Annual Economic and Financial Review

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E A S T E R N C A R I B B E A N C E N T R A L B A N K

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INTERNATIONAL ECONOMIC DEVELOPMENTS

Overview

In the International Monetary Fund's January World Economic Outlook (WEO), the global performance was described as lackluster in 2016, recording a 3.1 per cent expansion, marginally below the 3.2 per cent increase in 2015. Tepid economic growth in the first half of 2016, was offset by an improved performance by advanced economies in the second half of the year, attributable to reductions in inventories and an uptick in manufacturing. The performance in the latter half of 2016, however, appears to have been counterbalanced by deceleration in growth for emerging market economies, predicated on factors unique to each jurisdiction.

During the year under review, headline inflation rates strengthened in advanced economies but core inflation rates remained broadly unchanged and generally below their targets. In emerging and developing economies, inflationary outcomes were mixed, reflecting developments in individual exchange rate regimes and factors attributable to individual domestic economies. During 2016, the monetary policy stance across the world was largely accommodative. Going forward, global economic growth is forecasted to accelerate to 3.4 per cent in 2017, from 3.1 per cent in 2016, on the strength of economic developments in advanced, emerging and developing economies. While advanced economies are projected to expand by 1.9 per cent, emerging market and developing economies are estimated to grow by 4.5 per cent in 2017. Notwithstanding the generally positive outlook, the forecast is clouded by uncertainties largely related to the potential changes in the policy stance of the USA by its new administration. Other risks to the downside include possible knock-on effects of the operationalisation of the Brexit referendum by the UK to leave the European Union, and rising geopolitical and trade tensions with North Korea and China.

Macro-economic Developments in the Major Economies

Real GDP and Labour Market Developments

Real GDP in the **United States of America**, the world's largest economy, increased by 1.6 per cent in 2016, compared with a 2.6 per cent expansion in 2015. The performance in 2016 was also the slowest expansion since 2011. The rise in real GDP in 2016 reflected positive contributions from personal consumption expenditure (PCE), residential fixed investment, state and local government spending, exports, and federal government spending that were partly offset by negative contributions from private inventory investment and non-residential fixed investment. The deceleration in real GDP reflected downturns in private inventory investment and in non-residential fixed investment; and decelerations in PCE, residential fixed investment, and state and local government spending. Labour market conditions improved in the USA during the year under review, as the unemployment rate declined to an average of 4.9 per cent in 2016 from 5.3 per cent in 2015. Notwithstanding these gains, the participation rate remained at an historic low of 62.7 per cent at the end of December 2016, mirroring the rate at the end of December 2015. The housing market in the USA performed creditably in 2016, recording an increase of 12.2 per cent in new home sales relative to 2015.

The **United Kingdom** economy slowed to a 2.0 per cent expansion in 2016, from 2.2 per cent in 2015. Output rose at a slower pace since the economy witnessed a contraction in agricultural output (0.6 per cent) as well as decelerations in the growth posted by services and construction of 2.8 per cent and 1.4 per cent respectively. Labour market conditions improved in 2016 as the unemployment rate fell to 4.9 per cent from 5.4 per cent in 2015.

The Gross Domestic Product of the **Eurozone** expanded by 1.7 per cent in 2016 slightly below the 1.9 per cent expansion in 2015. From the expenditure side, the positive contribution to GDP came mainly from increases in household final consumption expenditure (0.4 per cent), gross fixed capital formation (0.6 per cent), and government spending (0.4 per cent). In contrast, net trade subtracted 0.1 percentage points from growth. Meanwhile, exports rose by 1.5 per cent. The common currency bloc's growth trajectory may also have been buoyed by the positive influence of a strong labour market, high economic sentiment and accommodative monetary policy on the domestic market. The jobless rate in the Euro Area declined to 9.6 per cent in December of 2016 from 10.5 per cent a year earlier.

The economy of **Canada** expanded by 1.4 per cent in 2016, following 0.9 per cent growth in 2015. A major contributor to the expansion was household expenditure which grew by 0.6 per cent. Growth was also driven by higher outlays on durable goods (2.0 per cent) and financial services (1.6 per cent). Investment in housing also increased by 1.2 per cent. Final domestic demand continued to decelerate, with ongoing weakness in business investment, while total exports rose by 0.3 per cent, alongside a 3.5 per cent decline in overall imports. The labour market recorded improvements in 2016. The monthly average for unemployment was 7.0 per cent in 2016, compared with 6.9 per cent in 2015.

An expansion of 6.7 per cent was recorded for the economy of **China** in 2016, lower than the 6.9 per cent increase in 2015. This represented the weakest annual growth rate since 1990. This performance, which remained within the government's target range of 6.5 to 7.0 per cent, was characterised by moderations in the growth of consumption and investment. The unemployment rate in China remained virtually unchanged at slightly above 4.0 per cent. In the housing market, there were policy initiatives to slow the pace of development, which included increases in the down payment required on real estate purchases.

Commodity and Consumer Prices

Average prices for most industrial and agricultural commodities fell in 2016 after steeper declines in 2015. At the end of 2016, crude oil prices were above $50.0 per barrel. The annual average West Texas Intermediate (WTI) crude oil price in was $43.0 per barrel in 2016, down from $48.0 per barrel in 2015. However, the WTI price was $53.0 per barrel at the end of 2016, $16.0 per barrel higher than at the end of 2015, as anticipated supply cuts fuelled speculation of increased prices going forward. Similarly, UK Brent ended 2016 at $54.0 per barrel, up from $37.0 per barrel at the end of 2015.

Notwithstanding the higher closing price at the end of 2016, the annual average of $44.0 per barrel for 2016 was $8.0 per barrel below the 2015 average.

The average annual metals index fell by 6.0 per cent in 2016, relative to metal prices in 2015, the lowest in 11 years. Markets continue to rebalance due to slowing investment, mine closures, environmental constraints, and policy developments, particularly in Indonesia, the Philippines, and China. The declines were concentrated mainly in nickel, copper and aluminium, which registered reductions of a 19.1 per cent, 11.7 per cent and 3.7 per cent respectively. These price reductions were partly offset by higher prices for tin (11.6 per cent), zinc (8.2 per cent), lead (4.4 per cent) and iron ore (4.7 per cent). With respect to precious metals, the average price of gold per ounce rose to US$1,249 in 2016, from US$1,161 in 2015. The price of silver averaged US$17.1 per ounce in 2016, an increase from US$15.7 in 2015.

The Food and Agricultural Organization (FAO) Food Price Index (FFPI) averaged 161.5 in 2016, from 164.0 in 2015, representing a decline in most of the group sub-indices including meat, dairy and cereals. In contrast, increases in the sub-indices for vegetable oils and sugar were observed.

As a consequence of lower commodity prices, inflationary pressures generally remained within the 2.0 per cent target in most of the major economies. Consumer prices in the **United States**, increased by 2.1 per cent year-on-year in December 2016, boosted by higher gasoline and shelter costs. Consumer prices in the **United Kingdom** rose by 1.6 per cent year-on-year in December 2016, driven by rising costs of transport as well as housing and utilities, amid a weaker Pound. The core index which excludes prices of energy, food, alcohol and tobacco also advanced by 1.6 per cent. The **Eurozone's** consumer prices increased by 0.2 per cent in 2016 after remaining unchanged in 2015, while in **Canada** the consumer price index rose by 1.5 per cent in 2016, below the 1.6 per cent increase in 2015. Consumer prices in **China** rose by 2.1 per cent year-on-year in December of 2016.

Monetary Policy Developments

While inflation rates remained below most central banks' targets, monetary policy globally remained accommodative in support of higher economic activity. The most significant development in **US** monetary policy was the decision by the Federal Open Market Committee (FOMC) to raise the target range for the federal funds rate to 0.5 per cent to 0.75 per cent at its 14 December 2016 meeting. This was the first increase since the 17 December 2015 meeting. Notwithstanding the increase, the stance of monetary policy remains accommodative. In contrast, other major central banks have maintained a broadly unchanged monetary stance, remaining accommodative while electing to hold off on increasing rates as most economies continue to expand well below potential output. At its meeting ending 3 August 2016, the Monetary Policy Committee (MPC) of the **Bank of England** voted for a package of measures designed to provide additional support to growth and to achieve a sustainable return of inflation to the target. This package comprises: a 25 bps cut in the Bank Rate to 0.25 per cent; a new Term Funding Scheme to reinforce the pass-through of the cut in Bank Rate; the purchase of up to £10 billion of UK corporate bonds; and an expansion of the asset purchase scheme for UK government bonds of £60 billion, taking the total stock of these asset purchases to £435 billion. Subsequent to that meeting the Bank of England Monetary Policy Committee voted unanimously to hold the Bank Rate at a record low of 0.25 per cent and to leave the stock of purchased assets at £435 billion on 15 December 2016, in order to meet the 2.0 per cent inflation target, in a way that helps to sustain growth and employment. Policymakers reiterated that the path of monetary policy would depend on the evolution of the prospects for demand, supply, the exchange rate, and therefore inflation. Likewise, the **European Central Bank** held its benchmark refinancing rate at 0 per cent for the ninth consecutive meeting and left the pace of its bond-purchases unchanged on 09 March 2016. Policymakers confirmed that the monthly asset purchases will continue in the magnitude of the current monthly pace of €80 billion until March 2017, and from April 2017 they are intended to continue at a monthly pace of €60 billion until the end of 2017. Both the deposit rate and the lending rate were also left unchanged at negative 0.4 per cent and 0.25 per cent, respectively.

Interest rates in Canada averaged 5.94 per cent in 2016, unchanged from the average level in 2016. The **People's Bank of China** maintained its Base Rate at 4.35 per cent throughout the course of 2016.

Prospects

The global economy is expected to strengthen in 2017, supported by policy stimulus in the United States and China. Global growth is projected at 3.4 per cent and 3.6 per cent, in 2017 and 2018 respectively. Advanced economies are now projected to grow by 1.9 per cent in 2017 and 2.0 per cent in 2018, 0.1 and 0.2 percentage points more than what was forecast in the October 2016 WEO. It should be noted, though, that the projection is fraught with uncertainty owing to the developing policy changes of the new US administration. The IMF also projects growth in emerging markets and developing economies to increase from 4.1 per cent in 2016 to 4.5 per cent in 2017, largely attributable to a gradual normalization of conditions in several large economies including Argentina, Brazil, Mexico and Nigeria. Domestic factors such as challenges in implementing structural reforms, as well as capital outflows and tighter financial conditions are expected to constrain activity in some countries. However, this effect should be mitigated somewhat by weaker currencies, which should provide a boost to exports.

The **US** economy is forecasted to expand by 2.3 per cent and 2.5 per cent in 2017 and 2018, respectively, on the back of an improving labour market, rising manufacturing output and a firming housing market. Additional support is also expected from announced fiscal stimulus measures by the Trump Administration. This generally positive outlook may be offset by the continuing appreciation of the US dollar which is likely to weigh on manufacturing activity and exports. Further pressure on the US dollar is expected if the Fed decides to raise interest rates, which is widely anticipated. At its meeting on 31 January 2017, the Fed voted to maintain the target range for the federal funds rate at 0.5 per cent to 0.75 per cent, citing that a gradual increase in the rate may be warranted based on realised and expected economic conditions.

In its February 2017 Inflation Report, the **Bank of England** revised upwards its growth forecast for 2017 and 2018 to 2.0 per cent and 1.6 per cent, respectively. The upgraded forecast reflects the announcement for greater fiscal stimulus measures, stronger momentum in global activity and more supportive credit conditions, especially for households. Notwithstanding some strengthening in domestic demand, real consumer spending is likely to slow as pay growth moderates and import prices increase due to the depreciation of the Sterling. The projected higher import costs are expected to result in inflation overshooting the 2.0 per cent target over the medium term. In addition, there is a potential negative impact of Brexit on the British economy through trade and financial channels.

The economic recovery in the **Euro area** is expected to continue into 2017 and 2018 on the back of an improving labour market and stronger private consumption. In its Winter Forecast released in February 2017, the European Commission projected GDP growth of 1.6 per cent and 1.8 per cent for 2017 and 2018, respectively, largely based on a better-than-expected performance in the second half of 2016 and a robust start to 2017. The recovery is further projected to be given a boost by improving growth prospects for advanced economies outside of the Euro area as well as emerging market economies. Consequently, it is anticipated that the exports of goods and services are likely to increase relative to the levels in 2016. Inflation is projected to rise to 1.7 per cent in 2017 from 0.2 per cent in 2016, primarily due to higher global oil prices.

The **Canadian** economy is projected to grow by 1.9 per cent in 2017, compared with the revised growth of 1.3 per cent in 2016. The growth performance is expected to be underpinned by rising employment, household incomes and consumption. Growth is also expected to receive some support from increased exports, fueled by stronger foreign demand. However, export growth is likely to be mitigated by the recent appreciation of the Canadian dollar relative to most other currencies. Inflation is expected to approach 2.0 per cent in 2017 as the prices for gasoline and energy commodities increase generally.

The **Chinese** economy is projected to grow at 6.5 per cent in 2017. Activity in business investment is expected to slow as reforms to state-owned enterprises continue. In addition, recent measures introduced by local governments to curb rapid growth in housing sales and prices are expected to dampen residential investments.

Average crude oil prices are forecasted to rise to $55.0 per barrel in 2017, from $43.0 per barrel in 2016 following agreements among some Organization of the Petroleum Exporting Countries (OPEC) producers and non-OPEC producers to limit output in the first half of 2017. Metals prices are projected to rise by 11.0 per cent as a result of supply constraints, including large lead and zinc mine closures. Agricultural commodities prices are anticipated to rise slightly in 2017, with increases in oils and meals and raw materials, offset by decline in grains following favourable weather conditions in Europe, North America, and Central Asia.

Risks to global economic activity are generally skewed to the downside and include the potential impact of protectionist policies on trade and international flows and impaired balance sheets in the economies of some advanced economies. Other risks include high corporate debt; declining profitability and limited fiscal space in some emerging market and low income economies; and ongoing geopolitical risks in the Middle East and Africa, among other regions. On the upside, however, the fiscal policy stimulus emanating from the USA and China could potentially be larger than expected, thereby providing a boost to global trade.

DOMESTIC ECONOMIC DEVELOPMENTS

Overview

Preliminary data indicate that, concomitant with positive developments in the global economy, the pace of economic recovery in the Eastern Caribbean Currency Union (ECCU) strengthened in 2016, relative to the previous year. Albeit at a slower pace than the last two years, growth in economic activity was facilitated by, inter alia, positive developments in the major trading partners, and increases in output in a number of sectors in the domestic economy. **Real GDP in the Currency Union is estimated to have expanded for the fifth consecutive year at 2.2 per cent, compared with 2.6 per cent in 2015.** Expansions in value added were recorded for a number of key sectors, including construction, wholesale and retail trade and hotels and restaurants. Economic activity is estimated to have expanded in seven of the eight territories and was partially moderated by a contraction in Saint Lucia. The majority of the ECCU member states recorded deflationary conditions during 2016.

The overall surplus on the consolidated fiscal operations of member governments expanded, mainly associated with developments on the current side, supported by a reduction in capital expenditure. Despite the improvement in the overall fiscal performance, the outstanding debt of the public sector rose, largely due to increased domestic borrowing. In the banking sector, monetary liabilities and net foreign assets expanded while domestic credit contracted. Liquidity in the commercial banking system improved, associated with an expansion in the deposit base coupled with a decline in credit. The spread between commercial banks' weighted average lending and deposit interest rates widened. In the external sector, the merchandize trade deficit widened, largely driven by growth in import payments, coupled with a contraction in export receipts.

Short to medium term growth forecasts for the regional economy is favourable, based on positive GDP projections for all member territories. Expectations are for expansion of 2.9 per cent on average for the next two years. The main impetus for

this outlook is anticipated robust construction activity, supported by strengthened performances in agriculture and hotels and restaurants. Any improvement in these sectors of the economy is likely to have associated positive knock-on effects on a number of the other sectors, including wholesale and retail trade, transport, storage and communications and real estate, renting and business activities. Inflationary pressures are likely to be moderate, premised on the expectations for upward movement in commodity prices. It is anticipated that despite fiscal and debt challenges, the positive economic performance, along with governments' continued fiscal consolidation and debt management efforts, may contribute to further improvement on the central governments' consolidated fiscal balance. The economic outlook for the ECCU region remains contingent on developments in the global economy. On the upside, world output, notwithstanding inherent risks, is projected to expand at a faster pace in 2017, driven by improved activity in the advanced economies, the USA in particular. Downside risks to the forecasts include uncertainty in the advanced economies, more specifically the USA, considering the new administration's policy-shifting stance and its ramifications for the global economy. Other areas of concern regarding the growth forecasts for the ECCU are increased geopolitical tension and threats of global terrorism, slowdown in emerging market economies, especially China, adverse weather brought about by climate change and the spread of the ZIKA virus with related impact on visitor arrivals.

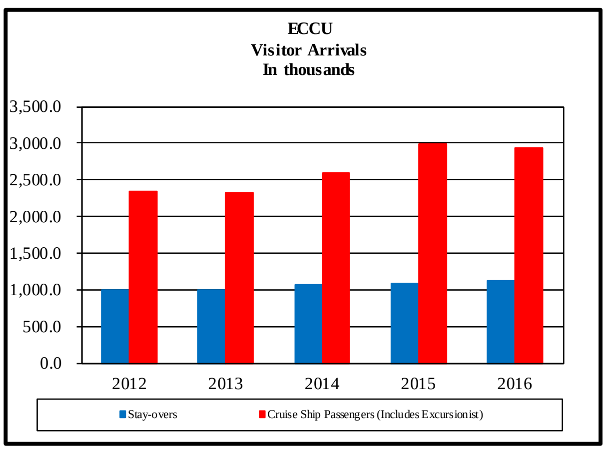
Output

Value added in the construction sector, a main contributor to economic growth in the ECCU, expanded by 7.0 per cent in 2016, compared with growth of 4.7 per cent in the prior year. The performance of the construction sector was a reflection of higher levels of activity in all of the eight member territories. Positive developments in the domestic economy, supported somewhat by stable average global economic growth, contributed to the increase in construction activity. Elevated private-sector-led activity across these member territories, largely accounted for the construction boost, which was supplemented by activity in the public sector, as outlays on capital projects rose in Antigua and Barbuda and Dominica. The increase in public expenditure was more pronounced in Dominica, where work continued on rehabilitation and reconstruction following the passage of tropical storm Erika in 2015. Private sector projects across the Union comprised mainly tourism related plants including hotels, condominiums, villas and resorts and to a lesser extent, residential properties. On a country basis, the impact of the increase in the construction sector was greatest in Dominica, where value added rose by 20.5 per cent, a stark contrast to a contraction of 20.3 per cent in 2015. Value added in construction also increased in Anguilla (14.0 per cent), Antigua and Barbuda (12.0 per cent), Montserrat (7.5 per cent), Grenada (7.0 per cent), St Vincent and the Grenadines (5.0 per cent), St Kitts and Nevis (3.5 per cent) and Saint Lucia (2.5 per cent).

Developments in the hotels and restaurants sector, a proxy for activity in the tourism industry, were marked by an estimated expansion of 4.1 per cent in value added compared with growth of 1.5 per cent in the previous year. On an individual territory basis, five countries recorded increases in tourism output. The improved performance in 2016 largely reflected growth in the number of stay-over visitors to the Currency Union, notwithstanding a disappointing year for the other sub-categories, particularly cruise ship passengers, which make up more than half of total visitor arrivals.

Stay-over visitor arrivals rose by 3.2 per cent to 1.1m, an acceleration from the pace of growth of 1.8 per cent recorded in 2015. The performance in this sub-category was mainly associated with growth in the number of visitors from the two largest source markets, the USA (6.3 per cent) and the Caribbean (6.2 per cent). Reductions were observed in the other major source markets, especially the third largest, the UK (2.3 per cent) and Canada (2.6 per cent). Six of the ECCU territories experienced increases in stay-over arrivals, ranging from 8.2 per cent in Anguilla to 0.9 per cent in Saint Lucia; the exceptions being Montserrat and St Kitts and Nevis, which both recorded declines of 1.1 per cent.

The number of cruise passengers, which represented 66.8 per cent of total visitor arrivals, fell by 1.9 per cent to 2.8m in contrast to growth of 15.6 per cent recorded in 2015. The underperformance in the cruise sub-sector stemmed from declines in passenger arrivals in three member countries. There was a marginal decline (0.1 per cent) in the overall number of cruise ship calls to 1,794. The impact of the contraction in the cruise ship sub-category was most pronounced in Saint Lucia, where the number of arrivals fell by 13.3 per cent (89,973), followed by declines of 7.1 per cent (44,879) in Antigua and Barbuda and 1.6 per cent (4,413) in Dominica. The impact of these declines was mitigated by increases of 4.5 per cent (40,783) in St Kitts and Nevis, 14.3 per cent (38.571) in Grenada, 6.3 per cent (5,129) in St Vincent and the Grenadines and 38.8 per cent (1,005) in Montserrat.

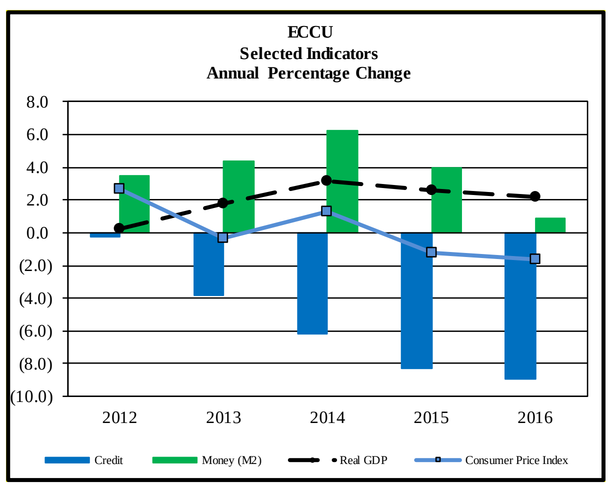


Of the other categories of visitors, the number of excursionists and yacht passengers decreased by 9.3 per cent and 1.2 per cent, respectively. Consequently, there was an overall marginal decline (0.8 per cent) in the total number of visitors to the ECCU region, in contrast to growth of 11.0 per cent recorded in 2015.

Spill-over effects from increased construction activity and the improvement in stay-over visitor arrivals are estimated to have contributed favourably to value added in sectors such as mining and quarrying (6.5 per cent) and wholesale and retail trade (4.6 per cent). Performance was generally favourable in most of the other major economic sectors, except manufacturing and agriculture, livestock and forestry. Improvements were also recorded in value added from, inter alia, electricity and water (3.5 per cent), financial intermediation (2.6 per cent) and real estate, renting and business activities (1.6 per cent).

On the contrary, value added in the manufacturing sector is estimated to have declined by 7.5 per cent, following a marginal expansion (0.8 per cent) in 2015. The sector continues to be constrained by a confluence of factors, including weak demand and competitiveness. Seven of the eight member countries are estimated to have recorded decreases in manufacturing activity. Manufacturing performance seemed to have been worse in Dominica, where a decline of 30.0 per cent was recorded as production fell for most commodities. The outturn for Dominica primarily reflected the adverse impact of tropical storm Erika, which triggered the closure of the main manufacturing facility on the island. Declines were also recorded in activity in St Kitts and Nevis (11.6 per cent), Anguilla (10.0 per cent), Saint Lucia (7.4 per cent), St Vincent and the Grenadines (5.0 per cent), Montserrat (2.5 per cent) and Antigua and Barbuda (2.0 per cent). Grenada, being the exception, experienced an expansion of 2.5 per cent in this sector's output, largely as a result of growth in the production of most beverages, chemicals and paints, flour and wheat bran.

Output in the agriculture, livestock and forestry sector is estimated to have contracted by 2.1 per cent, in contrast to a 9.5 per cent rise in 2015. The contraction in value added in that sector was driven by a fall in crop production in most of the islands, particularly in the output of nutmeg. Value added from nutmeg fell by 14.0 per cent, relative to the previous year, when it increased by 8.1 per cent. This outcome mirrored developments in the nutmeg industry in Grenada, where production decreased by 16.7 per cent. Output of other crops fell by 3.9 per cent, driven predominantly by contractions of 20.7 per cent in Grenada and 7.0 per cent in St Kitts and Nevis. These declines were partially offset by an increase in the output of bananas, resulting from expansions of 11.2 per cent and 7.0 per cent in Grenada and St Vincent and the Grenadines, respectively. On the contrary declines in banana output were recorded in Saint Lucia (16.0 per cent) and Dominica (8.0 per cent). The livestock sub-sector recorded a higher output, estimated at 5.1 per cent, in contrast to a 2.0 per cent contraction in 2015.



Prices, Wages and Employment

Although the behaviour of prices was mixed across the ECCU member states, it is estimated that deflationary conditions would have prevailed overall. Consumer prices remained virtually unchanged in St Kitts and Nevis and fell in three of the eight countries, with the declines ranging from 1.1 per cent in Antigua and Barbuda to 3.0 per cent in Saint Lucia. Some of the deflation arose from lower prices for food items, which were reported in six territories, and gas and fuels, observed in four member states. Price increases, by contrast, were noted in Anguilla (1.7 per cent), Dominica (1.6 per cent), St Vincent and the Grenadines (1.0 per cent) and Grenada (0.9 per cent).

Information with regard to wage movements in the public sector indicated mixed developments within the member territories. Public servants did not receive any wage or salary increases in Antigua and Barbuda, Dominica, Montserrat or Saint Lucia. Wage freezes remained in force in Saint Lucia in 2016, the last year of the 2013/16 wage negotiations and in Grenada, under its Home-grown Programme of Fiscal Adjustment and Reforms. Increment payments were awarded to public servants in Grenada, while the salaries of a small proportion of government employees in Antigua and Barbuda were adjusted. Public servants in St Vincent and the Grenadines were granted a 1.5 per cent increase, while those in St Kitts and Nevis received a 3.0 per cent salary increase in March, along with one month's salary bonus in December.

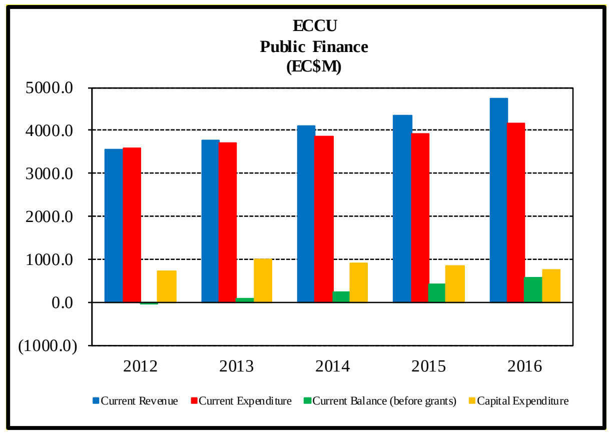
Recent data on private sector wage movements and official unemployment data for all countries in the Currency Union were unavailable. However, preliminary information from national insurance schemes point to an increase in employment in some territories – Antigua and Barbuda, Dominica, Grenada, St Kitts and Nevis and Saint Lucia; and a decline in others - Anguilla, Montserrat, and St Vincent and the Grenadines. These estimates give an indication of labour market pressures within the ECCU. Notwithstanding expansions in economic activity in most of the territories, that activity was insufficient to create the anticipated impact on employment and consequently, the general state of joblessness in the Currency Union was estimated to have deteriorated somewhat. On average, the estimated rate of unemployment in the ECCU rose by approximately three percentage points to 18.0 per cent. The high levels of unemployment across the territories, especially among youth, remain of concern to policy makers.

Central Government Fiscal Operations

On aggregate, preliminary data on the fiscal operations of the central governments indicate that an overall surplus (after grants) of $381.3m (2.2 per cent of GDP) was generated, compared with one of $54.9m (0.3 per cent of GDP) recorded one year earlier. The expansion in the overall surplus was largely attributable to developments on the current account, as there was a more than fivefold increase in the current account surplus in 2016, relative to the prior year. Also, the improvement on the current account was supported by a decline in capital expenditure in six of the ECCU member countries. The overall fiscal improvement was also reflected in the primary balance (after grants), as it yielded a surplus of $842.0m (4.8 per cent of GDP) compared with one of $509.2m (2.9 per cent of GDP) in 2015. The improved primary balance points to a general improvement in the fiscal situation in four member territories. Dominica, Grenada and St Vincent and the Grenadines turned around to surpluses, from their deficit positions a year ago. Antigua and Barbuda and St Kitts and Nevis recorded smaller overall surpluses, while Saint Lucia's operations yielded a smaller overall deficit. By contrast, the fiscal situation in Anguilla and Montserrat deteriorated to overall deficit positions from surpluses in the prior year.

The current operations of governments yielded a surplus of $586.7m (3.4 per cent of GDP) compared with one of $433.7m (2.6 per cent of GDP), as the rate of increase in revenue collections outpaced that of current expenditure. Current revenue collections grew by 9.0 per cent to $4,755.1m (25.7 per cent of GDP) compared with an expansion of 6.3 per cent to $4,361.0m (24.4 per cent of GDP) recorded one year earlier. The increase in current revenue was primarily on account of larger collections from taxes, enhanced by growth in the intake from non-tax revenue.

