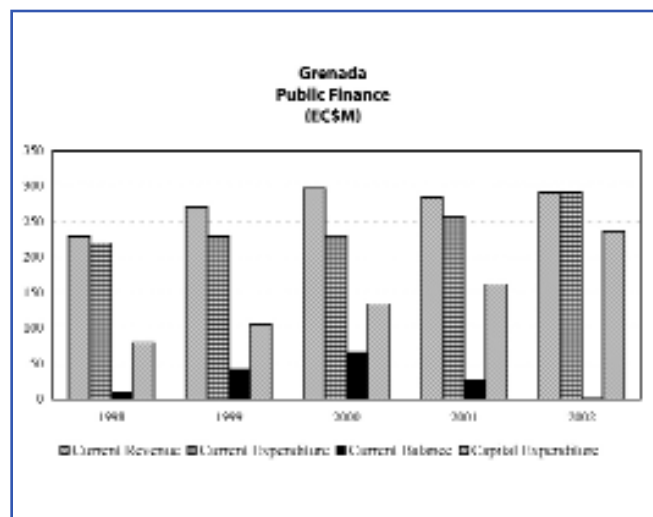
There were no official data on unemployment levels. The available data on employment obtained from the National Insurance Scheme indicated that the number of newly registered employees fell to 2,486 from 3,907 in the previous year. Of the major productive sectors, the hotel and restaurant, manufacturing and agricultural sectors recorded declines in newly registered employees, while the number increased in the construction sector.

Central Government Fiscal Operations

In 2002 the fiscal operations of the central government resulted in a current account surplus of \$1.1m (0.1 per cent of GDP), compared with the surplus of \$26.9m (2.5 per cent of GDP) in 2001. The surplus was well below that of \$51.7m budgeted for the 2002 fiscal year. The lower surplus reflected a higher rate of growth in current expenditure relative to the increase in current revenue.

Current revenue increased by 2.7 per cent to \$292.5m, contrasting with the decline of 4.1 per cent in 2001. As a share of GDP, current revenue increased to 27.0 per cent from 26.6 per cent in 2001. The increase in current revenue was influenced largely by higher receipts from taxes on property, taxes on international trade and transactions, and taxes on domestic goods and services. Receipts from taxes on property grew by 80.0 per cent to \$18.0m, as a result of a revaluation of existing properties and the registration of additional properties by the Inland Revenue Department. The yield from taxes on international trade and transactions increased by 5.1 per cent to \$151.3m, largely as a result of the collection of arrears on petrol tax. Revenue from taxes on domestic goods and services grew by 9.3 per cent to \$49.6m in 2002 compared with the total in 2001. In this category, the yield from licences almost doubled to \$11.0m, as a result of the payment of arrears by a company and increases in motor vehicle and drivers’ licensing fees. There was also an increase in receipts from stamp duty (17.2 per cent), while revenue from consumption duty decreased by 2.7 per cent. Collections from non-tax sources increased by 6.9 per cent to \$30.1m, reflecting growth in receipts from the sub-category “interest, rent and dividends”. Revenue derived from taxes

on income and profit fell by 24.1 per cent to \$43.5m, reflecting a 30.0 per cent decrease in company tax receipts partly attributable to the contractions in economic activity in 2001 and 2002.



Current expenditure was 13.0 per cent above the total in 2001. The growth in current expenditure in 2002 was reflected in increased outlays on interest payments, transfers and subsidies, and goods and services. Interest payments grew by 78.1 per cent to \$49.7m (17.0 per cent of current revenue), reflecting higher external interest payments associated with the issue of a US\$100.0m bond in early 2002. Outlays in relation to transfers and subsidies expanded by 18.8 per cent to \$59.3m. Expenditure on goods and services increased by 9.9 per cent to \$57.9m compared with growth of 19.8 per cent in 2001. Outlays on personal emoluments fell by 2.3 per cent (\$3.0m) in 2002 compared with 2001 when expenditure rose substantially as a result of retroactive payments to civil servants.

Capital expenditure and net lending amounted to \$237.5m in 2002, roughly 46.1 per cent above the total in 2001. As a percentage of GDP, capital expenditure and net lending increased to 21.9 per cent from 15.2 per cent in 2001. The increase in capital expenditure and

net lending in 2002 represented to a large extent payments for the purchase of the National Stadium and the Ministerial Complex, which were previously under lease arrangements. Financing was obtained from the bond issue. Major capital expenditure projects in 2002 included the road improvement and maintenance project (\$14.0m), Government of Grenada/Republic of China Multi-project (\$5.0m) and Phase I of the new general hospital (\$30.0m). Capital revenue increased from \$0.5m in 2001 to \$2.7m in 2002, reflecting receipts from the sale of a government asset.

As a result of these developments in the current and capital account, the central government realised an overall deficit of \$210.2m, up from one of \$90.0m in 2001. As a percentage of GDP the overall fiscal deficit rose to 19.4 per cent from 8.4 per cent in 2001. Financing for the overall deficit was obtained primarily from external sources.

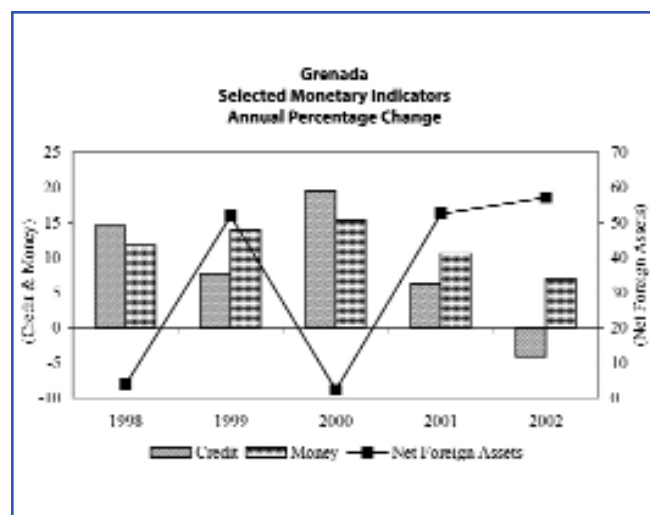
At the end of 2002 the total disbursed outstanding debt of the central government stood at \$912.7m (84.2 per cent of GDP) compared with \$587.6m (54.9 per cent of GDP) in 2001. The external debt accounted for \$702.7m (76.9 per cent) of the total and the domestic debt accounted for \$210.0m (23.1 per cent). In 2002 the disbursed outstanding external debt grew by 74.9 per cent to \$702.7m as a result of the issue of the US \$100.0m bond.

Money and Credit

Total monetary liabilities of the banking system (M2) expanded by 7.1 per cent to \$1,167.4m in comparison to the 10.6 per cent growth in 2001. The slowdown in the growth rate of M2 was reflected in the quasi money category, which rose by 6.4 per cent compared with 11.8 per cent in 2001. Of quasi money, savings deposits, the major component, increased by 17.1 per cent, almost doubling the growth of 9.3 per cent in

2001, while foreign currency deposits increased by 6.3 per cent, down from the 8.5 per cent rate recorded in the previous year. The increase in quasi money was moderated by a reduction of 13.9 per cent in private sector time deposits, largely attributable to the non-renewal by a company of a certificate of deposit that matured during the course of 2002. The narrow money supply (M1) increased by 10.2 per cent to \$212.0m compared with growth of 5.5 per cent in 2001. The growth in M1 was influenced by increases in private sector demand deposits (12.0 per cent) and currency held by the public (7.1 per cent).

Total domestic credit fell by 4.1 per cent to \$928.2m at the end of 2002, contrasting with the 6.2 per cent growth in 2001. The contraction in domestic credit during 2002 was influenced largely by developments in the public sector associated with the issue of the US\$100.0m bond. The central government's net indebtedness to the banking system decreased by 24.9 per cent to \$71.1m at the end of 2002, primarily reflecting growth in deposits, particularly those held with the Central Bank. The central government's deposits with the ECCB increased from \$2.3m at the end of 2001 to \$27.6m at the end of 2002, as a result of the placement of some of the proceeds from the bond. Loans and advances to the central government from the banking system rose by 4.0 per cent compared with 17.9 per cent in 2001, largely attributable to growth in treasury bill holdings by commercial banks. In the rest of the public sector, the net deposits position of the non-financial public enterprises improved, on account of an increase in deposits associated with the collection of arrears by an enterprise. At the end of 2002 the net deposits of the non-financial public enterprises stood at \$31.9m compared with \$5.5m at the end of 2001. Credit to the private sector increased by 1.1 per cent to \$896.2m, attributable to growth in household credit (3.1 per cent), as lending to businesses contracted by 2.1 per cent.



An analysis of credit by economic activity indicated growth in lending for manufacturing, tourism and agriculture. The growth in lending for manufacturing slowed to 13.4 per cent (\$4.3m) from 33.5 per cent (\$8.0m), reflecting the weak performance in that sector. Lending for tourism development rose by 5.9 per cent (\$3.2m), in contrast to the decline of 7.8 per cent (\$4.5m) in 2001. Credit for agriculture and fisheries increased by 60.9 per cent (\$8.6m), in contrast to the decline of 14.2 per cent (\$2.4m) in 2001, reflecting the improvement in that sector. Lending for personal use increased by 7.4 per cent (\$42.9m) compared with 11.8 per cent (\$60.8m) in 2001, largely driven by higher credit demand for personal use or the purchase of non-durable consumer goods. Credit for the purchase of consumer durables decreased by 4.7 per cent and lending for the acquisition of property contracted by 2.1 per cent following the 5.6 per cent growth in 2001. Loans for distributive trades fell by 6.5 per cent compared with the decline of 13.1 per cent recorded in 2001, reflecting the contraction in economic activity.

The net foreign assets of the banking system grew by 57.2 per cent to \$327.7m at the end of 2002 compared with an increase of 52.5 per cent in 2001. The net foreign assets of the commercial

banks more than doubled to \$90.6m at the end of 2002, reflecting increases in assets held with financial institutions in the rest of the Eastern Caribbean currency union as well as with institutions outside the currency union. Grenada's imputed share of the Central Bank's reserves increased by 37.4 per cent to \$237.2m.

The developments in money and credit aggregates resulted in an improvement in commercial bank liquidity. The ratio of total liquid assets to total deposits plus liquid liabilities increased by 3.2 percentage points to 28.3 per cent at the end of 2002. The loans and advances to total deposits ratio decreased by 6.7 percentage points to 72.5 per cent, reflecting a higher rate of growth in deposits (11.4 per cent) relative to that of loans and advances (2.0 per cent).

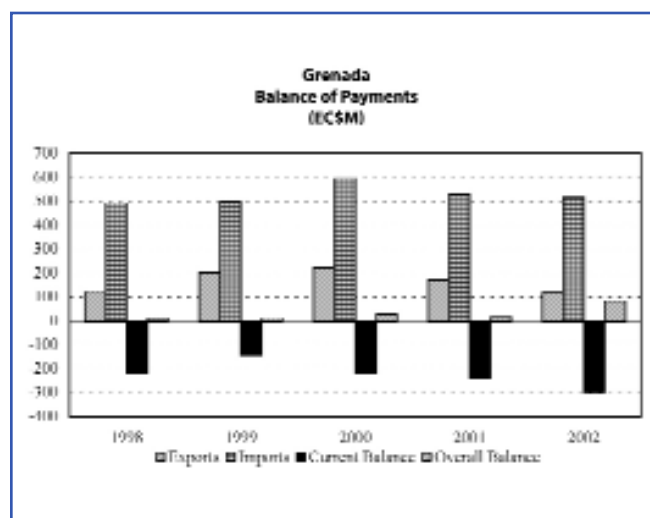
In 2002 there were some changes in interest rates. Effective 1 September the ECCB lowered the minimum rate on savings deposits by 1.0 percentage point to 3.0 per cent. The maximum rates on savings and demand deposits declined by 1.0 percentage point and 1.8 percentage points respectively. The maximum rate on time deposits in the 6 to 12 months category decreased by 1.5 percentage points to 6.5 per cent. As a direct result of the contraction in the minimum savings rate, the minimum prime lending rate decreased to 8.5 per cent from 9.5 per cent at the end of 2001.

Balance of Payments

Preliminary estimates of the balance of payments for 2002 revealed a widening in the current account deficit to \$296.3m (27.3 per cent of GDP), up from \$237.5m (22.2 per cent of GDP) in 2001. This deterioration was partly influenced by developments in the merchandise trade sub-account. The merchandise trade deficit grew by 10.2 per cent to \$408.4m (37.7 per cent of GDP) in 2002,

driven by a decline in export earnings. In 2002 receipts from domestic exports amounted to \$106.9m, roughly 33.5 per cent less than the level in the previous year. The main contributing factors to this performance were declines in revenue from the export of electronic components and nutmeg, largely attributable to a fall in export demand. Receipts from the export of electronic components fell substantially and earnings from nutmeg contracted by 9.0 per cent. These decreases were partly offset by growth of 19.7 per cent and 14.0 per cent in receipts from cocoa and banana exports respectively. Merchandise imports contracted by 3.0 per cent to \$515.3m (47.5 per cent of GDP). The decline in imports was consistent with the fall in economic activity in 2002.

Investment income transactions resulted in an 11.0 per cent increase in net outflows to \$115.7m, equivalent to 10.7 per cent of GDP, up from 9.7 per cent in 2001. This deterioration was as a direct consequence of higher outflows associated with debt servicing by the central government.



Net inflows from services fell by 6.2 per cent to \$157.6m (14.5 per cent of GDP) in 2002, largely driven by developments related to "other business services". The surplus on the "other

business services” sub-account contracted to \$9.9m in 2002, down from \$36.6m in the previous year. This outcome reflected higher outflows associated with a penalty payment as a result of the early settlement of a debt instrument. By contrast, the surplus on the travel sub-account rose by 7.1 per cent to \$219.3m. This improved performance reflected a 6.5 per cent expansion in gross receipts from tourism on account of a 7.3 per cent increase in stay-over visitors, the largest spending group of tourists.

The surplus on the capital and financial account amounted to \$379.8m (35.0 per cent of GDP) compared with \$253.3m (23.7 per cent of GDP) in 2001. The increase in the surplus reflected higher net inflows of portfolio investment as a result of the bond issue. Net inflows of official loans to the public sector rose marginally following a substantial increase in 2001. Net inflows of private direct investment capital decreased by 16.0 per cent to \$110.8m. Commercial bank transactions resulted in a net outflow of short-term capital of \$54.7m, marginally below the level in 2001. These developments in the capital and financial accounts contributed to an improvement in the overall surplus which increased to \$83.5m (7.7 per cent of GDP) from \$15.8m (1.5 per cent of GDP) in 2001.

Prospects

In 2003 real GDP is projected to increase partly based on likely developments in agriculture and construction. Value added in the agricultural sector is projected to increase due primarily to higher nutmeg production. In the construction

sector, activity is expected to expand, driven by ongoing work on a new cruise ship terminal and phase two of the general hospital, estimated to cost \$71.6m and \$30.5m respectively. Construction activity is also likely to be fuelled by ongoing rehabilitation of bridges and roads. In the first half of 2003 global travel is likely to be adversely affected by international developments, in particular the US led war against Iraq and health concerns in relation to severe acute respiratory syndrome (SARS). These developments are likely to have a negative impact on the tourism industry in Grenada. Growth in visitor arrivals is expected in the second half of 2003, assuming favourable developments in the international economy and also based on an increase in airlift services to Grenada. Performance in the manufacturing sector is expected to remain weak, as a result of continued competition in the domestic and regional markets. The recent establishment of an agro-processing plant is likely to boost activity in the manufacturing industry; however its impact in 2003 is expected to be minimal.

The fiscal operations of the central government are likely to result in an overall deficit of \$93.1m (8.6 per cent of GDP), well below that in 2002 when the deficit increased sharply as a result of the purchase of the National Stadium and the Ministerial Complex. Total expenditure is expected to contract by 20.3 per cent, driven by reductions in capital expenditure and outlays on goods and services. With the anticipated increase in economic activity, imports are likely to expand. Exports are likely to increase based on the growth in nutmeg production. Liquidity in the banking system is projected to remain high.

MONTSERRAT

Overview

After seven successive years of contractions in real GDP as a result of persistent volcanic activity, the economy of Montserrat showed some signs of recovery in 2002. Preliminary estimates reveal that the economy grew by 4.6 per cent, partly due to increases in value added in the construction and agricultural sectors. The consumer price index increased in 2002. The current account operation of the central government deteriorated, attributable to growth in current expenditure. The commercial banking sector continued to exhibit a high level of liquidity. In the external sector the current account deficit widened, reflecting higher outflows for imports, particularly construction related goods.

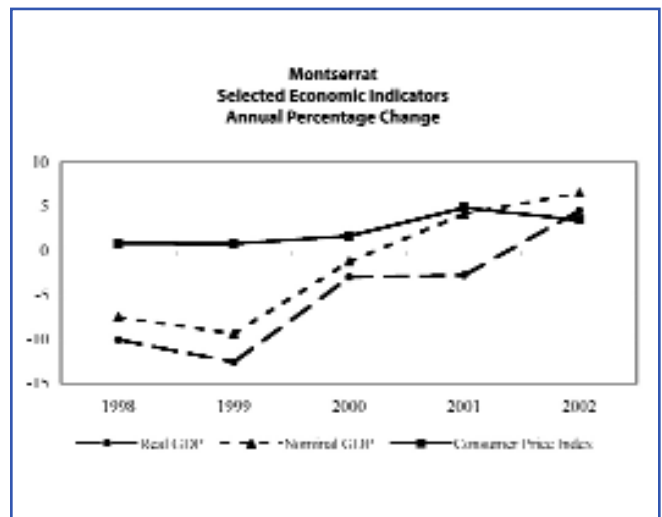
In 2003, growth in real GDP is projected. This projection is based on an anticipated increase in construction activity as a result of the continuation of public sector projects that commenced in 2002 and new projects to be implemented during the course of the year.

Output

The recovery in the Montserrat economy during 2002 was influenced by growth in construction activity. Value added in the construction sector increased by 39.4 per cent, following the 7.7 per cent decline in 2001. The sector's share of GDP grew from 17.5 per cent in 2001 to 23.3 per cent in 2002. An increase in private sector investment in real estate development contributed to the growth in the construction sector. Commercial bank data indicated that private sector residential construction was robust in 2002. There was a 22.0 per cent increase in commercial bank lending for home construction and renovation in 2002 compared with growth of 7.2 per cent in 2001.

Public sector activity focussed on the construction of the volcano observatory, sheltered housing for the elderly, the northern police station and road building.

Value added in the agricultural sector increased by 40.7 per cent after contracting by 17.3 per cent in 2001. The expansion stemmed from increases in value added from crops (82.6 per cent), partly due to favourable weather and from livestock (45.7 per cent), reflecting an increase in egg production. The sector's share of GDP grew to 2.0 per cent from the revised share of 1.5 per cent in 2001.



Activity in the tourism industry contracted in 2002 compared with 2001, partly attributable to the volcanic disturbances in the latter part of 2002. Value added in the hotel and restaurant sector declined by 8.6 per cent in contrast to growth of 27.4 per cent in 2001. During 2002 the number of stay-over visitors fell by 1.8 per cent to 9,623, largely reflecting a 13.1 per cent decline in Caribbean visitors. This contraction was partly offset by increases in arrivals from the USA (18.0 per cent) and the UK (6.7 per cent). The number of excursionists also fell, by 11.4 per cent,

contributing to a 5.4 per cent contraction in total visitor arrivals to 14,779. In October 2002 a major hotel and some villas on the fringe of the unsafe zone closed operations following a relocation notice. This action resulted in a combined loss of 118 rooms.

Value added in the banks and insurance sector increased by 22.7 per cent in 2002 in contrast to the decline of 21.8 per cent in 2001. The sector's share of GDP rose to 10.5 per cent from 8.9 per cent in 2001.

Prices, Wages and Employment

The consumer price index increased by 3.5 per cent in 2002 compared with growth of 4.9 per cent in 2001. The rise in consumer prices reflected increases in all sub-indices, particularly food (2.4 per cent), household goods (1.4 per cent) and clothing (11.4 per cent).

The available information on wages and salaries indicates that during 2002 civil servants were awarded salary increases ranging from 6.2 per cent for the high income groups to 16.9 per cent for the low income groups. Data on private sector wage and salary movements for the year were not available. In the case of employment, there were 488 persons employed in established posts in the civil service and 298 persons employed in non-established posts. The unemployment rate was estimated at 13.0 per cent based on the 2001 population census.

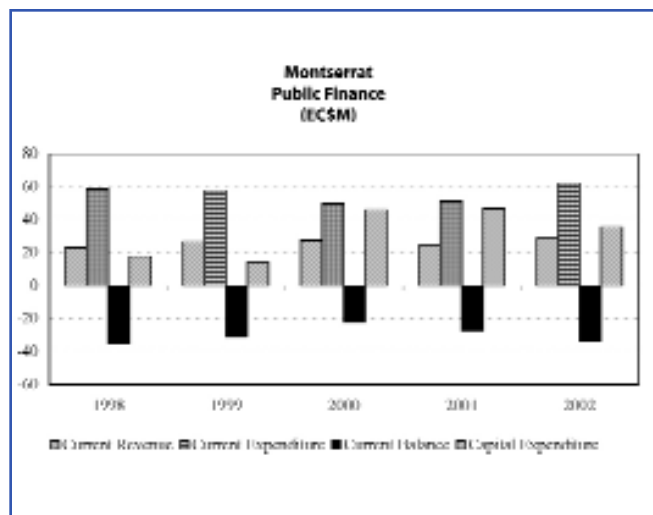
Central Government Fiscal Operations

In 2002 the fiscal operations of the central government resulted in a current account deficit before grants of \$33.5m (equivalent to 32.6 per

cent of GDP) compared with one of \$27.0m (28.8 per cent of GDP) in 2001. The deterioration in the deficit was mainly attributed to a 21.5 per cent increase in current expenditure, largely associated with the operations of the helicopter and ferry services, responsibility for which was assumed by the government in early 2002.

Current revenue increased by 18.6 per cent to \$28.7m and as a share of GDP rose to 28.0 per cent from 25.8 per cent in 2001. The increase in revenue was largely due to growth of 44.0 per cent in receipts from taxes on international trade and transactions. This performance was consistent with growth of 31.4 per cent in import payments. Receipts from taxes on income and profits grew by 4.7 per cent compared with 7.2 per cent in 2001. Of that category, revenue from personal income tax grew by 17.0 per cent, substantially above the 1.2 per cent increase in 2001. The higher rate of growth was attributed to the 10.0 per cent salary increase.

The growth in current expenditure was reflected in higher outlays associated with transfers and subsidies, which rose to \$21.1m in 2002 from \$6.0m in 2001. The increase in expenditure on transfers and subsidies was associated with the operations of the helicopter and ferry services. Despite the 10.0 per cent increase in salaries, expenditure on personal emoluments in 2002 remained relatively flat compared with the performance in 2001, when expenditure rose by 11.2 per cent associated with the payment in December of an additional month's salary. Expenditure on pensions grew by 56.5 per cent (\$2.6m), partly reflecting a 6.0 per cent increase awarded to all pensioners effective 1 January 2002. During 2002 capital expenditure fell by 23.3 per cent to \$35.8m.



Notwithstanding the widening of the current account deficit, the overall fiscal balance recorded a surplus of \$6.7m (6.5 per cent of GDP) compared with one of \$2.4m (2.6 per cent of GDP) in 2001, mainly reflecting an increase in current grants and lower capital expenditure.

At the end of 2002 the total stock of debt of the central government was \$12.6m compared with \$17.6m at the end of 2001. The disbursed outstanding external debt stood at \$12.5m (12.2 per cent of GDP), below the amount of \$17.5m (18.7 per cent of GDP) in 2001. Total interest payments for 2002 stood at \$0.3m compared with \$0.03m in 2001. Principal repayments totalled \$5.2m compared with \$0.2m in 2001.

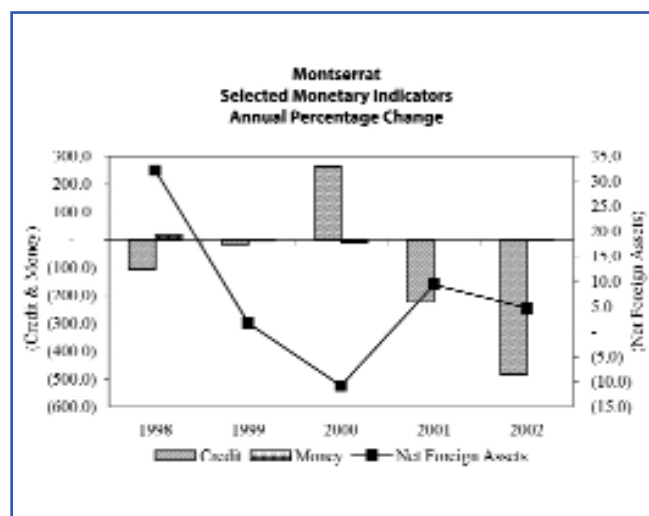
Money and Credit

Despite an increase in economic activity, total monetary liabilities (M2) fell by 2.2 per cent to \$99.8m at the end of 2002 in contrast to growth of 1.0 per cent at the end of 2001. Of M2, quasi money declined by 4.1 per cent following the 2.2 per cent increase in 2001, reflecting decreases in private sector savings deposits (4.3 per cent) and time deposits (13.1 per cent). The narrow money

supply grew by 3.5 per cent in contrast to the 2.5 per cent decline at the end of 2001. A 14.0 per cent increase in private sector demand deposits was responsible for the growth in M1. Currency with the public contracted by 8.7 per cent to \$10.8m.

During the year under review credit to the private sector contracted by 6.9 per cent to \$22.2m, reflecting a 35.3 per cent decrease in lending to businesses to \$5.0m. Credit to households increased by 6.9 per cent to \$17.2m. At the end of 2002 the net deposits of the central government were 61.2 per cent (\$8.3m) above the level at the end of 2001, partly reflecting a 62.1 per cent (\$9.5m) increase in deposits held with the banking system. This outcome was associated with the receipt of official grants. In the rest of the public sector, the net deposits of the non-financial public enterprises grew by 8.6 per cent to \$14.3m.

An analysis of credit according to economic activity revealed that loans extended for personal use contracted by 1.0 per cent, largely reflecting a decline in credit extended for house and land purchases. Loans for construction grew by 22.0 per cent (\$2.0m) and credit for the purchase of durable consumer goods rose by 9.7 per cent.



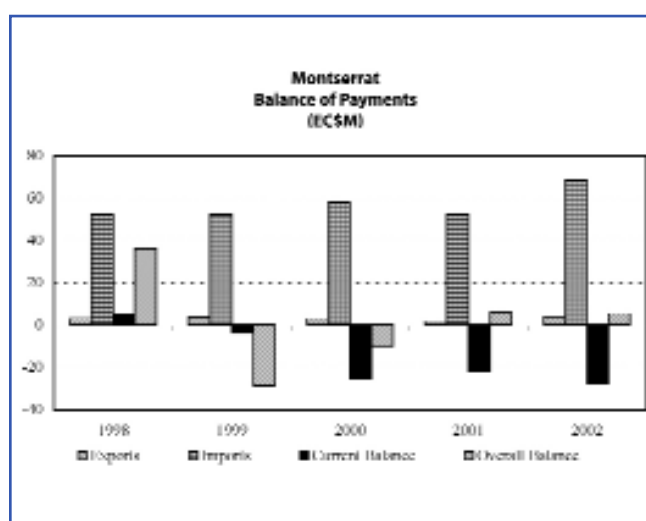
The net foreign assets of the banking system increased by 4.7 per cent to \$136.3m at the end of 2002, largely reflecting an expansion in reserves held at the Central Bank. Montserrat's imputed share of the ECCB's reserves increased by 15.3 per cent to \$38.9m at the end of 2002. The net foreign assets of the commercial banks rose by \$1.0m to \$97.4m at the end of 2002, reflecting an increase in external assets.

During 2002 the commercial banking system continued to exhibit a high level of liquidity. The ratio of liquid assets to deposits plus liquid liabilities stood at 76.4 per cent, or 6.3 percentage points higher than the 2001 level. The loans and advances to total deposits ratio fell by 3.0 percentage points to 17.0 per cent. There were some changes to interest rates at commercial banks during 2002. The minimum interest rate offered on savings deposits fell from 4.0 per cent to 3.0 per cent in September, following the Central Bank's decision to reduce the minimum deposit rate by 1.0 percentage point. The minimum rate on time deposits for up to 12 months increased from 1.5 per cent at the end of 2001 to 2.0 per cent, and the maximum rate on time deposits over two years fell to 2.0 per cent from 3.0 per cent. During the year both the minimum and the maximum prime lending rates converged to 9.5 per cent.

Balance of Payments

Preliminary estimates reveal that the current account deficit widened in 2002. A current account deficit of \$27.9m (27.1 per cent of GDP) was recorded in 2002, up from one of \$15.1m (16.1 per cent of GDP) in 2001. The deterioration in the current account balance was largely reflected in a widening of the merchandise trade deficit. In 2002 the merchandise trade deficit was \$64.7m (63.1 per cent of GDP), roughly 46.7 per cent higher than the deficit in 2001. This outcome was partly

attributed to higher import payments associated with the expansion in construction activity, and to the stockpiling of fuel in the last quarter of 2002. Net inflows associated with current transfers increased by 22.2 per cent to \$69.9m, reflecting higher inflows of grants in the form of budgetary aid.



Net inflows on the capital and financial account increased to \$33.2m (equivalent to 32.3 per cent of GDP), from \$20.8m (20.3 per cent of GDP) in 2001. This performance largely reflected an improvement in the capital account which showed a surplus of \$44.4m compared with one of \$26.6m in 2001, attributable to a 60.0 per cent increase in official grant receipts to \$48.5m in 2002. Net outflows on the financial account almost doubled to \$11.1m, reflecting an increase in loan repayments on public sector debt in 2002. In the previous year, there was a moratorium on some public sector loan repayment.

Prospects

The prospects for the economy of Montserrat for 2003 appear favourable. The economy is projected to increase based on continued expansion in the construction sector - the main engine of

growth. The construction of the Gerald's airstrip, estimated at over \$40.0m, is one of the major projects planned for implementation in 2003.

Value added in the agricultural sector is expected to increase as farmers continue to benefit from the government's ongoing irrigation project. Increases in the agricultural sector will also be influenced by higher egg production as a result of government-assisted programmes for farmers.

Activity in the tourism industry is expected to remain weak given the dearth of hotel rooms.

The fiscal position of the central government is likely to remain weak, as expenditure associated with the operations of the ferry and helicopter services, estimated at \$12.0m, is expected to more than outweigh current revenue. Liquidity in the banking system is projected to remain at a high level.

ST KITTS AND NEVIS

Overview

Economic growth in St. Kitts and Nevis continued to decelerate in 2002. Preliminary estimates indicate that the growth in real GDP slowed to 0.8 per cent from 2.3 per cent in 2001 and 6.2 per cent in 2000. That rate is the lowest recorded since 1983 when real GDP declined by 2.1 per cent. The slowdown in 2002 was influenced by declines in value added in the construction, hotel and restaurant, and manufacturing sectors, partly as a result of adverse global developments and the completion of major projects in the private and public sectors. Value added in the communications sector grew at a reduced pace and also contributed to the slowdown in real GDP growth.