Tax revenues grew by 5.7 per cent ($206.0m) to $3,793.6m (21.8 per cent of GDP) compared with growth of 6.7 per cent to $3,587.7m (20.6 per cent of GDP) recorded in the previous year. Growth in tax revenue was buoyed by higher intakes from all categories of taxes, except the property tax. Receipts from taxes on domestic goods and services rose by 5.2 per cent ($86.1m), led by higher collections from the value added tax (VAT), supported by increases in the intake from the sales taxes, stamp duties and licenses. VAT receipts were up by 3.9 per cent to $993.1m (5.7 per cent of GDP), reflecting improved performances in four of the territories– Dominica, Grenada, Saint Lucia and St Vincent and the Grenadines. In addition, yields from the sales tax grew by 8.3 per cent, a reflection of growth in collection from the Antigua and Barbuda Sales Tax, driven by enhanced administration and collection. Also contributing to the uptick in tax revenue, was an increase of 6.4 per cent ($69.1m) to $1,150.2m, from taxes on international trade and transactions, largely driven by higher yields from the import duties, the consumption tax and the customs service charge, associated in part with the increase in economic activity. Receipts from taxes on income and profits grew by 6.8 per cent ($52.4m), largely buoyed by higher yields from the corporation tax (15.8 per cent), supported by growth in personal income tax (2.6 per cent). On a disaggregated basis, all countries, except St Kitts and Nevis and Anguilla, recorded growth in tax revenue ranging from 2.8 per cent in Montserrat to 86.9 per cent in Grenada, where tax policies, hence tax collections, were enhanced. Non tax revenue receipts rose by 24.3 per cent ($188.1m) to $961.4m, primarily due to a boost in the collection of fees associated with the citizenship by investment programme in Dominica.



Current expenditure expanded by 6.1 per cent to $4,168.4m (23.9 per cent of GDP), compared with an increase of 1.4 per cent to $3,927.3m (23.2 per cent of GDP) in the prior year. Despite growth in current spending, that category of expenditure remained within the Monetary Council's target range of 22 to 26 per cent of GDP. The upward movement in current outlays was associated with higher spending on personal emoluments, goods and services, transfers and subsidies and interest payments.

Spending on personal emoluments rose by 8.6 per cent ($145.4m) driven by higher outlays in seven of the eight countries, i.e. St Kitts and Nevis ($53.2m), Grenada ($36.4m), Saint Lucia ($25.2m), Antigua and Barbuda ($20.5m), St Vincent and the Grenadines ($18.5m), Anguilla ($2.1m) and a marginal increase in Montserrat ($0.4m). By contrast, payments towards personal emoluments fell by 6.6 per cent ($10.9m) in Dominica. Outlays on goods and services increased by 7.4 per cent ($57.8m), mainly driven by developments in Grenada, Antigua and Barbuda and Dominica where the said expenditure rose by $41.8m, $21.2m and $14.4m, respectively.

Spending on transfers and subsidies rose by 3.2 per cent ($31.5m), influenced largely by increases in subventions and contributions to statutory corporations and other institutions by the governments of Grenada, Dominica, St Vincent and the Grenadines and Saint Lucia. The overall increase in outlays on transfers and subsidies was moderated by declines in outlays in Montserrat, St Kitts and Nevis, Antigua and Barbuda and Anguilla, as these countries scaled back their public assistance programmes and transfers to state owned enterprises.

Larger interest payments ($6.4m) were attributable to increases in the stock of outstanding public debt, as governments continued to borrow to finance their operations. Although the results in the territories were mixed, higher interest payments in four of the member territories were moderated by declines in St Kitts and Nevis ($8.1m), Grenada ($7.6m) and St Vincent and the Grenadines ($3.4m). The largest increases in interest payments were recorded in Antigua and Barbuda ($19.7m) and Anguilla ($3.6m), due to rising external commitments and domestic obligations, respectively.

Capital expenditure at the ECCU level fell by 13.0 per cent to $743.8m (4.3 per cent of GDP), which was below the 5.0 to 7.0 per cent of GDP target recommended by the Monetary Council of the ECCB. This outturn is comparable to a decline of 7.0 per cent to $854.4m (4.9 per cent of GDP) recorded in 2015. The reduction in capital outlays was observed in six of the territories: Grenada ($103.5m), Saint Lucia ($75.6m), St Kitts and Nevis ($43.6m), St Vincent and the Grenadines ($29.9m), Montserrat ($5.4m) and Anguilla ($0.8m). Lower outlays on capital expenditure reflected reclassification of expenditure in Grenada, completion of major infrastructural projects in St Kitts and Nevis and St Vincent and the Grenadines; but largely declining grant receipts and delayed implementation of new projects in Saint Lucia and Montserrat.

Total grant inflows declined by 19.8 per cent to $329.2m (1.9 per cent of GDP), compared with a contraction of 10.7 per cent to $410.2m (2.4 per cent of GDP) in the previous year. This outturn was associated with lower inflows in six of the territories, more so in Montserrat ($48.4m), Saint Lucia ($30.7m) and Antigua and Barbuda ($21.1m). By contrast, total grant flows to St Kitts and Nevis and Grenada increased by $22.2m and $12.8m, respectively.

Public Sector Debt

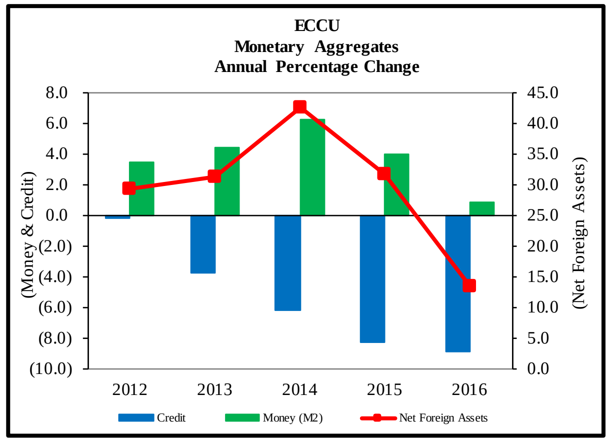
The total stock of outstanding public sector debt of the ECCU member countries increased by 2.6 per cent to $13,209.9m at the end of December 2016, in contrast to a contraction of 3.1 per cent during the prior year. Notwithstanding the increase in the debt level, the debt to GDP ratio fell to 75.7 per cent from 76.0 per cent at the end of December 2015. The rise in the disbursed outstanding debt was directly influenced by a 4.6 per cent increase to $11,862.8m in the outstanding debt of the central government, as the debt of public corporations declined. The expansion in central government's indebtedness stemmed from increases of 6.8 per cent and 3.0 per cent in domestic and external obligations, respectively. These expansions were driven largely by increased indebtedness in Anguilla, Antigua and Barbuda, Saint Lucia and St Vincent and the Grenadines. This outturn was partially offset by declines in the public debt levels of Dominica, Grenada and St Kitts and Nevis, attributable in part to a 43.6 per cent fall in the borrowing of these central governments.

Higher domestic indebtedness was predominantly the result of an increase in borrowing by the Government of Anguilla, associated with the resolution of the indigenous banks. The stock of debt by public corporations fell by 12.2 per cent and primarily reflected a 12.1 per cent reduction in domestic obligations, supported by a decline of 4.5 per cent in external commitments. Compared with the total at the end of December 2015, debt service payments (principal plus interest) by central governments rose by 28.0 per cent to $1,580.6m (36.2 per cent of current revenue), mainly on account of higher payments obligations in Grenada and Antigua and Barbuda.

Monetary and Financial Developments

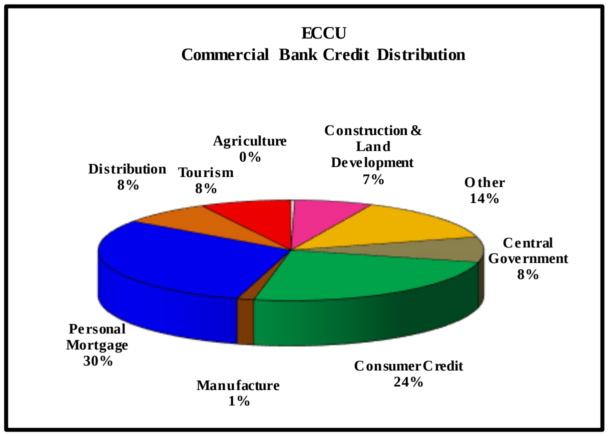
Money and Credit

At the Currency Union level, monetary liabilities (M2) expanded marginally (0.9 per cent) to $15,858.0m during 2016, compared with growth of 3.9 per cent during the previous year. Growth in M2 was attributable to an increase in narrow money (M1) which more than offset a contraction in quasi money. M1 grew by 7.4 per cent ($261.7m), fuelled largely by increases of 6.7 per cent ($180.0m) in private sector demand deposits, 9.2 per cent ($70.1m) in currency with the public and 18.2 per cent ($11.7m) in EC$ Cheques and Drafts issued. Quasi money was down by 1.0 per cent, as reductions in private sector time deposits (8.7 per cent) and private sector foreign currency deposits (3.9 per cent) offset an increase of 2.9 per cent in private sector savings deposits.



Domestic credit contracted by 8.9 per cent to $10,097.1m, following a fall of 8.3 per cent during the prior year. The contraction primarily reflected declines in borrowing by the private sector and the government. Outstanding credit to the private sector fell by 5.9 per cent to $11,146.4m, driven largely by a decline of 10.9 per cent in lending to businesses, supported by a contraction of 2.8 per cent in credit extended to households. Senior loan officers from the commercial banks in the Union opined that generally there were tighter lending terms and conditions for all types of loans to businesses and also for mortgages, notwithstanding a reduction in mortgage rates. According to these senior loans officers, the decline in demand for business lending reflecting the increased availability of funding to businesses by non-bank financial institutions. Net credit to the central government fell by 26.2 per cent ($325.9m), mainly associated with an increase of 21.8 per cent in their deposits at commercial banks, complemented by a 9.7 per cent decline in loans and advances from these institutions. In the rest of the private sector, credit to subsidiaries and affiliates decreased by 42.0 per cent, while that to non-bank financial institutions grew by 35.9 per cent. The net deposit position of non-financial public enterprises fell by 1.7 per cent, reflecting declines in both deposits and commercial banks' credit.

An analysis of the distribution of commercial banks' credit by economic activity shows that outstanding loans and advances fell by 5.9 per cent, hence credit extended to all sectors of the economy declined with the exception of credit for public utilities. Despite improvements in construction and tourism activity, credit extended to construction and land development and tourism-related businesses declined by 20.6 per cent ($209.8m) and 15.0 per cent ($166.9m), respectively. Inter alia, decreases were also recorded in outstanding credit for personal use ($144.4m) – mainly acquisition of property ($168.3m), distributive trades ($73.9m), professional and other services ($57.7m), transport ($32.7m), manufacturing ($23.9m), entertainment ($13.4) and agriculture and fisheries ($11.6m).



The net foreign assets of the ECCU's banking system rose by 13.3 per cent to $7,399.7m, compared with an increase of 31.7 per cent during the last year. This development reflected an increase in the net foreign assets position of both the commercial banking sector and the Central Bank. Commercial banks' net external position expanded by 22.2 per cent to $2,842.4m, primarily influenced by a 4.3 per cent increase in their foreign assets, supported by a decline of 7.3 per cent in their foreign liabilities. The net external position of the Central Bank rose by 8.4 per cent to $4,557.3m, mainly reflecting growth of the same magnitude in their foreign assets.

The commercial banking system remained very liquid during 2016. The ratio of liquid assets to total deposits plus liquid liabilities increased by 1.9 percentage points to 44.6 per cent, well above the 25.0 per cent minimum established by the ECCB's prudential guidelines. The loans and advances to total deposits ratio fell by 3.9 percentage points to 60.9 per cent, which continues to be below the ECCB's stipulated range of 75.0 to 85.0 per cent.

The Monetary Council's decision to lower the minimum savings rate on deposits to 2.0 per cent effective 01 May 2015 seemed to have impacted deposit rates, albeit at a much faster pace than lending rates. Some senior bank officials are of the opinion that competition among banks for reputable customers appears to be the driving force behind lower interest rates on lending, particularly mortgages. **Amid these financial sector developments, the weighted average interest rate spread between lending and deposit rates widened to 6.81 percentage points from 6.77 percentage points at the end of December 2015.** A combination of reductions of 26 basis points to 1.72 per cent in the weighted average deposit rate and 21 basis points to 8.53 per cent in the weighted average lending rate explained the widening in the weighted average interest rate spread.

Developments on the RGSM

Activity on the Regional Government Securities Market (RGSM) declined during 2016, as indicated by a fall in both the volume and value of issuance on the primary market. Preliminary data indicate a decline in the total number of auctions by member governments to 51 from 53 in the previous year, while the total value of issues fell by 2.0 per cent to $965.0m. This outturn compares with a decline of 8.4 per cent in gross issuance recorded for 2015. Of the total securities, 48 were Treasury bills, while 3 were bonds. The contraction in the volume and value of outstanding security issuances emanated from a confluence of factors including a decline in issuance by the government of Saint Lucia.

An analysis of the activity by the tenor of the security shows that the instruments were predominantly of short term maturity, with Treasury bills making up about 94.1 per cent of the total securities issued. The volume of short dated securities issued - Treasury bills, expanded by 4.4 per cent and the value rose by 6.1 per cent to $955.1m. The higher value was primarily the result of increased issuance by the governments of St Vincent and the Grenadines and Dominica. The volume of the longer term securities (bonds) more than halved and their value declined by 42.7 per cent to $80.2m. This outturn was partly the result of non-issuance of five-year bonds by the governments of Dominica and Saint Lucia.

Commercial banks continued to hold the highest proportion of the value of successful bids, which decreased to 43.6 per cent from 52.3 per cent at the end of 2015. Investor confidence appeared to have remained elevated, as evidenced by a 2.1 per cent increase in total annual subscriptions to $1,500.5m. Demand by investors for all instruments issued on the market increased during the year, as indicated by marginal growth in the bid-to-cover ratio (value of bids received/value of bids accepted) to 1.37 from 1.35. While the value of bids received increased, the value accepted declined, an indication of reduced appetite for debt by the participating governments.

The government of Saint Lucia continued to be the most active on the RGSM, accounting for 31.4 per cent of the volume of auctions. However, the Government of St Vincent and the Grenadines overtook Saint Lucia (29.7 per cent) for the highest gross value of securities, holding 31.7 per cent. Issuances by governments of Grenada, Antigua and Barbuda and Dominica accounted for 16.8 per cent, 13.5 per cent and 8.3 per cent, respectively. The participation of two member governments decreased when compared with last year, with the larger decline coming from Saint Lucia ($36.1m) and the other ($5.0m) from Dominica. St Vincent and the Grenadines and Antigua and Barbuda registered increases of $16.0m and $5.0m, respectively in the value of securities raised on the RGSM this year.

The rates on the instruments varied from short term to long term to maturity and in some instances changed based on the issuer. The average weighted yield on 91-day T-bills grew by 36 basis points to 3.77 per cent at the end of 2016. For 180-day T-bills, the rates decreased by 55 basis points to 3.76 per cent. The weighted average yield on the 365-day T-bills fell by 45 basis points to 4.89 per cent. Regarding the movements of rates for limited medium-term instruments, the weighted average yield on the 6-year decreased by 25 basis points to 7.00 per cent, while all others remained unchanged from last year.

Trade and Payments

Preliminary estimates indicate that the merchandise trade deficit widened by 7.7 per cent to $6,118.5m in the year under review, in contrast to a narrowing of 5.4 per cent in 2015. This outturn was largely driven by growth in import payments, coupled with a contraction in export receipts. The value of imports expanded by 4.8 per cent ($320.8m) to $7,042.2m, primarily attributable to higher outlays for machinery and transport equipment as well as manufactured goods. Higher import payments were recorded in Antigua and Barbuda, Grenada, Saint Kitts and Nevis, Saint Lucia and St Vincent and the Grenadines. Export revenue declined by 11.1 per cent to $923.7m, largely reflecting a fall of 8.3 per cent ($37.5m) in re-exports, supported by a contraction of 12.8 per cent ($2.7m) in domestic exports. Reduced exports earnings from a number of manufactured items, particularly in Saint Lucia, St Kitts and Nevis and Dominica, were chiefly responsible for this outturn.

Gross travel receipts were estimated to have expanded by 10.0 per cent to $4,673.0m, partly associated with growth in stay-over arrivals, particularly from the major source market. Increases in such receipts were more prominent in Dominica (7.3 per cent), St Vincent and the Grenadines (6.6 per cent), Saint Lucia (4.9 per cent) and Antigua and Barbuda (4.9 per cent). Gross external disbursements to the central governments totalled $430.1m, a decline of 21.7 per cent, while external debt repayment amounted to $562.0m, approximately 24.0 per cent above the value recorded at the end of last year. Consequently, the central governments were in a net amortisation position of $131.9m, in contrast to a net disbursement position of $95.8m in the prior year. Total grant inflows to the central government were down by 19.8 per cent, following a contraction of 10.7 per cent in 2015. This outturn reflected lower grant receipts by most countries –

Anguilla, Dominica, Grenada, Montserrat, Saint Lucia and St Vincent and the Grenadines. Commercial banks' transactions resulted in a net outflow of $515.5m in short term capital, relative to one of $1,171.1m during 2015.

Prospects

Based on the International Monetary Fund's (IMF) January 2017 World Economic Outlook, global growth prospects remain favourable. Notwithstanding the positive outlook, risks are believed to be tilted towards the downside and could potentially affect anticipated gains in the global economy. The IMF's updated projections point to world economic growth of 3.4 per cent in 2017 and 3.6 per cent in 2018, from 3.1 per cent in 2016. It is anticipated that the main impetus to global expansion will be developments in advanced economies, where growth is forecasted to average 2.0 per cent over the next two years. In the USA, activity is projected to be robust in the short run, with growth forecasts of 2.3 per cent for 2017 and 2.5 per cent for 2018. Other economies of strategic importance to the ECCU include the UK and Canada, which, in spite of their challenges, are forecasted to expand by 1.9 per cent and 2.2 per cent, respectively, in 2017.

Amidst the optimism for the aforementioned countries, to which the ECCU has strong economic links, and the positive outlook for the global economy, economic activity in the ECCU is expected to strengthen in the short to medium term. All of the member territories of the Currency Union are forecasted to record positive economic growth in 2017. It is anticipated that the improvement will be influenced by continued buoyancy in the construction sector and positive developments in some of the other major economic sectors, including agriculture, livestock and forestry, hotels and restaurants, wholesale and retail trade, transport, storage and communications and real estate, renting and business activities. Additionally, it is likely that growth will be positively impacted by an anticipated increase in foreign direct investment flows to facilitate construction of a number of pipe-lined tourism plants, as the ECCU countries continue to benefit from the citizenship by investment programmes.

Near-term forecasts point to strengthened construction-related output through

improved activity in both the private and public sectors, especially the private sector. In the private sector, activity is expected to be driven by work on a number of tourism-related construction projects in member territories, particularly Antigua and Barbuda, Dominica, Grenada, St Kitts and Nevis, Saint Lucia and St Vincent and the Grenadines. Public sector construction activity is also projected to increase in most ECCU countries and will focus mainly on road maintenance, bridges, and other infrastructural developments, including a new cruise ship berth and secondary school in St Kitts and Nevis, port development in Barbuda, geothermal development in Montserrat and St Vincent and the Grenadines and the new national hospital in Dominica, along with continuous rebuilding efforts, as the country recovers from the adverse impact of tropical storm Erika.

Output in the agriculture, livestock and forestry sector is likely to strengthen, largely based on expected developments in non-banana production. Continued recovery in the banana industry in Dominica, Saint Lucia and St Vincent and the Grenadines, underpinned by initiatives under the EU Banana Accompany Measures and increasing regional demand, augur well for agricultural production. On-going public sector initiatives in these countries to diversify the agricultural sector and promote the production of non-traditional crops, livestock and poultry are all poised to contribute to the strengthening of the sector.

Higher value added in the hotels and restaurants sector is anticipated, buoyed by increased demand for leisure services from major source markets like the USA, UK, and Canada, given the positive outlook for these economies. Intensified marketing efforts in traditional source markets combined with new initiatives in non-traditional markets, are expected to further increase airlift and to boost the performance of the tourism industry. This anticipated improvement in the tourism industry should have positive spin-offs on related sectors including wholesale and retail trade; transport, storage and communications and real estate, renting and business activities; thus strengthening economic activity.

Considering the broad based gains in the governments' fiscal performance this year, the consolidated fiscal operations of

member governments are projected to remain in an overall surplus position, as they continue to exercise prudence through fiscal and debt reform and consolidation initiatives. This projection is also premised on improved macroeconomic conditions. Notwithstanding anticipated improved current account outturns in some territories, further fiscal challenges are possible as official grant inflows wane. Capital expenditure is projected to rise in some member countries, as infrastructural projects get under way. The projected fiscal and growth trajectory, however, may not be sufficient to bring about the necessary socioeconomic impetus in the region. Overall, fiscal prudence would have to be balanced with the need for stronger growth and improved competitiveness, along with that to address the social issues of poverty and unemployment, particularly among the youth and vulnerable.

On the external accounts, the merchandise trade deficit is expected to widen, on the premise of larger import payments. The total import bill for the region is likely to increase, associated with the anticipated buoyancy in the construction sector, supported by developments in the tourism industry.

Financial sector conditions are expected to remain stable in the near term, reinforced by ongoing resolution efforts in the banking sector, spearheaded by the ECCB. Monetary aggregates are expected to expand, driven by increases in private sector savings and demand deposits, consistent with the positive growth forecast for 2017. Credit to the private sector, however, is anticipated to continue on its downward trajectory in light of high non-performing loan ratios, which erode bank profitability, forcing stricter underwriting policies. Liquidity is projected to ease further in the short term as macroeconomic conditions continue to improve. Also in the regional financial sector, efforts to deal with correspondent banking matters are likely to be strengthened, since negotiations with external banks on the matter continue. Amid fragmented markets, persistent fiscal deficits, unsustainable levels of debt and other emerging challenges such as de-risking and correspondent banking relationships, maintaining financial sector stability remains a top priority for regional governments.

The outlook for the economy of the ECCU remains positive against the backdrop of encouraging signs in the global economy and efforts by regional governments to spur growth domestically. Although global dynamics point to economic expansion in 2017, there are still uncertainties; hence risks have been skewed to the downside. These downside risks include the uncertainty in advanced economies, the USA in particular, the fluctuations of commodity prices, the vulnerabilities in emerging markets, unpredictability of the international financial markets, geopolitical tensions and global terrorism. **Inter alia, these vulnerabilities have the potential to disrupt growth forecasts for the economies of the ECCU, considering their openness to exogenous shocks.** Most of the planned private sector construction projects depend on external funding and can be stalled or delayed in the event of a sudden stop in foreign investment flows. The tourism product, which is very critical to the region's economy, deeply hinges on developments in the advanced economies, particularly the USA (the major market), which has been opened to Cuba, and other important markets like the UK and Canada. Additionally, the ECCU faces a number of domestic challenges, including competitiveness, unemployment, poverty and crime. Other downside risks to economic prospects for the region include the appreciation of the US dollar, the spread of the ZIKA virus and adverse weather, associated with global warming and climate change.

A N G U I L L A

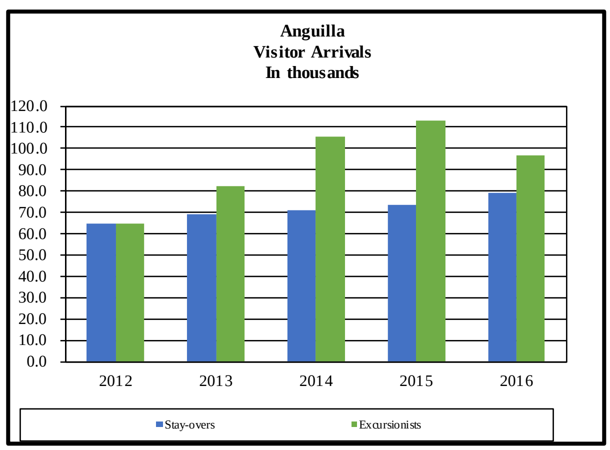
Overview

Economic activity in Anguilla is provisionally estimated to have expanded by 4.5 per cent in 2016 compared with growth of 2.8 per cent in 2015. The expansion in economic output was primarily attributable to growth in major sectors including construction, electricity and water, hotels and restaurants, real estate, renting and business activities, wholesale and retail trade, and the public sector. However, growth was tempered by declines in transport, storage and communications, manufacturing and financial intermediation. Consumer prices grew by 1.7 per cent during 2016, on an end of period basis, following a decline during the previous year. **The fiscal operations of the central government resulted in an overall deficit relative to the surplus position achieved in 2015. With respect to debt, the disbursed outstanding public sector obligations increased, largely on account of the central government assuming the bulk of the liabilities associated with the resolution of the intervened banks.** On the external front, the merchandise trade deficit narrowed, while the external public sector debt increased. In the banking system, monetary liabilities declined as did domestic credit. However, net foreign assets increased. The spread between the weighted average interest rates on loans and deposits remained unchanged year-on-year, while the liquidity position of the banking system improved.

Economic activity is expected to be fairly buoyant in 2017 on account of sustained projected increases in stay-over arrivals as both the newly established and existing hotels ramp up their marketing efforts. Relatedly, continued improvement in the economy of key source markets including the United States of America and Canada, is expected to drive the increase in the number of both excursionists and stay-over visitors. The construction sector is expected to benefit from targeted incentives including a reduction in import duties on construction materials. Further, government's capital programme is projected to receive a boost from grant aid to be provided by the 11th European Development Fund (EDF) as well as the United Kingdom government. Some additional support to growth is also expected to be provided by the ongoing stabilisation of the banking system with implications for credit growth. **Key downside risks emanate from the continuing challenges with the resolution of the banking sector as well as the implications of Brexit on Anguilla's future relations with St Maarten, a key tourist hub for the island.**

Output

Economic output across most sectors expanded in 2016, led by tourism. Value added in the hotels and restaurants sector, a proxy for activity in the tourism industry, is estimated to have expanded by 10.0 per cent in 2016, following growth of 2.2 per cent in 2015. The growth outturn was primarily driven by an increase of 8.2 per cent in the number of stay-over visitors to 79,239 compared with growth of 3.3 per cent in 2015. Stay-over arrivals increased across all source markets, with the two largest, the USA and the Caribbean, growing by 6.9 per cent and 7.5 per cent respectively. In addition, the UK and Canadian markets saw growth of 7.8 per cent and 3.1 per cent respectively. The contribution of the hotels and restaurants sector to GDP also increased to 24.1 per cent relative to 22.9 per cent recorded in 2015. The higher level of activity in the tourism industry was influenced by the completion of new resorts including the Zemi Beach House, the Manoah Hotel, and the Reef by Cuisinart. In addition, greater participation among home and villa owners under the Airbnb framework is likely to have driven the increase in the number of visitors. Another likely contributing factor was the sustained marketing efforts, especially by the major hoteliers. Tempering tourism output was a 14.3 per cent decline in the number of excursionists to 96,731, owing to the lower number of cruise ship calls into St Maarten, the key entry point for most persons traveling to Anguilla on day trips.



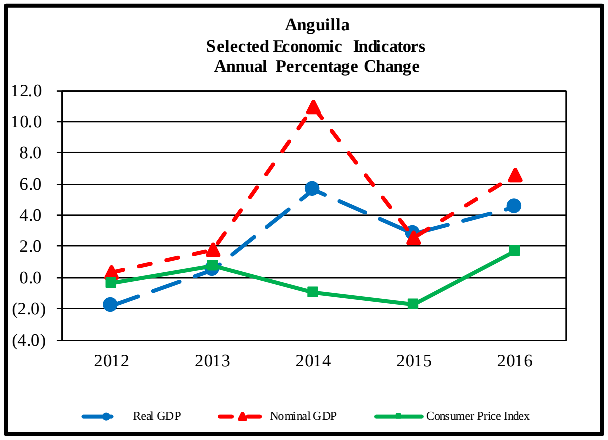
The real estate, renting and business activities sector, which accounts for 13.5

per cent of GDP and represents the second largest contributor to economic output, recorded a 2.2 per cent expansion in value added compared with a 2.3 per cent increase in 2015. Developments in this sector were largely associated with the level of activity in the tourism industry and the availability of investment capital in the global real estate market.

The construction sector, another critical component of real GDP and representing 10.9 per cent of total output, is estimated to have grown by 14.0 per cent in 2016 compared with an expansion of 7.6 per cent in 2015. The higher level of activity was primarily driven by the completion of three major hotels as well as the expansion of the Four Seasons Resort and Private Residences Anguilla (formerly Viceroy Anguilla). In addition, construction activity is estimated to have been positively impacted by the larger number of approved building permits issued in 2016, rising to 132 compared with 118 permits issued one year prior.

Public administration, defence and compulsory social security, which account for 9.9 per cent of GDP, rose by 2.0 per cent, down from the 4.2 per cent rate of increase recorded in 2015. The lower growth rate was influenced by reduced outlays on capital expenditure as well as transfers and subsidies. Value added in the wholesale and retail trade sector, accounting for 8.5 per cent of GDP, increased by 2.5 per cent following growth of 2.0 per cent in 2015, consistent with the higher level of stay-over visitors.

By contrast, value added in the financial intermediation sector, which constitutes 9.5 per cent of GDP, declined by 2.2 per cent, following growth of 4.8 per cent in 2015. The outturn was largely influenced by the resolution of the intervened banks. Additionally, the transport, storage and communications sector recorded a 1.9 per cent decline in value added, following growth of 4.6 per cent in 2015. Within the subcomponents, activity in the transport and storage subsector fell by 5.0 per cent, consistent with the decline in excursionists, while that of the communications subsector increased by 1.5 per cent.



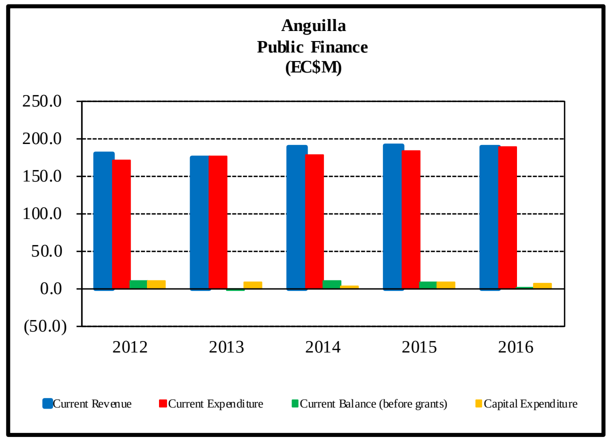
Prices, Wages and Employment

The consumer price index rose by 1.7 per cent, on an end-of-period basis in contrast to a decline of the same magnitude in 2015. The increase in prices was primarily driven by expansions in the sub-indices for communication (10.7 per cent), household furnishings, supplies and maintenance (5.2 per cent), clothing and footwear (3.2 per cent), and transport (2.7 per cent). The increase in the communication sub-index was influenced by a higher communication tax imposed in 2016, while that for household furnishings, supplies and maintenance was driven by the higher cost of furniture and furnishings. Similarly, the increased cost for apparel contributed to the higher sub-index for clothing and footwear. The higher costs associated with transport were primarily attributable to the increase in government imposed taxes on vehicles and motor licenses. By contrast, the increase in the general price index was mitigated by declines in the sub-indices for recreation and culture, and housing, utilities, gas and fuels which fell by 3.5 per cent and 1.8 per cent respectively. The decline in the recreation and culture sub-index was influenced by lower prices associated with electronic items and veterinary services, while a reduction in the price of cooking gas coupled with a lower fuel surcharge drove the decrease in the housing, utilities, gas and fuels sub-index.

Central Government Fiscal Operations

The fiscal operations of the central government resulted in an overall deficit of $3.2m (0.34 per cent of GDP) in 2016 in contrast to a surplus of $3.9m (0.5 per cent of GDP) in 2015. This outturn was largely driven by a decline in current revenue coupled with an increase in current expenditure, resulting in a narrowing of the current account surplus. A primary surplus (after grants) of $8.8m was recorded compared with one of $12.3m one year prior.

Current revenue declined by 1.2 per cent to $188.7m (20.4 per cent of GDP) in contrast to an expansion of 1.6 per cent to $191.0m (22.1 per cent of GDP) one year prior. The contraction in current revenue was mainly influenced by a 1.5 per cent ($2.4m) decline in tax revenue, with flows associated with domestic goods and services falling by $3.4mand those from taxes on international trade and transactions contracting by $0.6m. With respect to taxes on domestic goods and services, receipts associated with stamp duties, the bank deposit levy and accommodation tax fell by $3.9m, $3.4m and $1.3m respectively. Lower stamp duty receipts were associated with reduced property sales, while the intake from the bank deposit levy moved in line with the reduction in total savings in the banking system. In addition, the accommodation tax intake declined as occupancy levels in some of the key resorts fell owing to more tourists moving to non-traditional sources of accommodation. The reduced flows from taxes on international trade and transactions were mainly attributable to a $0.4m decline in customs service charge receipts. The reduction in tax revenue was moderated by a $0.6m increase in receipts from taxes on income and profits, owing to a higher intake from the stabilisation levy. Further, property tax receipts increased by $1.0m to $5.8m, in line with improved tax administration practices.



Current expenditure increased by 2.3 per cent to $187.7m (20.3 per cent of GDP), compared with growth of 3.0 per cent to $183.5m (21.3 per cent of GDP) in 2015. This outturn was primarily driven by expansions in domestic interest payments and outlays on personal emoluments and goods and services. The largest expansion in expenditure was observed for domestic interest payments which grew by $4.9m relative to a decrease of $0.7m in the prior year. The higher interest payment was directly associated with increased public sector debt owing to the central government assuming the liabilities of the intervened banks. Personal emoluments increased by

$2.1m to $84.9m, following growth of $1.7m in the year prior. Outlays on goods and services rose by $1.5m to $44.2m compared with an increase of $0.6m in 2015. Mitigating the increase in current expenditure were declines in external interest payments and transfers and subsidies of $1.3m and $3.0m respectively. In addition, capital expenditure contracted by $0.8m to $6.6m (0.7 per cent of GDP) in contrast to growth of $3.9m to $7.3m (0.9 per cent of GDP) in 2015. The lower capital outlays were associated with reduced grant flows which fell by $3.6m to $0.1m relative to the level in the prior year.

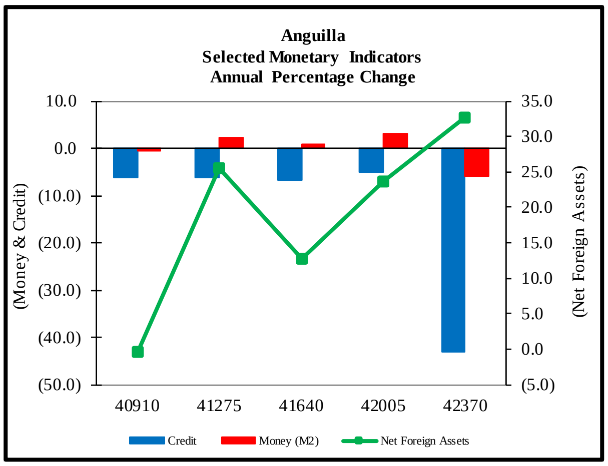
Public Sector Debt

The total disbursed outstanding public sector debt was estimated at $475.2m at the end of 2016, more than double the $212.7m level recorded at the end of 2015. As a percentage of GDP, the debt ratio increased to 51.4 per cent from 24.6 per cent one year prior. This outturn was mainly attributable to the accumulation of new debt associated with the resolution of the indigenous banks. Central government debt accounted for 97.4 per cent of total disbursed outstanding debt, while that of statutory bodies represented 2.6 per cent. Further, domestic debt represented 56.3 per cent of total debt compared with 23.6 per cent in 2015, while external debt fell to 43.7 per cent of total debt relative to 76.4 per cent recorded in the prior year.

Money and Credit

Monetary liabilities (M2) contracted by 5.9 per cent to $1,011.0m during 2016, in contrast to growth of 3.2 per cent to $1,073.9m during 2015. The decline in M2 was mainly influenced by contractions in both quasi money and narrow money (M1). In respect of quasi money, private sector time deposits and foreign currency deposits contracted by 18.2 per cent ($22.0m) and 5.1 per cent ($38.2m) respectively. Similarly, for M1, private sector demand deposits fell by 17.6 per cent ($9.2m) compared with growth of 35.7 per cent ($13.7m) in 2015.

Domestic credit contracted by 43.1 per cent ($402.1m) to $532.0m, following a decline of 5.0 per cent to $934.1m in 2015. This development was largely attributable to reductions in outstanding credit to the private sector. Private sector credit declined by 47.0 per cent ($575.4m) to $647.7m, reflecting a contraction in credit to households and businesses of 31.1 per cent ($161.1m) and 58.5 per cent ($400.4m) respectively. The decline in private sector credit was primarily driven by the transfer of bad assets from the books of the National Bank of Anguilla (NBA) and Caribbean Commercial Bank (CCB) to the Receiver as part of the bank resolution process.



The net deposit position of the central government increased by 17.9 per cent ($11.7m), largely due to an increase in the deposits at the Central Bank ($59.4m), on account of the CDB recapitalisation loan. However, central government deposits held at commercial banks declined by 47.7 per cent ($41.2m) as the government sought to honour its debt service and other obligations. The increase in the net deposit position was moderated by a 17.4 per cent ($2.1m) expansion in commercial bank credit in addition to a 45.6 per cent ($4.4m) increase in Central Bank credit to the government. In the rest of the public sector, the net deposit position of non-financial public enterprises fell by 82.6 per cent ($185.0m), reflecting a contraction in their deposits at commercial banks.

An analysis of changes in the distribution of credit indicates broad-based declines across all the major sectors relative to 2015. The sectors recording the largest contraction in credit include tourism ($160.3m), construction and land development ($128.6m), personal which includes the acquisition of property ($107.0m) and durable consumer goods ($20.6m), distributive trades ($51.4m), and professional and other services ($47.3m). Of note is that the declines primarily reflected the transfer of bad assets from the intervened banks to the Receiver as opposed to a deliberate reduction in credit by commercial banks. The only sector to which credit expanded was public administration which saw a 17.3 per cent ($2.1m) increase over the level recorded for 2015.

The net foreign assets of the banking system rose by 32.7 per cent to $432.2m compared with an increase of 23.6 per cent to $325.7m during 2015. The outturn was primarily driven by a 39.1 per cent ($77.5m) increase in commercial banks' external assets, coupled with a 46.1 per cent ($75.1m) decline in their external liabilities. Anguilla's imputed share of the ECCB reserves grew by 15.4 per cent to $150.0m.

Liquidity in the commercial banking system improved during the review period. This was evidenced by an 11.9 percentage point increase to 42.9 per cent in the ratio of liquid assets to total deposits plus liquid liabilities, comfortably exceeding the prudential benchmark range of 20.0 to 25.0 per cent. Additional support to the liquidity situation was provided by the 26.8 percentage point decline in the loans and advances to total deposits ratio to 55.6 per cent, well below the prudential benchmark of 80.0 to 85.0 per cent.

The spread between the weighted average interest rates on loans and deposits remained unchanged at 6.4 per cent over the review period. This development was attributable to both the weighted average lending and deposit rates declining by the same magnitude, that is, 0.3 percentage point compared with their corresponding rates in 2015. The weighted average lending rates fell to 8.8 per cent from 9.1 per cent and the weighted average deposit rate declined to 2.4 per cent from 2.7 per cent.

Trade and Payments

Anguilla is estimated to have generated a merchandise trade deficit of $502.4m in 2016, representing a decline of 3.7 per cent ($19.5m) relative to the deficit recorded one year earlier. The narrowing of the merchandise trade deficit was largely attributable to a larger decline in import payments relative to the fall in export receipts. Total import payments fell by 5.3 per cent ($29.3m), while total export receipts contracted by 33.4 per cent ($9.7m). Gross travel receipts are estimated to have increased by 2.7 per cent ($9.4m) to $355.5m over the year, largely on account of the increase in stay-over arrivals. However, flows associated with travel receipts were mitigated by the decline in the number of excursionists. Commercial banks' transactions resulted in a net outflow of $86.5m in short term capital compared with an outflow of $59.9m during 2015. The government of Anguilla received external disbursements totalling $59.9m in 2016 largely attributable to inflows associated with the CDB recapitalization loan, while its external principal payments amounted to $13.4m. At end 2016, public sector external debt stood at 22.5 per cent of GDP, compared with a ratio of 18.8 per cent in 2015.

Prospects

Based on the January 2017 update of the World Economic Outlook (WEO), global economic growth is forecast at 3.4 per cent for 2017, unchanged from the October 2016 forecast. Importantly, growth projections for advanced economies have improved, driven in part by fairly robust economic activity in the United States of America over the second half of 2016 and some level of stabilisation among key European economies. In addition, the fiscal stimulus pronouncements by the new US administration and China are likely to provide a further impetus for growth over the short to medium term. However, growth prospects for emerging market and developing economies are likely to disappoint owing to some tightening in financial conditions. Importantly, 2017 growth in the United States of America and the United Kingdom, two key source markets for Anguilla, is projected at 2.3 and 1.5 per cent respectively.

Given the prevailing and forecasted global conditions for 2017, a moderate expansion in economic activity is projected for the Anguillian economy. The projection is premised on increased visitor traffic to the island as marketing campaigns at both the public and private sector levels intensify. Further, the additional airlift provided by Seaborne Airlines out of Puerto Rico, coupled with its expanded code share agreements with American Airlines, Delta and JetBlue augurs well for increased stay-over visitor to the island, especially out of the North American market. Moreover, the expansion of Anguilla's service offerings with the addition of the Zemi Beach Resort, The Reef by Cuisinart, the Four Seasons Resort and Residences, and Manoah Hotel, among others, has the potential to increase the attractiveness of island.

Inflationary pressures are expected to be contained as oil prices are not projected to increase appreciably in 2017, as global crude stocks continue to exceed the five-year average by a significant margin. This situation is expected to continue into 2017, despite the coordinated oil cut by members of the Organisation of Petroleum Exporting Countries (OPEC), as non-OPEC producers such as the United States of America, Canada and Brazil are expected to ramp up production.

The fiscal operations of the Central Government are expected to generate an overall surplus in 2017 based on continued strengthening of the Anguillan economy and its tourism industry in particular. The anticipated higher level of tourism activity is expected to positively impact wholesale and retail trade as well as the transport, storage and communications sectors, thus boosting the revenue generating capacity of the central government. In addition, the central government is expected to continue to exercise fiscal prudence as it adheres to the spending limits prescribed under the Framework for Fiscal Sustainability and Development (FFSD). However, the overall surplus is likely to be moderated by increased current expenditure in 2017 primarily due to higher interest payments associated with the debt incurred in stabilising the domestic banking system.

Capital expenditure is projected to increase in 2017 based on larger grant allocations by the UK government as well as the anticipated disbursement of the first tranche of the 11th European Development Fund (EDF). As such, a capital budget of $44.3m has been planned for Anguilla for fiscal year 2017. This compares with capital expenditure of $0.7m in 2016. On the external front, the merchandise trade deficit is expected to widen, consistent with a projected increase in consumer spending as the economy continues to recover. In addition, gross inflows from travel are projected to be higher in 2017, consistent with the projected increase in visitor arrivals.

Despite the positive economic projection, downside risks persist. These include uncertainties associated with the on-going resolution of the NCBA; the potential fallout from Brexit and its implications for trade and travel between Anguilla and the EU associated states of St Maarten/ St Martin, a key entry point for visitors traveling to Anguilla; the implications of the new US administration's policies for foreign direct investment and travel to Anguilla; and the fiscal challenges of honouring increased debt obligations as they fall due.

ANTIGUA AND BARBUDA

Overview

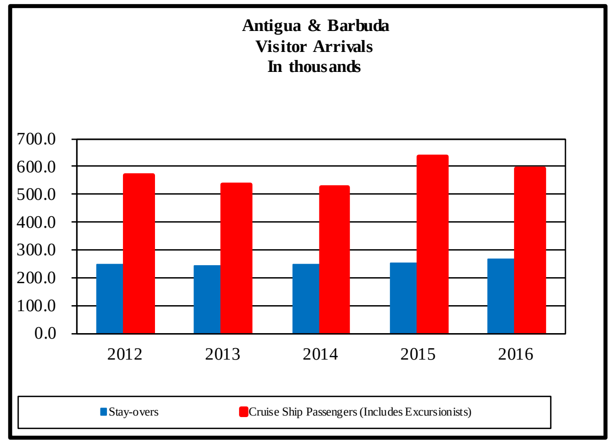
The economy of Antigua and Barbuda is estimated to have expanded at an accelerated pace in 2016. Preliminary estimates point to real GDP growth of 4.3 per cent in 2016, up from 3.8 per cent in 2015. This accelerated pace of economic activity was largely due to greater buoyancy in the hotels and restaurants; construction; and wholesale and retail trade sectors. The consumer price index fell by 1.1 per cent, on an end of period basis, partly related to a change in the computational methodology. Provisional fiscal data indicated a narrowing of the overall fiscal surplus on account of an expansionary fiscal stance. Consequently, the total disbursed outstanding debt of the public sector increased in 2016. In the banking system, monetary liabilities and domestic credit increased, while net foreign assets fell. Commercial bank liquidity tightened and the weighted average interest rate spread between loans and deposits widened during the period under review.

The pace of economic activity in Antigua and Barbuda in 2017 is largely dependent on developments in the global economy and domestic policy. Positive contributions to GDP are expected to be fuelled by the leading sectors of construction and hotels and restaurants. Construction activity will be driven by public sector investments in infrastructure and tourism and Citizenship by Investment Programme (CIP) related projects. Inflationary pressures will likely inch up slightly as the effects of the methodological change tapers off. Based on the 2017 National Budget, the central government foresees an overall fiscal deficit not exceeding 0.5 per cent of GDP as it seeks a fiscal stance that supports growth while pursuing fiscal and debt sustainability. The growth projection is subjected to a number of downside risks. Chief among them is a likely slowdown in the growth rates of advanced economies of the United States of America, the United Kingdom and the Euro Area due to the global implications of the policy direction of the Trump Presidency; Brexit and other geopolitical tensions. Domestically, growth could be adversely affected by adverse weather; the inability to secure financing for budgetary support and a further slowdown in revenues from the CIP; and increasing competition from other tourist destinations in the Caribbean. Opportunities for growth stem from subdued global oil prices which will continue to positively affect tourism demand and government revenue. The economy could also see a major boost if a number of new tourism projects come on stream during the year. Fiscal risks could be contained through more targeted fiscal planning and debt management.

Output

Against the backdrop of a stable global economy and positive domestic developments, economic activity in Antigua and Barbuda further strengthened in 2016. Value added in the hotels and restaurants sector, the proxy for the tourism industry, increased by 6.4 per cent in 2016, up from growth of 2.7 per cent in 2015. The hotels and restaurants sector which accounted for 14.7 per cent of GDP in 2016, reaped the benefits of the introduction of additional airlift from Jet Blue Airways and Seaborne Airlines in the last quarter of 2015; and increased sales and marketing initiatives. The improvement in tourism activity was primarily driven by an increase in stay-over arrivals as the number of cruise passengers declined, leading to a contraction in total visitor arrivals by 3.4 per cent to 875,093. The number of stay-over visitors rose by 5.9 per cent to 265,187, an improvement from the rate of growth of 0.5 per cent in 2015. The number of stay-over visitors from the USA, the largest source market grew by 14.8 per cent, reversing the 0.8 per cent contraction a year earlier, partly influenced by the introduction of the low cost carrier, Jet Blue. The Caribbean market performed better with a solid 10.6 per cent increase, relative to marginal growth of 1.5 per cent in 2015. The strong performance of the Caribbean market was mainly associated with increased airlift into Antigua and Barbuda. Other increases in stay-over visitors were recorded from Italy (22.3 per cent); Switzerland (3.7 per cent); other unlisted European countries (6.1 per cent) and Other Countries (4.0 per cent). In contrast, a depreciating UK pound and the uncertainty related to Brexit contributed to a 1.8 per cent decline in stay-over arrivals from the UK, the second largest source market. The number of stay-over visitors from the Canadian market continued to contract for the third consecutive year, although at a lower rate of 8.9 per cent, compared with one of 16.0 per cent in 2015. The outturn in the Canadian market continued to be adversely affected by reduced airlift and limited availability of low-priced accommodation. Declines were also recorded in countries with a relatively small market share including France (10.8 per cent), Germany (13.6 per cent), and South America (20.4 per cent).

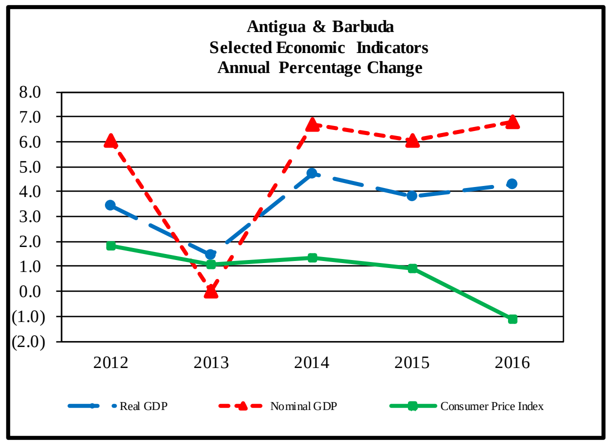
Activity in the cruise segment contracted during the year. The number of cruise ship passengers fell by 7.1 per cent to 591,579, reversing the growth of 21.2 per cent reported in 2015. The outturn reflected a decrease in cruise ship calls to 312 from 339 in 2015, largely as a result of a poor summer season due to the loss of calls from Carnival Cruise Line. On a positive note, the expansion of the Heritage Quay Pier led to the inaugural call of one of the largest cruise vessels in the World, the MS Anthem of the Seas as well as the Norwegian Breakaway in December 2016. Although there was an increase in the number of yacht calls by 55 to 3,996, the number of yacht passengers fell by 2.3 per cent to 18,327 partly due to the docking of smaller capacity yachts.



Construction sector output is estimated to have expanded by 12.0 per cent in 2016, following a rate of growth of 4.0 per cent in 2015. The contribution of the sector to real GDP inched up marginally to 9.8 per cent from 9.2 per cent in 2015. Construction activity was driven by both public and private sector developments. In the public sector construction works were largely concentrated on the Government Affordable Housing Development, repairs to government buildings, upgrades to five (5) secondary schools and the expansion of the Heritage Quay Pier. In the private sector construction works continued apace on several hotel projects, CIP funded developments and residential construction. Buoyed by increased production of aggregates, value added in the associated mining and quarrying sector is estimated to have expanded by 5.0 per cent, a reversal of the 11.1 per cent contraction recorded in 2015.

Reflective of developments in the hotels and restaurants and construction sectors, value added in the key auxiliary sectors of wholesale and retail trade; transport, storage and communications; and real estate, renting and business activity increased in 2016. These sectors together contributed 38.8 per cent to real GDP. Value added in the wholesale and retail trade sector grew by 7.8 per cent relative to an increase of 2.2 per cent in 2015, associated with an uptick in domestic consumption. Value added in the transport, storage and communications sector rose at rate of 2.3 per cent, slightly below the rate of 2.7 per cent recorded in 2015. This outturn was heavily influenced by tourism and construction activities. Value added in the real estate, renting and business activities sector is estimated to have increased by 1.9 per cent, albeit at a slower pace than the 11.2 per cent recorded in 2015.

Value added in the public administration defence and social security sector increased at a lesser rate of 2.5 per cent in 2016, compared with 4.4 per cent in 2015. Meanwhile, the contraction in the manufacturing sector deepened to 2.0 per cent in 2016, from 1.2 per cent in 2015 on account of lower production of non-metallic mineral products and furniture and fixtures.



Prices, Wages and Employment

From April 2016, the geometric mean formula was adopted in calculating the inflation rate in Antigua and Barbuda. This methodology had an overall downward impact on inflation from the second quarter of the year. As a result, the economy registered deflation despite the uptick in economic activity. **The Consumer Price Index (CPI) fell by 1.1 per cent in 2016 in contrast to a 0.9 per cent increase in 2015.** Deflationary pressures stemmed from declines in the three highest weighted sub-indices. The housing and food sub-indices, which individually contributes more than 20.0 per cent to the CPI, fell by 4.1 per cent and 1.8 per cent, respectively. A reduction in the delivery of water to private homes was the main contributor to the decline in the housing index while lower prices for meats, in particular poultry, vegetables, dairy products, and bakery and cereal products drove the fall in the food sub-index. The transport and communications sub-index, the third largest weighted item, contracted by 0.2 per cent largely due to the reduction in airline fares and the use of private transportation. Other declines were reported in the lesser weighted indices of medical care and expenses (6.0 per cent); alcoholic beverages and tobacco (2.3 per cent); and education (2.4 per cent). Notable increases were recorded in the clothing and footwear sub-index (0.9 per cent) and the household furnishings and supplies sub-index (1.3 pe cent). Higher prices for women clothing was the main contributor to the increase in the clothing and footwear sub-index while increased prices for household textiles and furnishings and household utensils led the increase in the latter sub-index. Meanwhile, there was no change in the fuel and light sub-index during the period of review.

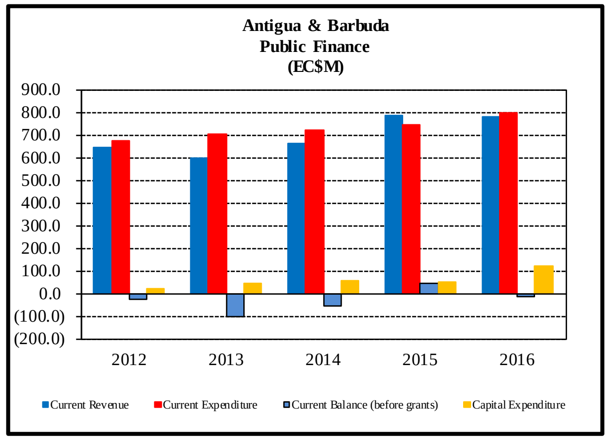
During the year, only a small segment of public servants received an adjustment in salary. Meanwhile, the number of central government employees declined by 0.6 per cent to 8,126 in 2016, due to attrition. In the absence of labour force statistics, provisional data from the Antigua and Barbuda Social Security Board indicated that the number of private sector employees rose by 3.7 per cent to 30,101 in 2016, reflecting an increase in the number of workers employed in construction, wholesale and retail trade, and the hotels and restaurants sectors. The number of self-employed persons contracted by 1.0 per cent to 1,725.

Central Government Fiscal Operations

According to provisional fiscal data, the central government reported an overall surplus for the second consecutive year, albeit at a lower level. An overall surplus of $42.2m (1.1 per cent of GDP) was recorded in 2016, down from $77.2m (2.1 per cent of GDP) in 2015. The surplus funds were primarily used for debt servicing. The primary surplus contracted marginally to

$152.0m (3.9 per cent of GDP) from $167.3m (4.6 per cent of GDP) in 2015.

The current account balance deteriorated during the period under review, in line with the expansionary fiscal policy stance. A current account deficit of $14.7m (0.4 per cent of GDP) was recorded in 2016, in contrast to a surplus of $41.5m (1.1 per cent of GDP) in 2015. The deterioration in the current account balance was largely driven by a surge in current expenditure. Current expenditure rose by 7.5 per cent to $796.9m in 2016, compared with a rate of growth of 3.2 per cent in 2015. However, as a percentage of GDP, current expenditure only rose marginally to 20.4 per cent from 20.3 per cent in 2015. The increase in current expenditure was attributable to higher outlays on personal emoluments, goods and services and interest payments. Personal emoluments, which amounted to 41.1 per cent of current expenditure, rose by 6.7 per cent to $327.7m on account of the payment of outstanding overtime and risk allowance; salary upgrades for some categories of public servants; and higher spending on the National Employment Programme. The amount spent on goods and services increased by 19.8 per cent to $127.8m due to the settling of outstanding payments for security services, consulting services, and service contracts for repairs to the cricket stadium and upgrades to roads. Interest payments rose by 21.9 per cent to $109.7m associated with a $23.2m increase in external payments as domestic payments fell by $3.5m. Meanwhile, government transfers and subsidies fell by 2.5 per cent to $231.6m as government reduced its contributions to select statutory entities.



Current revenue fell slightly by 0.1 per cent to $782.2m, a reversal of the gains made in 2015, largely on account of lower non tax revenue and the removal of the personal income tax which took effect on 1 July 2016. As a percentage of GDP, current revenue fell to 20.0 per cent from 21.4 per cent in 2015. Non tax revenue contracted by 11.5 per cent to $141.8m largely influenced by reduced receipts from the CIP and to a lesser extent lower income from property lease and rent due to the closure of the United States Air Force operated Antigua Air Station. Tax revenue, which accounted for 81.9 per cent of current revenue, grew at a decelerated rate of 2.9 per cent to $640.4m (16.4 per cent of GDP) compared with a rate of growth of 9.0 per cent in 2015. Collections from taxes on domestic goods and services rose by 9.8 per cent to $301.4m primarily on account of increased receipts from the Antigua and Barbuda Sales Tax (ABST) and stamp duties. Consistent with growth in the economy and improved tax administration and collection efforts, revenue from the ABST increased by 8.3 per cent to $250.9m. Stamp duties rose to $42.1m from $34.0m in 2015. Receipts from taxes on international trade and transactions grew by 2.6 per cent to $246.7m reflecting increases from the collection of consumption tax ($14.0m) due to the limited pass through of lower global oil prices to local retail gas prices. Inflows from taxes on income and profits fell by 16.5 per cent ($14.7m) to $74.8m influenced by the removal of the personal income tax, coupled with lower intake from company tax. Receipts from property taxes fell to $17.5m from $18.3m in 2015.

On the capital account, capital revenue almost tripled to $179.9m (4.6 per cent of GDP), owing largely to the receipt of forfeited proceeds. These forfeited proceeds contributed to a more than doubling of capital expenditure to $123.0m from $51.4m in 2015.

In addition to the normal revenue streams, the central government fiscal operations were financed through the accumulation of debt from private bond placements, the issuance of securities on the RGSM and to a lesser extent external loans. Meanwhile, the overall fiscal surplus and other financing inflows contributed to a reduction in the government's indebtedness to domestic commercial banks and the ECCB, and a reduction in arrears to external creditors.

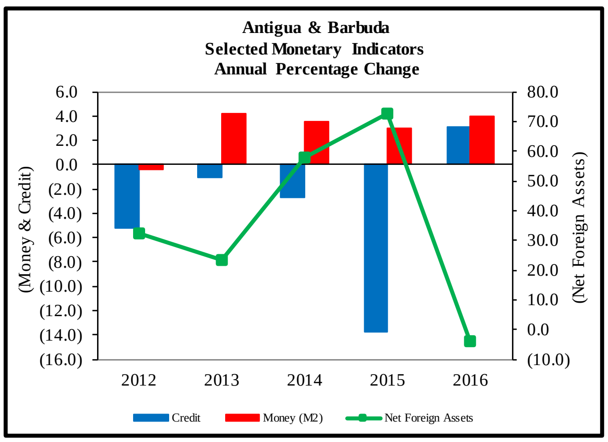
Public Sector Debt

Preliminary data for 2016 indicate that the debt portfolio of the public sector increased by 2.2 per cent to $3,141.2m from $3,072.4m at the end of 2015. As a percentage of GDP, the total debt fell to 80.3 per cent from 83.9 per cent at the end of 2015. Increases were recorded in both domestic and external debt. Domestic indebtedness rose by 2.9 per cent ($43.5m) to $1,547.0m due to new issues of bonds and treasury bills mainly through private placements. External debt grew by 1.6 per cent ($25.2m) to $1,594.2m primarily due to the reclassification of debt issued on the Regional Government Securities Market (RGSM) according to investor residency. On a more granular basis, central government debt, which amounted to 84.3 per cent of the total debt portfolio, rose by 3.4 per cent to $2,648.2m (67.7 per cent of GDP). This reflected increases in central government domestic debt by 3.9 per cent to $1,240.6m and external debt by 3.0 per cent to $1,407.6m. Meanwhile, the total debt stock guaranteed by the central government for public corporations fell by 3.7 per cent to $493.0m mainly due to scheduled amortization payments.