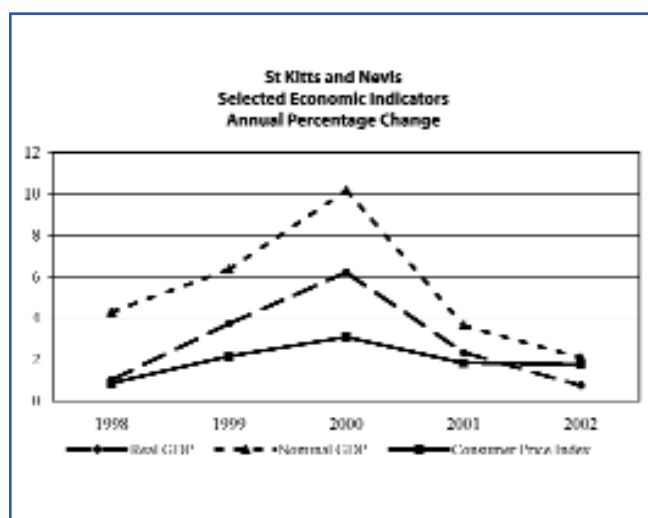
The finances of the central government, including the Nevis Island Administration (NIA), deteriorated in 2002 as a result of lending to public corporations. There was an improvement in the net foreign assets position of the banking system. Liquidity in the commercial banking system increased. In the external sector the current account deficit widened, largely as a result of an increase in payments for imports and a decrease in gross travel receipts. The current account deficit was more than offset by inflows on the financial and capital account, resulting in an overall balance of payments surplus of \$23.9m.

In 2003 economic activity is projected to expand based on an anticipated increase in tourism activity as a result of additional airlift services and hotel room facilities.

Output

The construction sector has been a major contributor to real GDP growth over the last ten years, particularly during the period 1998-2000 when value added in that sector increased by 16.3

per cent on average. In 2002, however, value added was estimated to have declined by 4.5 per cent, contributing to the slowdown in real GDP growth. The sector's share of GDP fell to 18.0 per cent from 19.0 per cent in 2001. The decline in activity in the construction sector reflected the completion or winding down of work on a number of major projects in both the private and public sectors. Projects completed during the year under review included the upgrading of airport and hospital facilities, road construction and upgrading in Nevis, the construction of a fisheries complex, improvement to seaport facilities and the first phase of the upgrading of hospital facilities in St Kitts. During the year construction continued on a number of projects including a major hotel, a hospitality wing at the Clarence Fitzroy Bryant College, roads and expansions to schools. Private sector residential construction activity appeared to have contracted, based on commercial bank data which showed a 0.1 per cent decline in credit for house construction and renovation, in contrast to the 11.4 per cent increase in 2001.



In 2002 activity in the tourism industry, as measured by value added in the hotel and restaurant sector, contracted by 9.9 per cent following growth of 3.9 per cent in 2001. The sector's share

of real output fell to 3.9 per cent, from 4.4 per cent in 2001. The decline was influenced by an estimated 4.3 per cent decrease in stay-over visitors, attributable to a reduction in airlift services from the UK market and the temporary closure of a major hotel in early December 2002. Arrivals from the UK market fell by 37.4 per cent to 5,464. The number of visitors from Canada fell by 16.9 per cent to 4,352. Visitors from the Caribbean, the largest market, decreased by 1.2 per cent to 28,146. By contrast stay-over visitors from the USA, the second largest market, increased by 7.7 per cent to 27,525. In the case of cruise ship visitors, the number decreased by 33.9 per cent to 166,619, partly as a result of the cancellation of visits by a major cruise line. In the previous year cruise ship passengers rose by 53.2 per cent, mainly due to weekly visits by a major cruise liner during the first half of the year. Cruise ship calls fell to 264 from 358 in 2001.

Output in the manufacturing sector declined by 4.0 per cent following growth of 6.6 per cent in 2001 and 17.0 per cent in 2000. The sector's contribution to GDP fell to 12.9 per cent in 2002 from an average of 13.3 per cent in 2000-2001. The reduction in manufacturing activity was partly attributed to a decrease in output of sugar. Despite an increase in sugar cane, output of sugar fell by 4.8 per cent to 21,398 tons, following growth of 24.6 per cent in 2001. This performance was attributed to a reduction in the sucrose content of the sugar cane. In 2002 the amount of sugar cane required to produce a ton of sugar increased by 1.2 tons to 10.6 tons. The contraction in value added in the manufacturing sector was also attributed to a decline in output of some electronic products as a result of a fall in export demand in the USA - the major market. Output of aerated beverages, beer and stout fell on account of competition in both the domestic and export markets. Production of cement blocks and pre-mix concrete was below

the level in 2001, reflecting the decline in construction activity.

The agricultural sector experienced growth of 13.3 per cent in 2002, the second consecutive year of increase, influenced by a higher output of both sugar cane and non-sugar cane crops. The quantity of sugar cane produced grew by 7.6 per cent to 227,650 tons, as a result of favourable weather. In the rest of the agricultural sector, value added rose by 33.8 per cent in contrast to declines of 4.8 per cent and 1.6 per cent in 2001 and 2000 respectively. The expansion resulted from growth of 24.4 per cent in vegetable production, attributable to a number of factors including increased rainfall, an improvement in extension services and an improvement in pest control. Livestock production also increased, reflecting a higher output of beef (12.9 per cent) and pork (45.2 per cent). The increase in beef production reflected the success of a marketing initiative introduced in September 2001 to process and market boneless beef. An improvement in extension support to pig farmers contributed to the growth in pork production.

In the rest of the services sector value added in the wholesale and retail trades sector rose by 4.5 per cent, partly associated with the opening of two retail trade outlets during the latter part of 2002. Value added in the transportation sector rose by 4.6 per cent in 2002, attributable to growth in the sea transport sub-category. This increase was reflective of a 15.3 per cent expansion in the volume of cargo imported to 249,365 tons. Growth in value added was also recorded for banks and insurance (2.8 per cent), communications (2.0 per cent) and other services (2.5 per cent). Government services, which accounted for 15.5 per cent of total GDP, rose by 2.7 per cent, marginally above the 2.6 per cent rate of increase recorded in 2001.

Prices, Wages and Employment

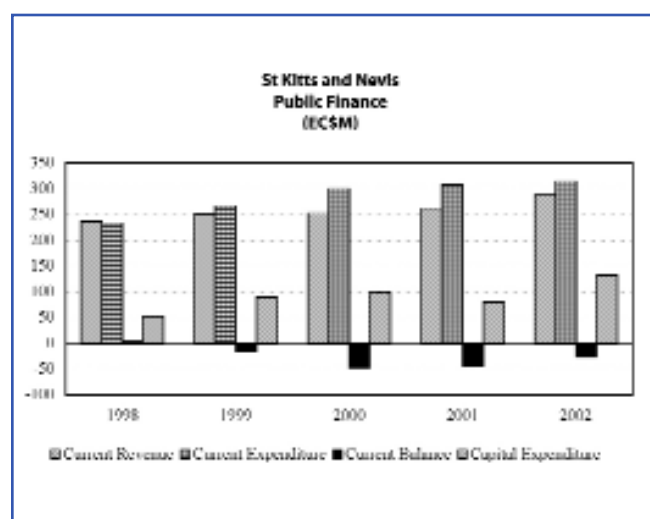
During 2002 the rate of inflation, as measured by the change in the consumer price index (CPI) on an end of period basis, remained at the 1.8 per cent rate recorded in 2001. The increase in the CPI was influenced in part by higher prices of food products (0.5 per cent) and medical services (31.0 per cent). The higher cost of medical services reflected an increase in hospital fees. Prices in the “household furnishings and supplies” sub-index also rose, by 2.0 per cent on average.

During 2002 wages and salaries in the public sector remained relatively stable. In the private sector no general increases in wage rates were recorded, indicative of the sluggishness in economic activity in 2002. Complete data on employment in St Kitts and Nevis were not available for 2002. It is likely that employment in the tourism industry decreased in the fourth quarter following the closure in early December of a hotel that employed 150 people. In addition, employment in the construction sector was likely to have declined as a result of the contraction in activity.

Central Government Fiscal Operations

The current account position of the central government (including the Nevis Island Administration [NIA]) improved in 2002. A current account deficit of \$27.6m (2.9 per cent of GDP) was realised, down from one of \$45.0m (4.9 per cent of GDP) in 2001. A higher rate of increase in revenue relative to the growth in expenditure contributed to the lower deficit position. Notwithstanding the reduction in the current account deficit, the overall deficit widened to \$123.1m (12.9 per cent of GDP) from \$117.0m (12.7 per cent of GDP) in 2001. The deterioration in the overall fiscal position was influenced by growth in capital expenditure and net lending

associated with on lending to a public corporation, as the government was able to contract the loan on more favourable terms. The deficit was financed through external borrowing and the issue of a \$75.0m bond on the Regional Government Securities Market.



Current revenue rose by 9.8 per cent to \$287.6m in 2002, falling short of the budgeted amount by 1.6 per cent. As a percentage of GDP current revenue increased to 30.2 per cent from 28.4 per cent in 2001. Tax revenue, which accounted for 73.7 per cent of current revenue, grew by 9.0 per cent, attributable in part to an improvement in tax administration and collection. The growth in tax revenue was broad based. In particular, collections from taxes on international trade and transactions, which accounted for 49.2 per cent of tax revenue, grew by 10.7 per cent. This outcome was influenced by increases in receipts from import duty, consumption tax and the customs service charge, reflecting an expansion in imports. Non-tax revenue rose by 12.0 per cent, reflecting higher collections from water services and an increase in hospital fees.

Despite efforts to curtail the growth in expenditure, current outlays increased by 2.6 per

cent to \$315.1m in 2002 compared with 2.1 per cent in 2001, reflecting higher borrowing costs associated with an expansion in the debt stock. Current expenditure exceeded the budgeted amount by 2.7 per cent. As a share of GDP current expenditure declined to 33.1 per cent in 2002 from 33.3 per cent in 2001. Interest payments, which accounted for 21.3 per cent of current expenditure, grew by 28.1 per cent to \$67.1m, reflecting an expansion of 70.8 per cent (\$13.1m) in external interest payments. Outlays on personal emoluments increased by 1.9 per cent to \$142.9m, representing 45.4 per cent of current expenditure. By contrast, expenditure on goods and services fell by 9.6 per cent, attributable to the bulk purchasing of goods. In the capital account, capital expenditure and net lending rose by 64.8 per cent to \$132.5m (13.9 per cent of GDP). Of this amount \$51.6m represented lending to statutory corporations, largely for the upgrading of seaport facilities. In 2002 the capital expenditure programme placed emphasis on upgrading the physical infrastructure, including road construction, hospital development, construction of airport facilities and a fisheries complex, as well as expansions to the educational plant and housing infrastructure. Capital grants amounted to \$30.5m compared with \$4.6m in 2001, with the increase largely representing a one-off receipt of funds for the construction of the fisheries complex.

The disaggregated fiscal accounts revealed that the operations of the Nevis Island Administration resulted in current savings of \$5.2m (0.5 per cent of GDP), compared with \$3.4m (0.4 per cent of GDP) in 2001. Current revenue rose by 7.3 per cent to \$64.3m, falling short of the budgeted amount by 6.8 per cent. The growth in current revenue resulted from increased collections from taxes on international trade and transactions (\$2.2m) and non-tax revenue (\$3.0m). Earnings from taxes on domestic goods

and services fell by 5.3 per cent following growth of 75.3 per cent in 2001. The decline was largely on account of an 11.0 per cent reduction in earnings from hotel taxes, reflecting the decline in activity in the tourism industry. Current expenditure grew by 4.7 per cent to \$59.1m and was 2.1 per cent below the budgeted amount. There were increases in interest payments (43.7 per cent) and expenditure on personal emoluments (1.4 per cent). Preliminary data indicated that capital expenditure and net lending fell to \$17.5m from \$47.5m in 2001, reflecting the completion of major projects in the first half of 2002. Increased savings coupled with the reduction in capital spending led to an overall fiscal deficit of \$12.3m (1.3 per cent of GDP), down from \$40.8m (4.4 per cent of GDP) in 2001. The deficit was financed through external borrowing and the issue of treasury bills. During 2002 the NIA made its first issue of treasury bills. These bills were issued for 90 days at an interest rate of 7.5 per cent. At the end of 2002 the outstanding stock of treasury bills amounted to \$11.0m.

With respect to the fiscal operations of the central government (excluding NIA), there was a reduction in the current account deficit to \$32.8m (3.4 per cent of GDP) from \$48.4m (5.2 per cent of GDP) in 2001. Current revenue rose by 10.4 per cent to \$223.2m, in line with the budgeted amount. The growth in current revenue was reflected in higher collections from taxes on income and profits (8.6 per cent), taxes on international trade and transactions (10.3 per cent) and non-tax revenue (10.3 per cent). Current expenditure was up by 2.2 per cent to \$256.0m, roughly 3.8 per cent above the budgeted amount. Capital expenditure and net lending amounted to \$115.0m compared with \$32.9m in 2001. The higher level of capital spending contributed to a widening of the overall deficit to \$110.8m (11.6 per cent of GDP) from \$76.2m (8.3 per cent of GDP) in 2001.

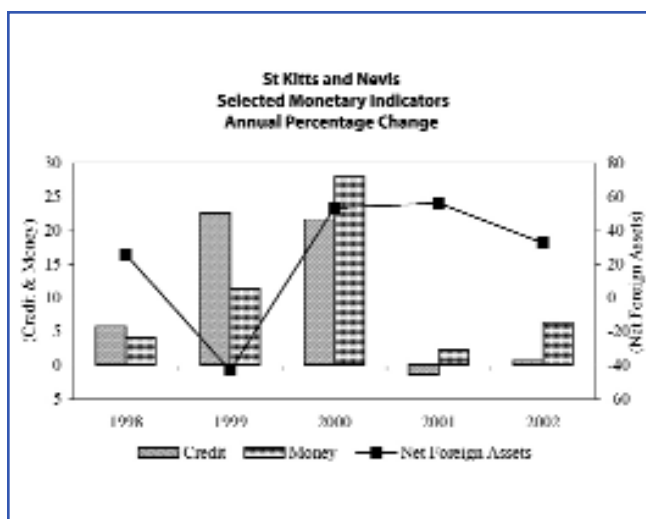
At the end of 2002 the total stock of debt for both the central government and the NIA stood at \$1,017m (106.7 per cent of GDP), compared with \$834.5m (90.5 per cent of GDP) at the end of 2001. Of the total debt, the external debt rose by 35.4 per cent to \$515.9m (54.2 per cent of GDP). New debt contracted during the year consisted of a \$75.0m five-year bond issued on the RGSM and a US\$40.0m external bond, part proceeds of which were lent to a statutory corporation. Debt service payments amounted to \$102.5m in 2002, an increase of 35.8 per cent over the total in 2001. As a share of current revenue, debt service payments rose by 6.9 percentage points to 35.7 per cent in 2002.

Money and Credit

During 2002 total monetary liabilities (M2) increased by 6.4 per cent to \$844.8m compared with the 2.3 per cent growth in 2001. The expansion in M2 was partly reflected in a 9.5 per cent increase in private sector savings deposits to \$335.0m. Private sector time and foreign currency deposits grew by 4.3 per cent and 0.6 per cent respectively. The narrow money supply (M1) rose by 12.9 per cent to \$119.9m, associated with growth in both demand deposits and currency with the public.

Domestic credit increased by 0.8 per cent to \$757.8m, in contrast to the 1.6 per cent rate of decline in 2001. This outcome reflected expansions in credit to non-financial public enterprises and to subsidiaries and affiliates of banks. Commercial bank credit to non-financial public enterprises rose by 19.0 per cent to \$228.5m, largely as a result of increased borrowing by a major enterprise. Consequently, the net deposits of the combined public enterprises contracted by 20.5 per cent to \$122.6m. The net deposits of subsidiaries and affiliates fell by 39.6 per cent, reflecting an

increase in commercial bank credit in the form of investments. The central government's net indebtedness to the banking system fell by 6.5 per cent to \$267.7m, mainly attributable to a decline in loans and advances from the commercial banking system, as part of the proceeds of the \$75.0m bond was used to finance the overdraft. Credit to the private sector contracted by 2.4 per cent, influenced by reduced lending to businesses (6.7 per cent). The decline in business credit was partly reflected in decreases in lending for entertainment (61.1 per cent), transport (25.8 per cent) and professional and other services (6.7 per cent). These declines were moderated by growth of 18.7 per cent in credit for distributive trade. A 1.0 per cent increase in borrowing by households was directed towards the purchase of house and land (6.0 per cent) and other personal items (4.0 per cent). Lending for durable consumer goods decreased by 7.4 per cent.



The counterpart to the growth in monetary liabilities was a 32.4 per cent increase in net foreign assets to \$315.1m. The expansion was partly associated with inflows of official capital including portfolio investment. There was a 60.3 per cent expansion in commercial banks' net foreign assets to \$137.9m. During 2002 commercial banks held

net assets of \$245.7m with head offices and other institutions outside the Eastern Caribbean currency union, up from \$196.9m in 2001. Their net liabilities to institutions in the rest of the currency union fell by 2.8 per cent to \$107.8m. St Kitts and Nevis' imputed share of the reserves held by the Central Bank grew by 16.6 per cent to \$177.2m, reflective of an overall surplus on the external accounts.

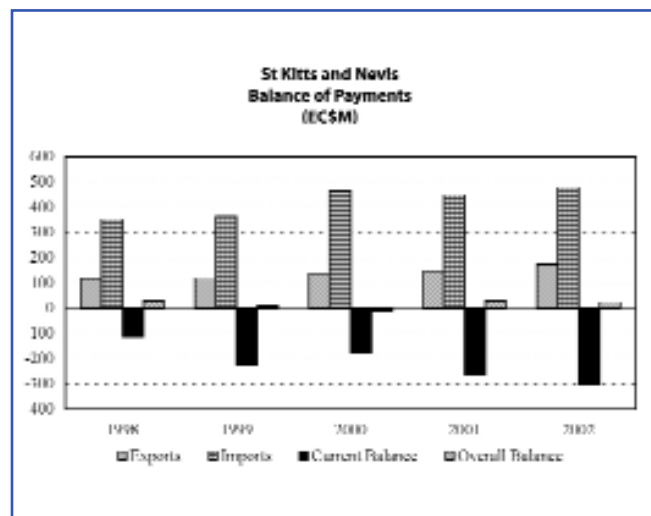
During 2002 liquidity in the commercial banking system increased. The ratio of liquid assets to total deposits plus liquid liabilities rose by 5.7 percentage points to 49.5 per cent, reflecting an increase in liquid assets. The loans and advances to deposits ratio fell by 1.8 percentage points to 79.1 per cent, reflecting a 6.3 per cent increase in deposits. The cash reserve ratio was 9.5 per cent compared with 8.2 per cent at the end of 2001.

Interest rates on savings deposits held at commercial banks fell to a range of 3.0 per cent to 5.5 per cent in 2002 from the range of 4.0 per cent to 6.0 per cent at the end of 2001. The 1.0 percentage point reduction in the minimum rate was attributed to a decision by the Central Bank to reduce the minimum rate on savings deposits to 3.0 per cent effective 1 September, to encourage lower lending rates. Interest rates on time deposits remained unchanged and ranged from 3.0 per cent to 7.0 per cent. The reduction in the minimum savings rate triggered declines in the lending rates. Prime lending rates fell to a range of 8.5 per cent to 11.0 per cent at the end of 2002 from the range of 9.5 per cent to 12.5 per cent in 2001. The maximum rate for "other lending" was 18.2 per cent compared with 22.0 per cent in 2001.

Balance of Payments

St Kitts and Nevis recorded an overall balance of payments surplus of \$23.9m (2.5 per cent of

GDP) in 2002 compared with one of \$31.3m (3.3 per cent of GDP) during 2001. The reduced surplus was mainly as a result of higher net outflows in the current account.



The current account deficit widened to \$304.7m in 2002 from \$260.6m in 2001, and as a share of GDP increased to 32.0 per cent from 28.2 per cent in 2001. The increase in the deficit was influenced by a 27.4 per cent (\$24.8m) reduction in the surplus on the services account, reflecting a 5.3 per cent decline in gross travel receipts as a result of the decrease in visitor arrivals. The deficit on the merchandise trade account increased by 2.4 per cent to \$315.2m, but as a share of GDP fell by 0.3 percentage point to 33.1 per cent. The value of imports (f.o.b) rose by 6.6 per cent to \$479.3m in 2002, reflecting higher imports particularly of machinery and transport equipment, as well as furnishings associated with the construction of the new hotel. A build up of inventory by two retail stores that opened up in the fourth quarter of 2002 also contributed to the expansion in imports. In the case of exports, earnings from sugar decreased by 7.8 per cent to \$25.8m, reflecting a contraction in the volume exported as a result of the fall in production.

The net surplus on the capital and financial account increased by 12.6 per cent to \$328.6m, representing 34.5 per cent of GDP, down from 31.6 per cent of GDP in 2001. Net inflows of portfolio investment, which largely comprises debt securities in the form of bonds issued by the government, grew by 80.0 per cent to \$100.1m. Commercial bank transactions resulted in a net outflow of \$51.9m in short term capital, roughly 6.2 per cent lower than the position in 2001. Net inflows of direct investment were estimated at \$218.3m, a decline of 8.0 per cent compared with the total in 2001. This outcome was largely as a result of a reduction in inflows from the sale of land to non-residents and lower inflows of equity capital on account of the near completion of the hotel construction project.

Prospects

In 2003 real GDP growth is projected at 1.9 per cent, based partly on anticipated increases in value added in the hotel and restaurant and manufacturing sectors. Growth in the tourism industry is projected, based in part on the opening of a major resort and casino in February 2003 and an increase in airlift services from the USA in December 2002. Visitors from the UK market are likely to increase based on the re-introduction of weekly direct flights from the UK in early May 2003. Arrivals from the UK were significantly reduced since mid-2001 when a major airline discontinued direct service to St Kitts. The addition of a direct daily flight service from San Juan to Nevis is also expected to boost visitor arrivals. The prospects for growth in arrivals however, would be influenced by developments in the international economy particularly the USA, a major market for tourism.

Growth in output in the manufacturing sector is projected based on an increase in the

production of electronic components. This projection will be influenced by the pace of growth in the USA, the leading export market for electronic components. Based on preliminary estimates from the sugar company, sugar production is projected to decline by 24.0 per cent to 16,300 tons in 2003. In the agricultural sector, production in the non-sugar agricultural sub-sector is expected to expand based on ongoing efforts by the agricultural department to diversify the sector.

The pace of construction activity is likely to pick up in the second half of 2003, partly based on plans to construct a \$25.0m headquarters for a regional airline company and a \$180.0m housing development, a shopping mall and a credit union headquarters in the private sector. In the public sector, activity is expected to be driven by ongoing work on the hospitality wing, expansions to schools, road construction and the headquarters for the development bank. New projects identified for 2003 include the construction of one thousand low-income homes at an estimated cost of \$45.0m, the upgrading of the water and electricity supply estimated at \$35.1m and a \$19.0m education development project.

The consolidated fiscal deficit of the central government and the Nevis Island Administration is projected to narrow in 2003. This projection is based on an expected improvement in the current account operations as a result of revenue measures announced in the 2003 budget. These measures include an increase in the rate of customs service charge payable in respect of imported goods from 5.0 per cent to 6.0 per cent, an increase in the consumption tax also payable on imported goods from 20.0 per cent to 22.5 per cent, a 25.0 per cent increase in driver's licence and vehicle registration fees, a change in the basis of computing consumption taxes on the importation of alcohol and tobacco from a specific to an ad valorem basis and an

increase in the price of quarry aggregates sold at the government owned quarry. Tighter expenditure controls are also anticipated as the government has undertaken a stabilisation programme including the establishment of fiscal targets, which the authorities will monitor and review on a quarterly basis. Capital expenditure and net lending is projected to decline in 2003 compared with 2002 when the total increased sharply as a result of new loans to public enterprises.

In the external sector the current account balance is expected to improve. Higher inflows from travel are projected, consistent with the anticipated growth in stay-over arrivals. The import bill is likely to be reduced as a result of the completion of a large hotel in early 2003. Net inflows on the capital and financial account are likely to contract based on an anticipated decline

in foreign direct investment following the completion of the hotel. These inflows were substantial in the previous three years, largely as a result of the hotel development project. Direct investment inflows in 2003 will be largely associated with the construction of the headquarters for an airline company. Public sector long-term inflows are anticipated to increase as the central government is likely to borrow externally to finance the fiscal deficit and also reduce a portion of its more expensive domestic debt. A surplus on the balance of payments is projected for 2003. Consumer prices are likely to rise as a result of the new fiscal measures introduced in the 2003 budget and increased fees by the air and seaports authority. In the banking system, liquidity is expected to improve based on a likely reduction in the central government's borrowing requirement.

ST LUCIA

Overview

During 2002 real output of goods and services in St Lucia was estimated to have increased by 0.1 per cent, following the contraction of 4.6 per cent in 2001. The increase in real gross domestic product was partly attributed to expansions in value added in the manufacturing, communications and government services sectors. There were contractions in value added in some of the other sectors, particularly agriculture, construction and hotel and restaurant. The overall fiscal deficit of the central government narrowed in 2002, reflecting expansions in current and capital revenue. The overall surplus on the balance of payments more than doubled, partly on account of higher inflows of capital associated with the proceeds from a bond issue. Liquidity in the banking system remained tight in 2002. There were some changes in interest rates, largely as a result of the Central Bank's decision to reduce the minimum rate on savings deposits by 1.0 percentage point, effective 1 September 2002. The consumer price index declined in 2002.

Economic activity is expected to increase in 2003, influenced by developments in tourism and construction.

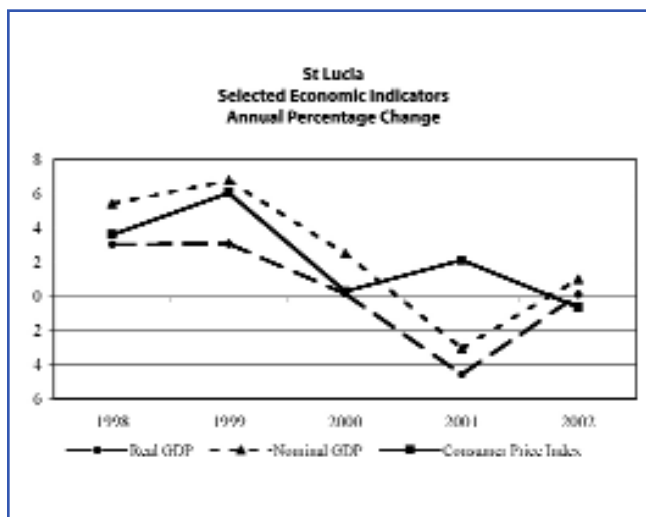
Output

The indicators of output showed an improvement in economic activity in St Lucia during 2002 relative to 2001. Real gross domestic product (GDP) was estimated to have increased by 0.1 per cent following the revised contraction of 4.6 per cent in 2001. The recovery was driven in part by growth in value added in the manufacturing, communications and government services sectors. Value added in the manufacturing sector grew by 5.0 per cent following contractions averaging 3.8 per cent in 2001 and 2000. Food and beverage production, which account for the largest share of manufactured goods, increased by 17.0 per cent. This performance was partly attributable to

growth in export demand from the USA market, facilitated by an improvement in the quality of some products. Output of paper and paper products grew by 28.2 per cent, associated with a recovery in banana output which resulted in increased demand for boxes. By contrast, output of wearing apparel fell by 25.1 per cent, the result of competition from lower cost producers in the export market.

Value added in the communications and government services sectors expanded at a slower rate, by 7.5 per cent and 0.9 per cent respectively, compared with rates of 11.8 per cent and 1.1 per cent in 2001.

Despite an improvement in banana production, a major agricultural activity in St Lucia, value added in the agricultural sector decreased by 1.0 per cent, albeit at a reduced rate compared with the 22.6 per cent decline in 2001. The contraction was largely influenced by a 34.1 per cent decrease in value added of non-banana agricultural crops, reflecting a fall in domestic demand. Output of banana increased by 41.5 per cent to 48,160 tonnes in 2002 compared with the total in 2001, when production fell substantially as a result of drought. The improvement in 2002 was mainly attributed to favourable weather, particularly in the first eight months of 2002, coupled with a restructuring programme within the industry.



Activity in the tourism industry, as represented by the hotel and restaurant sector, fell marginally in 2002. Value added in the hotel and restaurant sector was estimated to have decreased by 0.6 per cent following the 10.5 per cent contraction in 2001. Stay-over visitors increased by 1.3 per cent to 253,463 in 2002, but the number of visitors staying in hotels and other paid accommodation declined.

Of stay-over arrivals, visitors from the USA, the major market, increased by 3.1 per cent to 94,044 following the decline of 6.4 per cent in 2001, attributable to an expansion in airlift services from the USA and enhanced market promotion. Visitors from the USA accounted for 37.1 per cent of total stay-over visitors. Arrivals from the rest of the Caribbean region grew by 8.8 per cent to 66,409, the result of additional marketing within the region, with a focus on events tourism. By contrast, visitors from the United Kingdom fell by 5.6 per cent to 63,277, and those from Germany by 18.5 per cent to 3,929, reflecting the loss of chartered air services out of Europe. In these developments, the market share of visitors from the Caribbean rose to 26.2 per cent in 2002 from 24.4 per cent in 2001, while that for visitors from the UK decreased to 25.0 per cent from 26.8 per cent in 2001.

The number of cruise ship passengers fell by 21.0 per cent to 387,180 after two successive years of growth. The decrease in 2002 was largely associated with a 35.2 per cent reduction in the number of cruise ship calls to 245, partly as a result of cancellations by some cruise lines to the southern Caribbean in the aftermath of September 11. The contraction in the number of cruise ship passengers contributed to a 13.2 per cent decline in total visitors to St Lucia to 648,355, in contrast to growth of 2.9 per cent in 2001.

There were indications that construction activity remained sluggish in 2002. Value added in

the construction sector contracted by 4.8 per cent following declines averaging 4.8 per cent in the previous two years. The fall in activity was largely associated with the winding down or completion of a number of public sector projects. The major capital expenditure projects under construction during 2002 included fish landing facilities, the Bordelais correctional facility and the northern water supply. By contrast, residential construction activity in the private sector was likely to have expanded based on commercial bank data, which showed a 4.5 per cent increase in lending for home construction and renovation, in contrast to the decrease of 29.2 per cent in 2001. Private sector construction activity was also driven by renovation work on two hotels.

Prices, Wages and Employment

The consumer price index (CPI) declined by 0.6 per cent (on an end of period basis), after recording growth of 2.1 per cent in 2001. The fall in the CPI was influenced in part by a decrease in the sub-index "food". Prices in the "food" sub-index, the most heavily weighted in the consumer goods and services basket, fell by 1.8 per cent on average in 2002 in contrast to growth of 3.6 per cent in the previous year. The fall in the "food" sub-index reflected lower prices of some food items including bread and cereal (0.7 per cent) and vegetables (12.2 per cent). Prices in the sub-indices "housing" and "furniture and household appliances" fell on average by 0.1 per cent and 1.9 per cent respectively. These decreases more than offset increases in prices in the other sub-indices, mainly "alcoholic beverages and tobacco" (2.3 per cent), "fuel and light" (3.1 per cent) and "transportation and communication" (5.4 per cent).

Wages within the public sector remained relatively unchanged since the last round of wage negotiations expired in 2001. Information on wage increases in the private sector was unavailable. There were indications that in 2002 employment

levels in some sectors were below those of the previous year.

Preliminary data on employment by sector provided by the National Insurance Scheme (NIS) revealed decreases in the number of persons employed in hotel and restaurant (12.2 per cent), agriculture (5.9 per cent), construction (1.0 per cent) and manufacturing (0.3 per cent), partly associated with the weak performance of most of those sectors. Employment in the public service is likely to have remained relatively flat as the freeze on hiring continued during 2002.