Money and Credit

Consistent with robust economic activity, the total monetary liabilities (M2) of the banking system grew by 4.0 per cent to $3,224.6m during 2016, up from 3.0 per cent during 2015. The expansion in M2 largely reflected an increase in money supply (M1). M1 rose by 14.0 per cent to $791.0m, on account of increases in all its components. Private sector demand deposits, its largest component, saw an expansion of 16.4 per cent, followed by currency with the public which grew by 5.0 per cent. Eastern Caribbean dollars cheques and draft issued, the smallest component, rose by 20.7 per cent. The growth in quasi money remained unchanged from the previous year at 1.1 per cent to $2,433.7m. Of the components of quasi money, private sector savings deposits rose by 7.2 per cent, while private sector foreign currency deposits and private sector time deposits fell by 7.4 per cent and 6.7 per cent, respectively.

The stock of domestic credit in the economy increased for the first time in six years. Domestic credit rose by 3.1 per cent to $2,320.7m during 2016, following a steep 13.8 per cent decline during 2015. This turnaround in domestic credit mirrored increases in the credit stock of the private sector, the government and Non-Financial Public Enterprises. The stock of private sector credit rose at a marginal rate of 0.2 per cent ($2.9m) to $1,912.3m reflective of increases in household credit (0.9 per cent) and Non-Bank Financial Institutions (5.8 per cent), tempered by a 1.0 per cent fall in credit to businesses. The net credit position of the general government rose by 17.4 per cent ($58.5m) to $393.8m, largely on account of a 55.9 per cent ($120.9m) reduction in deposits. These deposits were primarily used to reduce the governments indebtedness to the Central Bank and commercial banks by 18.9 per cent and 9.9 per cent, respectively. Net credit to the Non-Financial Public Enterprises more than doubled to $14.7m as they borrowed more to finance their operations as opposed to drawing down their deposits.



The disaggregation of the credit stock according to economic activity, revealed that outstanding credit declined for most of the major sectors. Decreases in credit outstanding were recorded in construction (12.1 per cent); professional and other services (12.0 per cent); public administration (10.2 per cent); distributive trades (6.0 per cent); manufacturing, mining and quarry (5.8 per cent); and home construction and renovation (2.4 per cent). These decreases were partly mitigated by increases in outstanding credit for tourism (53.0 per cent), associated with two major tourism establishments; utilities, electricity and water (5.7 per cent); other personal use (4.5 per cent); house and land purchase (3.3 per cent); and durable consumer goods (2.2 per cent).

The net foreign assets of the banking system declined by 4.1 per cent to $1,461.2m, compared with a stark increase of 72.6 per cent during 2015. The decline in net foreign assets was mainly driven by a reduction in Antigua and Barbuda's imputed share of the Central Bank's reserves which fell by 7.2 per cent ($69.4m). This mainly reflected a decline in imputed assets, namely commercial banks deposits and central government fixed and call deposits. In contrast, commercial banks net asset position increased by 1.2 per cent ($6.5m) on account of an increase in assets held with banks within other ECCU countries.

Commercial bank liquidity remained

elevated during 2016. This was evidenced by an increase in the loans and advances to total deposits ratio to 69.8 per cent during 2016 from 68.7 per cent during 2015, although still below the benchmark range of 75.0 - 85.0 per cent established by the ECCB. The ratio of liquid assets to total deposits plus liquid liabilities increased by 0.8 per cent to 63.1 per cent from 62.3 per cent, significantly above the minimum prudential limit of 25.0 per cent.

The weighted average interest rate spread between loans and deposits increased to 7.43 percentage points from 7.27 percentage points at the end of 2015. The increase in the interest rate spread reflected a reduction in the weighted average deposit rate by 36 basis points to 1.68 per cent tempered by a fall in the weighted average lending rate by 19 basis points to 9.11 per cent. The significant decline in the weighted average deposit rate was mainly due to declines in the interest rates offered on savings and time deposits.

Trade and Payments

Preliminary trade statistics for 2016 indicated that the trade deficit narrowed by 6.3 per cent to $1,169.7m (29.9 per cent of GDP), from $1,247.7m (34.1 per cent of GDP) in 2015. The narrowing of the trade deficit was largely due to an increase in the re-exports of machinery and transport equipment. Export receipts more than doubled to $164.6m primarily on account of the reshipment of machinery and transport, namely sailboats associated with yachting events. Import payments rose by 1.2 per cent to $1,334.3m influenced by higher imports of machinery and transport equipment. Meanwhile, the import value of mineral fuels, lubricants and related materials, the largest category of imports, contracted for the fourth consecutive year by 22.4 per cent, consistent with lower global oil prices.

Reflecting the uptick in the number of overnight visitors, gross travel receipts are estimated to have increased by 4.9 cent to $908.9m. Commercial banks' transactions resulted in a net outflow in short-term capital of $6.5m, much lower than the amount of $482.6m recorded in the 2015, when commercial banks increased their asset position with banks outside the ECCU region. External loan disbursements to the central government fell by 33.4 per cent to

$107.7m in 2016 while external principal payments more than tripled to $250.6m, mainly as a result of the reclassification of securities issued on the RGSM according to the investors' country of residence. These developments contributed to a net amortization position of $142.8m, relative to a net disbursement position of $79.7m in the comparable period of 2015.

Prospects

The International Monetary Fund World Economic Outlook (January 2017) predicted an uptick in global growth to 3.4 per cent in 2017, up from growth of 3.1 per cent in 2016. More specifically, advanced economies are projected to grow by 1.9 per cent relative to growth of 1.6 per cent in 2016. These global projections have positive growth implications for the economy of Antigua and Barbuda, which is highly dependent on global demand for tourism services and foreign direct investment inflows. **Economic activity in Antigua and Barbuda is projected to be positive in 2017 driven by developments in the construction sector and the tourism industry with spill-over effects into other major supporting sectors.** Construction sector activity will be boosted by public sector investments in road works, housing, routine capital stock maintenance, and port and airport infrastructure development in Barbuda. Private sector construction works will continue apace on several tourism and CIP related projects including the Tamarind Heights and Pearns Point among others. Value added in the hotels and restaurants sector is expected to expand due to continued benefits from additional airlift and greater marketing and sales efforts. Inflationary pressures are likely to inch up in 2017 due to the tapering off of the methodological effects and an uptick in global oil prices stemming from the agreement of oil suppliers to limit supply.

The fiscal position of the government is anticipated to deteriorate in 2017 when compared with the outturn in 2016. According to the Budget estimates for 2017, an overall fiscal deficit not exceeding 0.5 per cent of GDP is targeted. The government announced a number of initiatives that should increase the revenue stream during the year. These include the enactment of an updated Tax Administration Procedures Act; taking judicial action against non-compliant tax payers; and placing a cap on discretionary tax waivers especially on import duty and the Revenue Recovery Charge. In addition to these administrative measures, the full implementation of the Unincorporated Business Tax; a tax on the profits and gains generated from 2016 on offshore banks licensed in Antigua and Barbuda; and a retooled Gambling Tax will partly replace the loss of revenue from the removal of the personal income tax. On the expenditure side, the government plans to continue the hiring freeze in the public service with the exception of vacant positions resulting from attrition; contain expenditure on goods and services to no more than 3.5 per cent of GDP and limit other transfers to less than 3.0 per cent of GDP. Furthermore, capital expenditure is forecasted to be below the actual outturn in 2016. These efforts, if fully implemented should enable the authorities to meet the above mentioned fiscal target for the year.

In the external sector, the merchandise trade deficit may widen due to the likely increase in imports associated with the commencement of new construction projects. This may be somewhat tempered by reduced import payments for mineral fuels and oils, consistent with low international oil prices. Gross travel receipts are forecasted to grow in line with the expected increase in the number of stay-over and cruise visitors.

These expectations for economic growth could be adversely affected by several downside risks stemming from the international environment and the domestic front. Internationally, global growth projections could be thwarted by lower than expected growth in the US economy if the fiscal stimulus enunciated by the Trump administration does not come on stream. Furthermore, US policy making decisions that lean toward protectionism could put a damper on global trade and by extension economic growth. The uncertainty of Brexit, along with anti-migrant policies in Europe and the US may adversely impact the level of global production. Domestically, downside risks include the inability to finance the public sector investment programme either due to lower than expected inflows from the CIP or other unforeseen fiscal shocks, and adverse weather. In addition to these domestic downside risks, the Antiguan economy is challenged by a double digit unemployment rate; a slide in the World Bank Doing Business Ranking; the high cost of energy; and a mature tourism product. On the upside, global activity could be stronger than anticipated if the policy stimulus in the USA and China surpasses expectation. Growth in the Antiguan economy could also be further boosted if a number of construction projects come on stream in 2017. This could be further supported by upgrading the existing tourism stock to improve competitiveness and the implementation of policies to mitigate fiscal risks, build natural disaster resilience and specifically target the high level of unemployment.

D O M I N I C A

Overview

Preliminary data indicate that economic activity in Dominica expanded by 1.5 per cent in 2016, following a contraction of 2.5 per cent in 2015. This assessment is based on increased activity in the construction and agricultural sectors, notwithstanding subdued performances in the tourism industry and the manufacturing sector. The consumer price index rose by 1.6 per cent on an end of period basis. In the external sector, the merchandise trade deficit is estimated to have widened, mainly as a result of a fall in export receipts. The central government's fiscal operations resulted in an overall surplus, in contrast to the deficit recorded in the previous year. During the period under review, the total disbursed outstanding debt declined, driven by a reduction in borrowing by both the central government and public corporations. Monetary liabilities and net foreign assets in the banking system expanded while a decrease in domestic credit was observed. Commercial bank liquidity continued to improve, while the weighted average interest rate widened during the review period.

Economic activity is expected to accelerate in 2017, led by increased activity in the construction sector. The overall fiscal balance is anticipated to remain positive in 2017 mainly owing to the inflows of funds from the Citizenship by Investment programme. **Downside risks to this outlook however include a deceleration in flows from the Citizenship by Investment programme, further exposure to plant diseases, de-risking and adverse weather. On the upside, the advancement of projects such as the construction of the geothermal energy plant would positively impact the economy.**

Output

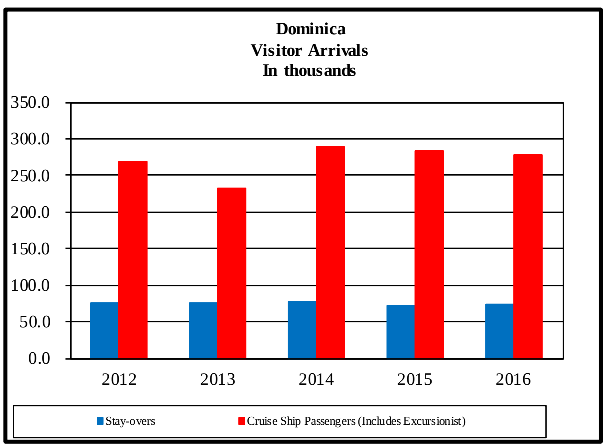
The two largest sectors in the economy, wholesale and retail trade which accounts for 13.7 per cent of the economy and; transport, storage and communications which accounts for 13.6 per cent of the

economy, both registered declines of 2.5 per cent and 0.5 per cent respectively. Despite these contractions in major sectors, growth in agriculture and construction was able to contribute to a positive outturn for the economy.

Value added in the agriculture, livestock and forestry sector, which contributed 12.0 per cent to the economy in 2016, expanded by 4.0 per cent, largely reflecting a 5.0 per cent increase in the value added of the non-banana crops sub-sector. The livestock and forestry subsectors also supported the overall expansion in the sector. These improvements were however moderated by an 8.0 per cent fall in the value added of the banana sub-sector. This outturn was influenced by limited access to farms and the destruction of some crops in the wake of tropical storm Erika in August 2015.

Construction activity is estimated to have increased by 20.5 per cent in 2016, a reversal of the 20.3 per cent decline recorded in the previous year. Resultantly, the sector's contribution to total GDP moved from 3.9 per cent to 4.7 per cent over the year. This outturn was influenced by developments in both the private and public sectors. Private sector construction indicators point to an expansion in the sub-sector, on the basis of upsurges in the number and value of residential starts by 73.1 per cent and 48.5 per cent respectively. The uptick was also supported by the ongoing construction of the 160-room Range Developments' Cabrits Resort Kempinski project which commenced in the second quarter of 2016. In the public sector, capital spending rose by $76.5m to $159.1m, largely reflecting a pickup in reconstruction and rehabilitation associated with the passage of tropical storm Erika in August 2015 and other ongoing projects such as the construction of the new national hospital and the Roseau Enhancement Project. Accordingly, the value added for the mining and quarrying sector is estimated to have increased by 15.0 per cent, in contrast to a decline of 13.5 per cent observed for the previous year.

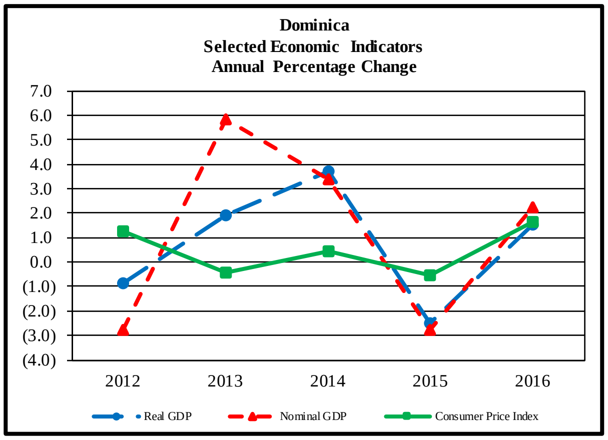
Output in the manufacturing sector is estimated to have contracted by 30.0 per cent in 2016, compared with a smaller contraction of 8.8 per cent recorded in the previous year. Accordingly, the sector's contribution to total output in the economy moved downwards to 2.3 per cent from 3.3 per cent. This development was partially associated with damage to manufacturing facilities as a result of the passage of tropical storm Erika and the subsequent closure of Dominica Coconut Products, one of the largest manufacturing plants in Dominica. Consequently, there was no production of soap in 2016. The decline in the sector was however moderated by increases in the volume of output of paints and varnishes (15.5 per cent) and beverages (1.6 per cent).



The hotels and restaurants sector, a proxy for activity in the tourism industry, contracted by 4.7 per cent in 2016, following a larger reduction of 7.6 per cent recorded in 2015. The sector's contribution to GDP fell by 0.1 per cent to 2.0 per cent. The total number of visitors fell by 0.5 per cent to 365,564, following a larger reduction of 3.0 per cent in the previous year. This outturn was associated with a 1.6 per cent decline in cruise ship passenger arrivals, as the number of cruise calls decreased from 187 to 163. The drop in total arrivals was however moderated by a 4.2 per cent increase in the number of stayover visitors, attributable to upticks in arrivals from most major source markets, partially as a consequence of a pickup in airlift in the latter half of the year, following challenges associated with the passage of tropical storm Erika. The rise in stayover arrivals was also supported by the reinstatement of the World Creole Music Festival following its cancellation in 2015. A 2.1 per cent rise was observed for the Caribbean, the largest source market. Upsurges were also recorded in arrivals for the USA (10.9 per cent), Europe (6.6 per cent) and Canada (3.0 per cent). The number of excursionists visiting the island fell by 30.3 per cent and the number of yacht passengers increased by 0.1 per cent.

Growth in activity was observed in supporting sectors such as financial intermediation (7.5 per cent); education (2.9 per cent); health and social work (2.9 per cent); public administration, defence and compulsory social security (2.4 per cent);

real estate, renting and business activities (1.6 per cent).



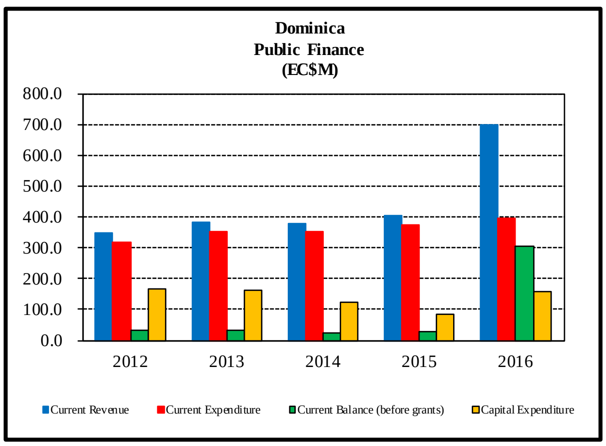
Prices, Wages and Employment

The consumer price index rose by 1.6 per cent in 2016, relative to the decrease of 0.5 per cent observed in 2015. The uptick in prices was mainly attributed to an increase of 4.3 per cent in housing, utilities, gas and other fuels, the largest sub-index. This development was attributed to higher prices for the water supply and miscellaneous services related to the dwelling and for electricity and gas. Additionally, the sub-index of transport which is the second largest, increased by 0.7 per cent. The inflation was also supported by upsurges in the prices of hotels and restaurants (3.5 per cent); alcoholic beverages, tobacco and narcotics (3.2 per cent); recreation and culture (2.4 per cent); household furnishings, supplies and maintenance (0.2 per cent). Inflationary pressures were suppressed due to reductions in the sub-indices for food and non-alcoholic beverages (0.1 per cent) and clothing and footwear (0.1 per cent). The price indexes for communication and education both remained unchanged.

With regard to wages and employment, complete data are unavailable for the private sector. In the public sector, no wage or salary increases were granted to public servants during 2016. The total number of persons employed in the public service is estimated to have grown by 2.2 per cent to 4,456 at the end of 2016 following a contraction of 12.0 per cent in the previous year. Among the categories of workers, upsurges were registered for established officers (6.2 per cent) and non-established officers (4.8 per cent). The expansion in the public service was however moderated by declines in contractual officers (65.0 per cent) and officers on special assignment (47.6 per cent).

Central Government Fiscal Operations

Preliminary data indicate that the fiscal operations of the central government resulted in an overall surplus of $167.7m (11.8 per cent of GDP) in 2016, a notable enhancement from the deficit of $25.1m (1.8 per cent of GDP) recorded one year prior. A primary surplus of $194.5m (13.7 per cent of GDP) was realised, compared to one of $0.1m in the previous year. The improvement in the overall balance was mainly influenced by positive developments on the current account.



The current account surplus widened to $304.9m (21.5 per cent of GDP) from one of $27.4m (2.0 per cent of GDP) in 2015, reflecting growth in current revenue. Current revenue rose markedly, by 73.2 per cent to $698.5m (49.2 per cent of GDP). This expansion was largely influenced by an expansion in non-tax revenue by $276.4m to $349.9m (24.7 per cent of GDP), mainly reflecting an increased flow of funds from the Citizenship by Investment Programme. The upsurge in current revenue was also driven by a rise in tax revenue by $18.8m to $348.6m (24.6 per cent of GDP) as the authorities continued efforts to improve tax compliance. Growth was recorded for all categories of taxes with the exception of taxes on property, which yielded $7.2m in revenue, down by $0.6m from 2015. The largest improvement was observed in taxes on domestic goods and services, the government's main source of tax revenue. Receipts from taxes on domestic goods and services rose by $11.6m to $201.4m. This outturn was primarily associated with an expansion in collections from the value added tax ($7.5m), despite an increase in the threshold from $120,000 to $250,000 effective 01 September 2016. The excise tax contributed $5.3mto taxes on domestic goods and services reflecting the expansion in the economy. Earnings from taxes on international trade and transactions were also enhanced by $4.8m to $71.1m, reflecting higher intake from import duty ($1.9m) and customs service charge ($1.4m). A smaller enhancement was recorded in revenue earned from taxes on income and profits ($3.0m). This outturn was largely associated with a rise in revenue collected from the corporation tax ($3.8m) but was partially offset by a slight contraction in personal income tax receipts ($0.4m).

The improvement in the current account balance was tempered by an increase in current expenditure of $17.7m to $393.6m (27.7 per cent of GDP), mainly attributable to additional spending on goods and services ($14.4m) on account of an uptick in professional and consultancy fees, and promotions. Outlays for transfers and subsidies also expanded, by $12.6m largely reflecting growth in grants and contributions to institutions. A smaller rise of $1.6m was recorded for interest payments, primarily the result of an upsurge in external interest payments. The expansion in current expenditure was however curtailed by a decline of $10.9m in spending on personal emoluments, relative to the amount recorded in 2015 when retroactive payments were granted to public officers.

Despite a 27.7 per cent reduction in capital grants, capital expenditure increased by $76.5m to $159.1m, mainly driven by recovery and reconstruction activities which were largely funded by the Government of Dominica.

Public Sector Debt

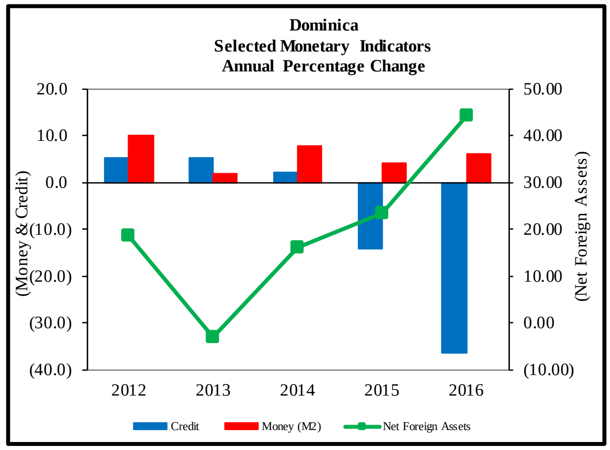
The total disbursed outstanding debt of the public sector is estimated to have declined by 5.4 per cent to $1,038.1m (73.2 per cent of GDP) at the end of December 2016. This outturn mainly resulted from a decrease in both central government debt and public corporations' debt. Outstanding central government debt fell by 5.7 per cent to $885.2m (62.4 per cent of GDP) owing to a reduction in its external (6.6 per cent) and domestic (3.6 per cent) obligations. The debt stock of public corporations went down by 3.7 per cent to $152.9m, largely associated with a reduction in their external debt (6.7 per cent) but tempered by an increase in their domestic debt (1.2 per cent).

Money and Credit

Monetary liabilities (M2) expanded by 6.0 per cent to $1,376.2m at the end of 2016, associated with growth in both the narrow money supply (M1) and quasi money.

Quasi money, the larger component of M2, rose by 3.5 per cent to $1,073.8m, attributed to increases in private sector foreign currency (16.4 per cent), private sector time deposits (7.7 per cent) and, private sector savings deposits (2.0 per cent). An upsurge of 16.0 per cent in narrow money (M1) resulted from growth in private sector demand deposits (16.9 per cent) and currency with the public (12.9 per cent) but was moderated by a contraction in EC$ cheques and drafts issues (9.2 per cent).

Domestic credit fell by 36.4 per cent to $402.1m during the period under review. This outturn was mainly driven by an expansion in the net deposit position of the central government to $299.6m from one of $51.6m at the end of December 2015. A more than doubling of central government's deposits, outpaced an expansion of 8.1 per cent in its credit from the entire banking system. The contraction in domestic credit was also driven by a 4.5 per cent improvement in the net deposit position of non-financial public enterprises but was moderated by a 2.9 per cent increase in private sector credit, which constitutes the largest proportion of credit in the economy. This growth in private sector credit was associated with a more than doubling in credit to non-bank financial institutions. The expansion in private sector credit was however tempered by declines in household (3.2 per cent) and business credit (1.4 per cent).



An analysis of the distribution of commercial bank credit by economic activity revealed that total outstanding loans and advances rose by 4.0 per cent to $960.1m. Expansions were recorded in credit allocated to financial institutions ($40.1m), utilities, electricity and water ($26.3m), public administration ($2.8m) and, mining and quarrying ($0.8m). These increases were partly mitigated by contractions in credit for construction ($19.2m), manufacturing ($4.3m), personal use ($3.4m), transportation and storage ($2.2m), distributive trades ($2.0m), agriculture and fisheries ($1.2m), professional and other services ($0.6m) and tourism ($0.1m).

At the end of December 2016, the net foreign assets position in the banking system stood at $1,090.3m, registering an increase of 44.3 per cent relative to the prior year. This expansion was mainly due to a 76.1 per cent rise in Dominica's imputed share of the Central Bank's reserves. The improvement in net foreign assets was also supported by growth of 18.5 per cent to $493.9m in the net foreign assets position of commercial banks, associated with growth in their net assets position with institutions outside of the other ECCU territories but curtailed by a decline in their net assets position with institutions within ECCU.

Liquidity in the commercial banking system improved in 2016. The ratio of liquid assets to total deposits plus liquid liabilities rose by 7.3 percentage points to 57.4 per cent at the end of December 2016. Accordingly, the ratio of loans and advances to total deposits fell by 6.8 percentage points to 47.8 per cent which is considerably below the ECCB's benchmark of 75.0 to 85.0 per cent.

During the review period, the interest rate spread widened by 8.0 basis points to 6.42 per cent. This outturn was largely driven by a 39.0 basis point fall to 1.70 per cent in the weighted average total deposits rate, partially a reflection of the Monetary Council's decision to decrease the minimum savings rate from 3.0 to 2.0 per cent effective 01 May 2015. The widening of the interest rate spread was however moderated by a decline in the weighted average lending rate of 31.0 basis points to 8.12 per cent.

Trade and Payments

Preliminary estimates indicate that the trade deficit widened by 4.2 per cent to $517.0m (36.4 per cent of GDP) during 2016, compared to a deficit of $496.0m (35.5 per cent of GDP in 2015. This development was mainly attributed to an estimated decrease in export receipts, supported by a marginal increase in the value of imports. Export receipts fell by 25.2 per cent to $61.0m on account of a contraction of 30.4 per cent in the value of domestic exports. No revenue was earned from the export of soap as a result of the halt in its production by Dominica Coconut Products, in contrast to receipts of $6.6m in the previous year. The value of the export of bananas fell by 60.0 per cent, associated with disruptions in production following tropical storm Erika. A 0.6 per cent reduction in the export value of paints and varnishes was also observed. The decline in export receipts was however moderated by a 2.2 per cent uptick in re-exports. The value of imports rose marginally by 0.1 per cent to $578.0m.

Gross travel receipts are estimated to have increased by 7.3 per cent to $361.7m. Commercial bank activities led to a net outflow of $77.1m relative to one of $74.7m in the prior year. In the public sector, as loan financing decreased, external loan disbursements to the central government totalled $7.2m compared with $70.9m in the comparable period of the previous year. On the other hand, external principal repayments amounted to $34.2m, up from the $23.2m recorded at the end of December 2015. These transactions led to a net outflow of $27.0m in contrast to an inflow of $47.7m in 2015.

Prospects

Real output in Dominica is forecasted to expand in 2017, largely led by the construction sector, as the economy continues to recover from the effect of tropical storm Erika in August 2015. The acceleration in activity is also expected to be supported by improvements in the tourism industry and agricultural sector. Construction activity in the public sector is anticipated to increase as the rebuilding efforts following the storm continues. This investment is expected to be supplemented by other projects such as the ongoing construction of a new national hospital and the implementation of the Roseau Enhancement Project. Furthermore, the continued construction of Range Developments' Cabrits Resort Kempinski project, which is due to open in 2018, is expected to drive private sector construction activity.

Overall performance in the tourism industry in 2017 is expected to improve as reliable air access is expected to be maintained for the entire year, barring any disasters. Increased marketing efforts by Discover Dominica Authority, supported by an expanded tourism budget, are also anticipated to support growth in the industry. An increased number of cruise ship passengers are also projected from an estimated improvement in the number of cruise calls scheduled for the 2016/2017 cruise tourism season which began in October 2016. Additional cruise ships such as the MV Freewinds and the MV Carnival Fascination are also expected to make summer calls to the island in 2017.

With the continued support of the government and the European Union under the Banana Accompanying Measures (BAM) and amidst efforts to control Black Sigatoka in the banana sub-sector and to restore overall production to pre-Erika levels, output in the agricultural sector is expected to continue to improve in 2017. Manufacturing output is expected to remain subdued as the sector continues to be affected by the November 2015 closure of Dominica Coconut Products, one of Dominica's largest manufacturing plants.

The overall fiscal balance is anticipated to remain positive in 2017, owing to the continued receipt of funds from the Citizenship by Investment programme and continued efforts to improve tax compliance. The fiscal surplus is however expected to be moderated by increased capital expenditure for reconstruction and declining grant revenues. Furthermore, the implementation of expansionary fiscal measures announced in the 2016/2017 Budget such as increases in the Value Added Tax threshold and the Non Contributory Social Allowance for persons 70 years and older, effective 01 September 2016, will also impact the balance negatively.

In the external sector, the merchandise trade deficit is expected to widen, driven by reconstruction related imports. The considerable fall in exports as a result of the cessation of soap production will negatively affect the balance.

Downside risks to this outlook include a deceleration in Citizenship by Investment programme inflows, the receipt of fewer grants than expected and/or delays in the disbursement of loan or grant funds which could all slow down the implementation of the public sector investment programme. This process could be additionally affected by administrative and implementation capacity constraints. Further exposures to plant diseases also pose a threat and could undermine any progress in the agricultural sector. Bouts of political unrest could also have negative implications for the investment climate. In addition, Dominica remains vulnerable to external shocks such as adverse weather and downturns in the economies of development partners and major tourism source markets. On the upside, business in the agricultural sector and tourism industry can benefit from concessional financing opportunities currently being provided by the government. This initiative can potentially boost activity in the private sector. Additionally, the advancement of projects such as the geothermal energy plant would positively impact the economy. Finally, the establishment of a disaster vulnerability fund using Citizenship by Investment funds as announced in the 2016/2017 Budget would assist the country in its response to natural disasters in the future.

G R E N A D A

Overview

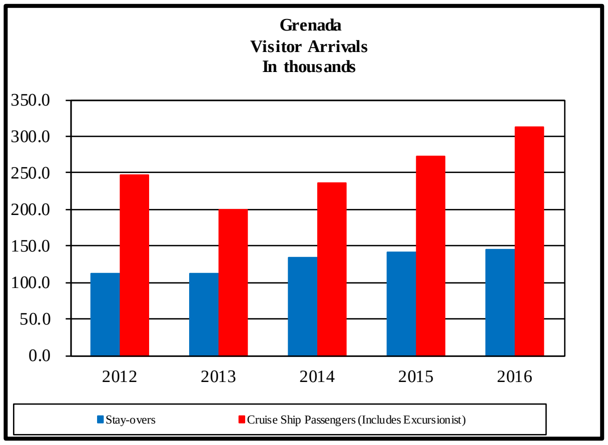
Grenada's economy made further strides under the implementation of its three-year Home-grown Programme of Fiscal Adjustment and Reforms which started in 2014. The country posted real growth of 1.7 per cent in 2016, following growth of 5.2 per cent in 2015. There were strong performances in tourism and construction, with positive spin off effects in auxiliary sectors such as transport, storage and communications as well as wholesale and retail trade. A decline in agriculture placed a drag on overall economic growth. Consumer price inflation persisted from a year prior, moderating to 0.9 per cent from 1.1 per cent in 2015, on an end of period basis. The fiscal operations of the central government continued to yield successful results – the first positive overall balance in ten years. Accordingly, the total outstanding public sector debt fell during 2016. The financial sector, which remained stable, was characterized by growth in monetary liabilities and net foreign assets, and a decline in domestic credit. Commercial bank liquidity rose during 2016, and the spread between the weighted average lending and deposit interest rates narrowed. In the external sector, the merchandise trade deficit widened, owing largely to higher import payments.

The Home-Grown Programme will officially end in 2017, and the economy seems on track in attaining its main objectives. The outlook for 2017 is positive as economic growth is likely to gain momentum mainly from increased tourism and construction activity. Consumer price inflation is expected to increase moderately in 2017. The external trade deficit position is projected to widen, while the country seems on a trajectory to achieve an overall fiscal surplus and to further reduce the debt stock in 2017. **Macroeconomic challenges remain including unemployment, poverty, and vulnerability to external growth shocks and adverse weather. Key risks can emanate from downturns in the economies of leading trading partners; the impact of BREXIT and the policies of the current US government; and the loss of correspondent banking relationships. In light of this, the**

gains of the Programme need to be protected and sustained.

Output

Value added in the hotels and restaurants sector, a proxy for activity in the tourism industry, is estimated to have increased by 7.5 per cent, recovering from the prior year's marginal contraction of 0.9 per cent. The sector's contribution to total GDP rose slightly to 5.8 per cent from 5.5 per cent in 2015. Total visitor arrivals grew by 9.7 per cent to 477,333 mirroring gains in most sub-categories of visitors. Cruise ship activity remained buoyant during the year under review, as passenger arrivals expanded by 14.3 per cent to 309,199. A record total of 242 cruise vessels visited the country, reflecting forty-nine (49) calls above the total registered in 2015. Stay-over arrivals grew by 2.5 per cent to 144,274, decelerating from the rate of increase of 5.4 per cent in the previous year. The performance of the stay-over sub-sector was supported by the country's hosting of regional and international events, including the CONCACAF Under 17 Women's Football competition; the CARIFTA games; phase one of the Exercise Tradewinds 2016; and the inaugural Pure Grenada Music Festival. The USA market led the growth in stay-over arrivals, registering growth of 10.8 per cent. Increased airlift was the major contributor to growth in this market segment. Notwithstanding the persistent airlift challenges, arrivals from the Caribbean increased by 3.3 per cent. Stay-over arrivals from Canada grew marginally by 0.2 per cent; while European stay-over arrivals fell by 5.4 per cent largely on account of declines from West Germany (14.5 per cent), Italy (3.7 per cent), and UK (2.5 per cent). The slow and negative developments in these latter source markets were amid weakening of their currencies against the US dollar which would have led to a higher cost of travel. The number of excursionists more than doubled to 3,270, positively impacted by an increase in same day business trips and growth in visitors from a neighbouring island taking flights with international connections from Grenada. In the yachting sub-sector, passenger arrivals decreased by 6.9 per cent to 20,590, constrained by a 2016 active hurricane season and increased competition from a destination with recent improvements to yachting infrastructure.



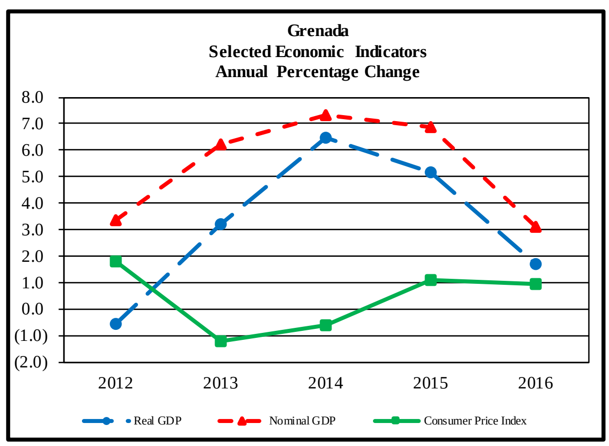
Output of the construction sector rose by 7.0 per cent, accelerating from the rate of growth of 6.4 per cent in 2015. The sector's contribution to overall GDP rose to 7.0 per cent from 6.7 per cent in the prior year. The ongoing construction of private sector projects were complemented by continued implementation of the public sector investment programme. Some of the private sector projects underway in 2016 were: Point at Petite Calivigny Resort; a bowling alley; Silver Sands Resort Development; Solamente Villas; an agro-processing plant; as well as marina and boatyard facilities. There were also expansions to a mall and other villa and resort establishments. In the public sector, work either commenced or continued on a number of projects including: the Parliament building; Phase II of the St George's Hospital expansion project; schools; retaining walls; day care centers; and roads. Robust construction activity contributed to a 17.5 per cent increase in the mining and quarrying sector.

Positive spillover effects from tourism and construction contributed to growth in the transport, storage and communications sector (5.9 per cent) and wholesale and retail trade sector (4.2 per cent). The two latter sectors made a collective contribution to total GDP of 21.6 per cent in 2016, above the level of 20.9 per cent recorded in the preceding year, and representing almost one-quarter of the total economy.

The single most dominant sector in the economy, education, grew by 2.5 per cent stemming largely from an estimated increase of 6.4 per cent to 7,479 in enrolment at the St George's University. Education accounted for 18.6 per cent of total GDP in the year under review, in comparison to 18.4 per cent in 2015. The further intake of students is likely to have contributed to an uptick of 1.6 per cent in value added in the real estate, renting and business activities sector.

Valued added in the manufacturing sector climbed by 2.5 per cent in 2016, following growth of 3.7 per cent in the prior year. The sector's overall contribution to GDP moved slightly to 3.4 per cent from 3.3 per cent in 2015. Output of all beverages rose, reflecting firm local demand. Beer and rum production rose by 13.4 per cent and 7.4 per cent respectively, while stout and malt output grew at an average rate of 12.4 per cent. Among chemicals and paints, increases were recorded in the output of acetylene (92.3 per cent), oxygen (62.7 per cent) and paint (6.4 per cent). With respect to grain mill and bakery products, flour production rose by 2.4 per cent, while output of macaroni fell by 9.1 per cent. Animal feed production was mixed whereby, output of wheat bran was up by 2.2 per cent, while poultry feed was down by 10.4 per cent. A contraction of 8.3 per cent was witnessed in the volume of toilet paper manufactured. The increased manufacturing activity, positively impacted value added in the electricity and water sector, which grew by 4.7 per cent in 2016.

Overall economic activity was tempered by a decline of 17.5 per cent in the value added from the agriculture, livestock and forestry sector. This was in stark contrast to growth of 44.8 per cent registered by the sector in 2015. The sector's total contribution to GDP fell to 6.4 per cent from 7.9 per cent in 2015. The outturn was characterized by a downturn in a major sub-sector, crops, whereby its value added declined by 19.5 per cent following growth of 53.2 per cent in 2015. Output of other crops including fruits and vegetables declined by 20.6 per cent to 3.0m pounds, owing largely to severe dry season during the first half of 2016. The performance of the nutmeg sub-sector was also dismal, as value added contracted by 14.0 per cent. Notwithstanding adverse weather, value added in the banana sub-sector rose by 15.4 per cent. Value added in the sub-sectors of livestock and forestry rose by 2.5 per cent and 1.5 per cent respectively.



Among the remaining sectors, value added remained relatively flat in the fishing sector as well as the public administration, defence and compulsory social security sector in 2016.

Prices, Wages and Employment

Consumer price inflation decelerated to 0.9 per cent during 2016, from 1.1 per cent in 2015. Most sub-indices registered increases, with the exception of hotels and restaurants; and food and non-alcoholic beverages which declined by 7.4 per cent and 1.4 per cent respectively. The largest sub-index, housing, utilities, gas and other fuels, rose by 0.2 per cent, primarily because of higher costs for cooking gas; maintenance and repair of dwellings; and rentals for housing. Notable increases were observed in the sub-indices for education (6.2 per cent), communication (5.7 per cent) and transport (3.0 per cent). Higher costs for: pre-primary and primary education; telephone services; airfares; and the maintenance and repair of personal transport, mainly contributed to the rise in these latter sub-indices.

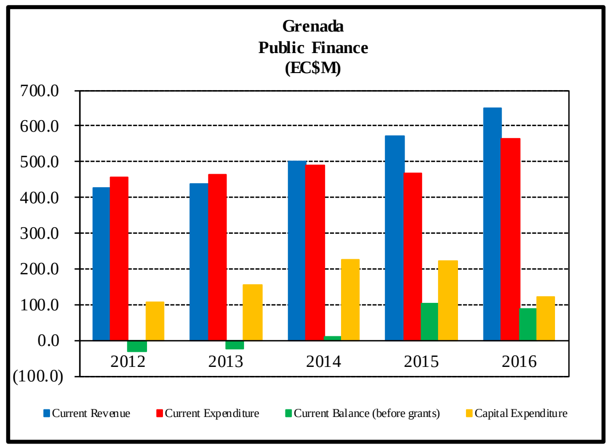
There were no wage or salary increases made to public officers during the year under review, in light of the public sector wage freeze under the Programme. There were, however, increment payments awarded to public officers. In the first instance, salaries for public officers were adjusted with effect from end July 2016, to make increment payments current for 2016. Additionally, two installments of deferred salary increments were made in December 2016, specifically for 2014 and January-June 2016. Preliminary data indicated that public sector employment fell in 2016, partly on account of the attrition policy implemented by the authorities from 2014, whereby no more than three of every ten employees departing the public service were replaced. In the private sector, the level of unemployment seemed to have declined, in line with overall economic growth. According to the 2017 Budget Statement, the rate of unemployment was estimated at 28.6 per cent, below that of 29.0 per cent recorded in 2015.

Central Government Fiscal Operations

Ongoing fiscal consolidation measures supported by legislative reforms to the fiscal policy framework, under the Programme, continued to yield positive results. The fiscal operations of the central government resulted in an overall surplus of $66.0m (2.4 per cent of GDP), a turnaround from overall deficit position of $32.1m (1.2 per cent of GDP) in 2015. A primary surplus of $148.3m (5.4 per cent of GDP) was registered, up from one of $57.9m (2.2 per cent of GDP) in 2015.[1]

A current account surplus of $86.1m (3.1 per cent of GDP) was realised, down from one of $104.3m (3.9 per cent of GDP) in 2015. Growth in current expenditure outpaced that of current revenue, leading to the lower surplus on the current account.

In light of reclassifications of expenditure items from the capital to the current account, current expenditure is estimated to have expanded by 21.1 per cent to $565.5m (20.6 per cent of GDP). Increases were recorded in goods and services (55.0 per cent or $41.8m), personal emoluments (16.9 per cent or $36.4m) and transfers and subsidies (32.5 per cent or $28.0m). Notably, the increment payments would have contributed, in part, to the rise in personal emoluments. Interest payments, by contrast, were down by 8.5 per cent ($7.6m), mainly attributable to lower domestic obligations.



Current revenue expanded by 14.1 per cent ($80.3m) to $651.6m (23.8 per cent of GDP). Receipts from tax revenue amounted to $617.1m (22.5 per cent of GDP), exceeding the prior year's level by 16.4 per cent ($86.9m). There were strong performances across all of the major tax types, reflecting the combined effects of real sector growth, the full impact of tax policy changes, the broadening of the tax base and enhanced collections. Revenue from taxes

[1] The fiscal accounts for 2016 were reported using the new Chart of Accounts, unlike the data reported in the prior periods which were based on the old Chart of Accounts. Reclassifications were only applied to the data for the period January to December 2016, based on the new Chart of Accounts. Firstly, there were reclassifications of items within current expenditure. Secondly, some expenses were reclassified from capital expenditure to current expenditure categories. Thirdly, there was reclassification of the grant resources that were used for current related expenditure, from capital grants to current grants. Fourthly, there were reclassifications within non-tax revenue categories, namely fees, fines, penalties and forfeits; and miscellaneous revenue. The fiscal items that were ultimately affected by the reclassifications were: personal emoluments, goods and services, transfers, current grants, capital grants, non-tax revenue, and capital expenditure.

on international trade and transactions rose by 18.4 per cent ($31.7m), primarily associated with larger receipts from the petrol tax, import duty, excise tax and customs service charge. Receipts from taxes on domestic goods and services increased by 12.5 per cent ($29.1m), primarily associated with an increase of $21.1m to $218.1m (8.0 per cent of GDP) in Value Added Tax (VAT) receipts. VAT receipts were bolstered by the full application of this tax on bank service charges from 01 August 2016. The yield from taxes on income and profit rose by 25.1 per cent ($25.5m), on account of higher revenue from company and personal taxes, partly linked with improved collection procedures. Revenue from taxes on property grew by 2.4 per cent ($0.6m). Non-tax revenue, the other component of current revenue, declined by 16.0 per cent ($6.6m) to $34.5m, largely on account of the record of lower fees from the Citizenship by Investment Programme (CBI).

By way of other developments on the current account, current grants amounted to $26.0m in 2016. There were no such receipts in the previous year.

On the capital account, $74.0m was recorded in capital grants, below that of $87.2m in 2015. Capital expenditure totaled $120.1m (4.4 per cent of GDP), down from $223.6m (8.4 per cent of GDP), mainly reflecting the reclassification of expenditure.

Public Sector Debt

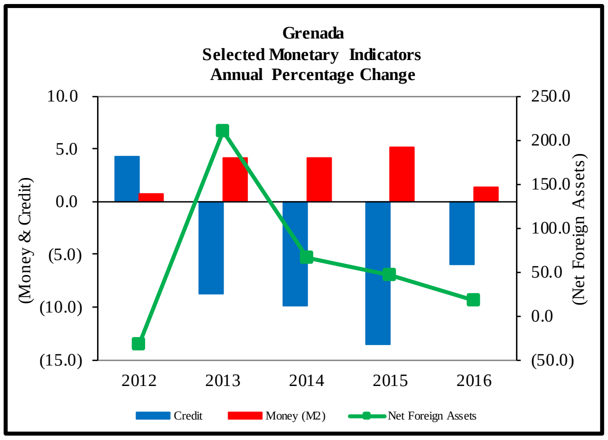
During the year under review, the authorities continued to make progress with restructuring its public sector debt, particularly its obligations with the Paris Club as well as domestic creditors. The execution of restructuring agreements from 2015, has enabled the public sector debt stock, including arrears, to be reduced. The total outstanding debt of the public sector moved to $ 2,310.0m (84.2 per cent of GDP) at the end of 2016, down from $ 2,341.3m (88.1 per cent) at the end of 2015. The total disbursed outstanding debt of the central government fell by 0.3 per cent to $2,178.0m, while that for public corporations contracted by 16.3 per cent to $132.1m, partly reflecting scheduled amortization payments. Total domestic debt decreased by 5.7 per cent ($40.6m), partly on account of reduced credit from the Central Bank. The external portion of total public sector debt rose by 0.6 per cent ($9.3m), as there were additional disbursements to the debt stock, from multi-lateral institutions, to support initiatives under the Programme.

Money and Credit

Monetary liabilities (M2) rose by 1.4 per cent to $2,151.0m during 2016, a deceleration from the rate of growth of 5.2 per cent during the former year. This development was largely driven by growth of 6.4 per cent in the narrow money supply (M1), as quasi money contracted by 0.4 per cent. There were increases in all components of M1: EC$ cheques and drafts issued (24.0 per cent), private sector demand deposits (7.1 per cent), and currency with the public (3.1 per cent). A reduction of 10.6 per cent in private sector time deposits offset growth in private sector foreign currency deposits (5.7 per cent) and private sector savings deposits (1.2 per cent), resulting in the contraction in quasi money.

The net foreign assets of the banking system grew by 17.7 per cent to $1,003.2m at the end of December 2016, decelerating from the pace of 46.4 per cent recorded at the end of 2015. Transactions at both the Central Bank and, in particular, the commercial banks led to the rise in net foreign assets. The net foreign assets of commercial banks rose by 33.8 per cent to $459.5m. Commercial banks enlarged their net foreign asset position with financial institutions outside the Currency Union by twelvefold, while reducing their net foreign asset position with financial institutions in other ECCU territories by 7.1 per cent. Grenada's imputed share of ECCB's reserves totaled $543.7m, roughly 6.8 per cent above the level recorded at the end of 2015.

Domestic credit declined by 6.0 per cent to $1,240.9m, registering a slower contraction from the rate of 13.6 per cent recorded at the end of 2015. This outturn was predominantly led by the transactions of non-financial public enterprises. The net deposit position of these enterprises expanded by 49.5 per cent, reflecting growth of 36.0 per cent in their deposits and a decrease of 13.7 per cent in their credit. Private sector credit also contributed to the fall in domestic credit, posting a decline of 0.2 per cent, decelerating from the pace of contraction of 3.8 per cent at the end of 2015. Growth of 3.4 per cent in credit to businesses was offset by reductions in credit to both non-bank financial institutions (7.2 per cent) and households (1.8 per cent). The transactions of the central government stymied the fall in total domestic credit. The central government's net deposit position moved down to $58.8m from $65.6m at the end of December 2015, as a reduction of 7.5 per cent in deposits counterbalanced a fall of 4.8 per cent in credit from the entire banking system.



Total loans and advances fell by 1.8 per cent to $1,634.7m during 2016, in comparison to a decline of 5.2 per cent in 2015. Most of sectors registered contractions in credit, particularly, public administration (56.6 per cent); transportation and storage (38.8 per cent); financial institutions (33.3 per cent); manufacturing, mining and quarry (12.6 per cent); construction (11.1 per cent); agriculture and fisheries (10.3 per cent); tourism (6.4 per cent); and distributive trades (5.1 per cent). Outstanding loans for personal use, the largest component of credit, decreased by 2.3 per cent, resulting from contractions in credit for both home construction and renovation (10.5 per cent) and house and land purchase (4.8 per cent). These declines were tempered by an almost four-fold expansion in credit to the utilities, electricity and water sector to $58.5m. Additionally, credit for professional and other services grew by 3.3 per cent.

Alongside these developments, commercial bank liquidity rose. The ratio of liquid assets to total deposits plus liquid liabilities increased by 4.1 percentage points to 44.9 per cent at the end of December 2016. Meanwhile, the loans and advances to total deposits ratio declined by 2.4 percentage points to 58.8 per cent.

The weighted average total deposits rate fell to 1.44 per cent at the end of December 2016, from 1.57 per cent at the end of the preceding year. This rate further declined following the Eastern Caribbean Central Bank's decision to reduce the minimum savings rate from 3.0 per cent to 2.0 per cent from 01 May 2015. Meanwhile, the weighted average interest rate on loans fell to 8.43 per cent from 8.70 per cent during 2015. As a result, the weighted average interest rate spread between loans and deposits narrowed to 6.99 percentage points at the end of December 2016, from 7.13 percentage points at the end of the last year.

Trade and Payments

A merchandise trade deficit of $864.4m (31.5 per cent of GDP) was recorded in 2016, above the $840.4m (31.6 per cent of GDP) recorded in the corresponding period of 2015. The widening of the deficit was largely associated with higher import payments, compounded by lower export revenue. The value of imports grew by 1.7 per cent ($16.0m) to $944.2m, influenced primarily by larger outlays for machinery and transport equipment and manufactured goods. The value of exports contracted by 9.2 per cent ($8.1m) to $79.8m, as a fall-off in the value of domestic exports offset a near doubling of re-exports to $9.6m. Domestic export earnings were down by 15.2 per cent to $70.2m, reflecting contractions in receipts from agricultural and manufacturing exports. Revenue from agricultural exports decreased by 19.7 per cent ($8.7m), mirroring the downturn in the output of non-banana crops. Among these crops, export receipts fell for fruits and vegetables (39.2 per cent), mace (26.5 per cent), cocoa (21.6 per cent) and nutmeg (5.5 per cent). The export yield from manufactured exports contracted by 10.9 per cent ($4.2m), largely attributed to reduced earnings from animal feed (24.8 per cent), paint and varnishes (15.1 per cent), paper products (6.0 per cent) and flour (3.3 per cent). Meanwhile, the export value of fish was down by 28.5 per cent to $14.8m.

Gross receipts from travel are estimated to have risen by 0.9 per cent to $395.9m, below the rate of growth of 8.4 per cent recorded in 2015. The deceleration was due to the reduced intake from the European source market, one of the largest spending categories of visitors; and a fall in the overall average length of stay of stay-over visitors. Commercial banks' transactions resulted in a net outflow of $116.0m in short-term capital, compared with one of $188.7m during 2015. External disbursements to the central government were down by 50.7 per cent to $66.5m, reflecting central government's policy to limit the contraction of non-concessional external debt. Meanwhile, external amortization climbed to $82.4m from $47.1m in 2015, mirroring efforts to restructure and repay outstanding debts. Consequently, the central government was in a net amortization position of $15.9m in 2016, in contrast to a net disbursement position of $87.8m in the prior year.

Prospects

The final phase of the Home-Grown Structural Adjustment Programme will be implemented in 2017, and the economy seems on track in attaining its key objectives of advancing economic growth, restoring fiscal and debt sustainability as well as strengthening the financial sector. The outlook for 2017 is positive, as economic growth is likely to gain momentum from the continued implementation of structural reform measures. The reforms are linked to the mitigation of fiscal risks; improvement in the investment climate; and the creation of jobs. The forecast is premised on a number of assumptions for individual economic sectors. By the latter part of 2017, the tourism industry should benefit from the expansion of the existing room stock as ongoing hotel development projects come on stream. The industry should also be positively impacted by the continued recovery of household incomes in the USA. The construction sector is expected to maintain its robust momentum in 2017, through ongoing projects and via the implementation of both public sector and foreign direct investment projects that are currently in the pipeline. Moderate expansion is anticipated in the education sector, in light of the proposed infrastructural expansion at the St George's University. The manufacturing sector is likely to continue on a positive growth trajectory. A recovery in the agricultural sector is dependent on the timely implementation of measures to deal with logistical challenges in export of produce and to alleviate the impact of adverse weather. Generally, the agricultural, wholesale and retail trade, transport and storage and manufacturing sectors are expected to gain from higher domestic consumption levels linked with public sector wage settlements and increased confidence about the economic prospects in 2017.

Consumer price inflation is expected to increase moderately in 2017, contingent on a rise in international oil prices.

The external trade deficit position is projected to widen, premised on the combined effects of the international oil pass through and additional construction related imports. The deficit may be moderated by higher export revenues.

The central government seems on a path to achieve an overall surplus and to further reduce the debt stock in 2017. The main objective of the current medium term fiscal policy framework is to secure a debt/GDP ratio of 60 per cent by 2020, anchored by a primary balance of 3.5 per cent of GDP. The 2017 fiscal programme therefore targets a primary surplus of 4.9 per cent of GDP and an overall surplus of 1.9 per cent of GDP. Tax revenue performance is likely to drive the attainment of these targets, supported by continued efforts to improve efficiency in revenue collections. Despite additional wage increases and increment payments that will be made to public officers in 2017, expenditures are expected to remain in line with the rules set out in the Fiscal Responsibility Act.

Notably, macroeconomic challenges remain including unemployment, poverty, and vulnerability to external growth shocks and adverse weather. Furthermore, there are major risks to the outlook. Downturns in the economies of leading trading partners can trigger domestic growth slippages which could ultimately undermine the attainment of key fiscal and debt targets. The impact of BREXIT and the policies of the current USA government remain uncertain; they have the potential to impact the local economy via the transmission channels of tourism, grant inflows, trade and investment. Finally, the loss of correspondent banking relationships can impact the banking system, remittance flows and competitiveness. In light of all of this, the gains of the Programme need to be protected and sustained.

MONTSERRAT

Overview

Economic activity in Montserrat is estimated to have expanded in 2016, with real output growing by 1.3 per cent in 2016, compared with an increase of 0.3 per cent in 2015. The expansion in real GDP reflected positive contributions from three key sectors, namely public administration, construction and agriculture. The consumer price index fell by 1.3 per cent, on an end of period basis. The developments in the major contributors to economic activity, namely government services, construction, financial intermediation and tourism, which are likely to pick up in 2017 and have spill-over effects on the performance of allied sectors. Improvements in the central government's fiscal balances in 2017 depend on increases in current revenue, the containment of expenditure items (transfers and subsidies and goods and services) and an improvement in the level of budgetary aid from the United Kingdom; which, on average, has financed over two-thirds of total expenditure. central government recorded an overall deficit largely due to a reduction in external grant receipts. In the banking system, total monetary liabilities and domestic credit increased while net foreign assets decreased. The weighted average interest rate spread between loans and deposits narrowed. Commercial banks remained highly liquid.

The outlook for the economy in 2017 is positive, as economic growth is expected to continue. This projection is premised on However, the uncertainty around the Brexit negotiations, limited air and sea access, possible disruptions in the implementation of development projects to restore the island's infrastructure and untimely access to budgetary aid pose significant risks to the economic growth prospects. Moreover, threats posed by hurricanes and volcano related risks, remain major concerns.

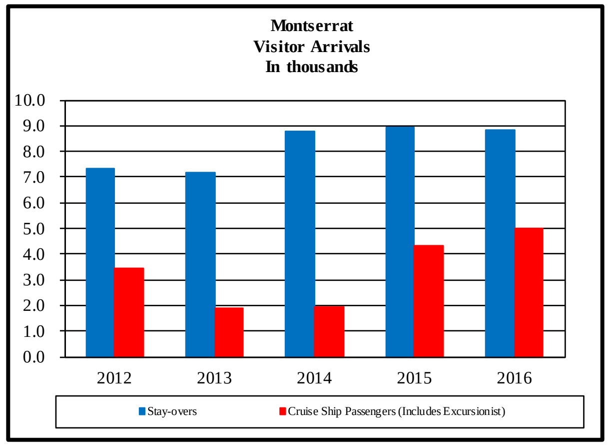
Output

The estimated value of total goods and services produced in 2016 grew by 1.3 per cent, largely attributable to increased activity in the main sectors of the

economy. Value added in the public administration, defence and compulsory social security sector, which contributes one-third of total GDP, grew by 1.0 per cent. This upturn was partly owing to a 1.0 per cent increase in expenditure on personal emoluments.

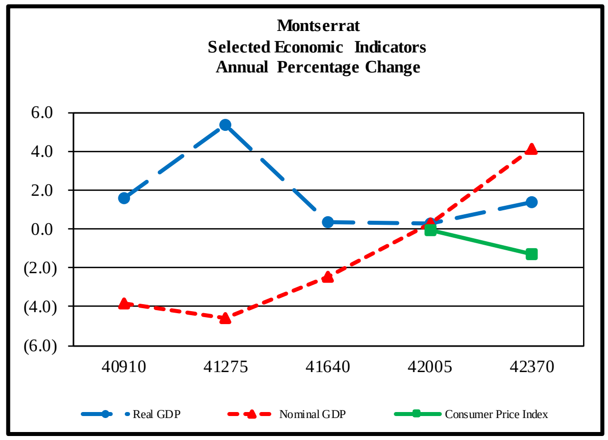
The construction sector which contributed 4.3 per cent to GDP, increased by 7.5 per cent in 2016 in contrast to a decrease of 39.3 per cent in 2015 when it contributed 4.0 per cent to GDP. The increase in output was attributable to the drilling of a third well for the geothermal project. However, this increase was tapered by the slowdown in the implementation rate of other public sector investment projects, including the hospital, the new port and the development of the town centre. The slowdown was evident in a decline in public sector activity of 20.6 per cent ($5.4m).

Other sectors that contributed positively to the level of economic activity in 2016 were agriculture, livestock and forestry (22.6 per cent) as it rebounded from the drought in 2015; financial intermediation (3.2 per cent); real estate, renting and business activities (2.2 per cent); education (2.9 per cent) and health and social work (4.1 per cent). These sectors combined contributed 36.9 per cent of GDP.



Value added in the hotels and restaurants sector is estimated to have decreased by 7.2 per cent, following a reduction of 1.2 per cent in the prior year. This development was associated with declines in three categories of visitors namely stay-over arrivals, yacht passengers and excursionists. Notwithstanding the decline in these categories of visitors, total visitor arrivals rose by 3.9 per cent to 15,679, following growth of 22.3 per cent in total arrivals for 2015. The realisation of larger visitor arrivals was mainly attributable to growth of 38.8 per cent in the number of cruise ship passengers to 3596. The number of cruise ship calls increased to 12 in 2016. The improvement was underpinned by a revamp in marketing and promotional efforts, and improved economic conditions in some of its major source markets. Stay-over visitor arrivals which accounted for approximately 56.4 per cent of the sector's outturn, decreased by 1.1 per cent to 8,848. This downturn resulted from a decline in visitor arrivals from the United Kingdom (2.6 per cent); and Canada (2.4 per cent) but was partly tempered by an increase in the number of visitors from the United States of America (0.7 per cent) and the Caribbean (0.5 per cent). The number of visitors who arrived by yacht also declined by 0.5 per cent to 1,806, on account of a 5.1 per cent decline in the number of yachts visiting the island. Also, the number of excursionist declined by 17.9 per cent to 1,429 and this we due to the ferry not being operational for a few months in the year.