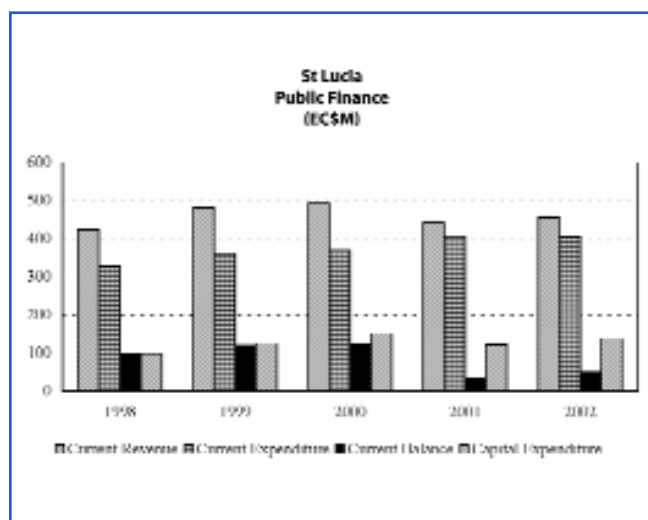
Central Government Fiscal Operations

In 2002 there was an improvement in the fiscal operations of the central government when compared with the performance in 2001. An overall deficit of \$37.9m (2.1 per cent of GDP) was recorded, substantially below the deficit of \$68.4m (3.9 per cent of GDP) in 2001. The narrowing of the deficit was attributed in part to expansions in current and capital revenue as current expenditure remained relatively flat. The deficit was financed largely from external sources.

In 2002 a current account surplus of \$49.9m (2.8 per cent of GDP) was realised, up from one of \$35.6m (2.0 per cent of GDP) in the previous year, reflecting an improvement in revenue performance. Current revenue increased by 3.1 per cent to \$455.4m during 2002 in contrast to the decline of 10.3 per cent in 2001, attributed to an expansion in tax revenue. As a share of GDP current revenue remained unchanged at 25.1 per cent in 2002. Collections from tax revenue were 4.0 per cent above the level recorded in 2001 and amounted to \$412.9m (22.8 per cent of GDP). The growth in tax revenue mainly reflected higher receipts from taxes on international trade and transactions and taxes on domestic goods and services, partly associated with an improvement in tax administration. The yield from taxes on international trade and

transactions rose by 12.4 per cent, associated with an increase in the value of merchandise imports. Consumption tax paid on imports increased by 17.3 per cent to \$110.0m. Growth was also recorded in receipts from import duty (7.4 per cent) and the customs service charge (6.9 per cent). Revenue from taxes on domestic goods and services grew by 17.5 per cent, mainly reflecting growth in stamp duty receipts. The proceeds from stamp duties rose from \$8.9m in 2001 to \$18.9m in 2002, associated with the sale of an hotel during the year. By contrast, receipts from taxes on income and profits fell by 19.5 per cent, mirroring the contraction in the economy in the previous year, on which the assessment is based.

Capital revenue increased from \$1.3m (0.1 per cent of GDP) in 2001 to \$21.3m (1.2 per cent of GDP) in 2002, reflecting the sale of central government's shares in a financial institution, in line with the ongoing privatisation policy.



In 2002 current expenditure fell by 0.2 per cent to \$405.5m compared with the total in 2001. As a share of GDP, however, current expenditure fell to 22.3 per cent in 2002 from 23.1 per cent in 2001. There were declines in most of the sub-categories of current expenditure. Expenses related to personal emoluments fell by 1.9 per cent as the central

government continued the freeze on hiring in the public sector. Outlays on goods and services declined by 12.4 per cent. Interest payments contracted by 5.3 per cent, reflecting the refinancing of some domestic loans with lower cost external instruments. Outflows related to transfers and subsidies rose by 21.0 per cent, reflecting a reclassification of some expenditure programmes from capital to current transfers.

At the end of 2002 the total disbursed debt of the central government stood at \$826.1m (45.5 per cent of GDP) compared with \$695.9m (39.6 per cent of GDP) in 2001. Of that total, the proportion of external debt increased by 6.0 percentage points to 61.4 per cent in 2002. Total debt service payments as a percentage of current revenue was 19.3 per cent compared with 22.1 per cent in 2001.

Money and Credit

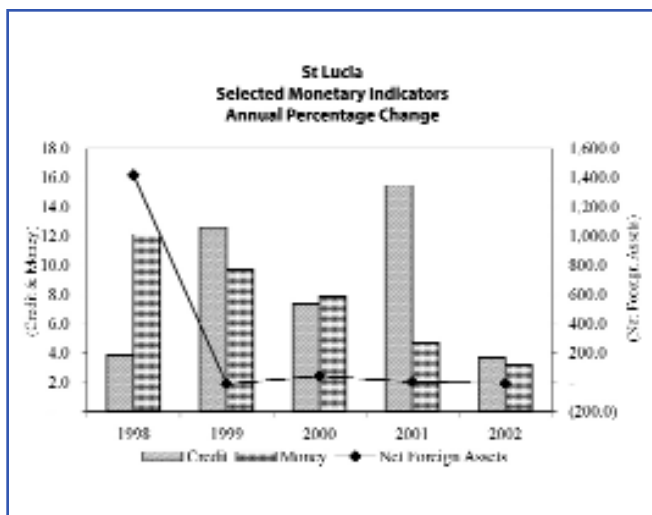
During 2002 total monetary liabilities (M2) grew by 3.2 per cent to \$1,273.3m compared with the 4.7 per cent growth recorded in 2001. Of the components of M2, quasi money increased by 3.7 per cent (\$35.2m), mainly reflecting expansions in private sector savings deposits (13.8 per cent or \$79.0m) and private sector foreign currency deposits (85.9 per cent or \$11.0m). The growth in quasi money was subdued by a contraction in private sector time deposits (15.0 per cent or \$54.8m). The narrow money supply (M1) rose by 1.3 per cent (\$3.8m) following the decline of 0.8 per cent in 2001. Both currency with the public and private sector demand deposits increased, at rates of 1.8 per cent and 1.1 per cent respectively.

Domestic credit expanded by 3.7 per cent to \$1,432.5m during 2002 compared with the 15.5 per cent growth in 2001. The slowdown in the rate of growth was associated with developments in both the public and private sectors. The net deposits of the central government fell by 14.9 per cent (\$16.8m) following growth in the previous

three years. This reversal was attributed to an expansion in credit to the central government coupled with a fall in deposits. The central government's borrowings from the commercial banking system grew by 10.3 per cent to \$142.6m, while its deposits declined by 4.4 per cent to \$242.1m. In the rest of the public sector, borrowing from the commercial banking sector rose by 7.3 per cent while deposits of that sector contracted by 4.1 per cent, resulting in an 8.5 per cent decrease in net deposits to \$154.3m. Lending to the private sector increased by 0.8 per cent (\$11.7m), mainly reflecting growth in credit to business entities. Loans and advances to business entities grew by 5.1 per cent to \$822.8m, at the same rate as that recorded in 2001. By contrast, credit to households declined by 3.7 per cent to \$730.7m following the expansion of 3.0 per cent in 2001.

An analysis of the credit by economic activity revealed a mixed performance during 2002. Credit for tourism and distributive trades grew by 24.4 per cent and 7.6 per cent respectively. Lending for manufacturing and construction increased by 5.7 per cent and 11.0 per cent respectively. By contrast, declines were recorded in outstanding credit for agriculture and fisheries (15.1 per cent) and for the purchase of durable consumer goods (29.1 per cent).

The net foreign assets of the banking system fell by 10.4 per cent (\$12.2m) during 2002 in contrast to the expansion of 0.7 per cent (\$0.8m) in 2001. The decline in the net foreign assets was attributed to an increase in the liabilities of the commercial banking sector. The net liabilities of the commercial banking sector amounted to \$142.8m at the end of 2002, roughly 21.2 per cent above the level at the end of 2001, reflecting growth of 26.2 per cent in liabilities to institutions outside St Lucia. The increase was largely associated with borrowing from head office by a foreign owned bank to finance the acquisition of an existing hotel by one of its customers.



Liquidity in the commercial banking system remained tight during 2002. The ratio of liquid assets to total deposits plus liquid liabilities was 19.0 per cent at the end of 2002, roughly 1.6 percentage points above that at the end of 2001. The loans and advances to deposits ratio fell by 0.9 percentage point to 91.9 per cent, as the level of total deposits remained just above the level of total loans and advances. The cash reserve ratio increased by 1.1 percentage points to 9.2 per cent.

There were some downward movements in interest rates during 2002. This was largely as a result of a 1.0 percentage point reduction in the regulated minimum rate on savings deposits, effective 1 September 2002. The minimum interest rate on savings deposits fell to 3.0 per cent from 4.0 per cent. The maximum rate on time deposits of 3 months to 6 months duration was reduced by 0.25 percentage point, and that on deposits of 6 to 12 months fell by 0.5 percentage point to 6.0 per cent. Prime lending rates remained unchanged and ranged from 9.5 per cent to 10.5 per cent.

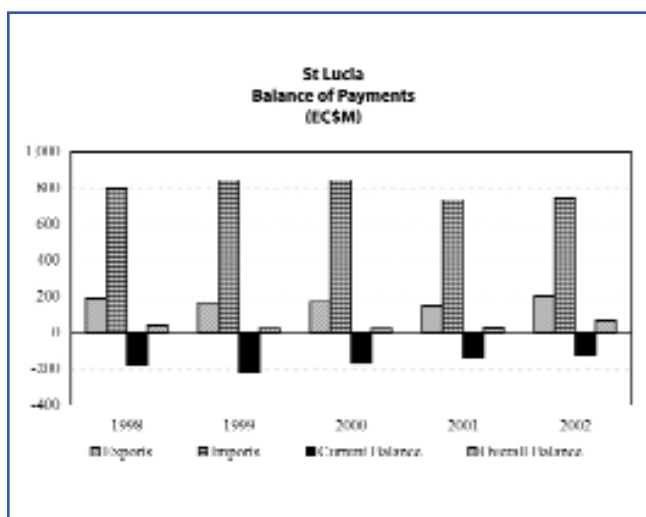
Balance of Payments

During 2002 an overall balance of payments surplus of \$69.4m (3.8 per cent of GDP) was realised compared with one of \$27.4m (1.6 per cent of GDP) in the previous year. The improvement

in the overall balance resulted from higher receipts in the capital and financial account, combined with reduced outflows in the current account.

The current account deficit was estimated to have narrowed to \$122.3m (6.7 per cent of GDP) from \$135.6m (7.7 per cent of GDP) in 2001, partly as a result of an improvement in the merchandise trade balance. The merchandise trade deficit contracted by 7.1 per cent to \$571.0m, and as a share of GDP fell to 31.5 per cent from 35.0 per cent in 2001. Merchandise exports rose by 44.5 per cent to \$173.8m, partly reflecting increased earnings from commodity exports. Receipts from banana exports were 44.1 per cent above the total in 2001 and amounted to \$58.7m. Export earnings from paperboard products increased by 28.2 per cent, associated with the expansion in banana exports.

Net inflows related to services fell by 5.1 per cent to \$501.2m, the equivalent of 27.6 per cent of GDP. During 2002 inflows from travel continued to influence the services account. Gross travel receipts were estimated to have fallen by 0.9 per cent to \$691.7m (38.1 per cent of GDP). This performance was attributed in part to the decline in the number of cruise ship visitors and visitors staying in paid accommodation, as well as the discounting of hotel rates.



The surplus on the capital and financial account increased by 17.6 per cent to \$191.7m, equivalent to 10.6 per cent of GDP, up from 9.3 per cent of GDP in 2001. This outturn was influenced by inflows of portfolio investment associated with the issue of an external bond in October 2002. There were net inflows of portfolio investment of \$122.1m (6.7 per cent of GDP), in contrast to net outflows of \$0.8m in 2001. Commercial banks recorded short-term capital inflows of \$25.0m (1.4 per cent of GDP), reflecting increased borrowing to satisfy credit demand. Net inflows of official capital transfers were estimated to have increased to \$29.0m from \$17.5m in 2001, and were associated with the fish landing complexes in Choiseul and Soufriere. There was an increase in government's foreign assets, attributable to the bond issue.

Prospects

Economic activity is projected to increase in 2003, influenced by likely developments in the tourism industry and the construction sector. The anticipated increase in tourism is based on initiatives being undertaken by the St Lucia Tourist Board and the Government of St Lucia. These initiatives include the securing of additional airlift services from the USA and Europe, the targeting of individual tourism markets and the use of the new sports infrastructure to promote sports tourism as part of the overall tourism product. However, performance in tourism will be influenced by developments in the international economy, particularly the USA and UK - the major tourist markets. The cruise industry is expected to benefit from the commencement of visits by a major cruise line in 2003.

The growth in construction activity is expected to be influenced by public sector projects, including road maintenance and the rehabilitation

of a number of schools and health centres. Private sector construction activity is likely to focus on ongoing residential construction and refurbishment of the hotel plant. In the agricultural sector, banana production is projected to contract as a result of the lingering effects of tropical storm Lili and drought in the first half of 2001.

The overall fiscal deficit of the central government is projected to increase in 2003, based on a likely expansion in capital spending and a fall in capital revenue. Capital expenditure is expected to be associated largely with the implementation of projects in the public sector investment programme, mainly road rehabilitation and development of the social infrastructure. Current revenue is projected to increase in 2003, partly based on improved tax administration and new measures outlined in the budget, including the adjustment in the service charge on imports and the adjustment to the consumption tax. Current expenditure is expected to increase marginally, based on efforts to contain the growth in expenditure. The overall deficit is expected to be financed by the issue of a treasury bond.

Monetary liabilities are projected to increase based on the anticipated expansion in economic activity. Growth in domestic credit is likely, influenced by an expansion in private sector borrowing fuelled by government's policy to facilitate land and house acquisition by individuals. The net foreign assets are projected to increase, partly based on likely inflows of official capital and portfolio investment. There is likely to be a net inflow of commercial bank short-term capital, as a result of an increase in credit demand based on the anticipated expansion in economic activity. As a consequence, an overall balance of payments surplus is projected in 2003.

ST VINCENT AND THE GRENADINES

Overview

Gross domestic output in St Vincent and the Grenadines increased in 2002 relative to the performance in 2001. Real GDP growth was provisionally estimated at 1.4 per cent in contrast to the decline of 0.1 per cent in 2001. The rebound in economic activity was largely driven by an improved performance of the agricultural sector, mainly on account of an increase in banana production. Output in the hotel and restaurant, manufacturing and construction sectors declined. The overall fiscal position of the central government worsened, due in part to lower grant receipts and increases in capital expenditure and net lending. In the external sector an overall deficit was recorded, primarily due to lower inflows on the capital and financial account and an increase in the current account deficit. Total monetary liabilities and domestic credit expanded in 2002. Liquidity in the commercial banking system decreased, but was still at a high level. In September 2002 the Central Bank reduced the minimum interest rate on savings deposits by 1.0 percentage point to 3.0 per cent. Consumer prices fell marginally during 2002.

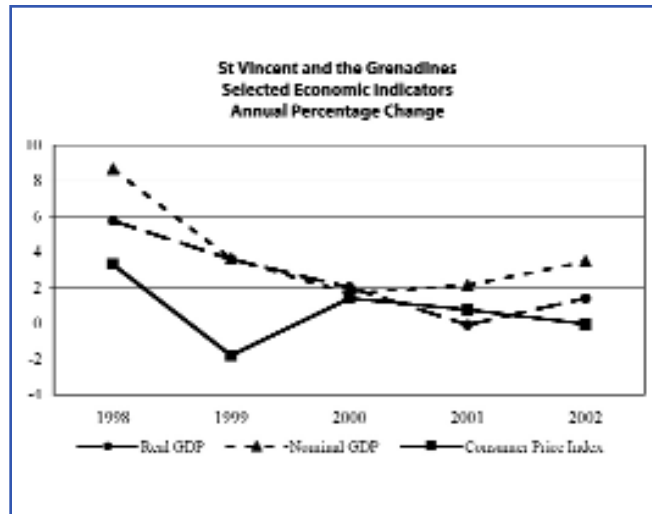
In 2003 economic activity is projected to expand based on anticipated improvements in construction and tourism.

Output

Real GDP growth of 1.4 per cent was recorded in 2002 following the contraction of 0.1 per cent in 2001, largely mirroring developments in the agricultural sector. Value added in the agricultural sector increased by 11.8 per cent in 2002 in contrast to the decline of 7.7 per cent in 2001. The sector's contribution to GDP rose by 1.1 percentage points

to 12.3 per cent, the highest recorded since 1998. All the major sub-sectors recorded higher output levels. Value added for crop production expanded by 16.2 per cent. Within the crop sub-sector, banana output increased by 12.6 per cent to 38,056 tonnes in contrast to the decline of 22.8 per cent in 2001, when the banana industry was affected by drought. The improved performance in 2002 was mainly attributed to an increase in acreage under irrigation and favourable weather. Of the other crops, increases were recorded in the output of vegetables and ground provisions. In the fishing sub-sector, value added rose by 2.0 per cent following the decline of 7.2 per cent in 2001, while the sector's contribution to GDP remained unchanged at 1.9 per cent.

The level of construction activity decreased in 2002 when compared with the previous year. Value added in that sector fell by 2.9 per cent in 2002, following the increase of 7.1 per cent in 2001. The sector's contribution to GDP declined by 0.4 percentage point to 9.1 per cent in 2002. This outturn was attributed to the completion of some major construction projects in 2001 and early 2002. In both the public and private sectors, construction activity was relatively low as very few major projects were undertaken during 2002. Activity in the public sector focussed on the Grenadines' multi-project and on road rehabilitation. In the private sector the pace of activity slowed as refurbishing work on two hotels was completed in 2001. Activity was driven largely by the construction and renovation of homes. Commercial bank data showed growth of 25.4 per cent in lending for home construction and renovation compared with the 1.2 per cent increase in 2001. Value added for mining and quarrying fell by 3.0 per cent in 2002, consistent with the decline in construction activity.



Value added in the manufacturing sector contracted by 2.9 per cent in contrast to the increase of 5.6 per cent in 2001. In 2002 the sector's share of GDP fell by 0.3 percentage point to 6.3 per cent. The weak performance in 2002 was linked in part to a 34.5 per cent fall in the production of flour, influenced by lower demand as a result of increased competition in both the domestic and export markets. By contrast the production of rice, a major manufactured product, increased by 12.0 per cent (7,003 tonnes).

Activity in the tourism industry, as measured by value added in the hotel and restaurant sector, contracted by 8.0 per cent following the 3.0 per cent decline in 2001. Consequently, the sector's contribution to real output fell to 2.2 per cent in 2002 from 2.4 per cent in 2001. This performance was influenced by a decline in visitors staying in paid accommodation. Notwithstanding, total stay-over visitors to the islands grew by 9.8 per cent to 77,631 in contrast to the 3.0 per cent decline in 2001. The classification of stay-over visitors by country of origin indicated increases in arrivals from all the major markets. The number of visitors from the USA, with a market share of

28.9 per cent, grew by 15.8 per cent, partly on account of the visit of a film production crew. Visitors from the UK rose by 7.3 per cent and accounted for 15.0 per cent of total stay-over visitors. Arrivals from the rest of the Caribbean, the largest market, grew for the third consecutive year, with the number increasing by 14.4 per cent to 30,229. As a result, the share of Caribbean visitors in total stay-over arrivals rose to 38.9 per cent from 37.4 per cent in 2001. Visitors from Canada increased by 34.1 per cent to 5,268.

During 2002 cruise ship passengers fell by 14.8 per cent to 65,145, reflecting a decline in the number of cruise ship calls to St Vincent and the Grenadines. Yacht passengers and excursionists also declined, by 5.9 per cent and 13.2 per cent respectively. As a result of the declines in yacht and cruise-ship passengers, total visitor arrivals contracted by 4.6 per cent to 242,289 in 2002.

In the rest of the services sector, growth was recorded in banks and insurance (4.4 per cent), wholesale and retail trade (3.2 per cent), government services (3.1 per cent), transportation (2.7 per cent), electricity and water (2.6 per cent), and real estate and housing (1.5 per cent). Value added for communications declined by 10.2 per cent. This outcome was mainly on account of increased competition in telecommunications, which resulted in a reduction in the cost of overseas telephone calls and hence lower profits.

Prices, Wages and Employment

The general price level, as measured by the "all items" index, fell by 0.1 per cent in 2002 compared with the increase of 0.8 per cent in the previous year. The decline in the index was

reflective of a contraction of 1.4 per cent in the ‘food’ sub-index, which accounts for more than half of the weight of the basket of goods and services. The fall in the “all items” index was muted by increases in the sub-indices “education” (24.7 per cent) and “housing” (2.5 per cent). The growth in the education sub-index was attributable to increases in the price of textbooks.

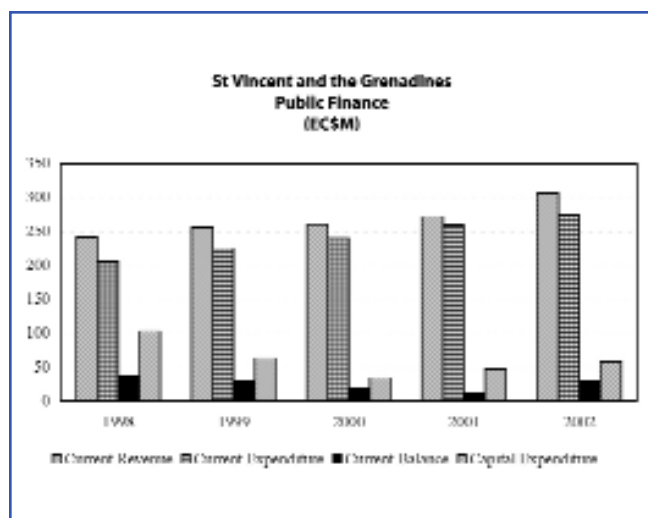
Wages and salary levels in the public sector remained stable, except for a one-off bonus of half a month’s salary paid at the end of the year. Data on wages in the private sector were not available for 2002. It is likely that wages in that sector remained stable, as movements tend to mirror developments in the public sector. Employment data were not available for 2002.

Central Government Fiscal Operations

During 2002 the fiscal performance of the central government, as measured by the overall balance, weakened. This was evidenced by a 27.3 per cent increase in the overall deficit to \$19.1m, equivalent to 2.0 per cent of GDP, up from 1.6 per cent of GDP in 2001. The main contributing factor to the deterioration of the overall deficit was an increase in capital expenditure and lower receipts of capital grants. The deficit was largely financed from external sources.

The current operations of the central government resulted in a surplus of \$31.0m (3.2 per cent of GDP) in 2002 compared with one of \$13.4m (1.4 per cent of GDP) in 2001. This strengthening in the savings position was influenced by an increase in current revenue (12.3 per cent), which outweighed the growth in current expenditure (6.1 per cent).

Current revenue increased by 12.3 per cent to \$305.6m, but was 1.4 per cent below the budgeted amount for 2002. As a percentage of GDP, current revenue rose to 31.3 per cent from 29.1 per cent in 2001. The growth in current revenue was primarily attributable to higher receipts from taxes.



The yield from direct taxes expanded by 21.8 per cent and represented 9.3 per cent of GDP, up from 7.9 per cent of GDP in 2001. An analysis of direct taxes indicated that the expansion was the result of a 35.7 per cent increase in receipts from company tax, associated in part with a higher level of compliance. The yield from taxes on individuals grew by 3.6 per cent to \$35.0m in 2002.

Receipts from taxes on international trade and transactions increased by 13.3 per cent to \$126.7m (13.0 per cent of GDP) and exceeded budgeted allocations by 2.5 per cent. In this category revenue from consumption tax, which accounted for 30.0 per cent of tax revenue, grew by 19.7 per cent to \$77.9m, influenced in part by an increase in the tax rate. Collections from the customs service charge were 9.6 per cent above the total recorded in 2001, reflecting an increase in imports.

The yield from taxes on domestic goods and services declined by 4.3 per cent to \$42.7m, and as a share of GDP fell by 0.4 percentage point to 4.4 per cent. This total was lower than the budgeted amount of \$47.2m. Of these taxes, revenue from stamp duties declined by 7.6 per cent to \$17.2m, notwithstanding an increase in rates effective 1 January 2002. Receipts from consumption tax decreased by 4.8 per cent to \$5.9m, partly due to the decline in output in the manufacturing sector. The decline in visitors staying in paid accommodation was partly responsible for a 17.1 per cent contraction in revenue from the hotel turnover tax.

Non-tax revenue grew by 10.3 per cent to \$45.9m (4.7 per cent of GDP), but fell short of the budget estimates. The increase in non-tax revenue was partly associated with higher receipts from land sales.

Current expenditure was 6.1 per cent above the total in 2002, and as a percentage of GDP rose to 28.2 per cent from 27.7 per cent in 2001. Relative to the budget, there was a 2.4 per cent shortfall in actual current expenditure. Much of the increase in expenditure in 2002 resulted from growth in outlays on goods and services (18.7 per cent) and personal emoluments (7.5 per cent). The expansion in outlays on personal emoluments reflected in part the payment of a bonus equivalent to half a month's salary to civil servants in December 2002, as well as a 4.0 per cent increase in the number employed. The share of outlays on personal emoluments in current expenditure rose from 49.7 per cent in 2001 to 50.4 per cent in 2002. Interest payments grew by 3.7 per cent (\$0.9m), attributable to a 9.5 per cent (\$1.2m) increase in domestic interest payments to \$13.8m, as foreign interest payments contracted by 3.6 per

cent (\$0.5m). As a percentage of GDP, interest payments remained unchanged at 2.6 per cent in 2002.

Capital expenditure and net lending grew by an estimated 23.6 per cent to \$57.7m, representing 5.9 per cent of GDP, up from 5.0 per cent in 2001.

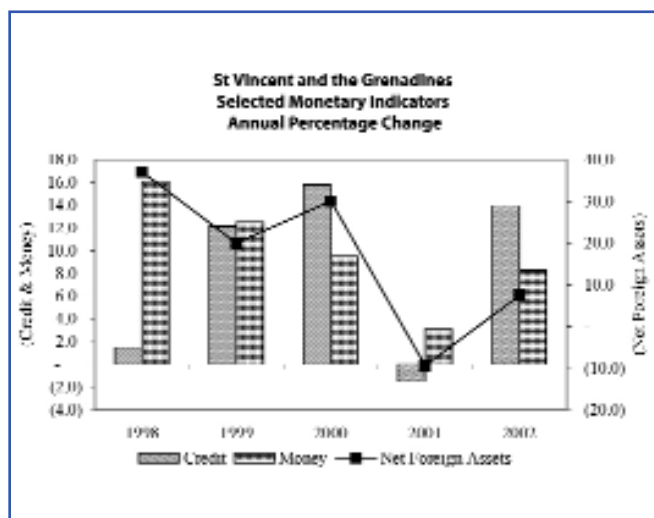
The external outstanding debt of the central government stood at \$429.4m, a decline of 0.4 per cent over the total in 2001. As a share of GDP, the external debt fell to 44.0 per cent in 2002 from 46.1 per cent in 2001.

Money and Credit

Total monetary liabilities (M2) rose by 8.3 per cent to \$709.3m in 2002, reflecting increases in both the narrow money supply and quasi-money. The narrow money supply grew by 9.1 per cent to \$239.2m in 2002 compared with 3.3 per cent in 2001, consistent with the growth in economic activity. Of the narrow money supply, private sector demand deposits and currency with the public expanded by 10.4 per cent and 4.9 per cent respectively. Quasi money grew by 7.9 per cent, largely reflective of increases in private sector time deposits (9.3 per cent) and private sector savings deposits (6.7 per cent).

Domestic credit increased by 14.0 per cent to \$534.0m, influenced by growth in credit to both the public and private sectors. The net indebtedness of the central government to the banking system increased in 2002, as outstanding credit grew by 34.9 per cent. Most of the growth in credit was used to reduce the overdraft of a non-financial public enterprise. Credit to the private sector increased by 4.6 per cent to \$633.4m, reflecting an

expansion of 7.5 per cent in loans to households. Lending to business entities contracted by 0.5 per cent to \$217.2m, representing the second consecutive year of decline.



An analysis of credit by economic activity indicated that lending for personal use grew by 11.7 per cent, partly reflecting increases in credit for home construction and renovation (25.4 per cent) and house and land purchase (13.5 per cent). Credit for manufacturing, including mining and quarrying rose by 5.1 per cent in contrast to the 30.9 per cent decline in 2001. Lending for agriculture including fisheries declined by 31.5 per cent. Contractions in credit were also recorded for construction (14.5 per cent) and tourism (1.9 per cent).

The net foreign assets of the banking system rose by 7.4 per cent to \$272.8m at the end of December 2002, largely reflecting developments in the commercial banking sector. The combined net foreign assets of the commercial banks increased by 45.8 per cent to \$131.1m, following the 32.5 per cent contraction in 2001. This performance was attributed to a 20.3 per cent increase in assets

held with institutions in the rest of the Eastern Caribbean currency union, coupled with an 11.0 per cent contraction in liabilities to institutions outside the currency union. St Vincent and the Grenadines' imputed share of the reserves at the Central Bank declined by 13.6 per cent to \$141.7m in 2002.

The stronger growth in domestic credit relative to the increase in M2 resulted in a decrease in liquidity in the commercial banking system. The ratio of liquid assets to total deposits plus liquid liabilities contracted by 5.0 percentage points to 33.7 per cent, while the loans and advances to total deposits ratio grew by 4.4 percentage points to 74.0 per cent.

In 2002 the minimum rate on savings deposits fell by 1.0 percentage point to 3.0 per cent as a result of the decision by the ECCB to reduce the rate effective 1 September. There were some changes in interest rates on time deposits during 2002. The minimum rate on time deposits up to three months rose by 1.6 percentage points to 3.1 per cent. Time deposits over three months to six months moved from a range of 1.5 per cent to 5.75 per cent in 2001 to a range of 2.5 per cent to 5.0 per cent in 2002. The range on time deposits over one to two years moved from 3.75 per cent to 8.0 per cent in 2001, to 4.0 per cent to 6.25 per cent in 2002. Prime lending rates remained stable during the period and ranged from 9.0 per cent to 11.0 per cent.

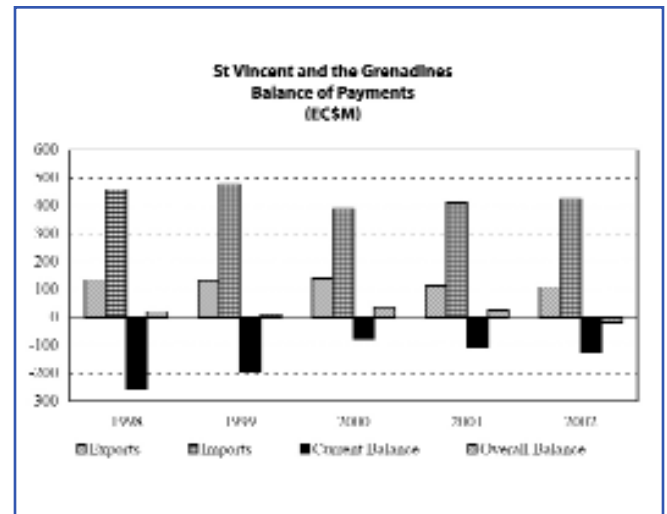
Balance of Payments

Preliminary estimates indicated that the current account deficit widened during 2002 compared with the corresponding period of 2001.

The current account deficit rose by 15.1 per cent to \$125.8m (12.9 per cent of GDP) in 2002. This outcome was influenced by an estimated 7.0 per cent increase in the merchandise trade deficit to \$316.5m (32.5 per cent of GDP) and a 0.6 per cent decline in the surplus on the services account to \$193.7m (19.9 per cent of GDP). Within the merchandise trade account, imports (f.o.b) increased by 3.5 per cent to \$422.6m (43.4 per cent of GDP), partly associated with the expansion in economic activity. Export receipts declined by 5.6 per cent to \$106.1m (10.9 per cent of GDP), on account of a fall in re-exports relative to the level in 2001. Earnings from banana exports increased by 14.4 per cent (\$5.3m), as a result of growth in the volume exported and favourable prices on the European market. During 2002 banana export prices rose on average to 51.0 cents per pound from 49.0 cents per pound in 2001. Export receipts from rice fell by 2.6 per cent to \$9.4m and those from flour decreased by 24.9 per cent to \$13.5m, due largely to increased competition in the export markets.