The overall increase in real output was also moderated by an estimated 10.0 per cent reduction in value added in the mining and quarrying sector. Other sectors that recorded decreases in value added were fishing (8.0 per cent), wholesale and retail trade (4.0 per cent), and transport, storage and communications (0.3 per cent).



Prices, Wages and Employment

The rate of inflation fell by 1.3 per cent, on an end of period basis. The rate of decline in the price level during 2016 surpassed the 0.1 per cent fall in prices during 2015. This outturn was largely associated with a 4.9 per cent fall in the clothing and footwear sub-index. The overall fall in prices was also reflective of downward movements in the household furnishings, supplies and maintenance (3.3 per cent), transport (1.8 per cent) and housing, utilities, gas and fuels (1.5 per cent) sub-indices. However, the decline in the general price level was tempered by increases in the sub-indices for hotels and restaurants (1.0 per cent), alcoholic beverages, tobacco and narcotics (0.3 per cent) and education (0.3 per cent).

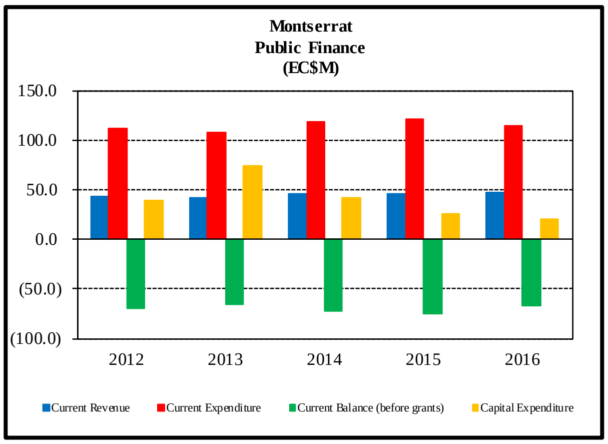
Survey based labour market conditions data were unavailable for the period under review, however information from the Social Security System provided useful proxy metrics to gauge developments. Preliminary data indicated that the number of persons employed decreased by 5.8 per cent to 1,979, representing 38.4 per cent of the population. The number of self-employed persons increased from 284 to 286.

Central Government Fiscal Operations

The fiscal operations of the central government resulted in a preliminary overall deficit (after grants) of $0.6m (0.3 per cent of GDP), in contrast to a surplus of $34.5m (21.6 per cent of GDP) in 2015, due to a reduction in grants from the UK Government. Consequently, the primary balance after grants registered a deficit of $0.5m (0.3 per cent of GDP), in contrast to a surplus of $34.5m (21.6 per cent of GDP) in 2015. A current account surplus (after grants) of $7.1m (4.3 per cent of GDP) was recorded in comparison to a surplus of $23.8m (14.9 per cent of GDP) in 2015. This development was reflective of lower current grants despite an increase in current revenue and a reduction in current expenditure.

Current revenue increased by 3.2 per cent to $47.0m (28.3 per cent of GDP), compared with an increase of 0.5 per cent to $45.6m (28.5 per cent of GDP) in 2015. This development was largely on account of increases in tax revenue, which rose by 7.2 per cent to $41.8m (25.1 per cent of GDP). Particularly, an increase in collections from taxes on international trade and transactions of $1.1m, largely on account of a $0.8m increase in import duty contributed to the expansion in current revenue. Additionally, there were increases in receipts from taxes on domestic goods and services ($0.9m), taxes on income and profits ($0.8m) and taxes on property ($0.1m). The increase in current revenue was partly offset by a decline in non-tax revenue ($1.4m).

Current expenditure decreased by 5.4 per cent to $114.3m (68.8 per cent of GDP), in contrast to growth of 2.4 per cent to $120.7m (75.5 per cent of GDP) primarily due to a 22.7 per cent ($8.7m) reduction in spending on transfers and subsidies to $29.8m. This category accounted for 26.0 per cent of current expenditure in 2016. The ferry not running for a few months would have cause the decline in transfer and subsidies. However, the reduction in current expenditure was offset by increases in outlays on goods and services (4.6 per cent), and personal emoluments (1.0 per cent). Interest payments remained relatively unchanged.



Current grants receipts fell by 24.9 per cent to $74.4m (44.8 per cent of GDP) compared with inflows of $99.0m (61.9 per cent of GDP) in 2015, due to decrease external financial support for recurrent expenditure from the United Kingdom. Additionally, total grant receipts declined to $87.6m as capital grants fell by 64.3 per cent to $13.2m in 2016.

Capital expenditure fell by 20.6 per cent to $20.9m (12.6 per cent of GDP) in 2016, compared with $26.3m (16.5 per cent of GDP) in the prior year. This fall in capital expenditure is directly related to delays in the implementation of various public sector infrastructural projects.

Public Sector Debt

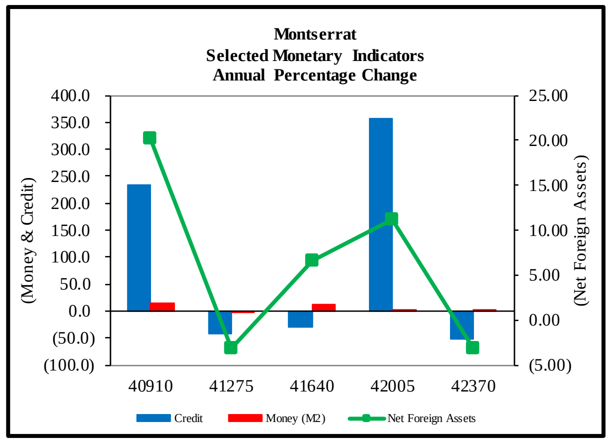
The stock of outstanding public sector debt stood at $8.6m (5.2 per cent of GDP) at the end of 2016, representing a decline of 4.7 per cent from the $9.0m (5.7 per cent of GDP) held at the end of December 2015. This outcome resulted from payments on the loan from the Caribbean Development Bank (CDB) for the purchase of a new diesel generator and the construction of a power plant. Public corporation debt, which accounted for 86.0 per cent of total debt, registered a decline of 4.0 per cent to $7.4m. Debt held by the central government stood at $1.2m, an 8.9 per cent reduction, due to amortized payments and the total repayment of the domestic debt.

Money and Credit

In the banking system, monetary liabilities (M2) increased by 1.0 per cent to $247.3m during 2016, compared with an increase of 2.4 per cent during 2015. This outturn was largely due to growth of 30.6 per cent in narrow money (M1), which totalled $62.2m. Within this category, private sector demand deposits grew by 51.7 per cent ($14.1m) and currency with public rose by 2.5 per cent ($0.5m). The expansion of M2 was also tempered by a 6.1 per cent reduction in quasi money to $185.1m, which was mainly attributable to a 32.9 per cent ($14.9m) decrease in private sector time deposits.

The net deposit position of commercial banks declined to $14.6m at the end of 2016, in contrast to an expansion to $30.9m in 2015. This outcome resulted from the central government holding fewer deposits at commercial banks, as it decreased by 7.6 per cent. The net deposit position of non-financial public enterprises decreased to $18.5m from $18.9m at the end of 2015. Private sector borrowing increased by 13.5 per cent, largely associated with 10.9 per cent growth in credit to households to $70.6m. Additionally, business credit increased by 36.7 per cent ($2.6m) to $9.7m.

Personal loans, which accounted for an estimated 85.5 per cent of credit outstanding, rose by 18.9 per cent to $79.9m. This upturn was reflected primarily in lending of $8.4m for acquisition of property to $66.4m. Lending for construction grew by over a hundred per cent to $4.8m and credit to distributive trades increased by $0.1m to $2.5m in 2016. However, credit extended for tourism fell by 3.6 per cent to $4.0m in 2016 in comparison to decline of 2.1 per cent to $4.2m in 2015. Also there was a decline in credit to the manufacturing and mining and quarry ($0.01m).



The net foreign assets (NFA) in the banking system declined by 3.2 per cent to $310.2m. This decline was largely attributable to 4.1 per cent reduction in the imputed share of reserves held with the Central Bank, which totalled $133.3m. The NFA of commercial banks decreased by 2.6 per cent to $176.9m, as a decrease of 4.1 per cent in assets held with institutions outside the Currency Union.

Liquidity in the banking system remained high and stable in 2016. The ratio of liquid assets to total deposits and liquid liabilities was 85.1 per cent above the minimum prudential benchmark of 25.0 per cent indicative of a lack of bankable projects. The surplus liquidity condition is further evidenced by a ratio of loans and advances to total deposit of 26.2 per cent at the end of the review period, below the prudential guidelines of 75.0 per cent to 85.0 per cent.

The interest rate spread between loans and deposits decreased to 5.97 per cent in 2016, from 6.39 per cent at the end of 2015. The weighted average lending rate decreased to 7.07 per cent from 7.49 per cent, and the weighted average deposit rate remained at 1.10 per cent in 2016.

Trade and Payments

The merchandise trade deficit totalled $86.8m in 2016, compared with one of $96.3m in 2015. This narrowing of the trade deficit resulted from an increase of 33.7 per cent in export earnings, coupled with a 6.5 per cent reduction in the import bill. The reduced import bill resulted in savings of $6.8m, generated mainly by a fall in the payments for the imports of mineral fuels and related material ($12.0m), food and live animals ($1.6m) and crude materials, inedible except fuels ($0.9m). Export earnings increased by $2.7m to $10.8m due to a 26.0 per cent ($1.9m) increase in domestic exports. The driving force behind the increase in domestic exports were mineral fuels and related materials and machinery and transport equipment.

Developments on the services account were influenced by a decline in visitor arrivals which translated into a 0.7 per cent reduction in gross travel receipts to $22.7m. Commercial bank activity resulted in a net inflow of $4.6m during 2016, in contrast to a net outflow of $15.2m during 2015. Total grant inflows fell by 35.6 per cent to $87.6m.

Prospects

The economy of Montserrat is projected to expand in 2017 as the performance of key economic drivers is expected to pick up. The expansion in personal emoluments suggests some level of job creation in 2016, which the country hopes to continue in 2017 as key positions are still available in the public sector. However, Montserrat, a British Overseas territory, depends heavily on grant financing from the Government of the UK and this could be affected by the uncertainty around Brexit. Thus a slowdown in the UK economy can translate into lower grant inflows for Montserrat.

The on-going public infrastructural and redevelopment projects, namely the construction of the geothermal exploration and power generation plant, are likely to increase the value of output in the construction sector and promote economic growth, barring delays in implementation and access to budgetary support by the British Government. Improvements in the tourism industry are also likely for 2017 as a ferry contract has been signed and plans are to have the ferry commence operations between Montserrat and Antigua at least four times per week. Also, with enhanced access and marketing there should be a recovery in the number of stay-over visitors and excursionists to the country. These developments will positively contribute to improvements in the ancillary sectors such as wholesale and retail trade and transport, storage and communications.

Improvement in tax collection, compliance and enforcement of tax legislative requirements should provide for gains in revenues collected for 2017, similar to the outturn in 2016. Expenditure is expected to increase in 2017 but at a relatively low rate as the government has not announced any major plans for 2017 to date. With expenditure forecasting to remain at the rate of 2016 the overall fiscal position of the country is likely to improve. The low overall price level is expected to persist throughout 2017, as inflationary pressures from the global market are likely to remain broadly stable.

The economic performance of Montserrat in 2017 is largely dependent on the availability and timeliness of budgetary aid, positive developments in the global macro-economic environment, access to the country and a lower incidence of threats from natural disasters. The downside risks are the Brexit negotiations, limited air and sea access, possible disruptions in the implementation of development projects to restore the island's infrastructure and untimely access to budgetary aid. Moreover, threats posed by hurricanes and volcano related risks, remain major concerns.

S T K I T T S A N D N E V I S

Overview

The most recent data indicate that economic activity in St Kitts and Nevis expanded in 2016, albeit at a decelerated rate compared with the performance in 2015. Real GDP is estimated to have risen by 2.8 per cent in 2016, compared with an expansion of 4.9 per cent in the previous year. The economic outturn largely reflected more moderate expansions in the major economic drivers; construction and the hotels and restaurants sectors with attendant spill over effects on the wholesale and retail trade; transport, storage and communications and financial intermediation sectors. Consumer prices remained virtually unchanged, declining by less than 0.1 per cent, on an end of period basis, mainly attributable to a combination of low international commodity price pressures and domestic policy measures. The Federal Government's fiscal operations resulted in a narrowing of the overall surplus, primarily due to a fall in non-tax revenue. The total outstanding public sector debt declined during the period under review. In the banking system, monetary liabilities, domestic credit and net foreign assets fell. Commercial bank liquidity tightened and the weighted average interest rate spread between loans and deposits widened.

The economy of St Kitts and Nevis is expected to expand further in 2017, at an accelerated pace compared with developments in 2016. The improved outlook is premised on value added contributions from the construction and hotels and restaurants sectors. The construction sector will likely be positively impacted by the commencement of major public and private sector projects as well as on-going investments. Increases in the room stock in St Kitts and Nevis as well as a number of other service related private investments will buttress the service options and increase the appeal of the destination to high-end visitors. The performance of the tourism industry will also be supported by continued improvements in cruise tourism. Associated with projected increases in the major productive sectors, are positive knock-on effects on real estate, renting and business activities; financial intermediation; transport, storage and communications and the wholesale and retail trade sectors. The prospect of lower energy prices, consistent with the continued oversupply of global petroleum markets could favourably impact the domestic cost of doing business. However, higher real sector activity is likely to stoke some inflationary pressures.

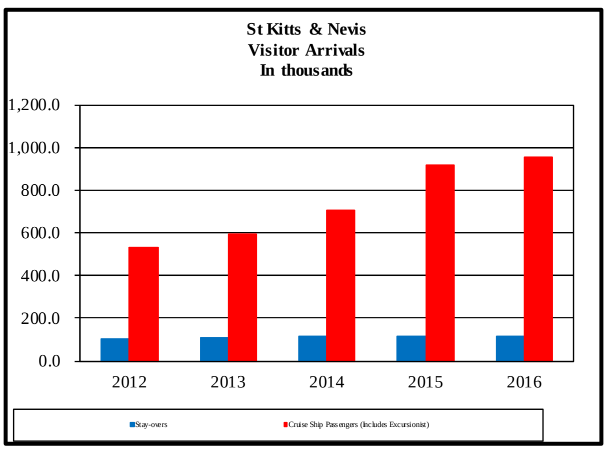
The fiscal operations of the Federal Government are anticipated to result in a lower overall surplus due to a reduction in non-tax revenue from the Citizenship by Investment (CBI) Program coupled with increases in capital expenditure. Total revenue is estimated to increase in line with higher real sector activity, partially moderated by lower non-tax revenue. Higher levels of expenditure are estimated, reflecting increased capital investment.

Downside risks to the economic outlook are underscored by uncertainty about the economic impacts of the policy shift of the new Republican led administration of the USA, including attendant effects on global trade, immigration and foreign relations. These developments may have broader implications for economic growth in the US economy, direct or indirect impacts on the sustainability of future inflows from the CBI program and prospects for visitor expenditure from that market. Additionally, the new immigration policy could curtail the magnitude of remittances from that major source.

Output

Value added in the construction sector, is estimated to have risen by 3.5 per cent in 2016, compared with the 6.7 per cent expansion in 2015. The more moderate performance of construction was influenced by a deceleration in private sector investment partially exacerbated by lower investment in the public sector. This assessment was supported by a 37.2 per cent decrease in the volume of imported construction related materials, a gauge of activity in the sector. Private sector activity in St Kitts consisted of completion work on the Park Hyatt Hotel at Christophe Harbour, supplemented by on-going construction at the Koi Resort at Half-moon Bay and the recommencement of work on the T-Loft, Radisson branded development in Frigate Bay. Work also recommenced after a pause on the Heldens Estate Condo Resort & Residences in the north of St Kitts. Construction work continued on the second phase of the Kittitian Hill development, while other private fixed capital investment included both commercial and residential construction. In Nevis, work continued on the Four Seasons Resort Estates, the Tamarind Cove Marina Development and the Candy Resort. Public sector investment declined by a 30.3 per cent reduction in capital outlays over the review period. Notwithstanding the decrease in public investment, work advanced on the construction and maintenance of roads, public buildings and a number of tourism sites. In contrast, capital investment in Nevis increased, buoyed by continued work on the Caribbean Development Bank funded water distribution project, the Hanley's Road resurfacing project and commencement work on the Alexander hospital and the Mondo athletics track.

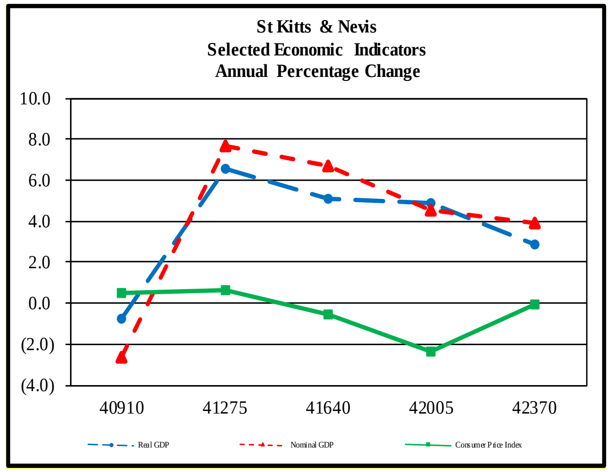
Value added in the hotels and restaurants sector, a proxy of activity in the tourism industry, is estimated to have risen by 1.9 per cent in 2016 compared with a 3.5 per cent expansion in the previous year. Developments in the sector were influenced by a 3.7 per cent increase to 1,072,877 in total visitors, compared with a 25.7 per cent improvement in 2015. The increase in total visitor arrivals was attributed to upward movement in the number of cruise passengers as stay-overs declined. The number of stay-over visitors, whose contribution to value added is relatively more important, fell by 1.1 per cent to 115,061 in 2016, in contrast to the 3.0 per cent increase observed in 2015. The decrease in stay-over arrivals was for the most part attributed to reductions from the United States of America the largest source market, by 2.7 per cent (1,911). Stay-over arrivals from the UK, the second largest market remained relatively unchanged. The reduced performance of the USA market reflected the negative effects of the limited presence of the Zika virus and the 8 November, 2016, Federal Elections on the willingness of residents to travel. Stagnation in the UK market was attributable to uncertainty surrounding the Brexit vote on 23 June, 2016. The decrease in stay-over arrivals was moderated somewhat by increases in the Canadian and Caribbean markets of 3.0 per cent (205) and 1.5 per cent (340) respectively. The improved performances in these markets reflected general increases in economic activity and consumer optimism, couple with intensified marketing initiatives in Canada. Cruise passenger arrivals rose by 4.5 per cent to 951,021 compared with a 29.8 per cent increase in 2015, despite a 5.8 per cent (26) decrease in the number of cruise ship calls to 422 at the cruise ports in St Kitts and Nevis. Higher cruise passenger arrivals largely reflected increases in the size and capacity of ships calling on the destination. Both the number of excursionists and visitors by yacht declined by 1.4 per cent to 3,796, and 25.2 per cent to 2,999, respectively.



Value added in the other major sectors of the economy is estimated to have risen; including transport, storage and communications (1.1 per cent) and real estate renting and business activities (2.7 per cent), largely influenced by increases in visitor arrivals, especially cruise and buoyancy in the construction sector. Higher valued added contributions were also estimated for the financial intermediation and wholesale and retail trade sectors of 5.5 per cent and 7.6 per cent respectively. Value added in the public administration, defence and compulsory social security sector also increased by 5.2 per cent.

Positive developments in the real sector were, constrained by lower output in manufacturing and agricultural. Manufacturing output is estimated to have declined by 11.6 per cent, evidenced by a 60.3 per cent decrease in the export of alcoholic beverages. Lower exports for alcoholic beverages reflected falling demand from a regional market in 2016, following elevated demand in that market during 2014 and 2015. The export of electronic components is also estimated to have declined. Value added in the agriculture, livestock and forestry sector also contracted by 1.6 per cent, on account of a decline in crops, partly moderated by increased livestock production. Total crop production decreased by 7.0 per cent to 0.7m kilograms, compared with a decline of 30.7 per cent in 2015. The declines in most of the reported crops were largely attributable to the lingering effects of severe drought conditions experienced in 2015. The output of major crops such as tomatoes fell by 23.2 per cent;

cabbages (33.7 per cent); carrots (1.3 per cent) and onions (60.0 per cent). Other crops recorded declines including; yams (67.0 per cent); peanuts (60.7 per cent) and pineapples (83.4 per cent). These decreases in the output of crops were moderated by an expansion in the production of sweet potatoes, pumpkins and watermelons of 19.3 per cent, 87.4 per cent and 42.4 per cent respectively. The reduction in the output of crops was partly moderated by an increase in livestock production largely attributable to beef and mutton, which rose by 8.5 per cent and 3.5 per cent respectively. Livestock increases were slowed by declines in the production of pork (2.8 per cent) and goat meat (2.6 per cent). Increases were recorded in the output of eggs (0.3 per cent), partly offset by declines in the output of broilers (36.9 per cent). The output of fish, fell by 64.0 per cent, thus contributing to a 7.8 per cent drop in value added in the fishing sector.



Prices, Wages and Employment

The consumer price index (CPI) remained virtually unchanged in 2016 in contrast to a decrease of 2.4 per cent in 2015. The index of consumer prices declined over the two years prior to 2016. The stabilisation of consumer prices in the goods and services basket, reflected a near equitable balance in the decrease and increase in a number of the sub-indices. The most significant contributors to this development were declines in the sub-indices for food (5.1 per cent), communication (3.4 per cent), housing utilities, gas and fuels (0.3 per cent) and household furnishings, supplies and maintenance (1.1 per cent). Lower prices generally, were associated with depressed commodity prices globally, primarily energy and food. Additionally, the removal of the

Value Added Tax (VAT) on food, funeral and medical expenses during the second quarter of 2015 contributed to the decline in prices. The reduction in prices for some items in the goods and services basket was moderated by higher prices for transport, hotels and restaurants and education of 3.0 per cent, 5.5 per cent and 5.7 per cent respectively. When analysed by territory, prices increased in St Kitts (0.8 per cent), in contrast to a decline in Nevis (1.8 per cent).

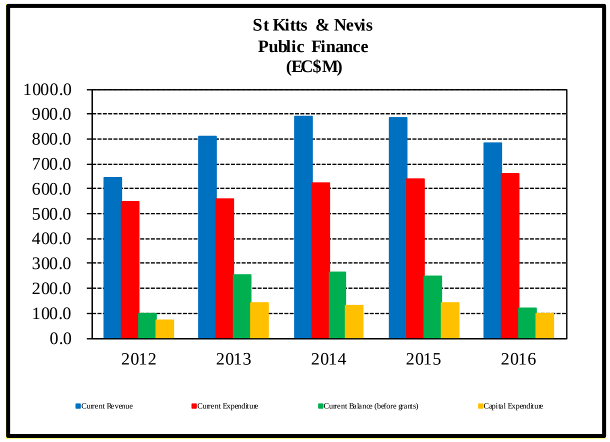
Official data on wages and unemployment levels are unavailable for the review period. However, it is estimated that the continuation of employment programmes such as the People's Employment Programme (PEP), subsequently reformed as the Skills Training and Empowerment Programme (STEP), the payment of a 3.0 per cent salary increase in March 2016 and the awarding of public servants with a 13th month salary in December 2016, would have positively impacted the labour market. The level of unemployment is estimated to have declined in 2016, consistent with an estimated increase in job creation, compared with the previous year.

Federal Government Fiscal Operations

The fiscal operations of the Federal Government resulted in a preliminary overall surplus (after grants) of \$123.5m (5.0 per cent of GDP), compared with one of \$147.0m (6.2 per cent of GDP) in 2015. Likewise, the primary surplus contracted by 16.3 per cent to \$162.7m (6.6 per cent of GDP), compared with one of \$194.4m (8.2 per cent of GDP) in 2015. The lower overall fiscal surplus was largely attributable to a narrowing of the surplus on the current account, owing to reductions in non-tax and tax receipts, coupled with higher current expenditure.

Current revenue fell by 11.7 per cent to \$783.36m in 2016 (31.6 per cent of GDP), compared with a 0.2 per cent decrease to \$886.6m (37.5 per cent of GDP) in 2015. A decline in non-tax revenue for the most part, accounted for the decrease in current revenue. Collections of tax revenue, fell by 4.1 per cent to \$486.8m (19.7 per cent of GDP). The lower performance of tax revenue was attributable to a decline in receipts from most of the major tax categories, namely income and profits (8.0 per cent); domestic goods and services (4.2

per cent) and property (17.6 per cent). Reduced collections of taxes on income and profits were attributable to lower collections from companies (18.2 per cent). Lower receipts from taxes on domestic goods and services reflected the reduced revenue intake from stamp duties, the value added tax (VAT) and the island enhancement fund of 11.9 per cent, 1.1 per cent and 27.1 per cent respectively. Of the VAT, revenues totalled $140.7m (5.7 per cent of GDP), compared with $142.3m (6.0 per cent of GDP), collected in 2015. Property tax revenues were lower on account of a decrease in the performance of the condominium tax (38.7 per cent), attributable to lower condominium sales. Declines in the major tax categories were constrained by improved collections of taxes on international trade (1.5 per cent), attributable to higher receipts of import duty (13.7 per cent). Non tax receipts, the other major current revenue category, fell by 21.8 per cent to $296.6m (12.0 per cent of GDP), mainly influenced by a reduction in inflows from the Citizenship by Investment programme. In 2015, non-tax revenue fell by 8.5 per cent to $379.1m (16.0 per cent of GDP). Proceeds from the CBI Programme decreased by 34.6 per cent compared to a 9.8 per cent decline the previous year.



Current expenditure, another major contributor to the lower current account position, rose by 3.7 per cent to $662.2m (26.7 per cent of GDP), compared with an increase of 2.7 per cent to $638.8m (27.0 per cent of GDP), in 2015. The major factor contributing to the outturn was a 20.6 per cent ($53.2m) increase in personal emoluments, largely driven by the granting of a 3.0 per cent salary increase, the final year of a 2014 to 2016 triennium wage agreement coupled with the payment of a 13th month salary in December 2016. The increase in current expenditure was moderated by decreases in all of the other major current expenditure categories including; interest payments (17.1 per cent); goods and services (7.9 per cent) and transfers and subsidies (5.1 per cent). The reduction in interest payments reflected declines in both the external and domestic debt. The decline in expenditure on goods and services reflected continued prudent fiscal management, while lower transfers and subsidies was attributable to decreases in payments to local organizations and public assistance.

Capital expenditure outlays fell by 30.3 per cent to $100.5m (4.1 per cent of GDP) in contrast to an 11.6 per cent increase to $144.1m (6.1 per cent of GDP) in 2015, as a number of major capital projects; road improvement works and enhancements to public buildings, were concluded. Work continued on enhancements to the infrastructure and public buildings in St Kitts and upgrades to the water distribution system and road infrastructure in Nevis.

Inflows of official assistance (grants) rose by 39.7 per cent to $77.9m (3.1 per cent of GDP), in contrast to a 19.6 per cent reduction in 2015. The major contributor to the increase was an improvement in the receipt of capital grants by 64.6 per cent to $64.5m, moderated by an 18.7 per cent decrease in current grants. In contrast, official assistance fell by 19.6 per cent to $55.7m (2.4 per cent of GDP) in 2015.

The overall surplus of the central government of St Kitts narrowed to $115.8m from a balance of $136.5m in 2015, reflecting a decline in non-tax and tax revenue, combined with higher current expenditure.

Current revenue fell by 13.4 per cent to $652.5m, attributable to lower tax and non-tax receipts. Revenue from taxes fell by 4.4 per cent to $389.0m, reflecting lower collections for all of the major revenue categories. A decline of 10.8 per cent to $98.3m was recorded for taxes on income and profits due to lower collections of income tax (23.7 per cent) and withholding tax (10.4 per cent). Property tax receipts fell by 20.7 per cent, largely associated with a 38.7 per cent ($3.6m) decrease in condominium tax. Lower receipts from taxes on domestic goods and services which declined by 1.4 per cent ($2.2m), mainly reflected decreases in receipts from insurance fees and the VAT of 27.8 per cent ($1.0m) and 0.9 per cent ($1.0m) respectively. Reduced tax receipts on international trade and transactions were mainly attributable to decreases in collections from excise duty ($6.9m) and non-refundable duty free levy ($1.4m).

Non-tax revenue receipts fell by 24.0 per cent to $263.5m, influenced primarily by a 34.6 per cent decline in proceeds from the Citizenship by Investment programme.

Current expenditure increased by 1.9 per cent to $527.0m in 2016, below the 3.6 per cent rate of growth in expenditure in 2015. This outturn was directly attributable to a 22.3 per cent ($42.8m) increase in outlays on personal emoluments and wages (22.3 per cent), driven by salary increments and an additional month's salary. The increase in current expenditure was constrained by decreases in most of the expenditure categories including; transfers and subsidies (7.6 per cent) associated primarily with budgetary support to the Nevis Island Administration. Expenditure decreases were also recorded for goods and services (8.5 per cent) and interest payments (28.5 per cent). The reduction in outlays of good and services was attributed to expenditure restrains while low interest obligations reflected decreases in both external and domestic debt consistent with the reduction in outstanding debt. Capital expenditure fell to $65.7m, compared with outlays of $118.2m in 2016, as major road works and the renovation of a number of public buildings were completed.