The surplus on the services account contracted by 0.6 per cent to \$193.7m (19.9 per cent of GDP). This decline was influenced largely by higher net outflows for transportation services, which showed a 4.6 per cent increase to \$45.7m. Gross receipts from travel rose by 1.4 per cent to \$219.5m compared with growth of 6.4 per cent in 2001. The relatively low rate of growth was partly attributed to the fall in the number of visitors staying in paid accommodation. The discounting of accommodation rates by some hotels, though not widespread, may also have contributed to the slower growth in gross travel receipts. Net outflows on the income account contracted by 9.9 per cent

to \$45.5m, largely reflecting lower official interest payments as a result of an interest moratorium on the Ottley Hall debt.



The surplus on the capital and financial account was estimated to have narrowed by 17.5 per cent to \$110.4m (11.3 per cent of GDP), due largely to developments in the financial account. Net inflows on the financial account fell by 30.2 per cent to \$77.7m, reflecting lower net inflows of official loan funds and an increase in outflows of short-term capital by commercial banks. Net inflows associated with public sector borrowing, including development bonds, fell to \$28.5m in 2002 from \$71.3m in 2001. The commercial banks recorded net outflows of \$41.2m in contrast to net inflows of \$43.3m in 2001, as banks reduced their liabilities to institutions outside the currency union. Net inflows on the capital and financial account were insufficient to finance the current account deficit. Consequently, there was an overall balance of payments deficit of \$15.4m (1.6 per cent of GDP) in contrast to the surplus of \$24.6m (2.6 per cent of GDP) in 2001.

Prospects

An expansion in economic activity is projected for St Vincent and the Grenadines in 2003, based on likely developments in the construction sector and the tourism industry. The expansion in construction is expected to be driven by the implementation of major projects in the public sector investment programme (PSIP). Public sector projects to be implemented include the rehabilitation of the Windward highway and construction of a number of learning resource centres and schools.

In the tourism industry, growth in stay-over visitors would depend on the success of promotional activities to improve tourist traffic to St Vincent and the Grenadines, as well as on economic conditions in the major markets. In the agricultural sector, performance is expected to be influenced by developments in the banana industry. Banana production is likely to contract during the first half of 2003, reflecting the adverse impact of tropical storm Lili in September 2002. Some recovery is likely during the second half of 2003 based on the ongoing banana restructuring programme. Value added in the manufacturing sector is likely to decline as the sector continues to grapple with increased competition.

The current account surplus of the central government is projected to increase in 2003. Growth in current revenue is likely, based on an expansion of the economy and an improvement in tax administration. Growth in current expenditure is likely to be at a slower rate as a result of increased efforts to control expenditure. Capital expenditure is projected to increase based on a higher rate of implementation of the PSIP.

In the external sector the current account deficit is expected to widen in 2003, partly based on developments in the merchandise trade account. The merchandise trade deficit is likely to increase as a result of a higher import bill. This projection is based on the anticipated growth in activity, particularly in the construction sector, and to some extent on the adverse movements in oil prices on the international market during the early half of 2003.

The increase in economic activity is likely to contribute to growth in monetary liabilities and domestic credit in 2003. Liquidity in the commercial banking system is expected to improve. Interest rates are projected to remain stable. The rate of inflation is anticipated to remain low, in line with inflation expectations in St Vincent and the Grenadines' major trading partners.

REVIEW OF PERFORMANCE

In 2002 ECCU economies continued to be affected by depressed export earnings on account of fierce competition, reduced acreage under banana cultivation and the lingering effects of 11 September 2001 on tourism. These developments dampened economic activity, resulting in very low GDP growth in 2002 and a decline in employment in some sectors, which created fiscal problems for some member countries. Of particular note in this regard are the fiscal policy challenges Dominica faced during the period.

The ECCB, mindful of these developments and of its role in the currency union, declared the following five primary policy areas for the financial year ending 31 March 2003: maintenance of the fixed exchange rate, financial stability, development of the money and capital markets, the payment system and development.

MONETARY STABILITY

Monetary Policy

Monetary policy refers to the actions undertaken by a central bank to influence the availability of money and credit to help promote national economic objectives. The Eastern Caribbean Central Bank Agreement Act 1983 gives the Monetary Council responsibility to provide directives and guidelines on matters of monetary and credit policy to the Bank (Article 7.2). The Monetary Council, which is comprised of one minister from each of the eight participating governments, meets three times a year to receive the Governor's report on monetary and credit conditions and to give directives and guidelines on policy.

The framework for the conduct of monetary policy is set out in Section 4 of the Agreement, which 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 mandate to promote and maintain monetary stability is interpreted to mean that the Bank must safeguard the value of the currency, in terms of what it will purchase at home and in terms of other currencies. Typically, central banks pursue this core purpose through the conduct of monetary policy aimed at maintaining price stability. Given the small size and openness of the economies, the Bank has sought to achieve the objective of price stability through a 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, which has been 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 growth and investment.

The Bank's ability to execute its responsibility "to regulate the availability of money and credit" is constrained by the underdeveloped nature of the financial markets. The underdevelopment of the

financial markets inhibits the ability of the Central Bank to influence the level of interest rates and thereby the availability of money and credit through market means. In principle, interest rates in the currency union are set at the discretion of the commercial banks, except that the Bank regulates the minimum rate payable on savings deposits as a means of implementing interest rate policy.

Effective 1 September 2002 the ECCB reduced the minimum savings rate payable on savings deposits from 4.0 per cent to 3.0 per cent. This resulted in a general reduction in the level of interest rates offered on deposits and charged on loans by the commercial banks. The decision was taken with the objective of obtaining a comparable reduction in lending rates, in order to boost credit and stimulate economic activity.

The official discount rate was earlier reduced from 8.0 per cent to 7.0 per cent, although commercial banks rarely borrow from the Central Bank. Changes in the official discount rate are therefore intended to convey the policy stance of the ECCB through its announcement effect.

The official interbank market rate (the interest rate at which commercial banks lend balances with the Central Bank to other commercial banks) also declined from an average rate of 6.8 per cent to 6.2 per cent. The policy that requires commercial banks in the currency union to hold reserves of 6.0 per cent against eligible deposit liabilities (inter-bank deposits are exempted) was maintained during the year.

Reserve Management

The ECCB's reserves are managed to fulfill specific risk and return objectives, in the following order of priority:

- i. To preserve capital

- ii. To meet liquidity requirements

- iii. To realise a satisfactory return

The broad objectives of reserve management are:

- (i) To provide sufficient reserves to support the value of the EC dollar consistent with the Eastern Caribbean Central Bank Agreement Act 1983, thus providing credibility for the fixed exchange rate.
- (ii) To ensure that a pool of reserves is available for balance of payments purposes.

The Bank continued to fulfill its broad reserve management objectives during the financial year through prudent management by its money managers and oversight by the Board of Directors. The Board approved the use of callable United States Agency securities as an investment instrument and the reallocation of funds from the liquidity tranche (short-term) to the higher yielding core tranche (long-term). The money managers continued to conduct research and present options for limiting potential losses on the foreign reserves portfolio, in view of the global economic and political environment.

Building on the achievements of 2001/2002, the Bank's liquidity tranche increased by 9.9 per cent to \$354.0m. The Bank's core reserves realised a return on investment of approximately 7.5 per cent. This compares favourably with returns on international bond indices.

Currency Management

At 31 March 2003, the stock of currency in circulation amounted to EC\$478.9m, roughly 2.9 per cent higher than the total at the corresponding date in 2002. Of this total, coins in circulation

amounted to EC\$49.9m, an increase of 4.2 per cent over the total in the financial year ended March 2002.

Round one cent, two cent, five cent and one dollar coins were issued during 2002 to complete the round coin family. Previous series of coins remain in circulation and continue to be legal tender.

The rapid improvement in computer technology continued to facilitate currency counterfeiters, resulting in increasing numbers of fraudulent notes being identified worldwide. During the financial year under review Bank staff, including staff at the agency offices, received training in counterfeit detection from De La Rue Currency and in turn assisted local police with counterfeit detection/prosecution. The Bank also hosted a number of 'Know Your Money' seminars for public and private sector officials (including commercial banks) in member territories.

FINANCIAL STABILITY

Supervision

During the financial year under review the Bank continued to enhance the supervisory framework for the stability of the financial system. Emphasis was placed on (i) amendments to the uniform Banking Act to improve supervisory effectiveness; and (ii) operational procedures for implementing the integrated regulatory framework encompassing the ECCB and national regulators.

The amendments are intended to improve the effectiveness and efficiency in the supervision of the financial system. The Monetary Council agreed in principle to the major amendments to the uniform Banking Act and a meeting of attorneys general will be held in the second quarter of 2003 to finalise the proposed changes.

Critical to the success of the integrated regulatory framework are harmonised laws that are consistent with international best practices and the establishment of a regulatory and supervisory unit for financial services in each member state. Some progress was made towards the integrated regulatory framework.

At the end of the financial year the review of legislation governing the operations of offshore banks was at an advanced stage and that for the insurance companies was ongoing. Drafting work commenced on a uniform Money Transfer Services Bill to regulate the activities of money transfer businesses.

In the year under review some member states enacted legislation to establish a single regulatory and supervisory unit, while others started feasibility studies. The single unit allows for more effective collaboration between the Central Bank and the national regulators as well as among national regulators. It also provides for a more efficient use of resources at all levels, and establishes the basis for implementation of administrative guidelines for collaboration between the ECCB and the ministries of finance.

In relation to micro-prudential supervision, the focus continued to be on risk profiles of and risk management processes at individual banks. Good progress was made with onsite supervision of domestic banks. In particular, anti-money laundering examinations were conducted at 52 institutions licensed under the Banking Act. Full scope examinations of the risk management practices of selected institutions were also undertaken. Following these examinations financial institutions were required to make a commitment to address any deficiencies identified by the Central Bank.

Payment System

During the year under review the Bank continued to play a lead role in the ongoing efforts to modernise the payment system. A detailed time plan was developed for the ECCB's gross settlement system for interbank and large institutional transfers. Work continued on a programme to improve the retail payment system.

The Regional Technical Operating Committee (RTOC), arrived at a consensus regarding the implementation of an internationally branded debit card to achieve inter-operability at automatic teller machines and point of sale systems. The committee, which comprises representatives from each national payment system group, commissioned research on the implementation of the debit card and a final decision is to be taken by June 2003. Discussions are continuing on the report of a feasibility study of an automated clearinghouse for the currency union.

The development of the Bank's gross settlement system entails upgrading to real time functionality, including the treatment of foreign currency transactions in a straight through processing environment. The ECCB expects to receive technical assistance from the Financial Sector Strengthening Initiative (FIRST) to ensure that a proper legal framework and oversight mechanism are in place to support a modern payment system. This technical assistance exercise is scheduled to begin during the first half of 2003.

MONEY AND CAPITAL MARKET DEVELOPMENT

In keeping with the mandate to promote credit and exchange conditions and a sound financial structure in the member territories, the Bank continued its thrust to develop the money and capital

markets in the currency union. On 20 November 2002 the ECCB, in collaboration with participating governments, launched the Regional Government Securities Market (RGSM). The Bank continued to provide operational and developmental support to the Eastern Caribbean Securities Market (ECSM). The ECCB also pursued the development of a regional unit trust and an enterprise fund.

Markets

The Regional Government Securities Market (RGSM) is a fully integrated regional primary and secondary market for government securities. This new market provides participating governments with an efficient mechanism to meet their financing and development needs. The RGSM operates on the ECSM infrastructure, with the Eastern Caribbean Securities Exchange (ECSE) and its subsidiaries providing a primary issuance and secondary trading platform, as well as clearance and settlement and registration services. The fees generated from these services will provide a fillip to the ECSE.

During the year under review the governments of St Kitts and Nevis and St Vincent and the Grenadines issued securities on the RGSM. The other governments have reaffirmed their commitment to the market, but are at various stages of readiness for participation. The Bank is working with two of these governments to bring them to the market within the first quarter of the 2003/4 financial year.

The RGSM is expected to provide participating governments with greater flexibility in raising debt and should eventually lower the costs of borrowing. However, these benefits are only attainable in a vibrant and liquid market where there is a regular supply of securities offered to investors and where debt is properly managed. Support to the ongoing

operations of the ECSM included technical and administrative assistance to the ECSE and its subsidiaries, as well as assistance in eliminating some of the impediments to the further development of the market. Considerable effort was also directed to the education and awareness programmes to support market development.

Institutions

The development of the regional unit trust has not progressed as anticipated. While there is need for a collective investment vehicle to enable, in particular the smaller investor to participate fully in the capital markets, the initial feasibility study has suggested that the timing may not be appropriate. The establishment of the unit trust has therefore been postponed until the ECSM and the RGSM have achieved an appropriate level of development.

Work on the development of a blueprint for the enterprise fund was not completed due to the concentration of resources on the ECSM and the RGSM. The development of this institution has been prioritised for the financial year ending March 2004.

THE BASIS OF POLICY

Research

Reflecting the theme and the overall objective of 'stabilisation', the Bank continued to pursue its research agenda during the year under review. A total of 30 research papers were disseminated to internal, regional and international audiences. These papers covered the policy areas of the Bank and exceeded the minimum target set for the Research Department. Nineteen working papers were prepared, some of which were published or will be published in forthcoming issues of the

Bank's publications. The topics include: "Deposit Interest Rates, Savings and Investment in the ECCU: An Elasticity and Causality Analysis"; "Interest Rates, Bank Spreads, Savings, Deposits and Investments in the ECCU"; "Interest Rate Policy: Impact of the Savings Minimum on Commercial Bank Spreads"; "A Methodology for Forecasting Banks that Should be Closely Monitored"; "Governance Failures and Banking Sector Difficulties"; "The Anatomy of Risks in the Financial System and the Role of the ECCB in Risk Management"; "Currency Crisis Vulnerability: An Application to the ECCU"; "The East Asian and Argentine Crises: Lessons for the ECCU"; "An Assessment of Competitiveness in the Tourism Industry"; "Indicators of Competitiveness in the ECCU"; "A Methodology for Calculating the Terms of Trade for the ECCU: The Case of St Lucia".

Recognising that stabilisation is not sufficient to deliver sustainable improvements in the indicators of well-being, the Bank in conjunction with the ILO launched a wages, prices and productivity programme. The basic aim of this programme is to raise productivity of labour and thereby competitiveness of the region's exports of goods and services. The focus of the ECCB's effort in this regard is the development of indices to measure productivity, wages and employment as the basis for social dialogue and consensus building.

During the year the Bank made more effective use of the available technology for the collection, analysis and dissemination of data. Internally, the majority of data requested are supplied electronically and users are able to retrieve data on their own via the WEFACELL interface with the statistical database. Recent economic data are provided on the ECCB web site and routine external requests for data are satisfied by electronic means.

SUPPORT FOR ECONOMIC DEVELOPMENT

Technical Assistance

The Bank continued to coordinate technical assistance to member countries in the development and monitoring of stabilisation/structural adjustment programmes. The Bank collaborated with teams comprising officials from the ministries of finance, the Caribbean Regional Technical Assistance Centre (CARTAC) and the Caribbean Programme for Economic Competitiveness (CPEC).

During the year under review a stabilisation programme was completed for St Kitts and Nevis and one was started for St Vincent and the Grenadines. The ECCB also continued to coordinate technical assistance from CARTAC and CPEC on legislative and structural changes, capacity building and training in relation to the stability of the financial system. This included ongoing reviews of the offshore banking sector, which has undergone substantial changes in response to initiatives by the international community. These changes were reflected in enhanced regulation and supervisory practices, a significant decline in the number of offshore banks and an improvement in quality.

An ECCB team was set up to coordinate arrangements for an IMF Financial Sector Assessment Programme (FSAP), which several member states will undertake in the last quarter of 2003. The programme's objective is to identify the vulnerabilities of the financial system with a view to providing technical assistance.

The importance of good corporate governance was the subject of individual seminars conducted in member states for directors of financial institutions and other relevant parties.

The ECCB continued to identify policy issues and provide background information for consideration by member governments. The Bank assisted with the preparation of data for the IMF Article IV consultations, and also participated in discussions held during the mission. The Bank assisted the authorities in Dominica with preparations for an IMF Stand-By Arrangement implemented in July 2002.

In the year under review the ECCB provided technical support to a Tax and Administrative Commission established by the Monetary Council. The mandate of the commission was to propose an appropriate tax regime for ECCU member countries.

The Bank undertook initiatives to broaden and improve its database to facilitate macroeconomic analysis, economic forecasts and policy recommendations. The following were some of the initiatives undertaken:

- (i) Development of a quarterly index of economic activity based on readily available data. This index was used in the reports to the Monetary Council and served as a useful addition to the indicators of performance.
- (ii) Improving the quality of balance of payments data by refining the estimates and reclassifying some transactions. The Bank also focussed on training ministry officials so as to strengthen and develop a cadre of local experts.
- (iii) Improving the quality of debt data and building capacity in the member countries to provide the debt statistics required for a successful Regional Government Securities Market. The Bank hosted and provided facilitators for a course on Debt Management and Strategies co-sponsored by the Commonwealth

Secretariat, Crown Agents and the World Bank. During the year special attention was paid to upgrading the quality and coverage of the databases for Antigua and Barbuda, Dominica and Grenada.

Consultation

ECCB's policy-formulating framework includes three consultative bodies, namely:

- (i) Officials of the Ministries of Finance (usually at the level of Financial/Permanent Secretary), who also serve as a Regional Debt Coordinating Committee (RDCC).
- (ii) Representatives of the commercial banking sector who also function as the Payments Council for the currency union.
- (iii) A Private Sector Consultative Group (PSCG), which was formally constituted at the 47th Meeting of the Monetary Council in February 2003.

During the year the finance officials deliberated on a number of issues. These included the adjustment and stabilisation programmes to be implemented in member territories; strategies for facilitating economic growth in order to maintain the competitiveness of the economies; and the challenges of addressing a more effective budgetary process that would lead to improved efficiency and accountability. The RDCC continued to advise participating governments on the management and restructuring of their respective domestic and foreign debt. The RDCC also focussed attention on preparations for the launch of the Regional Government Securities Market (RGSM), including public education and awareness programmes, and on enhancing its oversight role in the operations of the RGSM.

In the 2002/3 financial year the ECCB convened several meetings of the Banking Committee, which comprises representatives (managers and in their absence senior officers) from the commercial banks. In general, the Banking Committee discusses the Central Bank's policy initiatives, operational and other issues of mutual interest, including matters relevant to the efficient working and development of the payments system. It also provides a forum for sharing intelligence on financial and economic matters. The Banking Committee paid close attention to interest rate issues, the RGSM, financial stability and anti-money laundering matters.

Networking

Through its networking system, the ECCB obtains information and opinions on the prevailing economic and financial conditions in member countries to assist in the Bank's policy advisory role to member governments. One of the highlights of the year was a symposium under the theme "The Road to Public Sector Reform", hosted by the ECCB in collaboration with CARTAC. The purpose of the symposium was to establish country teams to develop national action plans for improving the budgetary process within the ECCU.

The symposium examined options related to the design and implementation of a budgeting framework for fiscal soundness in the currency union and emphasised a practical approach to understanding the concepts identified as the best practices in the budgetary process. Accountants general, comptrollers of inland revenue, comptrollers of customs, directors of audit and budget departments, public sector reform officials from across the ECCU, members of the Tax and Administrative Commission, and representatives from regional and international development agencies participated in the symposium. Ongoing work to implement the action plans is being carried out by the country teams with the assistance of the ECCB and CARTAC.

In 2002 the Bank hosted a meeting of the Social Security Regional Coordinating Committee. The meeting discussed the way forward for a regional public education programme on social security and retirement planning at both the local and regional levels.

Public Education and Public Relations

The Bank's public education effort for 2002/2003 was primarily directed towards the implementation of a marketing, education and awareness programme to facilitate the launch of the Regional Government Securities Market (RGSM) in November 2002. The programme included promotional tools such as brochures, a radio programme series and road shows for potential investors in the market. The Bank also arranged radio, television and press interviews with important market players as part of the effort to generate public discussion on the RGSM.

During 2002/2003 the Bank developed a financial literacy programme with the objective of educating ECCU citizens and residents about financial matters, and increasing public awareness about developments taking place in the sector. The Monetary Council designated October 2002 as Financial Literacy Month. The Bank collaborated with ministries of finance and education, financial institutions and public and private sector entities to ensure ongoing discussions on financial matters during the course of the month. The month's activities included an art competition for school children; the launch of an ECCU awards programme in financial and economic journalism and live TV and radio panel discussions.

With the assistance of the Caribbean Programme for Economic Competitiveness (CPEC) the Bank undertook a public awareness campaign to promote a better understanding of the

significance of a clean and safe financial sector. This included an anti-money laundering infomercial for broadcast throughout the currency union.

Additionally, the ECCB developed a workbook on saving and investing. The Bank initiated discussions between the University of the West Indies (UWI) and ministries of education in member countries to introduce a course on saving and investing in their adult literacy programmes. A pilot programme was launched in Montserrat.

Information about the Bank's activities was disseminated in news releases, media briefings and on the ECCB's website throughout the year.

Community Outreach

The ECCB continues to demonstrate its corporate citizenship in the areas of education, sport and community development through its annual community outreach programme. The programme included the OECS Essay Competition for regional students ages 15 - 18; the OECS Under-23 Netball Championship; the OECS Best Corporate Citizen awards for commercial banks and the Sir Arthur Lewis Memorial Lecture and Awards Ceremony. This year's lecture was held in St Vincent and the Grenadines and was delivered by Professor Gerald M Meier, Konosuke Matsushita Professor of International Economics and Policy Analysis, Emeritus at Stanford University. The topic was "Sir Arthur Lewis and Development Economics - Fifty Years After".

Conferences and Seminars

The theme for the Seventh Annual Development Conference hosted by the ECCB was "Growth, Employment and Distribution". A variety of papers presented by economists from international and regional institutions including the ECCB made for lively discussions on issues

related to the achievement of inter-generational equity and economic reform in the ECCU. One of the conclusions of the conference was that integration (political/economic) would enhance the prospects for good governance in small island economies.

THE BANK'S FINANCES

The Bank's financial objective for the financial year 2002/2003 was the continued implementation of expenditure control within a revised budget of \$55.8m. This is consistent with a policy decision to contain total expenditure in line with income from Foreign Reserve Assets over the next three years. The decision was taken for two reasons: (1) to ensure that total expenditure is controlled given the anticipated decline in income from the Bank's Foreign Reserve Assets, - the major source of income; and (2) to reflect the anticipated operational efficiency gains arising from the restructuring of the Bank in January 2002.

Actual spending (\$56.4m) for 2002/2003 was slightly higher (\$0.6m) than the budget of \$55.8m.

Balance Sheet

The financial statements for the year ended 31 March 2003, together with comparable figures for the previous year are shown on pages 116 to 131. As at 31 March 2003, total assets of the Eastern Caribbean Central Bank amounted to \$1,617.8m, an increase of \$211.0m or 15.0 per cent above the total at 31 March 2002. Foreign Reserve Assets grew by \$244.3m (20.2 per cent) to \$1,455.2m. The movements were reflected in Foreign Securities which expanded by \$150.1m (19.0 per cent) and Term Deposits and Money at

Call which increased by \$99.0m (26.9 per cent). Interest Accrued on Securities and Deposits was \$1.7m higher than the previous year's level, while balances of Regional and Foreign Currencies fell by \$6.2m.

Domestic Assets fell by \$33.3m (17.0 per cent) to \$162.7m at the end of March 2003. The decline was associated with a decrease of \$3.1m in the value of Government Securities held by the Bank. Balances due from Participating Governments fell by \$21.8m. This performance reflected declines in Special Deposits (\$7.4m), Temporary Advances (\$2.1m), Operating Accounts (\$7.7m), and Interest on Government Securities and Advances (\$6.3m). During the period the ECCB acquired shares to the value of \$3.0m in the Eastern Caribbean Securities Exchange, increasing the amount under Other Investments to \$5.5m.

Demand Liabilities grew by \$181.1m (13.4 per cent) over the year. This increase was largely reflected in expansions in Bankers' Reserves (\$99.2m), Bankers' Call Accounts (\$40.0m) and Currency in Circulation (\$13.6m).

At the end of the period Net Worth stood at \$132.0m, representing an increase of \$30.2m over the previous year. The General Reserve was increased by \$6.4m to \$68.1m to fulfil the statutory requirement of 5.0 per cent of Demand Liabilities. The Eastern Caribbean Central Bank Agreement Act 1983 provides for the allocation of up to half of net income for the financial year to be made to the General Reserve whenever the General Reserve is less than 5.0 per cent of Demand Liabilities. Reserve Funds grew by \$23.8m as Unrealised Holding Gains expanded by \$23.3m on account of an increase in the market value of the Foreign Securities Portfolio.

Income Statement

Gross Income amounted to \$69.3m at the end of the financial year, a reduction of \$1.3m (1.8 per cent) when compared with the position in the previous year. The decline was reflected mainly in interest on Term Deposits and Money at Call which decreased by \$3.2m (36.1 per cent) due to the lower interest rates that prevailed in the USA during the period. This fall was partly compensated for by an increase of \$1.3m in interest earned on Foreign Securities.

Total expenses declined by \$2.6m, due mainly to decreases in the allocated cost of currency supplies (\$1.1m), Administration and General Expenses (\$0.5m), Interest Costs (\$0.5m) and Payroll Costs (\$0.4m). These decreases were the result of the Bank's continuing efforts to control expenditure.

The net income for the year increased by \$1.3m to \$12.8m. Of net income, \$6.4m was transferred to the General Reserve.

After making the appropriation to the General Reserve, an amount of \$2.2m was transferred from the Profit Equalisation Fund to enable \$8.6m to be made available for distribution to Participating Governments.

THE BANK'S INTERNAL MANAGEMENT

Governance

Monetary Council

In accordance with Article 7(2) of the Eastern Caribbean Central Bank Agreement Act 1983, the Monetary Council met on three occasions during the financial year to receive from the Governor the Bank's report on monetary and credit conditions and to provide directives and guidelines on matters of policy.

The Chairmanship of the Monetary Council, which rotates among the member countries every July, passed from the Honourable Pierre Charles, Prime Minister/Minister of Finance, Dominica to the Honourable Anthony Boatswain, Minister of Finance, Grenada.

Board of Directors

The Board of Directors, which is responsible for the policy and administration of the Bank, met four (4) times during the financial year. There were two appointments to the Board of Directors - Mr Whitfield Harris Jr and Mr Trevor Braithwaite - the new directors for Antigua and Barbuda and St Lucia respectively.

Risk Management

The objectives/targets set for the year ending 31 March 2003 were as follows:

- (i) Assist management and the board in the execution of their oversight functions through the identification and application of the elements of good governance, records management, protocol arrangements and telecommunications management.
- (ii) Explore computer-based auditing.
- (iii) Conduct value for money audits.

The extent to which the above-mentioned objectives were achieved is as follows:

For the financial year ending 31 March 2003, the Internal Audit Department did not conduct a review of the Bank's protocol arrangements and the records management system. The department made substantive contributions towards the process of standardising the recording of council, board and management meeting minutes and decisions.

Under the telecommunications management system, a review was conducted on the MDR call accounting system and use of Meridian phones.

During the period under review audit reports were designed to encourage auditee response and identified dates by which corrective action would be taken. The department was involved in verifying that work processes throughout the institution were in accordance with ECCB's rules and regulations and international accounting standards. Reviews of the measurable objectives and procedures for the operational departments within the organisation were also conducted.

The main focus of the Internal Audit Department for the financial year was computer-based audits. The department successfully completed the Banking and Monetary Operations Department back office audit and was able to complete 85 per cent of the Accounting Department audit as at the financial year-end. These audits were the first to be tested through the recently acquired Globus accounting system and took more time than anticipated to complete.

No value for money audits (VFM) were conducted during the financial year ending 31 March 2003. This was due to the department being unable to undertake training in this area during the financial year.

The Internal Audit Department was instrumental in the collation of departmental reports as part of the IMF safeguards assessment.

The general purpose of the assessment, which ran from April 2002 to January 2003, was to provide reasonable assurance to the IMF of the adequacy of the ECCB's control, accounting, reporting and auditing systems in place to manage resources, including Fund disbursements.

Human Resource Management

The Bank's main thrust for the period was performance development, with emphasis on providing in-house training. The focus was on development courses in critical thinking, problem solving and time management.

The Bank also held training programmes in information technology, professional and personal development, management development, team building and organisational development. In keeping with our objective to enhance the stability of the financial system, ECCB examiners and national regulators attended a Risk Focussed Supervision seminar for regulators facilitated by the Financial Stability Institute.

Departmental reviews were undertaken for the Human Resource and the Banking and Monetary Operations departments. The purpose was to assess their ability to achieve the key results as set by senior management.

In light of declining growth rates and increasing fiscal deficits in its member territories the Bank reviewed its budget with a view to curtailing

expenditure. Among the measures taken were suspension of some staff benefits, reduction in staff and recruitment in high priority areas only.

At 31 March 2003, the ECCB's staff complement was 256. The table below gives the figures over three years.

Of the thirty-one persons whose tenure with the Bank ended in 2002-2003, eleven had completed in excess of ten years of service, compared with ten in 2001-2002 and seven in 2000-2001.

STAFF	FINANCIAL YEAR		
	2000 2001	2001 2002	2002 2003
Recruited Staff	15	21	7
Staff Leaving	38	27	31
Staff Complement at Financial Year end	284	278	256*
% Turnover Rate	13.4	9.7	12.1

*Includes 2 part-time workers

MAJOR ACTIVITIES IN THE YEAR AHEAD

In the 2003/2004 financial year the Bank will continue to focus on the five policy areas of maintenance of the fixed exchange rate, financial stability, development of the money and capital markets, the payment system and development.

MONETARY STABILITY

Reserve Management

The Bank will continue to fulfill its broad reserve management objectives in the new financial year. The specific objectives for this period will include:

- To continue to identify new avenues for increasing returns on the foreign reserves portfolio subject to the ECCB Agreement and the Bank's investment guidelines.
- To provide technical assistance on financial and investment related matters to governments and other financial institutions in the region.

Currency Management

- Introduce upgraded notes with slight modifications to two security features in the third quarter of 2003.

FINANCIAL SYSTEM STABILITY

Supervision

The Bank will continue to focus on financial stability, with the following objectives:

- Continue to coordinate and prepare for the IMF Financial Sector Assessment Programme.
- Continue to work with member countries on the integrated regulatory framework.
- Commence work on contingency arrangements for weak banks.
- Implement a bank supervision data base electronic document management system.

Payment System

- Implement straight through processing for incoming payment orders.
- Draft a Payments Act.
- Implement governance arrangements for the improved payment systems

MONEY AND CAPITAL MARKET DEVELOPMENT

- Continue to collaborate with the Participating Governments towards the further development of the Regional Government Securities Market.
- Develop the Eastern Caribbean Enterprise Fund - a vehicle for debt and equity financing for the private sector - to facilitate growth and development of the economies of the member countries.
- Continue to provide support to the ECSE and its subsidiaries.
- Collaborate on the development of a vibrant private sector.

THE BASIS OF POLICY

Research

- Conduct research in the following areas:
 - (i) Fiscal sustainability in the ECCU
 - (ii) The political economy of adjustment in small island economies
 - (iii) Economic Reform: A case study of the commercialisation programme in Grenada.

(iv) Indicators of Financial Sector Vulnerability.

(v) Money Demand in St Lucia.

- Launch publication of a biannual working paper series.

SUPPORT FOR ECONOMIC DEVELOPMENT

Technical Assistance

- Continue to coordinate the preparation and monitoring of stabilisation/structural adjustment programmes for St Vincent and the Grenadines, and begin similar programmes for Antigua and Barbuda, Grenada and St Lucia.
- Provide ongoing assistance to Dominica's stabilisation/structural adjustment programme.
- Develop supply and use tables for St Kitts and Nevis and St Vincent and the Grenadines in collaboration with the member countries.

Public Education and Public Relations

- Upgrade the Bank's website to become an effective public relations vehicle, forging more open communication channels in a user-oriented environment.
- Execute education and awareness projects in order to raise the general level of public understanding of economic and financial issues, and to support the Bank's advocacy programme.

Conferences

- Host the XIV Annual Conference with Commercial Banks, 5-7 November.
- Host the XXXV Caribbean Centre for Monetary Studies Conference, 24-28 November.

THE BANK'S FINANCES

Contain overall expenditure within a budget of EC\$54.3m.

THE BANK'S INTERNAL MANAGEMENT

Risk Management

- Conduct a gap analysis and a comprehensive review of the related controls environment for the impending virtual private network.
- Design and implement an appropriate monitoring programme for the Currency Management and Banking and Monetary Operations departments.
- Provide the appropriate checks and balances for the fully automated decentralised environment in the ECCB.
- Conduct Value for Money Audits.

Human Resource Management

- Review the structural effectiveness and staffing adequacy of at least two departments.
- Provide training in the priority areas of supervisory management, team building and performance management.

Acknowledgements

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 2002/2003. The Board recognises that it has been a challenging year and 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.

CHRONOLOGY OF THE EASTERN CARIBBEAN CENTRAL BANK

- 1983**
- The Agreement to establish the Eastern Caribbean Central Bank (ECCB) was signed on 5 July 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 1 October 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 5 October.
 - 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 20 January.
 - 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 30 April. 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 30 April.
 - 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 1 July, 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.

- An ECCB Agency Office, the first to be established, was opened in Grenada on 1 November.
 - The \$10.00 bill, the first in a series of coded notes to replace the series issued under the ECCA, was introduced on 15 November. Country codes were assigned to the new series of notes.
- 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 1 August, and the \$100.00 note on 5 December.
- 1987**
- The government of Anguilla became a full member of the ECCB on 1 April.
 - The coded \$5.00 and \$20.00 notes were introduced on 8 April.
 - An ECCB Agency Office was established in St Lucia on 1 October.
- 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 1 November.

- Mr K Dwight Venner succeeded Mr Jacobs as Governor of the ECCB from 1 December.
- 1990** - An ECCB Agency Office was established in St Vincent and the Grenadines on 1 April.
- 1991** - ECCB Agency Offices were established in Montserrat on 4 March, in Anguilla on 23 May and in Antigua and Barbuda on 15 June.
 - 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 21 November.
- 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 29 October.

- 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 25 June 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 16 October 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 16 March.
 - 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 7 July, 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 16 September.

- 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 30 July, 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 8 October. 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 15 October 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 19 October. 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 26 October 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 11 September.
- 2002** - In July the ECCB Auditorium was renamed the Sir Cecil Jacobs Auditorium in honour of the Bank’s first Governor.
- Effective 1 September the ECCB reduced the administered minimum rate on savings deposits from 4.0 per cent to 3.0 per cent.
- The Regional Government Securities Market (RGSM) was launched on 20 November. The RGSM is a fully integrated regional primary and secondary market for government securities.

NOTES ON STATISTICAL TABLES AND MONETARY SURVEY

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

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
(Annual percentage change unless otherwise stated)					
National Income and Prices					
Nominal GDP at basic prices	6.6	6.0	4.1	0.4	1.0
Real GDP at basic prices	4.0	4.1	2.8	(1.3)	0.2
GDP Deflator	2.5	1.8	1.3	1.7	0.8
Consumer Prices (end of period)	3.1	1.9	1.5	1.8	0.6
Consumer Prices (period average)	n.a.	1.9	1.9	2.0	1.0
Real GDP at Factor Cost by Selected Sectors					
Agriculture	1.0	(5.0)	0.8	(8.0)	6.6
Manufacturing	2.2	3.2	5.3	(1.6)	(0.8)
Electricity & Water	5.9	8.3	8.3	5.4	3.0
Construction	10.3	7.7	4.3	(1.8)	(2.2)
Wholesale and Retail	4.0	4.4	0.8	(5.5)	(0.9)
Hotels and Restaurants	0.3	3.5	(1.2)	(5.2)	(0.9)
Transportation	2.3	3.4	1.6	(2.9)	(1.9)
Communications	9.3	13.5	5.4	1.2	(2.0)
Banks and Insurance	7.3	5.9	5.9	(0.4)	4.5
Government Services	4.6	0.7	2.0	3.1	2.7
Other Services	2.1	3.9	6.1	(0.7)	0.6
(as a percentage of GDP)					
External Sector					
Current Account Balance	(14.2)	(16.1)	(14.8)	(14.7)	(16.5)
Overall Balance	2.2	0.9	0.7	2.3	2.9
Trade Balance	39.1	39.6	39.4	36.5	36.0
Public Sector External Debt (end-of-period)	42.7	45.8	46.4	52.7	62.7
Central Government					
Current Account Balance	1.7	1.6	0.9	(1.3)	(1.5)
Current Revenue	25.3	25.7	25.4	25.0	26.0
Current Expenditure	23.6	24.1	24.5	26.3	27.6
Capital Expenditure and Net Lending	6.9	7.2	7.6	7.9	8.4
Overall Fiscal Balance	(1.5)	(2.9)	(4.4)	(6.4)	(6.8)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	4.3	4.3	4.5	4.3	3.8
Weighted Lending Interest Rates	11.6	12.0	12.0	11.5	11.3
(in millions of EC dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	5,854.1	6,204.3	6,460.9	6,485.4	6,549.5
Real GDP at basic prices	4,647.3	4,837.5	4,973.2	4,907.5	4,914.7
Nominal GDP at Market Prices	7,027.1	7,396.2	7,647.1	7,671.5	7,863.4
GDP per capita (EC\$)	10,446	10,971	11,362	11,153	11,214
Merchandise Imports (f.o.b)	3,495.5	3,727.2	3,842.1	3,513.1	3,557.8
Merchandise Exports (f.o.b)	747.3	795.2	828.9	709.9	728.0
Gross Visitor Expenditure	2,443.9	2,476.9	2,504.7	2,357.6	2,326.0

Source: Statistics Department and ECCB
R=Revised P=Preliminary
Data available at 15 May 2003

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

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Current Revenue					
Tax Revenue	1,774.8	1,901.2	1,942.6	1,917.3	2,047.5
Taxes on Income and Profits ^{/1}	1,524.2	1,598.7	1,656.0	1,641.2	1,756.5
of which:					
Personal ^{/2}	337.4	368.0	430.5	421.9	414.8
Company	125.2	135.3	149.2	149.2	150.3
Taxes on Property	178.4	204.7	249.9	241.4	230.5
Taxes on Domestic Goods & Services	19.6	23.6	25.7	28.9	43.8
of which:					
Accommodation Tax	272.1	276.3	312.8	325.5	360.5
Licences ^{/3}	56.3	61.6	58.3	67.7	62.9
Sales Tax ^{/4}	46.4	46.8	47.8	46.8	56.9
Consumption Tax ^{/5}	11.3	11.7	12.5	16.7	17.5
Taxes on International Trade & Transactions	44.6	46.8	50.3	43.5	42.1
of which:					
Consumption Tax ^{/7}	895.0	930.8	887.0	865.5	937.4
Import Duties	457.3	463.4	403.7	416.9	459.2
Foreign Exchange Tax ^{/6}	279.3	287.6	281.9	251.6	255.0
Customs Service Charge ^{/7}	9.8	10.8	11.3	8.4	8.5
Non-Tax Revenue	102.2	118.2	123.3	132.8	148.8
Current Expenditure	250.7	302.4	286.6	276.1	291.1
Personal Emoluments	1,657.9	1,785.8	1,873.3	2,015.2	2,167.2
Goods and Services	887.7	942.5	973.8	1,023.3	1,041.4
Interest Payments	375.2	420.0	428.1	456.7	508.4
Domestic	127.3	156.8	203.3	243.6	287.3
External	93.8	100.8	128.6	138.3	138.0
Transfers and Subsidies	33.5	56.0	74.7	105.3	149.3
Pensions	267.7	266.5	268.1	291.6	330.2
Current Account Balance (before grants)	98.8	103.8	122.3	101.3	102.3
Capital Revenue ^{/8}	116.9	115.3	69.3	(97.3)	(119.7)
Grants	42.9	20.5	16.3	11.2	36.5
Current Grants ^{/9}	220.8	181.4	164.6	200.2	211.4
Capital Grants	35.6	33.3	33.8	41.6	44.7
Capital Expenditure and Net Lending	185.2	148.1	130.8	158.6	166.7
Capital Expenditure	485.2	532.1	584.4	607.0	661.6
Capital Account Balance after grants	487.6	542.9	587.0	609.5	613.1
Overall Balance after grants	(257.1)	(363.4)	(437.2)	(437.1)	(458.5)
Financing	(104.6)	(214.8)	(334.2)	(492.9)	(533.5)
Domestic	104.6	214.8	334.2	492.9	533.5
ECCB(net)	(56.4)	(29.7)	159.4	25.4	(156.7)
Commercial Banks(net)	(19.8)	7.9	3.7	8.4	(47.7)
Other	48.4	48.7	162.1	14.5	28.1
External	(85.1)	(86.3)	(6.4)	2.5	(137.1)
Net Amortisation	98.6	196.5	125.0	354.6	569.3
Disbursement	120.5	228.8	154.8	365.0	649.2
Amortisation	180.1	306.4	263.2	504.0	779.4
Change in Govt. Foreign Assets	(59.6)	(77.6)	(108.4)	(139.0)	(130.2)
Arrears ^{/10}	(21.9)	(32.3)	(29.8)	(10.4)	(79.9)
Domestic	62.4	48.0	49.9	112.9	120.9
External	56.5	56.2	46.0	97.7	21.3
	5.9	(8.2)	3.9	15.2	99.6

Source: Statistics Department, OECS and ECCB
R=Revised P=Preliminary

- /1 Taxes on Income & Profits are not collected in Anguilla
/2 Included is a Social Services Levy which is applied in St Kitts and Nevis. Not collected in Antigua.
/3 Excludes St Vincent and the Grenadines
/4 Dominica is the only territory with a Sales tax
/5 For all territories except Anguilla, Antigua and Barbuda, Montserrat, and St Kitts and Nevis
/6 For all territories except St Vincent and the Grenadines
/7 For all territories except Anguilla
/8 For all territories except Anguilla and Montserrat
/9 For all territories except Anguilla
/10 For all territories except St Vincent and the Grenadines

Data available at 15 May 2003

Table 3
ECCB Area
Monetary Survey
(In millions of Eastern Caribbean dollars)

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002
Net Foreign Assets	989.8	889.5	1,025.6	1,443.3	1,847.8
Central Bank (net)	952.2	975.9	1,018.8	1,192.2	1,355.1
Foreign Assets	956.5	984.4	1,035.9	1,204.1	1,362.9
Foreign Liabilities	4.3	8.5	17.1	11.9	7.8
Commercial Banks (net)	37.6	(86.4)	6.7	251.1	492.7
Assets	1,086.9	1,338.4	1,292.7	1,668.9	2,049.8
Liabilities	1,049.3	1,424.8	1,286.0	1,417.8	1,557.2
Net Domestic Assets	3,889.4	4,507.3	4,943.1	4,876.3	4,863.7
Domestic Credit	4,451.9	5,043.2	5,560.8	5,807.4	5,872.2
Central Government (net)	459.5	517.7	685.3	696.3	678.0
Other Public Sector (net)	(570.9)	(509.4)	(742.9)	(723.3)	(724.4)
Non-Bank Financial Institutions (net)	(180.8)	(184.4)	(163.0)	(230.8)	(255.1)
Subsidiaries & Affiliates (net)	(55.9)	(74.1)	(61.5)	86.4	101.6
Private Sector	4,799.9	5,293.4	5,842.8	5,978.8	6,072.1
Other Items (net)	(562.5)	(535.9)	(617.7)	(931.1)	(1,008.4)
Money Supply (M2)	4,879.1	5,396.8	5,968.6	6,319.6	6,711.5
Currency	344.5	388.9	386.9	373.4	393.2
Demand Deposits	744.0	802.0	824.8	872.6	925.9
Savings Deposits	2,127.6	2,313.3	2,460.6	2,591.5	2,827.2
Time Deposits	1,185.7	1,338.7	1,530.6	1,680.6	1,669.5
Foreign Currency Deposits	477.4	553.9	765.8	801.5	895.7

Source: ECCB

R=Revised

Data available at 15 May 2003

Table 4
ECCB Area
Balance of payments
(In millions of Eastern Caribbean dollars)

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Current Account	(999.7)	(1,189.5)	(1,130.0)	(1,129.6)	(1,300.0)
Goods and Services	(958.7)	(1,080.0)	(1,040.3)	(934.8)	(1,051.0)
Goods	(2,652.6)	(2,852.3)	(2,906.0)	(2,717.6)	(2,742.7)
Merchandise	(2,748.2)	(2,932.0)	(3,013.1)	(2,803.3)	(2,829.9)
Repair on goods	2.6	0.1	0.1	0.2	0.3
Goods procured in ports by carriers	93.0	79.6	107.0	85.4	86.9
Services	1,694.0	1,772.3	1,865.7	1,782.8	1,691.7
Transportation	(307.1)	(348.5)	(320.2)	(231.3)	(251.7)
Travel	2,181.1	2,192.2	2,208.8	2,065.3	2,030.1
Insurance Services	(42.4)	(51.6)	(56.7)	(72.9)	(74.7)
Other Business Services	(66.7)	27.0	91.9	92.5	56.2
Government Services	(70.9)	(46.8)	(58.1)	(70.8)	(68.2)
Income	(394.7)	(471.0)	(533.0)	(502.0)	(556.5)
Compensation of Employees	24.2	24.7	15.0	34.4	34.8
Investment Income	(418.9)	(495.7)	(548.0)	(536.4)	(591.2)
Current Transfers	353.7	361.5	443.4	307.2	307.5
General Government	138.1	89.5	91.0	92.0	84.7
Other Sectors	215.7	272.0	352.3	215.2	222.8
Capital and Financial Account	(1,152.0)	1,258.1	1,181.1	1,303.2	1,525.1
Capital Account	293.6	259.2	303.5	323.4	327.6
Capital Transfers	293.6	259.0	309.0	322.7	327.6
General Government	220.1	182.3	226.6	234.0	236.8
Other Sectors	73.5	76.7	82.4	88.7	90.8
Acquisition & Disposal of Non-Produced, Non-Financial Assets	--	0.2	(5.5)	0.7	--
Financial Account	858.4	998.9	905.3	979.9	1,197.5
Direct Investment	844.8	899.2	822.0	714.8	669.6
Portfolio Investment	14.4	127.7	120.7	58.7	411.3
Other Investments	(0.7)	(27.9)	(37.3)	206.4	116.7
Public Sector Long Term	114.3	121.9	121.0	363.4	207.1
Other Public Sector Capital	1.1	3.1	0.0	0.6	6.0
Commercial Banks	(199.9)	124.0	(93.2)	(244.4)	(241.5)
Other Assets	(132.7)	56.7	(166.8)	(141.8)	(131.8)
Other Liabilities*	216.6	(333.6)	101.5	228.6	276.8
Overall Balance	152.3	68.7	51.1	173.6	225.1
Financing	(152.3)	(68.7)	(51.1)	(173.6)	(225.1)
Change in SDR holdings	--	(0.0)	0.0	--	--
Change in Reserve Position with the Fund	6.0	(0.2)	0.0	--	--
Change in Government Foreign Assets	(21.9)	(33.0)	(29.8)	(10.4)	(80.4)
Change in ECCU's Net Foreign Assets [#]	(136.4)	(35.4)	(21.3)	(163.2)	(144.8)

Source: ECCB

R=Revised P= Preliminary

* includes errors & omissions

adjusted for valuation changes

Data available at 4 June 2003

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

Country	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Anguilla	27.5	24.7	23.7	27.0	26.4
Antigua and Barbuda	1,411.2	1,403.6	1,355.3	1,448.8	1,630.6
Dominica	246.8	358.3	399.4	470.0	548.1
Grenada	285.0	312.7	382.2	488.1	873.0
Montserrat	27.8	21.7	21.0	20.8	15.7
St Kitts and Nevis	335.8	412.9	436.1	555.7	694.0
St Lucia	391.3	424.1	500.3	577.5	689.6
St Vincent and the Grenadines	271.9	432.5	432.3	458.5	455.8
TOTAL ECCB AREA	2,997.4	3,390.5	3,550.3	4,046.3	4,933.0

Source: ECCB

* Includes arrears of principal

R=Revised P=Preliminary

Data available at 22 May 2003

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

Country	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Anguilla	3.5	3.3	3.4	3.4	2.4
Antigua and Barbuda	38.6	38.1	65.3	49.0	65.7
Dominica	21.7	21.7	29.6	35.7	35.9
Grenada	22.9	29.6	32.9	31.4	61.1
Montserrat	1.4	0.8	0.4	0.2	5.7
St Kitts and Nevis	31.1	47.3	58.1	76.7	87.8
St Lucia	38.6	44.2	53.5	99.4	87.0
St Vincent and the Grenadines	26.0	33.6	30.1	33.1	27.3
TOTAL ECCB AREA	183.9	218.6	273.4	328.9	372.9

Source: ECCB

* The amounts are actual payments and not contractual obligations.

R=Revised P=Preliminary

Data available at 22 May 2003

Table 7
Anguilla - Selected Economic Indicators

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
(Annual Percentage Change Unless Otherwise Indicated)					
National Income and Prices					
Nominal GDP at basic prices	7.8	11.3	0.2	1.5	1.1
Real GDP at basic prices	5.2	8.7	(0.3)	2.1	(3.2)
GDP Deflator	2.5	2.5	0.5	(0.6)	4.5
Consumer Prices (end of period)	2.5	2.2	6.5	2.9	(1.5)
Consumer Prices (period average)	2.2	1.6	4.7	4.7	0.5
Real GDP at Factor Cost by Selected Sectors					
Agriculture	7.2	(11.4)	(7.7)	(5.2)	15.1
Manufacturing	9.7	59.9	3.4	2.1	1.2
Electricity and Water	9.7	20.3	8.3	14.8	9.2
Construction	8.0	21.2	(6.7)	(21.7)	(14.2)
Wholesale and Retail	7.5	5.0	3.3	(5.0)	(10.8)
Hotel and Restaurant	1.6	6.6	(6.4)	9.5	(8.3)
Transportation	5.7	1.1	(2.2)	(5.4)	(5.8)
Communications	1.5	19.4	9.1	(4.3)	7.5
Banks and Insurance	5.9	13.0	25.7	22.0	(7.5)
Real Estate & Housing	3.0	1.0	1.6	2.1	3.1
Government Services	3.2	2.8	3.9	4.3	2.6
Other Services	4.9	6.3	8.1	4.9	2.5
(as a percentage of GDP)					
External Sector					
Current Account Balance	(19.7)	(48.0)	(51.8)	(32.7)	(26.0)
Overall Balance	1.9	1.7	0.4	3.6	1.8
Trade Balance	59.4	73.5	72.9	59.4	50.6
Public Sector External Debt (end of period)	10.2	8.6	8.1	9.2	8.7
Central Government					
Current Account Balance	4.9	2.0	0.0	(1.9)	1.0
Current Revenue	26.8	23.1	24.6	24.7	27.7
Current Expenditure	22.0	21.1	24.5	26.5	27.1
Capital Expenditure and Net Lending	5.9	4.5	5.2	4.2	1.1
Overall Fiscal Balance	0.3	(1.6)	(1.9)	(4.0)	0.6
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	3.7	3.8	3.8	3.3	3.2
Weighted Lending Interest Rates	11.2	11.3	11.4	10.6	10.3
(in millions of EC dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	209.2	233.0	233.4	236.9	239.5
Real GDP at basic prices	170.5	185.2	184.6	188.6	182.5
Nominal GDP at Market Prices	269.6	286.5	291.6	294.6	302.8
GDP per Capita (EC\$)	19,187	21,127	20,904	20,490	20,187
Merchandise Imports (f.o.b)	169.6	218.3	224.6	184.6	166.1
Merchandise Exports (f.o.b)	9.4	7.8	11.9	9.5	12.9
Gross Visitor Expenditure	166.5	155.7	152.1	168.7	156.3

Source: Statistics Department and ECCB
R=Revised P=Preliminary
*ECCB Estimates
Data available at 8 May 2003

Table 8
Anguilla - Central Government Fiscal Operations

	1998 ^R	1999	2000 ^R	2001 ^R	2002 ^P
Current Revenue					
	72.3	66.1	71.7	72.7	83.9
Tax Revenue	60.7	53.8	58.5	58.3	63.8
Taxes on Property	0.2	0.3	0.4	0.6	0.5
Of Which:					
Taxes on Domestic Goods & Services	17.1	16.4	18.1	23.1	28.9
Of Which:					
Stamp Duties	4.1	3.0	5.6	4.8	8.8
Accommodation Tax	6.3	6.6	4.7	7.8	9.2
Bank Deposit Levy	1.5	1.3	2.0	2.4	2.5
Taxes on International					
Trade and Transactions	43.3	37.2	40.0	34.6	34.4
Of Which:					
Import Duty	39.8	33.4	36.0	30.1	29.8
Foreign Exchange Tax	0.7	0.8	1.1	1.1	0.9
Embarkation Tax	1.7	1.8	2.0	2.5	2.8
Non-tax Revenue	11.6	12.3	13.1	14.4	20.1
Current Expenditure					
	59.2	60.4	71.5	78.2	81.0
Personal Emoluments	29.7	33.9	36.8	39.6	41.1
Goods & Services	27.2	23.4	31.5	34.1	33.8
Interest Payments	0.6	0.5	0.5	1.9	3.4
Domestic	0.3	0.3	0.3	1.4	2.8
External	0.3	0.2	0.2	0.4	0.6
Transfers & Subsidies	1.7	2.6	2.7	2.6	2.8
Of Which: Pensions	1.0	1.5	1.3	1.5	1.6
Current Account Balance					
	13.1	5.6	0.1	(5.5)	2.9
Capital Grants	3.7	2.5	9.8	6.2	2.0
Capital Expenditure					
	16.0	12.8	15.3	12.4	3.3
Overall Balance					
	0.8	(4.6)	(5.4)	(11.7)	1.7
Financing					
	(0.8)	4.7	5.4	11.7	(1.7)
Domestic	(1.4)	2.8	7.2	10.7	(1.7)
ECCB (net)	0.3	0.5	0.3	5.0	(4.5)
Commercial Banks (net)	(3.4)	2.2	12.2	3.3	3.8
Other	1.7	0.1	(5.3)	2.4	(1.0)
External	0.6	(0.2)	(0.2)	1.1	0.0
Net Amortisation	0.6	(0.2)	(0.2)	1.1	0.0
Disbursements	1.0	0.0	0.2	1.4	0.5
Amortisation	(0.4)	(0.2)	(0.5)	(0.3)	(0.5)
Change in Govt. Foreign Assets	--	--	--	--	--
Arrears	--	2.0	(1.6)	--	--
Domestic	--	2.0	(1.6)	--	--
External	--	--	--	--	--

Source: Ministry of Finance and ECCB
R=Revised P=Preliminary
Data available at 8 May 2003

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

	1998	1999	2000	2001	2002
Net Foreign Assets	167.7	109.0	102.5	151.7	209.4
Central Bank (net)	49.0	53.8	54.8	65.3	70.8
Commercial Banks (net)	118.7	55.2	47.7	86.4	138.6
External (net)	91.2	33.9	18.0	50.8	92.0
Assets	257.7	205.9	211.2	229.6	284.7
Liabilities	166.4	172.1	193.2	178.9	192.7
Other ECCB Territories (net)	27.4	21.3	29.7	35.7	46.6
Assets	34.1	35.8	40.2	49.9	65.8
Liabilities	6.7	14.5	10.5	14.2	19.2
Net Domestic Assets	173.3	260.8	329.6	332.5	336.2
Domestic Credit	220.5	300.3	385.2	409.8	425.7
Central Government (net)	(3.7)	(1.0)	11.6	19.8	19.1
Other Public Sector (net)	(34.8)	(38.9)	(50.6)	(57.0)	(65.8)
Non-Bank Financial Institutions (net)	(3.3)	(4.5)	(7.3)	(13.9)	(11.1)
Subsidiaries & Affiliates (net)	1.4	7.6	6.7	3.1	4.3
Private Sector	260.9	337.1	424.8	457.7	479.2
Other Items (net)	(47.2)	(39.5)	(55.6)	(77.2)	(89.5)
Money Supply (M2)	341.0	369.8	432.1	484.2	545.6
Currency with the public	8.4	8.7	8.8	9.0	8.2
Demand Deposits	9.1	9.8	11.4	11.4	11.3
Savings Deposits	41.4	44.8	49.2	46.9	50.0
Time Deposits	32.6	38.4	39.9	44.5	49.2
Foreign Currency Deposits	249.5	268.1	322.9	372.6	426.8

Source: ECCB and Development Planning Unit
Data available at 8 May 2003

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

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Current Account	(53.2)	(137.6)	(151.2)	(96.4)	(78.6)
Goods and Services	(49.3)	(128.2)	(148.1)	(87.3)	(70.4)
Goods	(160.6)	(210.5)	(212.9)	(175.3)	(153.0)
Merchandise	(160.1)	(210.5)	(212.6)	(175.1)	(153.1)
Repair on Goods	0.0	-	0.0	0.1	0.1
Goods Procured in Port by Carriers	(0.5)	0.0	(0.3)	(0.3)	0.0
Services	111.4	82.3	64.8	88.0	82.7
Transportation	(39.3)	(35.9)	(34.0)	(28.2)	(26.0)
Travel	144.3	133.2	128.8	145.2	132.8
Insurance Services	(3.0)	(4.4)	(4.3)	(3.4)	(2.9)
Other Business Services	(13.4)	(17.9)	(25.8)	(22.8)	(18.4)
Government Services	22.8	7.3	0.1	(3.0)	(2.9)
Income	(10.5)	(8.6)	(7.3)	(9.5)	(9.1)
Compensation of Employees	-	-	-	-	-
Investment Income	(10.5)	(8.6)	(7.3)	(9.5)	(9.1)
Current Transfers	6.5	(0.8)	4.2	0.4	0.8
General Government	7.1	5.8	2.4	4.5	5.0
Other Sectors	(0.7)	(6.6)	1.8	(4.1)	(4.1)
Capital and Financial Account	58.2	142.4	152.2	106.9	84.1
Capital Account	5.6	7.2	13.0	9.9	9.1
Capital Transfers	5.6	7.2	13.0	9.9	9.1
General Government	3.9	5.1	9.8	6.4	4.8
Other Sectors	1.7	2.1	3.2	3.5	4.3
Acquisition & Disposal of Non-Produced Non-Financial Assets	-	-	-	-	-
Financial Account	52.6	135.2	139.2	97.1	74.9
Direct Investment	75.8	102.6	106.3	88.1	89.6
Portfolio Investment	(0.6)	-	-	2.7	2.7
Other Investments	(22.6)	32.6	32.9	6.2	(17.4)
Public Sector Long Term	1.7	(2.1)	(0.4)	3.2	(1.1)
Other Public Sector Capital	-	-	-	-	-
Commercial Banks	(44.6)	63.5	7.5	(38.7)	(52.2)
Other Assets	(1.5)	(3.5)	(1.9)	(6.8)	(2.3)
Other Liabilities *	21.9	(25.3)	27.7	48.5	38.2
Overall Balance	5.0	4.8	1.0	10.5	5.5
Financing	(5.0)	(4.8)	(1.0)	(10.5)	(5.5)
Change in SDR holdings	-	-	-	-	-
Change in Reserve Position with the Fund	-	-	-	-	-
Change in Government Foreign Assets	-	-	-	-	-
Change in Imputed Reserves	(5.0)	(4.8)	(1.0)	(10.5)	(5.5)

Source: ECCB and Development Planning Unit
R=Revised P=Preliminary
* includes errors & omissions
Data available at 8 May 2003

Table 11
Antigua and Barbuda - Selected Economic Indicators

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
(Annual Percentage Change Unless Otherwise Indicated)					
National Income and Prices					
Nominal GDP at basic prices	7.5	5.9	3.9	4.1	2.5
Real GDP at basic prices	4.9	4.9	3.3	1.5	2.1
GDP Deflator	2.4	1.0	0.6	2.6	0.4
Consumer Prices (end of period)	4.7	1.0	0.5	1.7	NA()
Consumer Prices (period average)	3.4	1.1	0.7	1.5	NA()
Real GDP at Factor Cost by Selected Sectors					
Agriculture	4.2	3.2	3.3	(0.1)	1.0
Manufacturing	5.5	4.5	3.0	2.5	2.7
Electricity & Water	1.1	12.5	10.0	1.7	4.1
Construction	10.0	8.0	6.5	4.0	3.5
Wholesale and Retail	4.5	4.5	4.3	(2.0)	(2.0)
Hotels and Restaurants	(2.2)	2.7	(0.9)	(7.8)	2.1
Transportation	1.1	2.0	4.6	(3.7)	(3.3)
Communications	10.0	20.5	(1.2)	5.1	0.1
Banks and Insurance	13.3	0.0	1.4	(5.9)	12.0
Government Services	10.6	0.6	3.4	3.8	5.7
Other Services	3.3	4.0	4.0	1.0	2.7
(as a percentage of GDP)					
External Sector					
Current Account Balance	(7.6)	(9.6)	(9.3)	(7.8)	(12.0)
Overall Balance	1.4	1.6	(0.9)	2.3	1.1
Trade Balance	48.9	51.4	48.4	40.5	41.2
Public Sector External Debt (end-of-period)	84.3	79.8	75.5	76.9	83.8
Central Government					
Current Account Balance	(0.9)	(1.8)	(3.3)	(3.4)	(5.6)
Current Revenue	20.4	19.7	18.2	19.0	20.4
Current Expenditure	21.4	21.5	21.4	22.4	26.0
Capital Expenditure and Net Lending	4.3	2.3	2.7	2.4	1.5
Overall Fiscal Balance	(3.7)	(3.4)	(5.4)	(6.8)	(6.0)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	4.3	4.2	5.0	4.4	4.3
Weighted Lending Interest Rates	12.2	12.2	12.2	11.5	11.3
(in millions of EC dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	1,414.1	1,498.2	1,555.9	1,620.2	1,660.3
Real GDP at basic prices	1,153.4	1,210.3	1,249.8	1,269.0	1,295.6
Nominal GDP at Market Prices	1,674.2	1,758.1	1,796.3	1,884.4	1,946.5
GDP per capita (EC\$)	20,240	21,144	21,517	21,392	21,920
Merchandise Imports (f.o.b)	859.5	946.1	913.4	847.2	887.0
Merchandise Exports (f.o.b)	40.0	42.6	44.1	46.1	47.0
Gross Visitor Expenditure	759.6	782.9	784.5	734.6	725.6

R=Revised P=Preliminary
Source: Statistics Department and ECCB
Data available at 2 May 2003