The fiscal operations of the Nevis Island Administration (NIA) recorded an overall surplus of $7.7m in 2016, compared with one of $10.5m recorded in 2015. This development was directly attributable to higher receipts of grants as current expenditure increased and current revenue fell. Current revenue amounted to $130.9m in 2016, 1.8 per cent lower than total collections in 2015. The decrease in current revenue collections reflected unfavourable developments in tax revenue. Tax revenues were 2.9 per cent lower, influenced by smaller receipts of taxes on domestic goods and services by 12.4 per cent ($6.9m). However, collections from all other major categories rose, including: taxes on international trade (8.9 per cent); income and profits (9.9 per cent) and property (2.5 per cent). Non-tax revenue rose by 1.7 per cent ($0.6m) to $33.1m. Grant receipts, which represented the greatest contribution to the improved fiscal outturn, rose by 87.4 per cent to $46.8m in 2016 from $25.0m in 2015, directly attributable to budgetary assistance from the Federal Government.

Current expenditure increased by 11.0 per cent to $135.2m, in contrast to a decrease of 1.0 per cent in 2015. The rise in current expenditure was attributable to higher outlays for the major expenditure categories; personal emoluments and wages (15.8 per cent), largely attributable to the 13th month salary awarded in December 2016, interest payments (10.7 per cent) and transfers and subsidies (26.4 per cent). However, the increase in current expenditure was moderated by decreases in outlays for goods and services (5.4 per cent). Capital expenditure rose by 34.2 per cent to $34.8m, compared with $25.9m spent in 2015, attributable to increased outlays on the CDB funded water drilling project, work on the Hanley's Road projects and enhancements to the Alexander Hospital.

Public Sector Debt

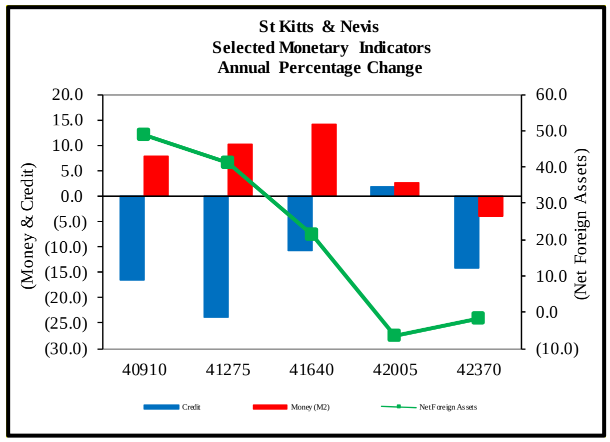
The total disbursed and outstanding public sector debt declined by 2.1 per cent to $1,553.5m (62.8 per cent of GDP) at the end of 2016, compared with a decline of 10.6 per cent to $1,586.5m (67.0 per cent of GDP) in 2015. This development largely reflected a contraction in the outstanding debt of the central government by 1.6 per cent to $1,257.9m. The liabilities of the Central government accounted for 81.0 per cent of total debt. Likewise, the stock of debt held by public sector corporations declined, falling by 4.0 per cent to $295.6m. Of the debt held by residency, external debt contracted by 7.7 per cent to $532.3m, and represented 34.3 per cent of the public sector debt portfolio at the end of 2016. Lower external debt largely reflected the legacy impact of the debt restructuring exercise undertaken by the central government between 2011 and 2014, which resulted in a reduction in the face value of existing debt, the extension of the maturity on some loans, a land-for-debt swap and limits on new borrowing. Total domestic debt, which accounted for 65.7 per cent of the total debt outstanding, rose by 1.1 per cent to $1,021.2m.

Money and Credit

Monetary liabilities (M2) fell by 4.0 per cent to $2,907.70m, in contrast to an increase of 2.5 per cent in 2015. The monetary base fell on account of a 2.6 per cent ($63.5m) reduction in quasi money in combination with a 9.1 per cent ($56.9m) reduction in the narrow money supply (M1).

Quasi money fell largely on account of lower private sector time and foreign currency deposits of 9.7 per cent and 2.6 per cent respectively. The decrease in M1 was directly attributable to lower levels of private sector demand deposits (15.4 per cent).

Domestic credit decreased by 14.1 per cent to $887.0m in 2016, in contrast to an increase of 1.9 per cent in 2015, largely reflective of a decrease in the net credit position of the Federal Government combined with an increase in net deposit position of non-financial public enterprises. Net credit to the Federal Government fell by 14.2 per cent ($72.4m) to $436.6m, largely driven by a 26.2 per cent decline in net lending to the central government. This outturn was influenced by an increase in central government deposits held at commercial banks by 10.7 per cent ($61.8m) during the period, supplemented by a 56.7 per cent ($21.8m) increases in deposits held at the Central Bank. During the time commercial bank deposits of the Nevis Island Administration (NIA) fell by 36.9 per cent ($8.1m). The other major contributor to the decline in domestic credit was an increase in the net deposits of non-financial public enterprises (NFPEs), which rose by 9.2 per cent to $1,011.5m, fuelled largely by an 8.9 per cent ($85.3m) rise in deposits held at commercial banks. In contrast, credit to businesses fell by 0.6 per cent to $523.8m in contrast to a 9.9 per cent increase in 2015.



An analysis of the distribution of credit by economic activity indicates that increases were recorded in lending to various economic sectors including; construction (1.6 per cent); distributive trades (0.5 per cent); lending for personal uses (1.6 per cent) and for other purposes (3.0 per cent). Among the increase in personal loans extended, major influences included higher credit for the acquisition of property (2.2 per cent) and home construction and renovation (6.2 per cent). Among the loans extended for other uses, the major driver was a 4.3 per cent increase in credit for professional and other services. The rise in credit to those segments of the loan portfolio was tempered by declines in lending to tourism, and agriculture and fisheries of 1.9 per cent and 15.9 per cent respectively.

Net foreign assets of the banking system fell by 1.8 per cent ($39.0m) to $2,167.1m in 2016, compared with a decrease of 6.7 per cent ($157.8m) in the corresponding period of 2015. The reduced position was largely due to an 8.7 per cent ($126.5m) contraction in the net foreign asset position of commercial banks to $1,322.4m, attributable to a higher level of liabilities held with financial institutions within the Currency Union. St Kitts and Nevis's imputed share of the Central Bank's reserves increased by 11.6 per cent to $844.7m.

The commercial banking system remained relatively liquid in the period under review. The ratio of liquid assets to total deposits fell by 3.0 percentage points to 72.9 per cent, while the ratio of loans and advances to total deposits rose by 0.2 percentage points to 37.5 per cent. At the same time the ratio of liquid assets to total deposits plus liquid liabilities fell by 4.5 percentage points to 55.3 per cent.

Developments related to interest rate spreads are framed within the context of the minimum savings deposit rate (MSR) which was adjusted down 100 basis points to 2.0 per cent at the 81st meeting of the ECCB Monetary Council held on 27 February, 2015. The policy change was made operational on 1 May, 2015. This policy action was the first such action to adjust the minimum savings rate (MSR) since September 2002 when it was reduced from 4.0 per cent to 3.0 per cent. **Consequently, the weighted average interest rate spread between loans and deposits, widened to 6.68 percentage points in 2016, compared with 6.50 percentage points in 2015.** This outturn was the result of a 17 basis points decline in the weighted average deposit rate to 1.88 per cent, in combination with a 2 basis points increase in the weighted average lending rate to 8.56 per cent.

Trade and Payments

A deficit of $756.7m was recorded on the visible trade account in the period under review, surpassing one of $649.5m in 2015, driven by higher import payments and lower exports receipts. The value of imports rose by 11.8 per cent to $895.6m, mainly fuelled by increases in the value of food and live animals, manufactured goods; machinery and transport equipment and chemicals and related products. The value of total exports was $138.9m compared with $151.6m recorded in 2015, reflective of a decrease in the value of alcoholic beverages and electronic components exported. Domestic exports contracted by 17.2 per cent to $107.5m, moderated by an increase in re-exports by 44.1 per cent to $31.4m. The volume of trade in goods (both exports and imports) however, contracted by 16.1 per cent to 390,959 tonnes.

Gross travel receipts are estimated to have increased by 3.8 per cent to $373.8m in 2016, compared with a 6.2 per cent increase in the previous year. Commercial banks' transactions resulted in a net inflow of $126.5m in short-term capital, compared with an inflow of $55.3m in 2015. Government transactions resulted in a reduction in the net outflow of funds attributable to lower external principal repayments ($56.3m), compared with $175.6m in the previous year. Loan disbursements totalled $1.2m in 2016 compared with $2.0m in 2015.

Prospects

On the upside, the expansion of the economy of St Kitts and Nevis is expected to accelerate in 2017, based on a positive economic outlook for the Federation's major trading partners; the USA, the world's largest economy, the UK and the European Union. These international developments are buttressed by estimates of a pickup in global growth. According to the January 2017 update to the International Monetary Fund's World Economic Outlook (WEO), the economy of the USA, is estimated to expand by 2.3 per cent in 2017, compared with an estimated 1.6 per cent expansion in 2016. Strong recoveries in the latter half of 2016 for the economies of the USA and among others, Germany and the UK, have positively impacted the global economic outlook for 2017.

These recent developments could strengthen investment opportunities in St Kitts and Nevis, with positive spill over effects on the construction; hotels and restaurants; and real estate and renting sectors. Real sector developments will be sustained by the commencement of major public sector investments including; a new secondary school and a second cruise ship berthing facility, major enhancements to the road network and ongoing tourism related construction on a number of hospitality developments in both St Kitts and Nevis. The performance of the tourism industry is estimated to strengthen incrementally, fuelled by targeted marketing initiatives in the major source markets; the East coast of the USA and more recent initiatives to increase business from the UK and Canadian markets. Additional airlift from United Airlines (which commenced 19 November 2016) is expected to positively impact the number of weekly flights by almost 50.0 per cent to the destination, in addition to pre-existing seasonal airlift arrangements by American Airlines, weekly service from Delta Airlines and winter service from Air Canada. The completion of the 5-star Park Hyatt St Kitts Resort, in the summer of 2017, coupled with continued development at Kittitian Hill a high-end boutique resort, represent major enhancements to the profile of the destination. Consequently, the number of total visitors is projected to increase driven by stay-over and cruise passenger arrivals, with likely positive knock-on effects on related sectors; wholesale and retail trade, transport, storage and communications and real estate, renting and business activities.

Price pressures are likely to resume in line with anticipated recoveries in global commodity prices, particularly energy, and greater buoyancy in real sector activity.

The fiscal operations of the Federal Government are expected to generate a lower overall surplus in 2017 based on planned increases in capital expenditure. An increase in tax revenue is estimated, premised on a likely uptick in economic activity. Higher capital investment by the central government will likely translate into greater receipts from taxes on international trade and transactions and some recovery in the collection of taxes on domestic goods and services. Non-tax revenues are estimated to be lower, largely dependent on reduced receipts from the CBI program as competition intensifies. Total current expenditure is estimated to decline, attributable to a decrease in outlays for wages and salaries associated with the final payment (3.0 per cent) of a three-year salary increase that was made in 2016 and the non-payment of another 13th month salary in 2017. This may be partially moderated by an increase in spending on goods and services in line with higher capital outlays. The size of the overall surplus will be constrained by larger outlays of capital expenditure, lower inflows of official grants and reduced non-tax revenue.

The merchandise trade deficit is projected to widen, driven by construction led growth, developments in the hotels and restaurants sector, an increase in the wholesale and retail trade sector and increased value added in the real estate, renting and business activity sector.

On the downside, risks are likely to emanate from intensifying competition for the CBI programme and the attendant impacts on non-tax revenue and the sustainability of a number of CBI funded FDI projects. Uncertainties regarding the CBI programme may be mitigated by the operationalisation of reforms made in 2016 which could boost the attractiveness and competitiveness of the programme. Second order risks to the projected expansion include; global uncertainty associated with the new policy direction of the new Republican led administration in the USA and the attendant nationalist and protectionist sentiments that are impacting both the USA and the European Union. The escalation of such protectionist sentiments could adversely affect global trade and soften the demand for tourism services. A rapid escalation in commodity prices particularly petroleum and adverse weather conditions represent lower order risks.

SAINT LUCIA

Overview

Preliminary data indicate that the economic recovery, which Saint Lucia experienced in 2015, following three consecutive years of contraction, came to a pause in 2016. Real GDP is estimated to have declined by 0.7 per cent, in contrast to growth of 1.3 per cent in the previous year. The economic downturn was largely the result of declining performances in some of the major contributors to real output, such as transport, storage and communications and hotels and restaurants. On an end of period basis, the general price level decreased by 3.0 per cent. The overall deficit from the central government's fiscal operations narrowed, largely due to developments on the current account. Total disbursed outstanding public sector debt stock rose, reflecting growth in central government's borrowings. Developments in the banking system were marked by growth in monetary liabilities and net foreign assets and a decline in domestic credit. Commercial banks' liquidity improved amid tightened lending conditions. The spread between weighted average lending and deposit interest rates widened during the period under review. In the external sector, the merchandise trade deficit widened, mainly on account of a higher import bill, supported by a reduction in the value of exports.

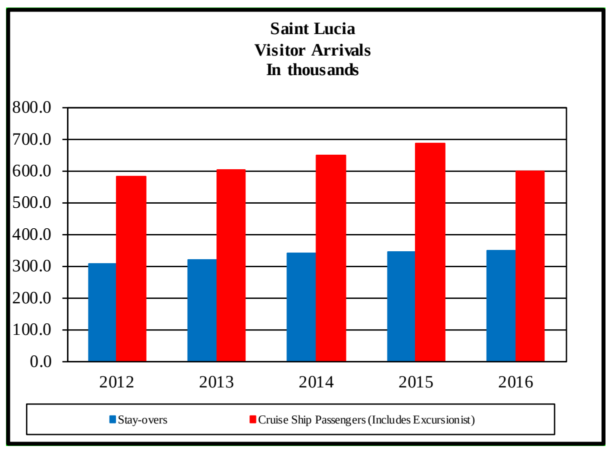
Prospects for the economy of Saint Lucia in 2017 are positive, as activity is projected to expand in the near term, largely on account of positive developments in the construction sector. The projected increase in overall economic output is likely to receive support from inter alia, anticipated improvements in the agriculture and transport, storage and communications sectors. Construction activity is likely to be buoyed by a number of pipeline projects, particularly in the private sector. These include on-going work on tourism-related plants, likely to be bolstered by new projects under the Citizenship by Investment Programme. In addition, infrastructural rehabilitation and maintenance works in the public sector will contribute to increased value added in construction. Growth may also be supported by an anticipated increase in the number of stay-over visitors to the island in 2017 and positive forecasts for agricultural production. A larger overall deficit is projected on the fiscal accounts, based on forecasted declines in revenue collection. Inflationary pressures are anticipated, as commodity prices, particularly oil, continue to increase as major producers cut supply. On balance, risks are skewed to the downside and include a sudden stop in foreign investments, uncertainty in the advanced economies, especially the USA, increased geopolitical tension, the impact of the ZIKA virus; the adverse effects of global warming and climate change; and chronic unemployment.

Output

A downturn was noted in the performance of the transport, storage and communications sector, led by declines in sea cargo and the number of cruise ship calls. Value added in that sector is estimated to have decreased by 5.5 per cent in 2016, in contrast to growth of 2.6 per cent in the preceding year. That decline was driven by a fall of 7.9 per cent in activity in the transport and storage sub-sector, which more than offset a marginal increase in communications. The contribution of the transport, storage and communications sector to overall GDP fell to 18.3 per cent from 19.2 per cent in 2015.

Value added in the hotels and restaurants sector, a proxy measure of activity in the tourism industry, is estimated to have shrunk by 2.7 per cent in 2016, after remaining relatively unchanged in the prior year. The sector's contribution to GDP fell marginally to 10.7 per cent in 2016 from 10.9 per cent in 2015. Largely indicative of the overall decline in value added in that sector was a weakened performance by the hotels sub-sector, which contracted by 3.3 per cent in the year under review, following negative growth of 2.7 per cent one year earlier. The performance for the year also reflected a decline of 7.7 per cent to 1,004,044, in the total number of visitors, largely attributable to a subpar outturn in the cruise ship sub-category. The number of cruise ship passengers decreased by 13.3 per cent to 587,421, in contrast to growth of 5.6 per cent recorded in the previous year. The contraction in the number of cruise passengers reflected in part a fall in the number of cruise ship calls and the size of these vessels.

Stay-over visitor arrivals increased marginally (0.9 per cent) to 347,872, compared with growth of 2.0 per cent last year. The performance in the stay-over visitors' sub-category was largely influenced by growth in the number of visitors from the USA and the Caribbean. Stay-over arrivals from the USA, the major source market, grew by 3.2 per cent to 157,576, largely reflecting an increase in airlift from that market. The number of stay-over visitors from the Caribbean, the third major market, increased by 7.1 per cent, compared with growth of 13.0 per cent recorded in 2015. This improvement was primarily attributed to an increase in the number of visitors from the French West Indies, as communities in Martinique strengthened their cultural alliance with those in the south of Saint Lucia. This collaboration also contributed to a 37.5 per cent rise in the number of excursionists visiting the island. Those increases were tempered by declines in arrivals from the European and Canadian markets. Visitor arrivals from Europe, the second largest source market, fell by 6.2 per cent, compared with a contraction of 8.9 per cent last year. The weaker performance in that market was predominantly driven by a 5.4 per cent decline in arrivals from the United Kingdom, supported by underperformance in all the other sub-markets within that region. The decline in stay-over arrivals from Canada decelerated to 2.3 per cent, from 6.8 per cent recorded in 2015. Of the other categories of visitors, the number of yacht visitors fell marginally (0.9 per cent), which contrasts growth of 21.0 per cent in the prior year, when there was an increase in the number of yachts visiting the island.

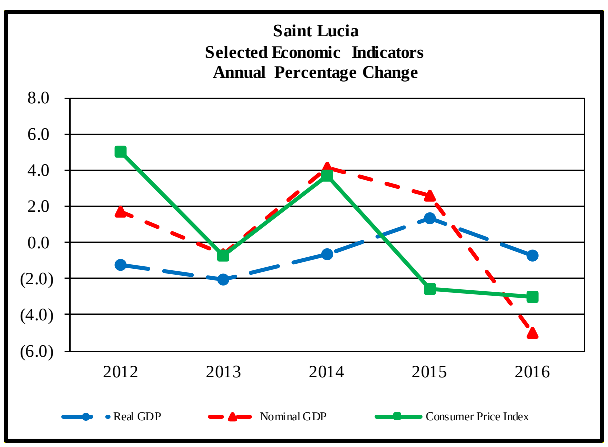


Manufacturing activity is estimated to have contracted by 7.4 per cent in 2016, in contrast to growth of 2.0 per cent in the prior year, when the sector appeared to have turned around after six years of negative performance. As a share of GDP, the sector's contribution declined marginally to 4.4 per cent from 4.8 per cent in 2015. The contraction in the sector's output was attributable to estimated reductions in the value of output in a number of manufactured articles, including electrical products. The sector's overall assessment was also reinforced by a 33.6 per cent fall in domestic exports, attributable in part to declines of 23.5 per cent in the export of machinery and transport equipment and 30.7 per cent in that of manufactured goods.

Value added in the construction sector is estimated to have increased by 2.5 per cent in 2016, a slower pace than growth of 7.4 per cent recorded in the preceding year. The sector's share of GDP grew to 8.0 per cent from 7.8 per cent in 2015. The overall expansion in construction activity was reflected in part by an increase of approximately 8.5 per cent in the value of imported construction materials. Its general outcome was swayed predominantly by higher levels of investments in the private sector. Work progressed on a number of projects including tourism-related plants, like the Royalton, Coconut Bay Resort and the Harbour Club. That activity was bolstered by the completion of the Courts/Unicomer Building along with a few residential properties. Construction activity in the public sector did not proceed as planned, as reflected by a 34.5 per cent decline in capital expenditure. Notwithstanding the decline in public construction activity, work continued on infrastructural development including rehabilitation of roads and bridges.

The mining and quarrying sector moved in tandem with construction activity, hence recording an expansion of 2.5 per cent in 2016, a recovery from three consecutive years of contraction. However, the sector's share to overall GDP remained relatively small and unchanged. A marginal improvement of 1.0 per cent was recorded in the real estate, renting and business activities sector, along with an increase of 2.0 per cent in financial intermediation. Real estate's contribution to GDP increased marginally to 18.7 per cent from 18.4 per cent in 2015. Also, the contribution of financial intermediation to overall economic activity improved slightly to 9.1 per cent from 8.9 per cent last year.

Activity associated with the agricultural sector is estimated to have expanded for a second consecutive year. Value added in the agricultural sector increased by 7.9 per cent, compared with growth of 9.7 per cent in 2015. The sector's contribution to GDP grew marginally to 2.5 per cent in 2016 from 2.3 per cent one year ago. This outturn was associated with growth of all the sub-sectors, particularly livestock and crops. Value added from the output of livestock expanded by 24.4 per cent, supported by an increase in the breeding stock of ruminants made available to farmers by the Ministry of Agriculture. Crop production grew by 4.5 per cent, driven in part by an estimated increase in the purchases by hotels and supermarkets as they increased their effort in supporting local production. On the contrary, banana production fell by an estimated 16.0 per cent to 7,092 tonnes, following a decline of 5.1 per cent in 2015. Consequently, revenue from banana-related exports was 15.6 per cent below the level recorded in the previous year.



Prices, Wages and Employment

During the year 2016, prices of goods and services in the Saint Lucian economy are estimated to have fallen by 3.0 per cent, on an end of period basis, as indicated by downward movements in the consumer price index. This outturn compares with a decline of 2.6 per cent recorded during 2015. The deflationary pressures were associated with declines in prices of three of the major sub-categories. The sub-index for food and non-alcoholic beverages, the largest weighted in the basket of goods and services, declined by 2.2 per cent compared with a fall of 6.3 per cent during the prior year. Lower prices for a number of commodities including bread and cereals, meats, pasta, non-alcoholic beverages, coffee, tea and cocoa, soft drinks and concentrates, contributed to the overall decline in the food and non-alcoholic beverages category. Other downward price movements were recorded in the sub-indices for housing, utilities, gas and fuels (4.7 per cent), transport (4.0 per cent), clothing and footwear (14.9 per cent) and recreation and culture (27.9 per cent). Those decreases more than offset growth in the sub-indices for communication (3.7 per cent), alcoholic beverages, tobacco and narcotics (4.2

per cent), education (2.0 per cent), household furnishings, supplies and maintenance (5.4 per cent) and hotels and restaurants (2.2 per cent).

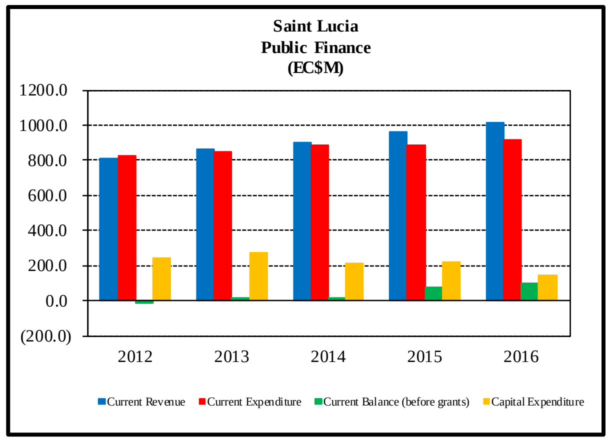
Official data on wage movements and employment in the private sector were not available. The rate of unemployment was estimated at about 21.3 per cent, from 24.1 per cent at the end of 2015. The youth unemployment rate declined marginally to an estimated 38.4 per cent, primarily due to an increase in the number of construction-related jobs, as that sector performed creditably in the year under review. The number of public sector employees decreased marginally (0.1 per cent) from last year, and the new administration expressed commitment to keep current expenditure at bay. Public servants agreed to a wage freeze for the 2013/16 triennium, therefore no salary increase was awarded. Noteworthy is that the salary negotiation process between the government and the public sector unions for the 2016/2019 triennium has not commenced.

Central Government Fiscal Operations

The central government's fiscal operations resulted in an overall deficit of $23.1m (0.6 per cent of GDP); lower than the $93.0m deficit (2.4 per cent of GDP) recorded in 2015. The improvement in the fiscal performance was largely attributed to positive developments on the current account, which yielded a surplus for the fourth consecutive year. These developments were also supported by a lower level of capital spending. The primary balance continued the path of recovery, which began in 2014 and retained its surplus position for the third consecutive year. A primary surplus of $126.2m (3.4 per cent of GDP) was realised, compared with one of $55.8m (1.4 per cent of GDP) in 2015.

The current account yielded a surplus of $98.9m (2.7 per cent of GDP), an increase of 33.5 per cent over the outturn at the end of 2015. This improvement stemmed from an expansion in current revenue, which more than offset a rise in current expenditure. Current revenue grew by 5.6 per cent to $1,015.6m (27.3 per cent of GDP) compared with a rise of 6.7 per cent to $962.0m (24.9 per cent of GDP) at the end of the prior year.

Current revenue growth was primarily influenced by an increase in tax collections, which was supported by a slightly larger yield from non-tax revenue. Tax revenue grew by 5.8 per cent reflecting increases in all sub-categories of taxes. Yields from taxes on income and profits increased by 9.3 per cent to $251.6m (6.8 per cent of GDP), compared with growth of 5.2 per cent to $230.2m (6.0 per cent of GDP) recorded in the previous year. The increase was largely associated with growth of 34.1 per cent ($23.6m) in inflows from the corporation tax, which emanated from institutional changes by the Inland Revenue Department, coupled with increased collaboration with the large companies to ensure greater efficiency in collection. Receipts from taxes on international trade and transactions grew by 6.7 per cent to $278.1m (7.5 per cent of GDP), primarily reflecting increases in the collections from the excise tax on imports ($7.9m), import duty ($5.9m) and the service charge ($2.5m). Revenue from taxes on domestic goods and services was 2.8 per cent above the 2015 collections, attributable largely to an increase in yields from the fuel surcharge, coupled with growth in revenue from stamp duties and licenses. The collections for the fuel surcharge grew by 41.4 per cent, influenced by a revision in the rate from $0.2 to $0.5 per imperial gallon. A marginal increase was noted in the VAT, which constitutes 81.4 per cent of taxes on domestic goods and services. As a percentage of GDP, the revenue from VAT increased to 9.3 per cent in 2016, from 8.9 per cent the year before. Non-tax revenue grew by 2.4 per cent to $49.7m (1.3 per cent of GDP).



Current expenditure rose by 3.3 per cent ($28.8m) to $916.7m, reflecting growth in most of the major components, particularly personal emoluments. As a percentage of GDP, current expenditure grew to 24.6 percent, from 23.0 per cent in 2015. Outlays on personal emoluments, which accounted for 43.7 per cent of current expenditure, rose by 6.7 per cent ($25.2m) driven predominantly by an increase in wages.

Outlays on transfers and subsidies grew by 3.2 per cent ($6.2m), largely reflecting increased pension and NIC payments. Interest payments increased marginally, generally in line with the rise in central government borrowing. By contrast, expenditure on goods and services fell by 1.9 per cent ($3.2m), primarily associated with a decline in the amount spent on utilities.

Capital expenditure fell by 34.5 per cent to $143.6m (3.9 per cent of GDP), in contrast to growth of 1.9 per cent to 219.1m ($5.7 per cent of GDP) in 2015. This outturn was attributed in part to the winding down of some infrastructural projects, and the delayed implementation of new initiatives. Capital expenditure was partly financed through grant inflows, which more than halved to $21.4m (0.6 per cent of GDP), from $52.0m (1.3 per cent of GDP) in 2015.

Public Sector Debt

The outstanding debt of the public sector was estimated at $3,016.0m at the end of 2016, representing an increase of 2.3 per cent over the total at the end of December 2015. As a percentage of GDP, the outstanding debt increased to 81.0 per cent from 76.3 per cent at the end of the previous year. Overall growth in public sector debt was the consequence of an increase in borrowing by the central government. The disbursed outstanding debt of the central government, which accounted for 96.2 per cent of the total debt stock, grew by 3.5 per cent to $2,901.1m (77.9 per cent of GDP), reflecting increased external and domestic borrowing. The stock of external debt of the central government rose by 4.8 per cent ($64.2m) and its domestic debt increased by 2.3 per cent ($34.1m). Meanwhile, preliminary estimates of the outstanding debt of the public corporations indicated a decline of 21.4 per cent to $114.9m. The debt service payments rose by 6.1 per cent to $269.8m, influenced primarily by a 14.2 per cent increase in principal repayments.

Money and Credit

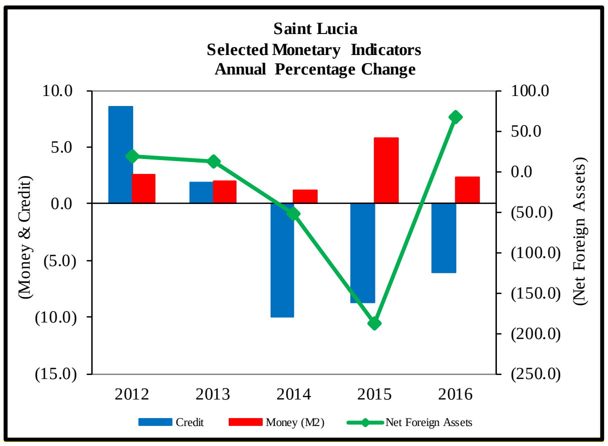
Broad money supply (M2) grew by 2.3 per cent to $3,125.0m, compared with an increase of 5.8 per cent during 2015. The expansion was attributed to growth in narrow money (M1), which was partially offset by a marginal contraction in quasi money. M1 rose by 11.8 per cent ($90.7m), owing largely to an increase of 12.3 per cent in private sector demand deposits, supported by growth of 7.7 per cent in currency with the public. By contrast, quasi money contracted by 0.9 per cent to $2,265.3m, largely influenced by decreases of 6.6 per cent ($25.6m) and 6.9 per cent ($23.5m) in private sector time deposits and private sector foreign currency deposits, respectively.