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

	1998	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Current Revenue					
Current Revenue	342.3	347.1	326.1	358.3	396.5
Tax Revenue	292.6	302.4	283.7	319.0	356.9
Taxes on Income & Profits	27.2	35.2	37.5	47.7	61.5
Of Which:					
Company	25.7	33.6	35.1	43.0	55.6
Business Tax	1.5	1.5	2.2	1.2	1.3
Taxes on Property	4.1	4.2	4.7	6.0	7.9
Taxes on Domestic Goods & Services	64.2	63.3	59.8	69.8	79.2
Of Which:					
Stamp Duties	15.1	14.4	13.0	16.1	18.7
Hotel and Guest Tax	21.8	22.3	22.0	23.1	20.7
Telecommunications Tax	11.7	10.0	9.8	9.6	8.7
Taxes on Int'l Trade & Transactions	197.1	199.8	181.8	195.6	208.3
Of Which:					
Import Duty	57.2	57.2	56.7	55.9	54.6
Consumption Tax	90.2	88.1	71.6	76.8	81.0
Customs Service Charge	24.8	30.1	26.4	38.9	48.8
Foreign Currency Levy	7.8	8.0	9.3	6.5	6.6
Non-Tax Revenue	49.6	44.7	42.4	39.3	39.6
Current Expenditure					
Current Expenditure	357.6	378.1	385.2	421.9	506.0
Personal Emoluments	206.3	209.1	216.8	225.2	236.7
Other Goods & Services	78.9	94.6	87.6	109.2	169.7
Interest Payments	33.9	31.9	40.2	50.4	57.9
Domestic	26.8	23.5	28.1	30.4	29.7
External	7.1	8.4	12.1	20.1	28.1
Transfers & Subsidies	38.5	42.4	40.6	37.1	41.7
Of Which: Pensions	18.8	17.1	16.3	17.5	16.2
Current Account Balance					
Current Account Balance	(15.3)	(31.0)	(59.0)	(63.6)	(109.5)
Capital Revenue	9.3	4.0	6.3	1.4	3.4
Grants	15.7	6.8	2.7	7.7	18.1
Of which: Capital Grants	15.7	6.8	2.7	7.7	18.1
Capital Expenditure					
Capital Expenditure	71.2	40.2	47.9	44.9	29.5
Overall Balance					
Overall Balance	(61.5)	(60.4)	(97.9)	(127.6)	(117.6)
Financing					
Financing	61.5	60.4	97.9	127.6	117.6
Domestic	25.7	8.7	68.6	1.5	(90.9)
ECCB (net)	(1.9)	(1.7)	11.1	(1.6)	(8.4)
Commercial Banks (net)	32.9	40.7	15.0	(12.6)	20.2
Other	(5.4)	(30.3)	42.5	15.7	(102.7)
External	(5.4)	15.3	(17.0)	57.2	41.1
Net Amortisation	(5.4)	15.3	(17.0)	57.2	41.1
Disbursements	5.9	32.4	18.9	90.2	57.4
Amortisation	(11.3)	(17.1)	(35.9)	(33.0)	(16.4)
Change in Govt. Foreign Assets	--	--	--	--	--
Arrears	41.3	36.4	46.3	69.0	167.4
Domestic	35.9	47.1	46.3	56.8	73.8
External	5.4	(10.7)	--	12.1	93.6

Source: Ministry of Finance, Treasury Department and ECCB Estimates
R=Revised P=Preliminary
Data available at 23 May 2003

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

	1998	1999 ^R	2000 ^R	2001 ^R	2002
Net Foreign Assets	49.0	270.9	145.4	320.0	385.0
Central Bank (net)	160.3	188.2	171.6	215.2	236.6
Commercial Banks (net)	(111.3)	82.7	(26.2)	104.8	148.4
External (net)	6.7	223.1	171.5	205.4	272.1
Assets	160.3	404.0	425.4	466.1	544.5
Liabilities	153.6	180.9	253.8	260.7	272.4
Other ECCB Territories (net)	(118.0)	(140.4)	(197.7)	(100.6)	(123.8)
Assets	32.3	28.3	39.5	39.7	168.0
Liabilities	150.3	168.7	237.2	140.3	291.7
Net Domestic Assets	1,138.6	1,040.8	1,241.6	1,133.6	1,137.2
Domestic Credit	1,254.3	1,192.4	1,333.5	1,327.2	1,365.4
Central Government (net)	238.4	277.4	303.5	289.3	301.0
Other Public Sector (net)	(30.5)	(203.8)	(203.4)	(213.9)	(214.4)
Non-Bank Financial Institutions (net)	(34.1)	(32.1)	(44.9)	(63.5)	(82.9)
Subsidiaries & Affiliates (net)	(22.8)	(45.0)	(29.8)	(33.4)	(33.8)
Private Sector	1,103.3	1,196.0	1,308.1	1,348.7	1,395.5
Other Items (net)	(115.8)	(151.6)	(91.9)	(193.7)	(228.3)
Money Supply (M2)	1,187.5	1,311.7	1,387.0	1,453.6	1,522.1
Currency	79.8	85.0	84.6	78.1	88.2
Demand Deposits	218.9	217.6	199.7	229.0	219.8
Savings Deposits	453.6	471.3	483.5	511.6	524.8
Time Deposits	372.7	467.5	522.6	554.3	594.8
Foreign Currency Deposits	62.5	70.3	96.5	80.6	94.5

Source: ECCB

R=Revised

Data available at 25 April 2003

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

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Current Account	(126.8)	(169.4)	(167.2)	(146.4)	(234.5)
Goods and Services	(65.5)	(146.2)	(102.7)	(90.3)	(155.0)
Goods	(765.3)	(852.8)	(810.3)	(762.9)	(801.9)
Merchandise	(819.5)	(903.5)	(869.3)	(801.1)	(839.9)
Repair on goods	2.6	0.0	0.0	0.0	0.0
Goods procured in ports by carriers	51.6	50.7	58.9	38.2	38.0
Services	699.8	706.7	707.6	672.5	646.9
Transportation	15.4	(5.8)	31.4	58.3	51.1
Travel	681.4	701.3	701.6	649.4	638.7
Insurance Services	10.3	8.9	0.6	(17.8)	(18.6)
Other Business Services	(10.1)	(4.9)	(21.8)	(12.0)	(17.8)
Government Services	2.8	7.1	(4.2)	(5.4)	(6.5)
Income	(56.1)	(76.4)	(88.7)	(72.4)	(96.4)
Compensation of Employees	23.6	21.9	18.0	35.1	35.4
Investment Income	(79.7)	(98.3)	(106.7)	(107.4)	(131.8)
Current Transfers	(5.2)	53.3	24.2	16.3	16.9
General Government	0.7	4.2	5.0	5.7	5.8
Other Sectors	(5.9)	49.1	19.2	10.6	11.2
Capital and Financial Account	150.2	197.4	150.5	190.0	255.9
Capital Account	36.5	27.8	48.0	49.7	32.1
Capital Transfers	36.5	27.8	45.4	49.7	32.1
Acquisition & Disposal of Non-Produced, Non-Financial Assets	0.0	0.0	2.6	0.0	0.0
Financial Account	113.7	169.6	102.5	140.4	223.8
Direct Investment	61.5	82.8	89.4	105.5	98.2
Portfolio Investment	(0.8)	7.3	6.3	(6.8)	(6.8)
Other Investments	53.0	79.5	6.7	41.6	132.4
Public Sector Long Term	(2.2)	13.6	(12.7)	65.8	14.3
Other Public Sector Capital	0.0	0.0	0.0	0.0	0.0
Commercial Banks	(4.6)	(194.0)	108.8	(130.9)	(43.6)
Other Assets	(55.1)	206.5	(1.0)	(10.4)	(1.0)
Other Liabilities*	114.9	53.4	(88.4)	117.3	162.6
Overall Balance	23.4	28.0	(16.7)	43.7	21.4
Financing	(23.4)	(28.0)	16.7	(43.7)	(21.4)
Change in SDR holdings	0.0	0.0	0.0	0.0	0.0
Change in Reserve Position with the Fund	0.0	0.0	0.0	0.0	0.0
Change in Government Foreign Assets	0.0	0.0	0.0	0.0	0.0
Change in Imputed Reserves	(23.4)	(28.0)	16.7	(43.7)	(21.4)

Source: CSO Antigua & Barbuda & ECCB

R=Revised P=Preliminary

* includes errors & omissions

Data available at 25 April 2003

Table 15
Dominica - Selected Economic Indicators

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
(Annual percentage change unless otherwise stated)					
National Income and Prices					
Nominal GDP at basic prices	5.5	4.2	2.0	(3.0)	(5.1)
Real GDP at basic prices	2.8	1.6	1.4	(4.2)	(4.7)
GDP Deflator	2.6	2.5	0.6	1.2	(0.4)
Consumer Prices (end of period)	1.4	(0.0)	1.1	1.1	0.5
Consumer Prices (period average)	1.0	1.2	0.9	1.6	0.2
Real GDP at Factor Cost by Selected Sectors					
Agriculture	(2.0)	(2.1)	(1.1)	(6.6)	(0.6)
Manufacturing	16.8	(17.3)	8.5	(14.0)	(0.3)
Electricity & Water	9.3	5.2	2.5	3.3	0.6
Construction	(4.1)	3.7	6.1	(2.2)	(22.9)
Wholesale and Retail	2.6	2.5	2.5	(0.7)	(5.2)
Hotel and Restaurant	(4.0)	4.3	3.9	(7.4)	(5.5)
Transportation	3.6	1.3	(1.0)	(5.5)	(14.1)
Communications	11.0	12.6	(4.4)	(6.5)	(9.5)
Banks and Insurance	8.0	6.8	0.3	(3.3)	2.4
Government Services	5.5	0.2	4.4	4.6	3.7
Other Services	3.9	3.1	(0.5)	2.7	1.6
(as a percentage of GDP)					
External Sector					
Current Account Balance	(8.9)	12.9	(19.9)	(18.0)	(16.0)
Overall Balance	1.1	4.0	0.2	1.3	5.3
Trade Balance	(20.9)	(24.6)	(28.3)	(27.2)	(23.5)
Public Sector External Debt (end-of-period)	35.2	49.6	54.6	65.8	80.0
Central Government					
Current Account Balance	1.5	(0.8)	(1.5)	(4.6)	(5.0)
Current Revenue	29.3	27.8	29.2	28.3	28.8
Current Expenditure	27.8	28.6	30.7	32.8	33.8
Capital Expenditure and Net Lending	6.4	11.0	7.6	8.7	4.0
Overall Fiscal Balance	(0.7)	(9.8)	(5.3)	(9.2)	(5.0)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	4.0	3.8	4.0	4.0	3.7
Weighted Lending Interest Rates	11.2	11.7	11.6	11.0	11.0
(in millions of EC Dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	585.1	609.7	621.6	602.8	572.3
Real GDP at basic prices	443.2	450.5	456.7	437.5	417.1
Nominal GDP at Market Prices	700.5	722.8	732.2	713.9	685.2
GDP per capita (EC\$)	8,121	8,490	8,690	8,452	8,025
Merchandise Imports (f.o.b)	314.2	328.2	352.1	311.4	273.7
Merchandise Exports (f.o.b)	167.5	150.5	144.7	117.2	112.8
Gross Visitor Expenditure	125.6	137.0	130.1	125.0	119.2

Source: Statistics Department and ECCB

R=Revised P=Preliminary

Data available at 6 May 2003

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

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Current Revenue	205.0	200.8	213.7	201.7	197.3
Tax Revenue	173.0	168.6	182.1	162.9	162.0
Taxes on Income & Profits	51.0	48.1	64.1	44.5	41.6
Of Which:					
Personal	28.7	31.2	35.2	30.1	28.4
Company	23.6	18.6	29.6	16.0	9.8
Taxes on Property	2.1	2.6	2.5	2.4	2.6
Taxes on Domestic Goods & Services	25.6	26.0	26.9	30.3	32.4
Of Which:					
Sales Tax	11.3	11.7	12.5	16.7	17.5
Consumption Tax	5.2	5.4	5.1	5.1	5.0
Hotel Occupancy	0.5	0.7	0.6	0.6	0.5
Taxes on International Trade & Transactions	94.3	91.9	88.7	85.7	85.4
Of Which:					
Consumption Duty (imports)	62.0	58.1	49.9	49.7	51.4
Import Duty	23.4	24.6	25.4	21.3	19.6
Service Charge (imports)	3.4	3.7	5.6	6.5	6.0
Non-Tax Revenue	32.0	32.1	31.6	38.8	35.3
Current Expenditure	194.8	206.5	224.8	234.4	231.4
Personal Emoluments	108.3	116.4	121.1	123.8	123.9
Goods & Services	33.8	34.4	28.7	32.3	29.9
Interest Payments	18.9	19.6	42.5	40.5	39.5
External	2.9	7.4	14.4	18.7	18.4
Domestic	16.1	12.3	28.1	21.8	21.2
Transfers & Subsidies	33.7	36.0	32.5	37.7	38.0
Of Which: Pensions	8.2	8.9	9.5	10.1	10.8
Current Account Balance	10.3	(5.7)	(11.1)	(32.7)	(34.1)
Capital Revenue	5.4	3.1	1.9	3.4	1.8
Grants	24.3	11.6	26.0	25.8	25.6
Of which: Capital Grants	24.3	11.6	26.0	25.8	25.6
Capital Expenditure & Net Lending	45.0	79.8	55.8	62.4	27.2
Overall Balance	(5.1)	(70.8)	(39.1)	(65.8)	(33.9)
Financing	5.1	70.8	39.1	65.8	33.9
Domestic	(17.9)	(18.3)	(11.3)	(2.1)	(26.4)
ECCB (net)	(1.4)	(0.1)	(0.6)	(1.8)	0.3
Commercial Banks (net)	(21.5)	8.1	10.4	22.6	(39.3)
Other	5.1	(26.3)	(21.0)	(23.0)	12.6
External	7.2	90.3	35.4	47.4	57.7
Net Amortisation	6.0	109.4	42.6	51.7	55.5
Disbursements	13.9	116.0	48.3	57.7	62.3
Amortisation	(7.9)	(6.6)	(5.7)	(6.0)	(6.8)
Change in Govt. Foreign Assets	1.2	(19.1)	(7.2)	(4.3)	2.2
Arrears	5.6	(1.2)	15.0	20.5	2.6
Domestic	10.0	(1.4)	13.4	17.1	(3.0)
External	(4.3)	0.2	1.6	3.4	5.6

Source: Ministry of Finance, Treasury Department and ECCB Estimates

R=Revised P=Preliminary

Data available at 6 May 2003

Table 17
Dominica - Monetary Survey
(In millions of Eastern Caribbean dollars)

	1998	1999	2000	2001 ^R	2002
Net Foreign Assets	91.1	125.4	66.3	98.3	201.8
Central Bank (net)	74.7	85.2	79.3	84.3	122.8
Commercial Banks (net)	16.5	40.2	(12.9)	14.0	79.0
External (net)	30.8	42.1	7.5	15.6	64.1
Assets	133.1	137.0	94.5	105.7	159.2
Liabilities	102.3	94.8	87.0	90.1	95.1
Other ECCB Territories (net)	(14.3)	(1.9)	(20.5)	(1.5)	14.9
Assets	6.9	25.8	26.1	32.6	48.8
Liabilities	21.2	27.7	46.6	34.2	33.9
Net Domestic Assets	333.2	342.9	404.7	407.7	347.5
Domestic Credit	401.9	420.4	491.7	503.7	447.3
Central Government (net)	51.5	59.5	69.3	90.1	51.2
Other Public Sector (net)	(14.3)	(10.6)	5.5	10.0	10.6
Non-Bank Financial Institutions (net)	(43.4)	(43.9)	(35.8)	(37.7)	(46.6)
Subsidiaries & Affiliates (net)	(1.9)	(4.5)	(1.3)	1.6	(1.1)
Private Sector	410.0	419.8	454.1	439.6	433.2
Other Items (net)	(68.7)	(77.5)	(87.0)	(96.0)	(99.8)
Money Supply (M2)	424.3	468.3	471.0	506.0	549.2
Currency with the Public	29.1	34.1	35.4	34.6	35.5
Demand Deposits	56.3	72.7	54.9	57.0	71.1
Savings Deposits	208.6	236.7	249.0	259.0	262.2
Time Deposits	120.2	111.8	121.7	139.5	158.2
Foreign Currency Deposits	10.1	12.9	10.0	15.9	22.3

R=Revised

Source: ECCB

Data available at 6 May 2003

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

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Current Account	(62.3)	(93.3)	(141.8)	(128.7)	(109.9)
Goods and Services	(55.6)	(64.2)	(104.2)	(124.0)	(88.0)
Goods	(143.5)	(177.0)	(204.2)	(191.5)	(158.3)
Merchandise	(146.7)	(177.8)	(207.4)	(194.2)	(160.9)
Repair on goods	0.0	0.0	0.0	0.0	0.0
Goods procured in ports by carriers	3.2	0.8	3.1	2.7	2.6
Services	88.0	112.8	100.1	67.6	70.3
Transportation	(34.9)	(36.0)	(39.7)	(41.9)	(37.6)
Travel	103.4	111.6	106.0	100.2	95.0
Insurance Services	(6.0)	(4.2)	(3.5)	(5.5)	(4.7)
Other Business Services	36.8	46.8	47.0	20.8	20.5
Government Services	(11.4)	(5.5)	(9.7)	(6.0)	(6.0)
Income	(41.1)	(65.7)	(86.4)	(51.9)	(54.2)
Compensation of Employees	0.7	1.9	1.7	3.8	3.8
Investment Income	(41.8)	(67.6)	(88.2)	(55.6)	(58.0)
Current Transfers	34.4	36.6	48.8	47.2	32.3
General Government	8.9	8.7	20.1	16.0	(0.1)
Other Sectors	25.6	27.9	28.7	31.2	32.4
Capital and Financial Account	71.2	123.0	143.1	138.0	146.2
Capital Account	39.8	31.8	29.4	48.5	51.2
Capital Transfers	39.8	32.2	33.2	48.5	51.2
General Government	33.3	25.4	26.0	41.3	43.8
Other Sectors	6.6	6.8	7.2	7.2	7.4
Acquisition & Disposal of Non-Produced, Non-Financial Assets	--	(0.5)	(3.8)	--	--
Financial Account	31.4	91.3	113.7	89.5	95.0
Direct Investment	17.6	48.5	29.2	32.1	38.9
Portfolio Investment	1.4	80.1	29.2	(0.6)	28.3
Other Investments	12.4	(37.3)	55.3	58.0	27.8
Public Sector Long Term	4.0	14.0	31.0	67.1	37.5
Other Public Sector Capital	1.1	1.1	--	--	--
Commercial Banks	(16.3)	(23.8)	53.2	(27.0)	(64.9)
Other Assets	(14.5)	(10.6)	(28.1)	(13.6)	(13.3)
Other Liabilities *	38.1	(18.0)	(0.8)	31.4	68.5
Overall Balance	9.0	29.7	1.3	9.3	36.3
Financing	(9.0)	(29.7)	(1.3)	(9.3)	(36.3)
Change in SDR Holdings	--	--	--	--	--
Change in Reserve Position with the Fund	--	--	--	--	--
Change in Government Foreign Assets	1.2	(19.1)	(7.2)	(4.3)	2.2
Change in Imputed Reserves	(10.2)	(10.5)	5.9	(5.0)	(38.5)

Source: ECCB & CSO

R=Revised P=Preliminary

* includes errors & omissions

Data available at 6 May 2003

Table 19
Grenada - Selected Economic Indicators

	1998	1999 ^R	2000 ^R	2001 ^R	2002 ^P
(Annual percentage change unless otherwise stated)					
National Income and Prices					
Nominal GDP at basic prices	9.1	8.2	8.0	(2.0)	--
Real GDP at basic prices	7.3	7.5	7.2	(3.8)	(1.1)
Nominal GDP at Market Prices	11.3	7.8	8.2	(3.1)	1.3
GDP Deflator	1.6	0.6	0.8	1.9	1.2
Consumer Prices (end of period)	1.2	1.0	3.5	2.5	0.7
Consumer Prices (period average)	1.3	0.6	2.2	3.2	1.5
Real GDP at Factor Cost by Selected Sectors					
Agriculture	(1.2)	10.0	(2.2)	(2.9)	19.0
Manufacturing	14.1	12.1	13.8	(7.6)	(4.0)
Electricity & Water	6.5	6.3	12.5	7.0	5.0
Construction	16.9	9.4	17.0	(19.3)	1.0
Wholesale and Retail	5.6	5.4	4.0	(3.2)	(1.1)
Hotel and Restaurant	2.1	11.2	2.9	(1.8)	5.7
Transportation	5.6	4.8	0.9	(9.0)	1.7
Communications	24.9	11.5	20.4	(3.6)	(18.3)
Banks and Insurance	10.0	11.5	10.2	6.1	5.6
Real Estate & Housing	3.5	3.5	2.0	1.3	1.5
Government Services	4.4	3.5	(2.6)	4.3	(2.5)
Other Services	4.0	4.9	27.5	7.3	(14.2)
(as a percentage of GDP)					
External Sector					
Current Account Balance	(22.9)	(13.9)	(20.0)	(22.2)	(27.3)
Overall Balance	1.2	1.2	2.5	1.5	7.7
Merchandise Trade Balance	(40.3)	(30.4)	(34.9)	(34.6)	(37.7)
Public Sector External Debt (end of period)	30.1	30.6	34.6	45.6	80.5
Central Government					
Current Account Balance	1.0	4.2	6.0	2.5	0.1
Current Revenue	24.3	26.6	26.9	26.6	27.0
Current Expenditure	23.3	22.5	20.9	24.1	26.9
Capital Expenditure and Net Lending	8.5	10.4	12.2	15.2	21.9
Overall Fiscal Balance	(3.0)	(2.8)	(3.2)	(8.4)	(19.4)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	4.3	4.3	4.2	4.2	3.2
Weighted Lending Interest Rates	11.8	11.7	11.5	10.1	10.6
(In millions of EC Dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	770.2	833.3	900.3	882.7	882.9
Real GDP at basic prices	605.8	651.3	697.5	670.3	660.9
Nominal GDP at Market Prices	946.7	1,020.3	1,104.2	1,070.0	1,083.8
GDP per capita (EC\$)	7,694	8,273	8,872	8,589	8,690
Merchandise Imports (f.o.b)	494.0	498.2	596.4	531.4	515.3
Merchandise Exports	112.3	187.6	211.0	160.7	106.9
Gross Visitor Expenditure	224.4	238.1	249.8	225.3	240.1

Source: Statistics Department and ECCB
R=Revised P=Preliminary
Data available at 12 May 2003

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

	1998	1999	2000 ^R	2001 ^R	2002 ^P
Current Revenue					
230.1	271.8	297.2	284.9	292.5	
Tax Revenue					
207.0	236.3	265.0	256.7	262.4	
Taxes on Income & Profits					
24.7	40.0	51.9	57.3	43.5	
Of Which:					
Personal ^{/1}					
4.6	5.4	6.7	8.5	8.8	
Company ^{/2}					
19.7	34.1	44.2	46.5	32.5	
Taxes on Property					
5.8	9.3	9.3	10.0	18.0	
Taxes on Domestic Goods & Services					
42.5	42.8	51.1	45.4	49.6	
Of Which:					
Value-added Tax					
0.2	0.3	0.5	0.2	0.0	
Consumption Duty					
20.7	23.3	26.4	26.3	25.6	
Stamp Duties					
4.4	2.6	3.0	2.9	3.4	
Licenses					
7.7	6.5	9.3	5.6	11.0	
Taxes on Int'l Trade & Transactions					
133.9	144.3	152.8	143.9	151.3	
Of Which:					
Import Duty					
30.2	32.2	34.0	32.2	31.7	
Consumption Tax					
75.1	79.1	87.4	84.7	83.7	
Customs Service Charge					
22.1	23.6	27.2	25.5	25.5	
Foreign Currency Levy					
0.0	0.0	32.1	28.2	0.0	
Non-Tax Revenue					
23.1	35.5	32.1	28.2	30.1	
Current Expenditure					
221.0	229.2	230.7	258.0	291.4	
Personal Emoluments					
115.3	120.2	114.4	127.6	124.6	
Goods & Services					
36.7	34.9	43.9	52.6	57.9	
Interest Payments					
14.8	24.9	24.2	27.9	49.7	
Domestic					
9.9	16.0	11.7	13.3	12.7	
External					
4.9	8.9	12.5	14.6	37.0	
Transfers & Subsidies					
54.1	49.2	48.2	49.9	59.3	
Of which: Pensions					
22.4	21.5	26.8	14.2	14.0	
Current Account Balance					
9.2	42.7	66.5	26.9	1.1	
Capital Revenue					
16.1	3.7	0.7	0.5	2.7	
Grants					
26.6	31.1	32.6	45.2	23.5	
Of which:					
Capital Grants					
26.6	31.1	25.9	33.6	19.5	
Capital Expenditure and Net Lending					
80.0	106.4	135.2	162.6	237.5	
Overall Balance					
(28.1)	(28.9)	(35.4)	(90.0)	(210.2)	
Financing					
28.1	28.9	35.4	90.0	210.2	
Domestic					
(0.7)	(7.3)	39.0	16.6	(9.6)	
ECCB (net)					
(2.8)	(2.8)	(2.8)	1.0	(30.8)	
Commercial Banks (net)					
(2.1)	(24.9)	19.0	33.9	7.1	
Other					
4.2	20.4	22.8	(18.3)	14.0	
External					
13.8	26.3	12.6	49.7	269.4	
Net Amortisation					
13.8	28.1	21.3	48.5	288.3	
Disbursements					
24.8	46.0	42.6	65.5	312.4	
Amortisation					
(11.0)	(17.9)	(21.3)	(16.9)	(24.1)	
Change in Govt. Foreign Assets					
--	(1.8)	(8.7)	1.2	(18.9)	
Other					
--	--	--	--	--	
Arrears					
15.0	9.9	(16.2)	23.7	(49.5)	
Domestic					
10.6	8.4	(12.2)	23.7	(49.5)	
External					
4.4	1.5	(4.0)	--	--	

Source: Ministry of Finance, Treasury Department and ECCB Estimates
R=Revised P=Preliminary
/1 Includes Debt Service Levy
/2 Includes Business Levy
Data available at 14 May 2003

Table 21
Grenada - Monetary Survey
(In millions of Eastern Caribbean dollars)

	1998	1999	2000	2001 ^R	2002
Net Foreign Assets	88.2	133.8	136.7	208.5	327.7
Central Bank (net)	126.4	137.3	155.7	172.6	237.2
Commercial Banks (net)	(38.2)	(3.5)	(19.0)	35.9	90.6
External (net)	(59.9)	(39.5)	(65.4)	(33.8)	2.7
Assets	119.3	155.0	136.5	224.5	272.9
Liabilities	179.2	194.5	201.8	258.3	270.2
Other ECCB Territories (net)	21.7	36.0	46.3	69.7	87.9
Assets	29.1	41.3	52.0	81.2	99.6
Liabilities	7.4	5.3	5.7	11.5	11.6
Net Domestic Assets	662.3	720.8	849.2	881.8	839.6
Domestic Credit	707.8	762.4	911.5	968.0	928.2
Central Government (net)	71.2	43.6	59.8	94.7	71.1
Other Public Sector (net)	(24.8)	(34.9)	(19.8)	(5.5)	(31.9)
Non-Bank Financial Institutions (net)	(23.4)	(14.1)	(6.9)	(7.6)	(7.3)
Subsidiaries & Affiliates (net)	0.0	(0.1)	0.0	0.0	0.0
Private Sector	684.7	767.9	878.4	886.4	896.2
Other Items (net)	(45.5)	(41.6)	(62.3)	(86.1)	(88.5)
Money Supply (M2)	750.4	854.6	985.8	1,090.4	1,167.4
Currency	64.1	64.7	71.1	70.2	75.2
Demand Deposits	95.3	110.4	111.2	122.1	136.8
Savings Deposits	390.6	440.0	493.8	540.0	632.1
Time Deposits	170.8	197.1	240.7	283.3	243.9
Foreign Currency Deposits	29.6	42.3	68.9	74.8	79.4

Source: ECCB

R=Revised

Data available at 8 May 2003

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

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Current Account	(216.7)	(141.5)	(221.0)	(237.5)	(296.3)
Goods and Services	(233.7)	(121.5)	(184.4)	(191.7)	(239.5)
Goods	(370.1)	(297.8)	(372.5)	(359.7)	(397.1)
Merchandise	(381.7)	(310.6)	(385.4)	(370.7)	(408.4)
Repair on goods	0.0	0.0	0.0	0.0	0.0
Goods procured in ports by carriers	11.7	12.9	12.9	11.0	11.3
Services	136.4	176.2	188.2	168.0	157.6
Transportation	(77.3)	(66.8)	(76.9)	(61.1)	(58.2)
Travel	209.0	219.0	229.0	204.8	219.3
Insurance Services	(13.0)	(12.3)	(13.6)	(12.4)	(13.3)
Other Business Services	23.8	39.1	43.1	36.6	9.9
Government Services	(6.1)	(2.9)	6.5	0.1	(0.2)
Income	(61.8)	(71.8)	(90.9)	(104.3)	(115.7)
Compensation of Employees	0.1	0.1	0.0	0.1	0.1
Investment Income	(61.9)	(71.9)	(91.0)	(104.3)	(115.8)
Current Transfers	78.8	51.8	54.3	58.5	58.9
General Government	25.2	(1.2)	6.2	7.0	2.5
Other Sectors	53.6	53.0	48.1	51.5	56.4
Capital and Financial Account	227.9	154.2	248.1	253.3	379.8
Capital Account	77.2	84.2	86.8	114.4	84.5
Capital Transfers	77.2	83.5	86.8	113.7	84.5
Acquisition & Disposal of Non-Produced, Non-Financial Assets	0.0	0.7	0.0	0.7	0.0
Financial Account	150.8	70.0	161.3	138.9	295.2
Direct Investment	131.5	112.2	101.0	131.9	110.8
Portfolio Investment	(0.2)	1.1	53.2	0.8	182.6
Other Investments	19.5	(43.3)	7.2	6.3	1.9
Public Sector Long Term	6.5	20.6	20.1	93.4	94.2
Other Public Sector Capital	--	--	--	--	--
Commercial Banks	8.0	(34.7)	15.5	(54.9)	(54.7)
Other Assets	(10.3)	(33.5)	(29.9)	(14.3)	(14.0)
Other Liabilities*	15.2	4.3	1.5	(17.9)	(23.6)
Overall Balance	11.2	12.7	27.1	15.8	83.5
Financing	(11.2)	(12.7)	(27.1)	(15.8)	(83.5)
Change in SDR Holdings	--	--	--	--	--
Change in Reserve Position with the Fund	--	--	--	--	--
Change in Government Foreign Assets	--	(1.8)	(8.7)	1.2	(18.9)
Change in Imputed Reserves	(11.2)	(10.9)	(18.4)	(17.0)	(64.6)

Source: ECCB and Statistical Department

R=Revised P=Preliminary

* includes errors & omissions

Data available at 8 May 2003

Table 23
Montserrat - Selected Economic Indicators

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
(Annual percentage change unless otherwise stated)					
National Income and Prices					
Nominal GDP at basic prices	(7.5)	(9.3)	(1.2)	4.1	6.5
Real GDP at basic prices	(10.1)	(12.6)	(3.0)	(2.8)	4.6
Nominal GDP at Market Prices	(8.0)	(6.0)	(0.9)	(0.2)	9.5
GDP Deflator	2.9	3.7	1.8	7.1	1.8
Consumer Prices (end of period)	0.8	0.8	1.7	4.9	3.5
Consumer Prices (period average)	NA()	4.6	0.5	4.8	4.0
Real GDP at Factor Cost by Selected Sectors					
Agriculture	(33.3)	7.6	46.5	(17.3)	40.7
Manufacturing	(84.9)	10.6	--	--	--
Mining & Quarrying	(95.1)	16.7	--	--	(28.6)
Electricity & Water	(33.3)	33.3	5.1	4.9	(3.3)
Construction	33.5	(13.5)	(35.8)	(7.7)	39.4
Wholesale and Retail	(34.5)	(4.9)	(16.6)	(7.9)	3.4
Hotels and Restaurants	8.3	7.7	4.3	27.4	(8.6)
Transportation	(33.7)	(7.7)	(5.2)	2.5	1.2
Communications	8.5	(13.5)	33.6	(30.3)	2.7
Banks and Insurance	15.6	(24.1)	64.5	(21.8)	22.7
Real Estate & Housing	(10.0)	5.3	5.5	3.3	3.8
Government Services	(13.9)	(17.1)	(0.5)	1.6	1.7
Other Services	(20.0)	5.3	13.6	4.9	3.1
(as a percentage of GDP)					
External Sector					
Current Account Balance	4.9	(4.1)	(26.6)	(16.1)	(27.1)
Overall Balance	35.9	(30.0)	(10.4)	6.0	5.2
Trade Balance	48.3	50.8	59.0	47.1	63.1
Public Sector External Debt (end of period)	27.2	22.6	22.3	24.2	22.4
Central Government					
Current Account Balance	(34.9)	(32.6)	(23.6)	(28.8)	(32.6)
Current Revenue	22.9	28.0	29.2	25.8	27.9
Current Expenditure	57.8	60.6	52.8	54.6	60.5
Capital Expenditure and Net Lending	17.5	14.5	49.1	49.7	34.8
Overall Fiscal Balance	1.9	1.8	5.1	2.5	6.5
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	2.8	3.3	3.5	3.4	2.9
Weighted Lending Interest Rates	12.1	11.4	11.4	11.6	11.3
(in millions of EC dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	88.6	80.3	79.3	82.6	88.0
Real GDP at basic prices	69.0	60.3	58.5	56.9	59.5
Nominal GDP at Market Prices	101.4	95.6	93.9	93.7	102.7
GDP per capita (EC\$)	24,637	23,506	20,592	18,284	19,542
Merchandise Imports (f.o.b)	52.3	52.0	58.4	46.0	68.7
Merchandise Exports (f.o.b)	3.3	3.4	3.0	1.9	4.0
Gross Visitor Expenditure	15.1	21.8	24.2	22.9	22.2

Source: Statistics Department and ECCB

R=Revised P=Preliminary

Data available at 6 May 2003

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

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Current Revenue	23.2	26.8	27.4	24.2	28.7
Tax Revenue	20.3	24.3	25.5	22.5	26.7
Taxes on Income & Profits	6.6	7.6	9.6	10.3	10.8
Of Which:					
Company	0.2	0.8	2.4	2.5	1.6
Personal	6.4	6.8	7.3	7.4	8.6
Taxes on Property	0.5	0.8	0.8	0.7	0.8
Taxes on Domestic Goods & Services	2.4	3.1	3.6	3.1	3.0
Of Which:					
Hotel and Guest Tax	0.1	0.1	0.0	--	--
Insurance and Company Levy	0.4	0.1	0.1	0.2	0.2
Stamp Duty & Licenses	2.2	2.1	2.0	2.3	2.3
Taxes on International Trade & Transactions	10.8	12.8	11.5	8.4	12.1
Of Which:					
Import Duty	2.1	2.7	2.5	1.8	2.5
Consumption Tax	3.3	4.3	3.8	2.8	4.4
Customs Service Charge	3.4	4.2	3.8	2.8	4.0
Foreign Currency Levy	1.4	1.1	0.9	0.7	1.0
Non-Tax Revenue	2.9	2.5	1.9	1.7	2.0
Current Expenditure	58.6	57.9	49.6	51.2	62.2
Personal Emoluments	18.7	19.9	20.6	22.9	22.8
Other Goods & Services	28.1	31.3	23.2	22.2	17.8
Interest Payments	1.0	0.8	0.7	--	0.5
Domestic	0.7	0.7	0.6	--	0.1
External	0.4	0.1	0.0	--	0.4
Transfers & Subsidies	10.8	5.9	5.1	6.0	21.1
Of which: Pensions	3.2	3.6	3.6	4.6	7.2
Current Account Balance (before grants)	(35.4)	(31.2)	(22.1)	(27.0)	(33.5)
Current Grants	35.5	33.3	26.9	29.4	40.1
Current Account Balance (After grants)	0.1	2.1	4.8	2.4	6.7
Capital Revenue	--	--	--	--	--
Capital Grants	19.5	13.4	46.1	46.6	35.8
Capital Expenditure and Net Lending	17.7	13.8	46.1	46.6	35.8
Capital Account Balance	1.8	(0.4)	-	-	-
Overall Balance	1.9	1.7	4.8	2.4	6.7
Financing	(1.9)	(1.7)	(4.8)	(2.4)	(6.7)
Domestic	(1.5)	(1.9)	(4.6)	(2.2)	(4.5)
ECCB (net)	(0.8)	(0.5)	0.5	(1.1)	(0.6)
Commercial Banks (net)	7.4	6.9	3.9	(4.2)	(7.7)
Other	(8.0)	(8.2)	(9.0)	3.1	3.8
External	(0.4)	0.2	(0.2)	(0.2)	(2.2)
Net Amortisation	(0.4)	(0.2)	(0.2)	(0.2)	(2.4)
Disbursements	--	0.1	--	--	--
Amortisation	(0.4)	(0.3)	(0.2)	(0.2)	(2.4)
Change in Govt. Foreign Assets	--	0.4	--	--	0.2
Arrears	--	--	--	--	--
Domestic	--	--	--	--	--
External	--	--	--	--	--

Source: Ministry of Finance, Treasury Department and ECCB Estimates

R=Revised P=Preliminary

Data available at 1 May 2003

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

	1998	1999	2000	2001	2002
Net Foreign Assets	131.2	133.5	119.1	130.2	136.3
Central Bank (net)	66.9	37.9	28.1	33.7	38.9
Commercial Banks (net)	64.3	95.6	91.0	96.4	97.4
External (net)	10.7	14.4	(0.9)	4.0	10.9
Assets	31.1	35.8	21.6	26.7	36.4
Liabilities	20.4	21.4	22.5	22.8	25.5
Other ECCB Territories (net)	53.6	81.2	91.9	92.4	86.6
Assets	58.0	83.8	99.9	94.6	87.7
Liabilities	4.4	2.5	8.0	2.2	1.1
Net Domestic Assets	(13.8)	(22.2)	(18.0)	(28.1)	(36.5)
Domestic Credit	(1.4)	(1.6)	2.6	(3.2)	(18.7)
Central Government (net)	(18.8)	(12.5)	(8.2)	(13.5)	(21.8)
Other Public Sector (net)	(7.5)	(8.8)	(10.6)	(13.2)	(14.3)
Non-Bank Financial Institutions (net)	(7.6)	(3.0)	(1.8)	(0.4)	(4.9)
Subsidiaries & Affiliates (net)	(0.2)	--	--	--	--
Private Sector	32.8	22.7	23.1	23.9	22.2
Other Items (net)	(12.4)	(20.6)	(20.6)	(24.9)	(17.8)
Money Supply (M2)	117.4	111.3	101.1	102.0	99.8
Currency	13.3	13.4	9.7	11.8	10.8
Demand Deposits	24.1	18.1	16.5	13.6	15.5
Savings Deposits	73.9	72.2	69.2	69.9	66.9
Time Deposits	3.9	4.0	3.6	4.3	3.7
Foreign Currency Deposits	2.3	3.7	2.1	2.4	2.9

Source: ECCB

Data available at 1 May 2003

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

	1998	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Current Account	5.0	(3.9)	(25.0)	(15.1)	(27.9)
Goods and Services	(74.1)	(52.2)	(63.6)	(70.8)	(91.0)
Goods	(49.0)	(48.6)	(55.3)	(44.1)	(64.7)
Merchandise	(49.0)	(48.6)	(55.4)	(44.1)	(64.7)
Repair on goods	--	0.0	--	--	--
Goods procured in ports by carriers	--	0.0	0.0	0.0	0.0
Services	(25.1)	(3.6)	(8.3)	(26.7)	(26.3)
Transportation	(7.6)	(6.3)	(7.5)	(5.8)	(8.4)
Travel	11.5	18.1	19.4	18.0	17.0
Insurance Services	(1.0)	(0.8)	(1.2)	(0.7)	(1.2)
Other Business Services	9.1	10.1	2.2	(3.5)	(4.2)
Government Services	(37.1)	(24.7)	(21.1)	(34.7)	(29.5)
Income	(4.8)	(16.0)	(7.3)	(1.6)	(6.7)
Compensation of Employees	--	--	--	--	--
Investment Income	(4.8)	(16.0)	(7.3)	(1.6)	(6.7)
Current Transfers	83.8	64.3	45.9	57.2	69.9
General Government	85.8	54.0	45.9	60.5	73.4
Other Sectors	(2.0)	10.3	(0.0)	(3.3)	(3.5)
Capital and Financial Account	31.4	(24.7)	15.2	20.8	33.2
Capital Account	9.7	3.6	11.6	26.6	44.4
Capital Transfers	9.7	3.6	11.6	26.6	44.4
Acquisition & Disposal of Non-Produced, Non-Financial Assets	--	--	--	--	--
Financial Account	21.7	(28.3)	3.6	(5.8)	(11.1)
Direct Investment	6.9	22.2	9.3	2.6	2.6
Portfolio Investment	0.3	(0.1)	1.5	(1.6)	(1.6)
Other Investments	14.6	(50.4)	(7.2)	(6.8)	(12.1)
Public Sector Long Term	(0.5)	(0.2)	(0.2)	(0.2)	(5.3)
Other Public Sector Capital	--	--	--	--	--
Commercial Banks	4.4	(31.3)	4.6	(5.4)	(1.0)
Other Assets	(2.9)	(2.5)	(12.4)	(2.3)	(2.3)
Other Liabilities*	13.6	(16.4)	0.8	1.1	(3.6)
Overall Balance	36.4	(28.7)	(9.8)	5.7	5.4
Financing	(36.4)	28.7	9.8	(5.7)	(5.4)
Change in SDR holdings	--	--	--	--	--
Change in Reserve Position with the Fund	--	--	--	--	--
Change in Government Foreign Assets	--	(0.4)	--	--	(0.2)
Change in Imputed Reserves	(36.4)	29.0	9.8	(5.7)	(5.2)

Source: Ministry of Finance and ECCB

R=Revised P=Preliminary

* includes errors & omissions

Data available at 1 May 2003

Table 27
St Kitts and Nevis - Selected Economic Indicators

	1998	1999	2000	2001 ^R	2002 ^P
(Annual percentage change unless otherwise indicated)					
National Income and Prices					
Nominal GDP at basic prices	4.3	6.3	10.1	3.6	2.1
Real GDP at basic prices	1.0	3.7	6.2	2.3	0.8
GDP Deflator	3.3	2.5	3.7	1.3	1.4
Consumer Prices (end of period)	0.9	2.2	3.1	1.8	1.8
Consumer Prices (period average)	3.6	3.4	2.1	1.5	2.1
Real GDP at basic prices by Selected Sectors					
Agriculture	(11.7)	(9.1)	(8.5)	11.1	13.3
Manufacturing	(0.9)	8.0	17.0	6.6	(4.0)
Electricity & Water	6.3	(1.1)	11.0	3.9	9.8
Construction	7.0	12.6	29.2	4.2	(4.5)
Wholesale and Retail	4.2	3.7	(3.2)	(11.5)	4.5
Hotels and Restaurants	2.2	(12.6)	(23.4)	3.9	(9.9)
Transportation	(0.5)	1.7	7.9	4.1	4.6
Communications	0.9	10.0	0.7	9.8	2.0
Banks and Insurance	(0.1)	3.4	11.4	(1.0)	2.8
Government Services	4.7	2.7	2.5	2.6	2.7
Other Services	(3.0)	4.0	4.0	(2.6)	2.5
(as a percentage of GDP)					
External Sector					
Current Account Balance	(14.5)	(27.6)	(19.8)	(28.2)	(32.0)
Overall Balance	3.9	0.7	(1.3)	3.3	2.5
Trade Balance	31.0	29.8	37.4	33.4	33.1
Public Sector External Debt (end of period)	43.3	50.2	49.2	60.2	72.9
Central Government					
Current Account Balance	0.4	(2.0)	(5.3)	(4.9)	(2.9)
Current Revenue	30.5	30.4	28.5	28.4	30.2
Current Expenditure	30.2	32.4	33.9	33.3	33.1
Capital Expenditure and Net Lending	6.8	10.9	11.1	8.7	13.9
Overall Fiscal Balance	(6.3)	(11.8)	(14.9)	(12.7)	(12.9)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	4.2	4.3	4.3	4.2	3.8
Weighted Lending Interest Rates	11.3	11.2	11.1	11.1	10.4
(in millions of EC dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	652.0	693.3	763.7	791.5	808.5
Real GDP at basic prices	501.4	520.1	552.4	565.3	569.5
Nominal GDP at Market Prices	775.2	822.7	887.3	922.6	952.7
GDP Per Capita (EC\$)	16,248	16,407	18,898	17,249	17,619
Merchandise Imports (f.o.b)	353.1	364.8	465.6	449.5	479.3
Merchandise Exports (f.o.b)	113.0	119.7	133.4	141.7	149.6
Gross Visitor Expenditure	205.3	182.7	157.8	167.0	156.8

Source: Statistics Department and ECCB
R=Revised P=Preliminary
Data available at 2 June 2003

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

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Current Revenue	236.7	250.2	253.3	262.0	287.6
Tax Revenue	175.4	183.1	188.0	194.6	212.1
Taxes on Income & Profits	47.3	49.5	59.2	57.7	62.0
Of Which:					
Company	30.1	32.3	37.8	36.4	38.8
Social Services Levy	14.9	16.3	19.7	20.3	22.0
Taxes on Property	3.6	3.4	3.9	4.4	4.5
Taxes on Domestic Goods & Services	38.6	38.1	31.1	38.2	41.3
Of Which:					
Hotel Room Tax	8.8	9.4	4.7	10.0	8.3
Licenses	5.8	5.4	5.0	4.8	5.4
Gasoline Levy	5.8	6.0	2.2	3.7	5.6
Taxes on Int'l Trade & Transactions	86.0	92.1	93.9	94.2	104.3
Of Which:					
Import Duty	35.6	38.9	39.4	31.2	33.7
Consumption Tax	38.1	40.3	41.5	44.0	50.8
Customs Service Charge	9.4	10.0	10.1	13.7	15.7
Non-Tax Revenue	61.3	67.1	65.3	67.4	75.5
Current Expenditure	233.8	266.7	300.6	307.0	315.1
Personal Emoluments	118.6	126.3	137.1	140.3	142.9
Other Goods & Services	64.9	77.6	87.9	79.5	71.9
Interest Payments	24.7	32.0	42.6	52.4	67.1
Domestic	17.2	19.6	29.0	34.0	35.5
External	7.5	12.4	13.6	18.5	31.6
Transfers & Subsidies	25.5	30.9	33.1	34.8	33.3
Of Which: Pensions	13.2	13.8	15.8	17.1	19.4
Current Account Balance	3.0	(16.5)	(47.3)	(45.0)	(27.6)
Capital Revenue	0.8	1.7	5.7	3.7	6.5
Grants	0.6	7.4	7.5	4.6	30.5
Of which: Capital Grants	0.5	7.4	7.3	4.0	30.0
Capital Expenditure and Net Lending	52.9	89.7	98.1	80.4	132.5
Overall Balance	(48.5)	(97.1)	(132.3)	(117.0)	(123.1)
Financing	48.5	97.1	132.3	117.0	123.1
Domestic	7.2	60.1	119.6	(11.3)	(11.6)
ECCB (net)	(10.1)	8.5	7.0	(0.7)	(0.2)
Commercial Banks (net)	43.5	37.5	107.4	14.0	(18.3)
Other	(26.2)	14.1	5.2	(24.5)	6.9
External	40.9	36.5	12.2	128.6	134.3
Net Amortisation	47.8	36.4	12.4	128.4	134.3
Disbursements	56.7	49.4	32.4	146.8	161.7
Amortisation	(8.9)	(13.0)	(20.0)	(18.4)	(27.4)
Change in Govt. Foreign Assets	(6.9)	0.1	(0.1)	0.2	--
Arrears	0.4	0.5	0.4	(0.3)	0.4
Domestic	--	--	--	--	--
External	0.4	0.5	0.4	(0.3)	0.4

Source: Ministry of Finance, Treasury Department and ECCB Estimates
P= Preliminary R= Revised
Data available at 15 May 2003

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

	1998	1999	2000	2001	2002
Net Foreign Assets	175.5	99.5	152.5	238.0	315.1
Central Bank (net)	126.3	133.6	121.7	152.0	177.2
Commercial Banks (net)	49.2	(34.1)	30.7	86.0	137.9
External (net)	35.9	(56.5)	19.3	196.9	245.7
Assets	240.9	178.1	246.9	373.5	500.5
Liabilities	205.0	234.7	227.6	176.7	254.8
Other ECCB Territories (net)	13.2	22.5	11.4	(110.9)	(107.8)
Assets	91.9	125.8	154.1	73.5	99.2
Liabilities	78.7	103.4	142.7	184.4	207.0
Net Domestic Assets	370.4	507.9	624.2	556.2	529.7
Domestic Credit	512.2	628.0	763.9	752.8	757.8
Central Government (net)	112.5	158.6	273.0	286.2	267.7
Other Public Sector (net)	(139.4)	(107.0)	(150.7)	(154.2)	(122.6)
Non-Bank Financial Institutions (net)	(0.2)	(3.5)	(3.8)	(4.5)	(16.0)
Subsidiaries & Affiliates (net)	(24.4)	(30.2)	(35.1)	(50.0)	(30.2)
Private Sector	563.7	610.2	680.5	675.3	658.9
Other Items (net)	(141.8)	(120.1)	(139.7)	(196.6)	(228.1)
Money Supply (M2)	545.9	607.4	776.7	794.2	844.8
Currency	35.8	41.5	40.6	36.1	37.7
Demand Deposits	55.6	64.6	69.5	70.1	82.2
Savings Deposits	239.6	267.0	287.1	305.9	335.0
Time Deposits	110.8	115.3	130.3	147.3	153.6
Foreign Currency Deposits	104.1	119.0	249.1	234.8	236.3

Source: ECCB

Data available at 14 May 2003

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

	1998	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Current Account	(112.1)	(226.9)	(175.7)	(260.6)	(304.7)
Goods and Services	(116.6)	(205.3)	(263.0)	(210.9)	(242.1)
Goods	(233.8)	(243.6)	(327.3)	(301.4)	(307.7)
Merchandise	(240.1)	(245.2)	(332.3)	(307.8)	(315.2)
Repair on goods	0.0	0.0	0.0	0.1	0.1
Goods procured in ports by carriers	6.4	1.5	5.0	6.3	7.4
Services	117.2	38.3	64.2	90.5	65.7
Transportation	(50.1)	(56.8)	(53.4)	(41.3)	(44.0)
Travel	188.6	164.3	133.9	145.2	129.7
Insurance Services	(6.5)	(14.7)	(14.4)	(15.9)	(16.5)
Other Business Services	(10.3)	(51.5)	(1.3)	0.7	(5.1)
Government Services	(4.5)	(3.0)	(0.6)	1.7	1.7
Income	(68.6)	(76.9)	(81.8)	(99.2)	(113.0)
Compensation of Employees	(0.8)	(0.0)	(5.8)	(4.9)	(5.0)
Investment Income	(67.8)	(76.9)	(76.0)	(94.2)	108.0
Current Transfers	73.1	55.3	169.2	49.5	50.4
General Government	(2.0)	(0.8)	(4.0)	(2.4)	(2.3)
Other Sectors	75.2	56.2	173.2	51.9	52.7
Capital and Financial Account	142.0	234.6	163.8	291.9	328.6
Capital Account	22.3	15.7	16.2	27.7	38.1
Capital Transfers	22.3	15.7	16.2	27.7	38.1
Acquisition & Disposal of Non-Produced, Non-Financial Assets	0.0	0.0	0.0	0.0	0.0
Financial Account	119.7	218.9	147.6	264.2	290.6
Direct Investment	86.2	155.9	259.8	237.3	218.3
Portfolio Investment	5.6	38.2	13.5	55.6	100.1
Other Investments	27.9	24.8	(125.7)	(28.8)	(27.8)
Public Sector Long Term	46.2	38.6	(2.2)	43.2	19.6
Commercial Banks	(6.5)	83.2	(64.8)	(55.3)	(51.9)
Other Assets	9.7	24.9	29.0	(21.2)	(21.3)
Other Liabilities *	2.1	74.2	(29.7)	3.8	25.7
Overall Balance	29.9	7.5	(11.9)	31.3	23.9
Financing	(29.9)	(7.5)	11.9	(31.3)	23.9
Change in SDR holdings	0.0	0.0	0.0	0.0	0.0
Change in Reserve Position with the Fund	6.0	(0.2)	0.0	0.0	0.0
Change in Government Foreign Assets	(6.9)	0.1	(0.1)	0.2	0.0
Change in Imputed Reserves	(29.0)	(7.4)	(12.0)	(31.5)	(23.9)

Source: Planning Unit and ECCB

R=Revised P= Preliminary

* Includes Errors & Omissions

Data available at 15 May 2003

Table 31
St Lucia - Selected Economic Indicators

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
(Annual Percentage Change Unless Otherwise Indicated)					
National Income and Prices					
Nominal GDP at basic prices	5.9	6.8	2.5	(3.0)	1.0
Real GDP at basic prices	3.1	3.1	0.2	(4.6)	0.1
GDP Deflator	2.8	3.6	2.4	1.6	0.9
Consumer Prices (end of period)	3.6	6.1	0.3	2.1	(0.6)
Consumer Prices (period average)	2.8	3.5	3.7	1.9	(0.2)
Real GDP at Factor Cost by Selected Sectors					
Agriculture	3.1	(17.6)	2.0	(22.6)	(1.0)
Manufacturing	(1.2)	4.2	(2.6)	(4.9)	5.0
Electricity & Water	8.2	7.1	7.2	3.6	(0.2)
Construction	10.5	12.8	(4.6)	(5.0)	(4.8)
Wholesale and Retail	1.1	2.9	(6.4)	(15.1)	(3.2)
Hotels and Restaurants	2.4	4.2	2.7	(10.5)	(0.6)
Transportation	2.8	5.2	(1.3)	(1.3)	(3.8)
Communications	2.8	6.2	5.5	11.8	7.5
Banks and Insurance	5.0	8.8	3.0	2.7	1.2
Government Services	1.5	1.2	1.3	1.1	0.9
Other Services	3.0	3.2	3.3	(7.3)	1.8
(as a percentage of GDP)					
External Sector					
Current Account Balance	(10.4)	(12.4)	(9.4)	(7.7)	(6.7)
Overall Balance	2.4	1.2	1.2	1.6	3.8
Trade Balance	36.9	38.5	38.1	35.0	31.5
Public Sector External Debt (end of period)	23.0	23.6	27.2	32.9	38.0
Central Government					
Current Account Balance	5.6	6.7	6.7	2.0	2.8
Current Revenue	24.9	26.9	26.8	25.1	25.1
Current Expenditure	19.2	20.1	20.2	23.1	22.3
Capital Expenditure and Net Lending	5.8	7.0	8.2	7.0	7.6
Overall Fiscal Balance	3.8	3.4	(1.4)	(3.9)	(2.1)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	4.8	4.8	4.9	4.8	3.8
Weighted Lending Interest Rates	11.2	13.1	13.1	12.8	12.5
(in millions of EC dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	1,410.7	1,506.4	1,544.4	1,497.3	1,512.6
Real GDP at basic prices	1,124.2	1,159.0	1,160.9	1,107.8	1,109.1
Nominal GDP at Market Prices	1,704.3	1,796.0	1,836.0	1,757.2	1,814.8
GDP per capita (EC\$)	9,284	9,801	9,900	9,483	9,505
Merchandise Imports (f.o.b)	796.5	842.4	843.6	734.6	744.8
Merchandise Exports (f.o.b)	167.9	150.3	144.3	120.3	173.8
Gross Visitor Expenditure	749.6	752.1	802.9	697.7	691.7

Source: Statistics Department and ECCB
R=Revised P=Preliminary
Data available at 13 May 2003

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

	1998	1999	2000	2001	2002 ^P
Current Revenue	423.6	482.4	492.6	441.9	455.4
Tax Revenue	388.9	414.8	436.2	397.2	412.9
Taxes on Income & Profits	107.8	117.1	136.7	133.7	107.6
Of which:					
Personal	40.3	44.6	48.2	49.2	47.4
Company	38.9	50.7	62.7	62.6	45.8
Taxes on Property	1.2	0.7	1.9	1.3	6.9
Taxes on Domestic Goods & Services	53.8	54.4	81.6	70.9	83.4
Of which:					
Consumption Duty	12.4	11.4	10.9	5.3	4.9
Hotel Occupancy Tax	15.0	18.1	21.2	20.9	19.7
Taxes on International Trade & Transactions	226.1	242.6	216.1	191.3	215.0
Of Which:					
Consumption Tax (Imports)	122.2	123.9	90.9	93.8	110.0
Import Duty	68.5	74.6	65.5	53.7	57.7
Service Charge (Imports)	28.9	35.8	34.4	28.8	30.8
Non-Tax Revenue	34.7	67.7	56.4	44.7	42.5
Current Expenditure	327.7	361.8	370.5	406.3	405.5
Personal Emoluments	178.7	198.4	203.8	215.3	211.1
Goods & Services	60.9	71.3	72.2	73.8	64.7
Interest Payments	19.9	27.0	27.0	46.2	43.8
Domestic	14.2	18.8	18.4	24.9	22.2
External	5.7	8.2	8.7	21.3	21.5
Transfers & Subsidies	68.3	65.1	67.5	71.0	85.9
Of Which: Pensions	20.6	26.5	33.0	31.2	33.0
Current Account Balance (before grants)	95.9	120.6	122.1	35.6	49.9
Capital Revenue	5.1	3.0	0.3	1.3	21.3
Grants	62.3	62.8	3.5	17.5	29.0
Of which: Capital Grants	62.3	62.8	3.5	17.5	29.0
Capital Expenditure & Net Lending	99.1	125.8	151.0	122.9	138.1
Overall Balance (after grants)	64.2	60.7	(25.1)	(68.4)	(37.9)
Financing	(64.2)	(60.7)	25.1	68.4	37.9
Domestic	(65.1)	(88.2)	(57.0)	23.5	(10.2)
ECCB (net)	(1.7)	(4.3)	(4.4)	7.4	(7.8)
Commercial Banks (net)	(13.8)	(20.6)	(17.6)	(34.7)	24.5
Other	(49.5)	(63.3)	(35.0)	50.7	(27.0)
External	0.9	27.1	76.2	45.0	48.2
Net Amortisation	15.9	37.4	86.3	45.0	104.6
Disbursements	25.7	47.3	100.3	96.5	148.8
Amortisation	(9.9)	(9.9)	(14.1)	(51.5)	(44.2)
Change in Govt. Foreign Assets	(15.0)	(10.3)	(10.1)	--	(56.5)
Arrears	--	0.4	5.9	--	--
Domestic	--	--	--	--	--
External	--	0.4	5.9	--	--

Source: Ministry of Finance, Treasury Department and ECCB Estimates
P=Preliminary
Data available at 18 April 2003

Table 33
St Lucia Monetary Survey
(In millions of Eastern Caribbean dollars)

	1998	1999	2000	2001	2002 ^P
Net Foreign Assets	92.6	81.4	116.6	117.4	105.2
Central Bank (net)	185.0	195.6	207.8	235.2	248.1
Commercial Banks (net)	(92.4)	(114.2)	(91.2)	(117.8)	(142.8)
External (net)	(78.8)	(113.1)	(86.9)	(165.2)	(191.2)
Assets	82.9	87.4	80.7	100.1	108.3
Liabilities	161.7	200.5	167.5	265.2	299.5
Other ECCB Territories (net)	(13.6)	(1.2)	(4.3)	47.4	48.3
Assets	60.4	59.1	55.3	76.0	119.8
Liabilities	74.0	60.3	59.6	28.6	71.4
Net Domestic Assets	903.8	1,011.9	1,062.8	1,116.9	1,168.1
Domestic Credit	989.9	1,114.6	1,196.7	1,381.9	1,432.5
Central Government (net)	(38.9)	(63.8)	(85.8)	(113.1)	(96.3)
Other Public Sector (net)	(171.3)	(175.4)	(172.7)	(168.6)	(154.3)
Non-Bank Financial Institutions (net)	(49.9)	(38.6)	(24.9)	(43.4)	(32.7)
Subsidiaries & Affiliates (net)	(8.1)	(1.9)	(1.6)	165.1	162.4
Private Sector	1,258.2	1,394.2	1,481.7	1,541.8	1,553.5
Other Items (net)	(86.1)	(102.7)	(134.0)	(265.0)	(264.4)
Money Supply (M2)	996.4	1,093.3	1,179.4	1,234.3	1,273.3
Currency	77.5	84.1	84.6	82.1	83.6
Demand Deposits	170.4	183.6	201.5	201.7	204.0
Savings Deposits	467.9	512.5	551.1	573.3	652.3
Time Deposits	273.6	292.2	334.7	364.4	309.6
Foreign Currency Deposits	7.1	20.9	7.6	12.8	23.8

Source: ECCB

P=Preliminary

Data available at 31 January 2003

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

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Current Account	(177.7)	(221.9)	(172.0)	(135.6)	(122.3)
Goods and Services	(116.2)	(178.4)	(99.6)	(59.7)	(43.1)
Goods	(606.7)	(677.9)	(673.4)	(587.8)	(544.3)
Merchandise	(628.6)	(692.1)	(699.3)	(614.3)	(571.0)
Repair on goods	--	--	--	--	--
Goods procured in ports by carriers	21.9	14.2	25.9	26.5	26.7
Services	490.4	499.6	573.8	528.1	501.2
Transportation	(66.4)	(91.2)	(101.5)	(67.7)	(82.9)
Travel	665.4	663.1	713.0	612.6	605.7
Insurance Services	(12.6)	(13.6)	(12.3)	(7.9)	(7.8)
Other Business Services	(68.6)	(41.5)	(3.4)	9.3	5.3
Government Services	(27.4)	(17.1)	(22.1)	(18.2)	(19.1)
Income	(114.1)	(103.0)	(118.6)	(112.8)	(115.8)
Compensation of Employees	0.4	0.5	0.7	0.2	0.2
Investment Income	(114.5)	(103.5)	(119.3)	(113.0)	(116.0)
Current Transfers	52.7	59.4	46.2	36.9	36.5
General Government	11.6	16.4	8.0	2.0	2.0
Other Sectors	41.0	43.0	38.2	34.9	34.5
Capital and Financial Account	218.4	242.8	194.2	163.0	191.7
Capital Account	66.6	67.9	38.3	24.1	35.6
Capital Transfers	66.6	67.9	42.6	24.1	35.6
General Government	62.3	62.9	37.6	17.5	29.0
Other Sectors	4.3	5.0	5.0	6.6	6.6
Acquisition & Disposal of Non-Produced, Non-Financial Assets	--	--	(4.3)	--	--
Financial Account	151.8	174.9	156.0	138.9	156.1
Direct Investment	225.2	223.6	148.2	60.4	59.8
Portfolio Investment	9.0	1.4	13.1	(0.8)	122.1
Other Investments	(82.3)	(50.1)	(5.4)	79.3	(25.8)
Public Sector Long Term	19.6	34.0	79.3	52.8	42.7
Other Public Sector Capital	--	--	--	--	--
Commercial Banks	(74.0)	21.8	(23.1)	26.6	25.0
Other Assets	(30.9)	(52.2)	(40.5)	(47.1)	(50.5)
Other Liabilities*	3.0	(53.7)	(21.2)	47.1	(43.0)
Overall Balance	40.7	20.9	22.2	27.4	69.4
Financing	(40.7)	(20.9)	(22.2)	(27.4)	(69.4)
Change in SDR Holdings	--	--	--	--	--
Change in Reserve Position with the Fund	--	--	--	--	--
Change in Government Foreign Assets	(15.0)	(10.3)	(10.1)	--	(56.5)
Change in Imputed Reserves	(25.7)	(10.6)	(12.2)	(27.4)	(12.9)

Source: ECCB & Statistics Departments

R=Revised P=Preliminary

* includes errors & omissions

Data available at 7 May 2003

Table 35
St Vincent and the Grenadines
Selected Economic Indicators

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
(Annual percentage change unless otherwise stated)					
National Income and Prices					
Nominal GDP at basic prices	8.6	3.6	1.7	2.1	3.4
Real GDP at basic prices	5.7	3.6	2.0	(0.1)	1.4
GDP Deflator	2.7	0.0	(0.3)	2.2	2.0
Consumer Prices (end of period)	3.3	(1.8)	1.4	0.8	(0.1)
Consumer Prices (period average)	2.1	1.0	0.2	1.5	0.7
Real GDP at Factor Cost by Selected Sectors					
Agriculture	8.3	(3.8)	6.6	(7.7)	11.8
Manufacturing	(5.6)	(0.9)	(9.4)	5.6	(2.9)
Electricity & Water	7.5	8.8	6.1	11.2	2.6
Construction	13.8	(4.1)	(13.5)	7.1	(2.9)
Wholesale and Retail	10.0	8.0	7.7	3.4	3.2
Hotels and Restaurants	(4.2)	9.1	6.3	(3.0)	(8.0)
Transportation	3.7	4.1	1.3	1.1	2.7
Communications	11.6	19.6	9.2	(12.2)	(10.2)
Banks and Insurance	3.6	11.0	5.4	(7.6)	4.4
Government Services	2.3	(0.2)	2.1	2.5	3.1
Other Services	4.0	5.0	6.0	4.0	4.7
(as a percentage of GDP)					
External Sector					
Current Account Balance	(29.8)	(21.9)	(8.4)	(11.7)	(12.9)
Overall Balance	2.5	1.3	4.2	2.6	(1.6)
Trade Balance	37.6	38.5	27.8	31.6	32.5
Public Sector External Debt (end of period)	31.7	48.5	47.7	49.0	46.7
Central Government					
Current Account Balance	4.2	3.5	2.2	1.4	3.2
Current Revenue	28.2	28.7	28.8	29.1	31.3
Current Expenditure	24.0	25.3	26.5	27.7	28.2
Capital Expenditure and Net Lending	12.1	7.1	3.9	5.0	5.9
Overall Fiscal Balance	(3.3)	(1.7)	(0.4)	(1.6)	(2.0)
(per cent per annum)					
Monetary Sector					
Weighted Deposit Interest Rates	4.4	4.6	4.5	4.5	4.2
Weighted Lending Interest Rates	11.4	11.6	11.5	11.9	11.4
(in millions of EC dollars, unless otherwise stated)					
Memo					
Nominal GDP at basic prices	724.2	750.4	762.9	779.1	806.0
Real GDP at basic prices	579.9	600.8	612.9	612.3	620.9
Nominal GDP at Market Prices	856.6	891.7	905.7	935.2	975.0
GDP per capita (EC\$)	6,477	6,716	6,812	6,957	7,070
Merchandise Imports (f.o.b)	456.6	477.1	388.0	408.3	422.6
Merchandise Exports (f.o.b)	134.1	133.4	136.6	112.4	106.1
Gross Visitor Expenditure	197.7	206.5	203.4	216.5	219.5

Source: Statistics Department and ECCB
R=Revised P=Preliminary
Data available at 16 May 2003

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

	1998 ^R	1999 ^R	2000 ^R	2001 ^R	2002 ^P
Current Revenue	241.5	256.0	260.5	272.2	305.6
Tax Revenue	206.2	215.5	216.8	230.6	259.8
Taxes on Income & Profits	72.9	70.6	71.5	70.7	87.9
Of Which:					
Individual	30.4	31.1	32.1	33.8	35.0
Company Tax	38.6	33.1	36.1	33.3	45.2
Taxes on Property	2.0	2.3	2.3	3.5	2.5
Taxes on Domestic Goods & Services	27.8	32.3	40.7	44.6	42.7
Of Which:					
Consumption Duties	6.2	6.1	7.1	6.2	5.9
Hotel Turnover Tax	3.8	4.4	5.2	5.4	4.5
Taxes on International Trade & Transactions	103.5	110.3	102.4	111.8	126.7
Of Which:					
Import Duty	22.5	23.9	22.5	25.4	25.6
Consumption Tax	66.4	69.7	58.6	65.1	77.9
Customs Service Charge	10.2	10.9	15.8	16.6	18.2
Non-Tax Revenue	35.3	40.6	43.7	41.6	45.9
Current Expenditure	205.3	225.2	240.4	258.7	274.6
Personal Emoluments	112.2	118.3	123.2	128.6	138.3
Other Goods & Services	44.6	52.5	53.1	52.9	62.8
Interest Payments	13.5	20.1	25.6	24.6	25.5
Domestic	8.6	9.7	12.4	12.6	13.8
External	4.9	10.4	13.2	12.1	11.6
Transfers & Subsidies	35.1	34.3	38.4	52.5	48.1
Of which: Pensions	11.6	10.8	16.0	5.0	--
Current Account Balance	36.2	30.8	20.2	13.4	31.0
Capital Revenue	6.2	4.9	1.4	1.0	0.8
Grants	32.6	12.4	9.7	17.3	6.8
Of which: Capital Grants	32.6	12.4	9.7	17.3	6.8
Capital Expenditure and Net Lending	103.3	63.6	35.1	46.7	57.7
Overall Balance	(28.3)	(15.5)	(3.9)	(15.0)	(19.1)
Financing	28.3	15.5	3.9	15.0	19.1
Domestic	(12.9)	14.4	(2.1)	(10.8)	2.9
Central Banks	(1.3)	8.4	(7.4)	(2.1)	4.2
Commercial Banks	(16.5)	0.4	13.5	(16.1)	37.9
Other	4.8	5.6	(8.2)	7.4	(39.1)
External	41.2	1.1	5.9	25.8	16.3
Net Amortisation	42.4	2.6	9.7	33.3	23.3
Disbursements	52.1	15.2	20.6	46.0	36.4
Amortisation	(9.7)	(12.6)	(10.9)	(12.7)	(13.1)
Change in Govt. Foreign Assets	(1.3)	(1.5)	(3.8)	(7.5)	(7.0)
Arrears	--	--	--	--	--
Domestic	--	--	--	--	--
External	--	--	--	--	--

Source: Ministry of Finance, Treasury Department and ECCB Estimates
R=Revised P=Provisional
Data available at 12 May 2003

Table 37
St Vincent and the Grenadines - Monetary Survey
(In millions of Eastern Caribbean dollars)

	1998 ^R	1999	2000	2001 ^R	2002
Net Foreign Assets	179.5	215.4	280.2	254.0	272.8
Central Bank (net)	102.5	112.9	147.0	164.1	141.7
Commercial Banks (net)	77.0	102.5	133.2	89.9	131.1
External (net)	0.9	25.3	(56.6)	(22.5)	(3.6)
Assets	61.6	135.2	75.9	142.6	143.4
Liabilities	60.7	109.9	132.5	165.1	146.9
Other ECCB Territories (net)	76.1	77.2	189.8	112.3	134.7
Assets	82.8	107.6	210.4	141.5	170.2
Liabilities	6.8	30.4	20.6	29.1	35.6
Net Domestic Assets	336.5	365.1	355.3	400.9	436.4
Domestic Credit	366.6	410.9	475.7	468.6	534.0
Central Government (net)	47.2	56.0	62.2	44.0	86.0
Other Public Sector (net)	(148.3)	(146.0)	(140.6)	(120.9)	(131.6)
Non-Bank Financial Institutions (net)	(18.8)	(44.7)	(37.6)	(59.9)	(53.7)
Subsidiaries & Affiliates (net)	--	--	(0.4)	--	--
Private Sector	486.4	545.6	592.1	605.5	633.4
Other Items (net)	(30.0)	(45.8)	(120.3)	(67.7)	(97.6)
Money Supply (M2)	516.1	580.5	635.5	654.9	709.3
Currency	36.4	57.5	52.1	51.5	54.0
Demand Deposits	114.3	125.2	160.1	167.7	185.1
Savings Deposits	252.0	268.8	277.5	285.0	304.0
Time Deposits	101.2	112.4	137.1	143.1	156.4
Foreign Currency Deposits	12.1	16.6	8.6	7.6	9.7

Source: ECCB

R=Revised

Data available at 12 May 2003

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

	1998 ^R	1999	2000 ^R	2001 ^R	2002 ^P
Current Account	(255.1)	(194.9)	(76.2)	(109.3)	(125.8)
Goods and Services	(247.7)	(184.0)	(74.7)	(100.0)	(122.0)
Goods	(323.6)	(344.1)	(250.0)	(294.9)	(315.7)
Merchandise	(322.5)	(343.7)	(251.4)	(295.9)	(316.5)
Repair on goods	0.0	0.0	0.0	0.0	0.0
Goods procured in ports by carriers	(1.1)	(0.4)	1.4	1.0	0.8
Services	76.0	160.1	175.3	194.8	193.7
Transportation	(47.0)	(49.7)	(38.7)	(43.7)	(45.7)
Travel	177.4	181.6	177.1	189.9	191.8
Insurance Services	(10.6)	(10.6)	(8.0)	(9.3)	(9.6)
Other Business Services	(33.9)	46.8	52.0	63.3	62.9
Government Services	(10.0)	(8.1)	(7.1)	(5.4)	(5.7)
Income	(37.1)	(52.5)	(52.1)	(50.5)	(45.5)
Compensation of Employees	0.2	0.3	0.4	0.3	0.3
Investment Income	(37.3)	(52.9)	(52.5)	(50.8)	(45.8)
Current Transfers	29.6	41.7	50.7	41.3	41.7
General Government	0.7	2.5	7.5	(1.3)	(1.5)
Other Sectors	28.9	39.2	43.2	42.5	43.3
Capital and Financial Account	276.7	206.8	114.1	133.9	110.4
Capital Account	36.0	21.1	32.6	22.6	32.7
Capital Transfers	36.0	21.1	32.6	22.6	32.7
Acquisition & Disposal of Non-Produced, Non-Financial Assets	--	--	--	--	--
Financial Account	240.7	185.7	81.5	111.3	77.7
Direct Investment	240.2	151.4	78.7	56.8	51.4
Portfolio Investment	(0.3)	(0.3)	3.9	9.4	16.7
Other Investments	0.9	34.5	(1.2)	45.1	9.6
Public Sector Long Term	38.9	0.3	6.1	38.0	5.2
Other Public Sector Capital	--	--	--	--	6.0
Commercial Banks	(28.2)	(25.5)	(30.7)	43.3	(41.2)
Other Assets	(7.8)	(22.7)	(23.9)	(26.1)	(27.2)
Other Liabilities*	(2.1)	82.5	47.3	(10.2)	66.8
Overall Balance	21.6	11.9	37.9	24.6	(15.4)
Financing	(21.6)	(11.9)	(37.9)	(24.6)	15.4
Change in SDR holdings	--	--	--	--	--
Change in Reserve Position with the Fund	--	--	--	--	--
Change in Government Foreign Assets	(1.3)	(1.5)	(3.8)	(7.5)	(7.0)
Change in Imputed Reserves	(20.4)	(10.4)	(34.1)	(17.1)	22.4

Source: ECCB

R=Revised P=Preliminary

* includes errors & omissions

Data available at 16 May 2003

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 2003 and the related Statements of Income and Expenditure, General Reserve and Cash Flows 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 financial statement 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 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards, and in all material respects, comply with the Eastern Caribbean Central Bank Agreement Act 1983.



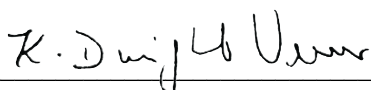
Chartered Accountants

BASSETERRE - St Kitts
10 June 2003

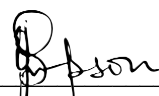
EASTERN CARIBBEAN CENTRAL BANK
BALANCE SHEET AT 31 MARCH 2003
(Expressed in Eastern Caribbean Dollars)

ASSETS	Notes	<u>2003</u>	<u>2002</u>
FOREIGN RESERVE ASSETS			
Foreign Securities	5	941,452,996	791,376,809
Term Deposits and Money at Call	6	466,971,400	368,020,301
Balances with Foreign Banks	7	8,736,726	8,995,630
Interest Accrued on Securities and Deposits		13,282,688	11,615,419
Regional and Foreign Currencies		24,717,141	30,877,930
		<u>1,455,160,951</u>	<u>1,210,886,089</u>
DOMESTIC ASSETS:			
Participating Governments Securities		41,218,780	44,350,108
Balances with Local Banks		190,443	204,798
Due from Participating Governments		21,431,950	43,224,294
Long Term Loans Receivable		348,750	419,908
Other Investments - At Cost		5,500,020	2,500,020
Fixed Assets	8	72,019,243	76,471,544
Accounts Receivable and Prepaid Expenses		21,978,917	28,796,261
		<u>162,688,103</u>	<u>195,966,933</u>
TOTAL		<u><u>\$1,617,849,054</u></u>	<u><u>\$1,406,853,022</u></u>
REPRESENTED BY:-			
LIABILITIES AND NET WORTH			
DEMAND LIABILITIES:			
Internal		1,440,683,569	1,248,498,280
Foreign		5,797,334	18,569,331
IMF: Government General Reserve Accounts		808,168	819,916
Bankers' Deposits		24,581,893	19,502,265
Local Governments Fixed Deposits		-	1,000,000
Statutory Bodies Fixed Deposits		818,000	818,000
Other		9,433,632	11,833,926
		<u>1,482,122,596</u>	<u>1,301,041,718</u>
OTHER LIABILITIES:	9	<u>3,731,124</u>	<u>3,987,564</u>
NET WORTH:			
General Reserve		68,056,542	61,663,603
Reserve Funds		63,938,792	40,160,137
		<u>131,995,334</u>	<u>101,823,740</u>
TOTAL		<u><u>\$1,617,849,054</u></u>	<u><u>\$1,406,853,022</u></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 2003
(Expressed in Eastern Caribbean Dollars)**

INCOME	<u>2003</u>	<u>2002</u>
Interest	47,423,034	49,794,260
Other	<u>21,843,279</u>	<u>20,758,217</u>
	<u>69,266,313</u>	<u>70,552,477</u>
 EXPENDITURE		
Interest	2,263,176	2,812,574
Administration and General	49,129,823	50,012,735
Supplies of Currency	<u>5,087,437</u>	<u>6,215,649</u>
	<u>56,480,436</u>	<u>59,040,958</u>
 NET INCOME FOR THE YEAR	 12,785,877	 11,511,519
Transfers (to)/from:		
General Reserve	(6,392,939)	(9,722,846)
Profit Equalisation Fund	<u>2,207,062</u>	<u>9,211,327</u>
 BALANCE DISTRIBUTABLE TO PARTICIPATING GOVERNMENTS	 <u>\$8,600,000</u>	 <u>\$11,000,000</u>

The attached Notes form part of these Accounts.

**EASTERN CARIBBEAN CENTRAL BANK
STATEMENT OF GENERAL RESERVE
FOR THE YEAR ENDED 31 MARCH 2003
(Expressed in Eastern Caribbean Dollars)**

	<u>2003</u>	<u>2002</u>
GENERAL RESERVE - At Beginning of Year	61,663,603	51,940,757
Amount allocated out of Net Income for the Year	<u>6,392,939</u>	<u>9,722,846</u>
GENERAL RESERVE - At End of Year	<u>\$68,056,542</u>	<u>\$61,663,603</u>

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

In accordance with the provisions of Article 6 (3) of the Eastern Caribbean Central Bank Agreement 1983, an amount equal to one half of the net profits for the year under review was transferred to General Reserve.

The attached Notes form part of these Accounts.

EASTERN CARIBBEAN CENTRAL BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2003
(Expressed in Eastern Caribbean Dollars)

	<u>2003</u>	<u>2002</u>
Cash provided by operating activities:		
Net Income for year	12,785,877	11,511,519
Add (subtract) non-cash items		
Depreciation	<u>5,716,917</u>	<u>6,185,884</u>
Cash provided by operating activities	<u>18,502,794</u>	<u>17,697,403</u>
Cash from investing activities		
Foreign securities	(150,076,187)	(126,537,572)
Unrealised holding gains (losses) on foreign securities	23,247,524	(5,628,572)
Interest accrued on securities and deposits	(1,667,269)	2,066,469
Participating government securities	3,131,328	9,365,464
Due from participating governments	21,792,344	(4,046,882)
Long term loan receivable	71,158	120,204
Other investments	(3,000,000)	-
Additions to fixed assets	(766,216)	(1,675,948)
Written down value of assets disposed	-	39,200
Accounts receivable and prepaid expenses	<u>6,817,344</u>	<u>3,984,876</u>
Net cash used by investing activities	<u>(100,449,974)</u>	<u>(122,312,761)</u>
Cash flows from financing activities:		
Demand liabilities	181,080,878	179,450,760
Other liabilities	(256,440)	(248,916)
Export credit guarantee fund	32,731	50,949
Portion of current year's profit distributed to participating governments	<u>(6,392,938)</u>	<u>(1,788,673)</u>
Net cash provided by financing activities	<u>174,464,231</u>	<u>177,464,120</u>
Increase in Cash	92,517,051	72,848,762
Cash at beginning of year	<u>408,098,659</u>	<u>335,349,897</u>
Cash at end of year	<u>\$500,615,710</u>	<u>\$408,098,659</u>
Comprised of:		
Term deposits and money at call	466,971,400	368,020,301
Balances with foreign banks	8,736,726	8,995,630
Regional and foreign currencies	24,717,141	30,877,930
Balances with local banks	190,443	204,798
	<u>\$500,615,710</u>	<u>\$408,098,659</u>

The attached Notes form part of these Accounts.

**EASTERN CARIBBEAN CENTRAL BANK
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2003
(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 ACTIVITIES

The principal activities of the Eastern Caribbean Central Bank are 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 Financial Statements on the accrual basis of accounting.

**EASTERN CARIBBEAN CENTRAL BANK
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2003
(Continued)
(Expressed in Eastern Caribbean Dollars)**

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) Investments:

Subsidiary and Associated Companies - At Cost

The investments in the subsidiary and associated companies by the Bank were not consolidated since they are considered Special Purpose Entities that operate under severe long-term restrictions which significantly impair their ability to transfer funds to the Central Bank.

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 2003.

e) Retirement Benefits:

The cost of pensions is assessed in accordance with the advice of independent actuaries and accounted for on the basis of charging the cost to the income and expenditure account, on a systematic basis, over the employees' service lives using the projected unit method (see note 13).

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 2003
(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 2003 are converted at the mid-market rates as follows:-

Swedish Krona	Sek 1	=	EC \$0.3178
Sterling	£1	=	EC \$4.2706
United States	\$1	=	EC \$2.70
Canadian	\$1	=	EC \$1.8392
SDR	SDR1	=	EC \$3.709233
Trinidad	\$1	=	EC \$0.434643
Barbados	\$1	=	EC \$1.35
Jamaica	\$1	=	EC \$0.048769
Guyana	\$1	=	EC \$0.014118
Japan	Y1	=	EC \$0.0228
Australia	\$1	=	EC \$1.6273
Belize	\$1	=	EC \$1.35
Switzerland	CHF1	=	EC \$1.9951
Euro	EUR	=	EC \$2.944
Kuwait	KWD	=	EC \$9.0075
Venezuela	VEB 1	=	EC\$0.0017
S. Korea	KRW 1	=	EC\$0.002152
Denmark	DKK 1	=	E\$0.3964

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 2003
(Continued)
(Expressed in Eastern Caribbean Dollars)**

4 FOREIGN RESERVE ASSETS

- a) Under Article 24 (2) of the Eastern Caribbean Central Bank Agreement 1983, the Bank is required to maintain a reserve of external assets equivalent to 60 per cent of its Notes and Coins in Circulation and other Demand Liabilities.
- b) The percentage of Foreign Reserve Assets to Demand Liabilities at 31 March 2003 was approximately 98.18 per cent (2002 = 93.07 per cent).

	Market Value	
5 FOREIGN SECURITIES	<u>2003</u>	<u>2002</u>
Euro	69,178,488	38,716,221
US Dollar	<u>872,274,508</u>	<u>752,660,588</u>
TOTAL	<u>\$941,452,996</u>	<u>\$791,376,809</u>
6 TERM DEPOSITS AND MONEY AT CALL	<u>2003</u>	<u>2002</u>
US Deposits	181,342,828	115,993,617
Special Drawing Rights	9,546,701	8,477,260
Repurchase Agreements	276,081,871	243,549,424
TOTAL	<u>\$466,971,400</u>	<u>\$368,020,301</u>
7 BALANCES WITH FOREIGN BANKS	<u>2003</u>	<u>2002</u>
United States Dollar Accounts	789,300	825,248
Sterling (£) Accounts	2,331,950	2,612,156
Canadian Dollar Accounts	234,432	272,591
Regional Central Banks	1,128,817	379,219
CARICOM Multilateral Clearing Facility	<u>4,252,227</u>	<u>4,906,416</u>
TOTAL	<u>\$8,736,726</u>	<u>\$8,995,630</u>

EASTERN CARIBBEAN CENTRAL BANK
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2003
(Continued)
(Expressed in Eastern Caribbean Dollars)

8	FIXED ASSETS	<u>2003</u>	<u>2002</u>
	Freehold Properties:		
	Buildings:		
	Cost - At Beginning of Year	73,100,816	73,084,781
	Additions	<u>-</u>	<u>16,035</u>
	Cost - At End of Year	<u>73,100,816</u>	<u>73,100,816</u>
	Depreciation - At Beginning of Year	6,917,228	5,455,212
	Depreciation Charge in Year	<u>1,462,017</u>	<u>1,462,016</u>
	Depreciation - At End of Year	<u>8,379,245</u>	<u>6,917,228</u>
	Net Book Value	<u>64,721,571</u>	<u>66,183,588</u>
	Lands:		
	Cost/Valuation - At Beginning of Year	4,080,314	3,929,692
	Additions	<u>498,400</u>	<u>150,622</u>
	Cost/Valuation - At End of Year	<u>4,578,714</u>	<u>4,080,314</u>
	Furniture and Office Equipment:		
	Cost - At Beginning of Year	12,444,637	11,644,716
	Additions	564,014	855,921
	Disposals	<u>(5,457)</u>	<u>(56,000)</u>
	Cost - At End of Year	<u>13,003,194</u>	<u>12,444,637</u>
	Depreciation - At Beginning of Year	9,701,438	8,238,234
	Depreciation Charge in Year	1,303,719	1,480,004
	Disposals	<u>(1,091)</u>	<u>(16,800)</u>
	Depreciation - At End of Year	<u>11,004,066</u>	<u>9,701,438</u>
	Net Book Value	<u>1,999,128</u>	<u>2,743,199</u>
	Sub-Total Carried Forward	<u>71,299,413</u>	<u>73,007,101</u>

**EASTERN CARIBBEAN CENTRAL BANK
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2003
(Continued)
(Expressed in Eastern Caribbean Dollars)**

8	FIXED ASSETS (cont'd)	<u>2003</u>	<u>2002</u>
	Sub-Total Brought Forward	<u>71,299,413</u>	<u>73,007,101</u>
	Computer System:		
	Cost - At Beginning of Year	16,828,546	16,332,859
	Additions	<u>160,927</u>	<u>495,687</u>
	Cost - At End of Year	<u>16,989,473</u>	<u>16,828,546</u>
	Depreciation - At Beginning of Year	13,820,440	10,649,276
	Depreciation Charge in Year	<u>2,896,481</u>	<u>3,171,164</u>
	Depreciation - At End of Year	<u>16,716,921</u>	<u>13,820,440</u>
	Net Book Value	<u>272,552</u>	<u>3,008,106</u>
	Machinery:		
	Cost - At End of Year	<u>398,646</u>	<u>398,646</u>
	Depreciation - At Beginning of Year	398,646	398,646
	Depreciation Charge in Year	<u>-</u>	<u>-</u>
	Depreciation - At End of Year	<u>398,646</u>	<u>398,646</u>
	Net Book Value	<u>-</u>	<u>-</u>
	Sub-Total Carried Forward	<u>71,571,965</u>	<u>76,015,207</u>

**EASTERN CARIBBEAN CENTRAL BANK
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2003
(Continued)
(Expressed in Eastern Caribbean Dollars)**

8	FIXED ASSETS (cont'd)	<u>2003</u>	<u>2002</u>
	Sub-Total Brought Forward	<u>71,571,965</u>	<u>76,015,207</u>
	Motor Vehicles:		
	Cost - At Beginning of Year	897,987	879,487
	Additions	-	53,000
	Disposals	<u>(42,000)</u>	<u>(34,500)</u>
	Cost - At End of Year	<u>855,987</u>	<u>897,987</u>
	Depreciation - At Beginning of Year	763,987	725,787
	Depreciation Charge in Year	54,700	72,700
	Disposals	<u>(42,000)</u>	<u>(34,500)</u>
	Depreciation - At End of Year	<u>776,687</u>	<u>763,987</u>
	Net Book Value	<u>79,300</u>	<u>134,000</u>
	Capital Work in Progress	<u>367,978</u>	<u>322,337</u>
	TOTAL NET BOOK VALUE	<u>\$72,019,243</u>	<u>\$76,471,544</u>
9	OTHER LIABILITIES	<u>2003</u>	<u>2002</u>
	Commemorative Coins in Circulation	1,379,972	1,379,972
	Long Term Loan Payable - USAID	<u>2,351,152</u>	<u>2,607,592</u>
	TOTAL	<u>\$3,731,124</u>	<u>\$3,987,564</u>

Long Term Loan Payable - USAID

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.

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10 CAPITAL COMMITMENTS

At 31 March 2003, there were no commitments for Capital Expenditure (2002 = Nil).

11 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 6.5 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.

(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 2003 amounted to \$1,068,000 (2002 = \$267,163).

(iii) Eastern Caribbean Securities Exchange Limited

Subsequent to 31 March 2003, the Eastern Caribbean Central Bank has given the following undertaking and guarantee in respect of the Eastern Caribbean Securities Exchange Limited, a Public Limited Company registered under the Laws of St Christopher-Nevis, West Indies:

- 1 An undertaking to postpone all claims in respect of present and future funds advanced to the Eastern Caribbean Securities Exchange Limited and its wholly-owned subsidiary companies by the Eastern Caribbean Central Bank up to year ending 31 March 2004 (balance at 31 March 2003, EC \$2,202,706);
- 2 Guarantee cover of the budgeted shortfall projected in respect of Eastern Caribbean Securities Exchange Limited and its wholly-owned subsidiary companies for the fiscal year ending 31 March 2004, in the amount of EC \$1,704,000 but not to exceed EC \$2,000,000.

The above undertaking and guarantee will be reviewed on 31 March 2004 and are irrevocable before this date.

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11 CONTINGENT LIABILITIES (cont'd)

(iv) Grenada High Court Civil Suit No GDAHCV 2001/0490

Counsel advised that there is a pending claim in the Grenada High Court (Claim No GDAHCV/2001/0490) instituted against the Eastern Caribbean Central Bank (ECCB) by Capital Bank International Limited. In the suit the claimant is seeking:

- 1 A declaration that the Plaintiff company being licensed to carry on banking business in Grenada is entitled to be admitted to membership of the Clearing House Facility established by the ECCB pursuant to the provisions of the Eastern Caribbean Central Bank Act 1983; and
- 2 An order directing the ECCB to admit immediately the plaintiff company as a member of the Clearing House Facility created in Grenada by the ECCB.

The Court of Appeal has ordered that the above pending issues be referred to Case Management for directions to be given by the High Court. This case management conference has not yet been scheduled by the High Court.

12 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 2003 Euro securities amounting to \$69.2m 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.

13 RETIREMENT BENEFITS

The Bank contributes to a defined benefit pension scheme covering substantially all full-time employees. The assets of the plan are held separately in independent trust administered funds.

The pension scheme is valued every three years by a firm of independent qualified actuaries. The latest available actuarial valuation was at 31 December 2000; it used the projected unit method, and showed that the actuarial value of the Fund's assets at 31 December 2000 represented 144 per cent of the benefits that had accrued to members at that date. The actuarial value of the Fund's assets at that time was \$35.6 million and the required future service contribution rate was 15.9 per cent of pensionable salaries.

The principal assumptions used in the valuation were that, over the long term, the return on new investments and current assets would exceed the rate of increase in salaries by 1 per cent p.a., there would be no increase in the rate of pensions and future expenses would be 1/2 per cent of pensionable salaries. It was also assumed that all retiring members would commute 1/4 of their pension for a cash lump sum at the rate of \$15 for every \$1 p.a. of pension surrendered.

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14 FINANCIAL INSTRUMENTS

a) Fair Value of Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction.

Determination of fair value:

Because of the short-term nature of some financial instruments, their fair value was determined to approximate their carrying value. The instruments are: term deposits and money at call, advances to participating governments, accounts receivable and prepaid expenses, and demand liabilities.

The fair value of foreign securities is assumed to be equal to the estimated market values as set out in note 3(d).

Because of their nature, there is no practical means of estimating the fair values of participating governments securities, long term loans receivable and payable.

b) Financial Instruments Risks:

Interest rate risk:

Interest rate risk is the risk of loss arising from changes in interest rates. The Bank manages this risk by monitoring interest rates daily, and seeks to minimise the exposures by devising a comprehensive risk assessment and tolerance strategy known as “Customised Benchmarking”. The effect of this tool is to reflect the risk tolerance level of the Bank and to measure the performance of all portfolio managers.

Credit risk:

Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligations. The Bank seeks to assess and minimise its credit risk exposure by actively monitoring established credit exposure limits for compliance, ensuring that business is only being conducted with the list of approved banks and monitoring custodian financial strength via rating agencies.

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments. Liquidity risk is also the risk that an entity will have to sell a financial asset quickly at much less than its fair value.

Liquidity is a key criterion in determining the composition of the Bank’s foreign reserves portfolio. A liquidity tranche is closely managed with a cash flow management policy strategy. Additionally, there is consistent monitoring and checking for compliance with approved portfolio diversification, asset allocation and asset quality.

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15 OPERATIONAL RISK

Operational risk is the risk of loss in both financial and non-financial terms resulting from human error and the failure of internal processes and systems.

Managing operational risk in the Bank is seen as an integral part of day-to-day operations and management, which includes explicit consideration of both the opportunities and the risks of all business activities. Operational risk management includes bank-wide corporate policies which describe the standard of conduct required of staff and specific internal control systems designed around the particular characteristics of various bank activities.

Compliance with corporate policies and departmental control systems are managed by:

- weekly reporting to the senior management/risk management committee;
- monthly management affirmation by each department's surveillance officer that corporate policies and departmental internal control systems have been complied with;
- an induction programme for new employees, which makes them aware of the requirements; and
- an active internal audit function.

16 COMPARATIVE FIGURES

Certain comparative amounts for 2002 have been reclassified to conform to the current year's presentation.

LIST OF COMMERCIAL BANKS THAT MAINTAIN CLEARING ACCOUNTS WITH THE ECCB

Antigua Barbuda Investment Bank Ltd
Antigua Commercial Bank
Bank of Antigua Ltd
Bank of Montserrat Ltd
Bank of Nevis
Bank of Nova Scotia
Bank of St Lucia
Banque Francaise Commerciale
Barclays Bank PLC
Caribbean Commercial Bank (Anguilla) Ltd
FirstCaribbean International Bank (Barbados) 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 Ltd