Domestic credit contracted by 6.0 per cent to $3,072.4m, compared with a decline of 8.7 per cent recorded during 2015. The contraction was primarily influenced by decreased private sector borrowing, supported by a fall in credit to the government. Outstanding credit to the private sector fell by 5.0 per cent, reflecting declines of 5.2 per cent in business credit and 2.5 per cent in lending to households. The central government's transactions resulted in a net credit position of $205.0m compared with one of $226.7m at the end of 2015. This development was attributable to an increase of $39.2m in government's deposits at the commercial banks, supported by a decline of $13.5m in commercial banks' loans and advances to the central government. Additionally, outstanding loans to non-financial public enterprises decreased by 28.6 per cent. Contrastingly, the net credit position of non-bank financial institutions grew by 16.5 per cent.

An analysis of the distribution of commercial banks' credit by economic activity indicates that outstanding loans and advances decreased by 5.7 per cent, compared with a decline of 6.9 per cent during the prior year. The outcome was associated with declines in lending for all categories, except distributive trades, which increased by 0.3 per cent to $288.1m. The contraction was most pronounced in lending for other uses, more so for financial institutions ($38.8m), utilities, electricity and water ($20.9m) and public administration ($15.9m). Lending to the construction sector, the tourism industry and the manufacturing sector fell by 16.1 per cent ($44.7m), 10.9 per cent ($43.1m) and 2.2 per cent ($2.1m) respectively. Outstanding loans to the agriculture and fisheries sector declined by 33.0 per cent ($6.9m).

The banking system recorded $449.5m in net foreign assets at the end of the year, up from $268.4m one year earlier. The outturn was largely associated with a 45.2

per cent decrease in the net liabilities position of commercial banks as they concurrently increased their assets and lowered their liabilities. Assets held with institutions outside the region grew by 7.5 per cent ($67.2m), and those held within the ECCU increased by 17.1 per cent ($57.0m). Foreign liabilities held outside and within the ECCU contracted by 5.7 per cent ($45.8m) and 7.5 per cent ($72.4m), respectively. Saint Lucia's imputed share of the Central Bank's reserves contracted by 7.6 per cent ($61.3m) to $743.6m.



Liquidity in the commercial banking system improved during the year. At the end of December, the ratio of liquid assets to total deposits plus liquid liabilities was at 37.6 per cent, which was above the recommended minimum of 25.0 per cent and about 2.1 percentage points higher than the level recorded at the end of 2015. The ratio of loans and advances to total deposits fell by 6.3 percentage points to 90.2 per cent, but remained outside the ECCB's stipulated range of 75.0 to 85.0 per cent.

Since the Monetary Council's decision to reduce the minimum savings rate to 2.0 per cent, a continuous decline has been observed in the deposit rates, while there is still some stickiness in lending rates. **The weighted average interest rate on deposits fell to 1.62 per cent from 1.94 per cent at the end of last year.** According to senior banking officials, tight competition in the market has forced down lending rates; hence a decrease of 20 basis points to 8.15 per cent in the weighted average lending rate during the review period. Consequently, the weighted average interest rate spread between loans and deposits widened to 6.53 percentage points at year end, from 6.41 percentage points at 31 December 2015.

Trade and Payments

A merchandise trade deficit of $1,444.0m is estimated for 2016, higher than the $1,052.7m deficit recorded one year earlier. The larger deficit was mainly attributable to a 14.8 per cent ($227.5m) increase in import payments, supported by a decline of 33.6 per cent ($163.8m) in the value of exports. Import payments increased to $1,767.1m, largely influenced by higher outlays for minerals, fuels, lubricants and related materials (36.1 per cent), machinery and transport equipment (29.7 per cent) and manufactured goods (11.7 per cent). The decline in total export receipts largely reflected developments in the re-exports sub-category, where receipts more than halved in the year under review. Domestic exports also contributed to the overall outturn through a decline of 12.8 per cent in receipts, partially the result of a 30.7 per cent contraction in the value of manufactured goods.

Gross travel receipts are estimated to have fallen by 4.9 per cent to $1,979.1m, influenced by declines in stay-over arrivals from Canada and Europe, two of the major source markets. The activities of commercial banks resulted in a net outflow of $242.4m in short-term capital during the year, compared with an outflow of $404.1m recorded during 2015. In the review period, external loan disbursements to the central government totalled $144.6m, up from $119.9m in the previous year. Principal repayment on debt fell by 2.8 per cent to $74.1m; consequently, the central government was in a net disbursement position of $70.5m, compared with one of $43.7m at the end of 2015.

Prospects

Prospects for global economic growth remain positive, notwithstanding downside risks. The International Monetary Fund in its January 2017 World Economic Outlook kept projections for growth in 2017 and 2018 at 3.4 per cent and 3.6 per cent, respectively. Growth in advanced economies is forecasted to average 2.0 per cent in the short term and activity in the USA, in particular, is projected to be more robust than in 2016, in spite of uncertainties associated with the policies of the new administration. **Against the backdrop of anticipated moderate strengthening in the global economy, more specifically in the USA, with growth forecasts of 2.3 per cent in 2017 and 2.5 per cent in 2018, economic activity in Saint Lucia is to gain traction in 2017 and accelerate in the short to medium term. The uptick is likely to be led by increased construction activity, supported by other economic sectors, including agriculture.**

Also, there is a commitment to the implementation of policy initiatives conducive to increased competitiveness and sustainable economic growth in Saint Lucia in the medium to long term.

Activity in the construction sector, one of the main drivers of economic output, is projected to remain robust fuelled by the private sector, as work progresses on ongoing hotel plants and other buildings. Work is expected to wrap up on projects like the Royalton, Coconut Bay Resort and the Harbour Club, while a number of projects in the pipeline are likely to get going. These include the Sunset Bay Resort, Black Bay Hotel Development and Freedom Bay. Support from the public sector is also anticipated through reconstruction and rehabilitation of roads, bridges and other physical infrastructure.

Growth in value added for agriculture is anticipated, based on further improvement in the output of a number of sub-sectors including livestock, poultry and both banana and non-banana crops. Continuous investments and initiatives by the Ministry of Agriculture to boost the sector, including a project to refurbish green houses, are expected to contribute positively to value added in the short to medium term. The commitment by some hotels and supermarkets to purchase from local farmers lends tremendous support to the expansion in agriculture. Banana production is expected to increase as investment and expansion policies become entrenched given the assistance of the EU's Banana Accompanying Measures (BAM). Additionally, the Ministry of Agriculture remains committed to diversification efforts within the sector, strengthening linkages with other sectors and attracting more young persons to employment opportunities in agriculture. These policies augur well for increased agricultural output in the short to medium term.

In the tourism industry, activity is projected to improve, though challenges in the cruise sub-sector may remain. However, on the upside, a turn-around is likely in that sub-sector, if prospects of Saint Lucia becoming a home port for cruises are materialized. As a result of improvements in airlift and other marketing initiatives, it is anticipated that stay-over arrivals will continue to increase and enhance activity in the hotels and restaurants sector. Also, stimulus policies in the USA, the main source market, have the potential for better-than-forecasted results, which could add greater impetus to that economy and boost US arrivals. Additionally, the increased presence of Delta Airlines, United Airlines and JetBlue; coupled with short term forecasted expansion in the Canadian economy, augur well for stay-over arrivals to Saint Lucia. Support is likely to come from the UK market, with increased airlift by British Airways, Virgin Atlantic and the Sun Wing. Regional visitors should bolster the tourism numbers through continued collaboration between the French West Indies and local communities in Saint Lucia. Any improvement in the performance of the tourism industry is expected to be transmitted to other ancillary sectors like wholesale and retail, transport, storage and communications and distributive trades.

Another crucial factor affecting the short-term outlook for Saint Lucia is the overall fiscal and debt management policy. While Saint Lucia has been successful in the implementation of revenue enhancing measures, it is likely that revenue collections in the short-term may be constrained by the new fiscal policy stance, which includes the reduction in the VAT rate to 12.5 per cent from 15.0 per cent. Barring other measures to mitigate the impact of the revenue loss, deterioration in the fiscal position is likely. **Hence the overall fiscal deficit is projected to continue to widen in the near term, with the potential to improve, contingent on the success of the Citizenship by Investment Programme.**

Capital expenditure is likely to increase, albeit slowly, as new projects get off the ground, for some of which funding has been identified. Among other things, the rolling over of a large proportion of existing debt and financing the deficit are expected to put upward pressure on the debt stock, resulting in an overall larger debt burden with correspondingly larger debt servicing costs. However, the authorities are assessing the country's debt portfolio and examining debt reduction strategies, which are likely to assist in effective public debt management.

In the external sector, the merchandise trade deficit is projected to narrow in the short to medium term, on account of a likely improvement in export earnings, despite an anticipated increase in imports to accommodate the projected expansion in construction activity. Travel inflows are likely to increase concomitant with the expectations for more stay-over visitor arrivals. In addition, it is likely that foreign investment flows may improve in the near to medium term in line with positive global economic prospects. Inflationary pressures may arise, largely contingent on developments regarding global commodity prices, especially oil.

While global dynamics point to a pickup in activity in the short to medium term, the balance of risks is tilted to the downside, associated largely with economic and political developments. Countries are urged to support fiscal and debt reforms, while encouraging investments in critical infrastructural and social-oriented projects. In the case of Saint Lucia, along with the aforementioned, structural reforms – particularly in education, productivity, financial stability and effective debt management - are imperative for the achievement of its growth targets. **Major downside risks remain imminent if policy makers are not able to effectively leverage their growth-stimulating and fiscal consolidation policies with opportunities likely to be presented by the Citizenship by Investment Programme.** While it is absolutely necessary to build buffers to safeguard the Saint Lucian economy from external shocks, a number of domestic challenges persist. Among these are the dependence of the tourism industry on developments in the advanced economies; a sudden stop in foreign investments used for the major tourism-related projects, which face uncertainty; increased geopolitical tension; the impact of the continued spread of the ZIKA virus on visitor arrivals; the adverse effects of global warming and climate change; and protracted unemployment in the economy, particularly among the youth.

ST VINCENT AND THE GRENADINES

Overview

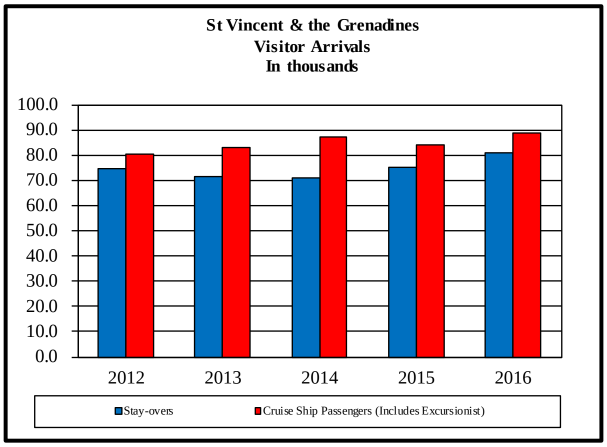
Despite adverse weather conditions during the fourth quarter, economic activity in St Vincent and the Grenadines is provisionally estimated to have gained some momentum in 2016. Real GDP is estimated to have expanded by 2.9 per cent in 2016, compared to a mild rise of 0.6 per cent in 2015. The favourable outturn was largely supported by expansions in all of the major economic sectors, with manufacturing and fishing as the notable exceptions. The growth in economic activity was accompanied by a 1.0 per cent increase in the inflation rate on an end of period basis, mainly reflecting the impact of new fiscal measures. The central government's operations yielded a surplus, which was influenced by developments in both the current and capital accounts. The stock of total outstanding public sector debt rose as the government began to include its previously-unrecorded PetroCaribe debt in the official statistics. Despite favourable financing conditions in the commercial banking system, total outstanding credit contracted and remained largely extended to households, rather than the business sector. Reflecting declines in both deposit and lending rates, the interest rate spread narrowed. A minimal widening in the overall deficit was generated on the external account as rising import payments outpaced the marginal increase in export receipts.

The economic recovery in St Vincent and the Grenadines is expected to continue in 2017, driven by the opening of the Argyle International Airport and a more benign external environment. In particular, the airport should result in a rise in investor and consumer confidence and employment over the course of the coming year. This positive outlook from the opening of the international airport is however contingent on improved foreign and domestic private sector investment and enhancing productivity and the competitiveness of the economy. The measures introduced in the 2017 budget suggest that the outlook for public finances could be neutral, as the higher budgeted capital programme and the operating costs for the new airport and may constrain receipts from the new revenue measures. Externally, global economic activity is projected to moderate in 2017. In addition, the labour market has improved modestly in key trading partners, which could have positive knock-on effects on the economies of the ECCU, including St Vincent and the Grenadines. There are however some risks in the domestic and external environment which may derail this optimistic outlook. Domestically, the operationalization of the airport may not lead to the sustained recovery in the tourism sector as is generally expected, while policy uncertainty from President Trump's trade, immigration and fiscal policies and; the final negotiations surrounding Brexit may cloud the 2017 global outlook.

Output

Following marginal growth of 0.6 per cent in 2015, real GDP in St Vincent and the Grenadines expanded by 2.9 per cent in 2016. From a sectoral perspective, preliminary data show that agriculture and services remained important drivers of growth. Value added in the hotels and restaurants sector, a proxy for tourism activity, is estimated to have expanded by14.1 per cent in 2016, following growth of 3.9 per cent in 2015. This outturn reflected a 7.4 per cent increase in the number of stay-over visitors, compared to growth of 6.6 per cent in 2015. Growth in arrivals from all of the major source markets contributed to this expansion. The gains in stay-over arrivals from the Caribbean and the USA, the two most important source markets, were sustained during the year. Arrivals from these two main markets advanced by 13.4 per cent and 7.2 per cent, respectively. The record number of visitors from the Caribbean was attributed to the country's hosting of several regional sporting activities and conferences in 2016. At the same time, stay-over arrivals from the United Kingdom, moderated at 4.3 per cent following an increase of 6.8 per cent in the previous year. A more subdued rate of growth of 1.4 per cent was registered in visitors from Canada, relative to a 4.3 per cent growth in the previous year. Following a decline of 8.1 per cent in stay-over arrivals from the aggregate of the other smaller, less-established markets in 2015, the pace of arrivals resumed with growth of 3.5 per cent. Despite the sectoral momentum, activity in the sector may have been slightly tempered by the unexpected closure of the Buccament

Bay Resort in December 2016. This development may have curbed stay-over arrivals to St Vincent and the Grenadines given the resort's growing popularity.



Of the other categories of visitors, expansions were recorded in the number of cruise passengers (6.3 per cent) and yacht passengers (3.2 per cent), while the number of excursionists fell by 23.9 per cent in 2016, its fourth consecutive decline. The number of cruise ship calls stood at 262 in 2016, 31 more calls than a year earlier. Cumulatively, growth in total visitor arrivals is estimated to have risen by 5.7 per cent to 218,437, following a mild expansion of 0.8 per cent in 2015. Consequently, total visitor expenditure is estimated to have improved by 6.6 per cent to $275.5m during the year, in tandem with the increase in total arrivals.

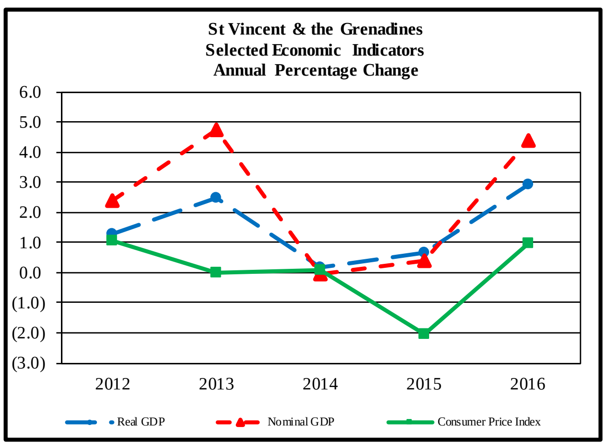
The agricultural sector is estimated to have recovered strongly, reflecting several ongoing sectoral initiatives. Following a 5.0 per cent contraction in 2015, output in the sector is estimated to have rebounded with growth of 7.5 per cent in 2016. The more robust performance in 2016 was primarily driven by crop production, which recovered with growth of 9.9 per cent in 2016, in contrast to a 5.0 per cent decline in 2015. This outturn reflected an increase of 10.0 per cent in the output of non-traditional crops and vegetables and a 7.0 per cent expansion in banana production. The improved production in these sub-sectors has been largely influenced by several initiatives undertaken by the Ministry of Agriculture, as the agency seeks to broaden output and cultivation in both traditional and non-traditional areas. The livestock subsector registered another decline (2.0 per cent) as the ongoing initiatives in that sub-sector such as artificial insemination, have not yet fully materialised. Fish production is estimated to have plunged in 2016, partly attributable to a fall-off in activity in this sector in 2016. During the last quarter of 2016, St Vincent and the Grenadines was adversely affected by a number of seasonal troughs which may have constrained agricultural production.

The construction sector remained fairly robust, driven mainly by the residential sub-sector and ongoing work at a marina at Canouan. Value added in this sector, which contributed approximately 8.3 per cent to real GDP, is estimated to have risen by 5.0 per cent, following 8.7 per cent growth in the previous year. The expansion in value added was mainly driven by the private sector activity in Canouan which helped to cushion weaker public sector capital expenditure which slid by 29.1 per cent in the year. Activity in this sector was also evident in credit granted by commercial banks to residential construction and renovation, which grew by 5.3 per cent relative to a rate of 7.3 per cent observed in 2015. Value added in the mining and quarrying sector continued to mirror the improvement in construction activity, with estimated growth of 5.0 per cent.

After contracting in 2015, the wholesale and retail trade sector rebounded in 2016. The sector, which is the second largest in terms of its contribution to GDP, is estimated to have improved with growth of 5.0 per cent, largely driven by an expansion in imports related to wholesale and retail trade. This performance was supported by a modest expansion in a number of other services sectors such as electricity and water, transport, storage and communications and financial intermediation. Activity in the electricity and water sector is estimated to have advanced by 4.7 per cent, reflecting increases of 6.0 per cent and 0.5 per cent in the electricity and water sub-sectors. Concurrently, value added in the transport, storage and communications sector recovered, with growth of 3.0 per cent from its marginal decline of 0.2 per cent in the previous year. Similarly, the value added in the financial intermediation sector registered a gain of 1.5 per cent in the 2016 relative to growth of 3.2 per cent in 2015, as the banking sector continued to benefit from enhanced profitability from the Monetary Council's 2015 decision to reduce the minimum savings rate by 1.0 percentage point to 2.0 per cent.

While activity in most of the aforementioned service-related sectors was largely positive, growth in the real estate, renting and business activities sector, which is the largest contributor to GDP, was almost negligible. Value added in the sector is estimated to have risen by 0.8 per cent, similar to the previous year.

Following two consecutive years of expansion, the manufacturing sector, which consists of the grains, beverages and building materials sub-sectors, is estimated to have shrunk in 2016, as low competitiveness and weak demand continued to weigh on the sector. With a contribution to real GDP at 4.1 per cent, value-added in that sector declined by 5.0 per cent, following growth of 2.9 per cent in 2015. The fall in production was affected by contractions in the output of flour (2.7 per cent) and beer (1.5 per cent), which was partially mitigated by the production of animal feed which registered growth of 6.3 per cent.



Prices, Wages and Employment

Partly reflecting the introduction of fiscal measures from the 2016 budget, inflationary pressures picked up during the year. The inflation rate, as measured by the annual change in the Consumer Price Index (CPI) on an end-of-period basis, rose by 1.0 per cent in 2016, following a decline of 2.1 per cent in 2015. This outturn was driven by higher price levels for all but two of the sub-categories of the Index, and in particular, its three largest sub-components. The largest sub-index of housing, utilities, gas and other fuels edged up by 0.5 per cent, reflecting gains in the price of selected building materials. Meanwhile, increases in the price of some basic food items such as salt, sugar and whole chicken contributed to the upward pressure in the average price level related to the second largest sub-category of the index comprising food and non-alcoholic beverages category, which increased by 1.8 per cent. This development was partially influenced by the elimination of VAT-exempt and zero-rating status on some basic goods introduced in 2016. Prices in the transport sub-index were higher by 0.7 per cent from the impact of an increase in driver's and motor vehicle's licenses. The inflationary impact was however mitigated by the lower prices in health (1.7 per cent) and education (0.8 per cent). Declines in the prices of designated drugs and medical consultation fees were the main factors to the lower inflation in health services while the overall reduction in education reflected a fall in university fees.

Labour market conditions deteriorated slightly in 2016, evidenced by data from the National Insurance Services (NIS) and the results from the most recent labour market survey. Preliminary data from the NIS revealed that the total number of active insured persons fell by a further 2.2 per cent in 2016 to 32,494 relative to a 0.6 per cent decline one year earlier. Among the economic sectors tracked by the NIS, declines were registered in administrative support, accommodation, construction, manufacturing, financial services, real estate and public administration and social security. On the other hand, employment advances were observed in agriculture, education, electricity, mining and wholesale. Growth in average labour costs rose, albeit more slowly by 0.9 per cent relative to an increase of 1.1 per cent in 2015. Wages and salaries in the public sector rose slightly in 2016, a result of a 1.5 per cent increase which was granted to public sector workers as part of successful negotiations concluded with the trade unions in 2015. Concurrently, the total number of central government employees inched higher by 1.4 per cent to 7,609 in the review period relative to the previous year. In addition, the Government concluded its most recent labour market survey in collaboration with the Orgainisation of Eastern Caribbean States (OECS) in 2015. According to the survey's results, the unemployment stood at 25.1 per cent in 2015 compared to a rate of 21.5 per cent in 2012, when the previous survey was conducted.

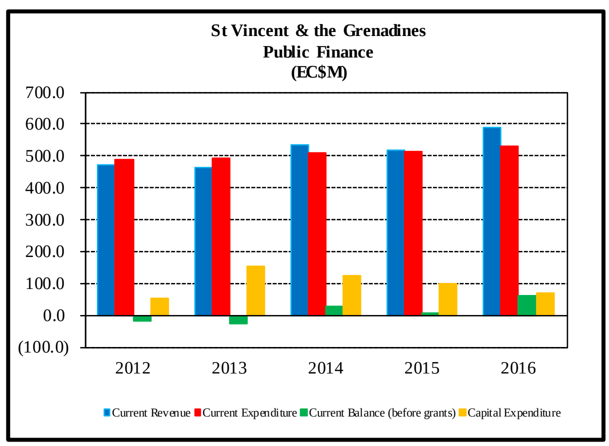
Central Government Fiscal Operations

The operations of the government are estimated to have yielded an overall surplus of $11.5 (0.6 per cent of GDP) from the $38.8m deficit (-2.0 per cent of GDP) in the corresponding period of 2015.[2] This improvement was driven by developments in the both the capital and current accounts. Over the same period, a primary surplus of $53.9m was recorded (2.6 per cent of GDP), following one of $6.0m (0.3 per cent of GDP) in 2015.

Concurrently, the current account surplus improved to $59.2m (2.8 per cent of GDP)

[2] Data submitted by the Ministry of Finance are now classified according to the Government Finance Statistics Manual 2014 (GFS 2014), so the analysis may vary slightly from that of previous years.

from one of $6.2m (0.3 per cent of GDP), reflecting improvements in revenue combined with a marginal decline in expenditure. Current revenue rose by 13.5 per cent to $589.4m (28.3 per cent of GDP) from $519.1m (26.1 per cent of GDP) in 2015, largely reflecting increases in both tax and non-tax revenue. Tax revenue, which constituted more than 80.0 per cent of current revenue as at end 2016, grew by a more robust pace of 12.1 per cent to $497.7m (23.9 per cent of GDP), following an expansion of 1.7 per cent in 2015. The improvement reflected broadening revenue sources and the implementation of new measures from the 2016 Budget. Increases were recorded in the intake from taxes on income and profits ($25.9m), taxes on property ($16.1m),[3] taxes on international trade ($7.2m) and taxes on goods and services ($4.4m). Higher receipts on taxes on income and profit were partly influenced by a 40.1 per cent increase in corporate tax inflows. The growth in taxes on property was positively affected by advances in the collection from stamp duty on property ($9.9m) and alien landholding licenses ($6.4m). Improved revenue collection of taxes on international trade largely reflected the implementation of Article 164 of the Treaty of Chaguaramas on a more comprehensive list of goods, and an increase in surtax on vehicles four years and older. The improved outturn on receipts from taxes on goods and services during the year largely reflected higher inflows from the value added tax arising from the elimination of tax-exempt status on basic food items. The increase was dampened by a $6.6m falloff in the yield from the deposit interest levy. Meanwhile, the sundry category, Other Revenue, was $16.6m higher, largely reflecting an $8.6m improvement in property income.



Current expenditure rose by 3.4 per cent ($17.3m) to $530.2m (25.5 per cent of GDP), reflecting higher outlays in two of the major sub-categories. Compensation to

[3] The fiscal accounts for St Vincent and the Grenadines, Taxes on Property now comprise property tax, alien land-holding license and stamp duty on property.

employees, which comprised approximately half of current expenditure, advanced by 2.3 per cent ($6.1m), while spending on transfers and other social benefits, grew by 15.7 per cent ($19.8m). The higher outlays on wages were mainly attributed to the salary increase granted to public sector workers, while the movement in transfers and benefits was influenced by initiatives to operationalize the Argyle International Airport and post-disaster recovery efforts from a major seasonal trough which affected St Vincent and the Grenadines during the fourth quarter. Partially offsetting these increases was a contraction of 8.5 per cent ($6.2m) in the expenditure on goods and services, largely due to a decline in spending on office supplies, electricity and maintenance services. Concurrently, interest payments fell by 5.4 per cent ($2.4m) on account of a 16.9 per cent fall in external obligations, which more than offset the 2.3 per cent rise in domestic obligations.

Investment in the government's capital programme contracted by a further 29.1 per cent ($28.9m) and stood at $70.3m for the period under review. The two consecutive declines were consistent with the culmination of construction activity related to the Argyle International Airport, which was operationalised in the first quarter of 2017; the modern medical complex and the post-disaster housing rehabilitation programme. The capital programme was partially funded by capital revenue and grants which totalled $22.6m, but were less than half the intake of $54.2m in the previous year. Grants comprised the vast majority of this total, with a value of $21.6m during the period, $6.9m lower than the amount received in the comparable period in 2015.

Public Sector Debt

The stock of disbursed outstanding debt of the public sector was estimated at $1,667.2m at the end of 2016, approximately 3.4 per cent higher than that recorded in 2015. Despite the increase in nominal debt stock, the debt-to-GDP ratio fell to 80.1 per cent from 80.9 per cent in December 2015. The expansion in the debt stock was attributable to changes in both domestic and external debt by the central government. The central government external debt stock increased by 10.8 per cent to $1,528.2m as a result of disbursements of external loans as well as the official recording of PetroCaribe debt by the central government. Similarly, the central government's domestic portfolio was $430.6m, 10.5 per cent higher than the previous year, and was associated with the transfer of the debt of the International Airport Development Company (IADC) to the central government, as the construction of the international airport began to wind down. Conversely, the debt stock of public corporations was 40.3 per cent lower at the end of the period to $139.0m, mirroring the transfer of the IADC debt to the central government as well as a decline in accounts payable of public corporations.

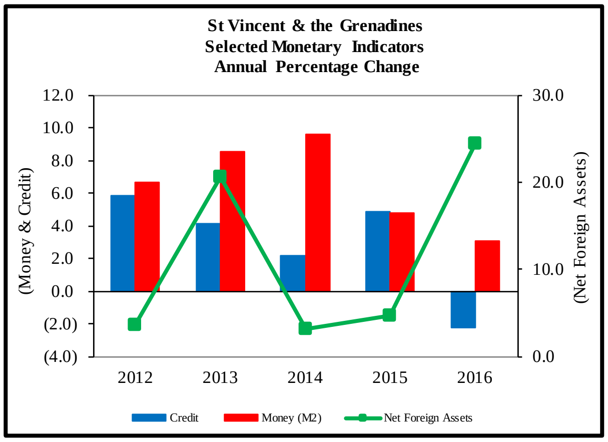
Money and Credit

Provisional data indicate that money and credit dynamics in St Vincent and the Grenadines was mixed during 2016, characterised by a deceleration in monetary liabilities and a continued decline in business credit. Despite the general expansion in economic activity, the total monetary liabilities (M2) of the banking system grew more slowly at 3.1 per cent to $1,520.7m during 2016, relative to growth of 4.8 per cent during 2015. The expansion in M2 largely reflected developments in quasi money. Quasi money, which accounts for more than two-thirds of M2, rose by 0.3 per cent to $1.040.9m, primarily on account of a 3.0 per cent expansion of its largest component, private sector saving deposits. Meanwhile, time deposits and foreign currency deposits of the private sector declined by 10.0 per cent and 9.9 per cent respectively. The sharp contractions in these components may have been attributed to the introduction of a $25.00 charge by the Republic Bank of Trinidad and Tobago (RBTT) on several of its accounts beginning 23 May 2016. The increased fee resulted in many depositors closing their accounts with the commercial bank. Narrow money, the other component of M2, grew more robustly at 9.6 per cent to $479.8m, reflecting a continued preference by depositors for more liquid deposits. The expansion was on account of a 36.4 per cent advance in currency in circulation.

Domestic credit declined by 2.2 per cent to $1,045.4m during 2016, a contrast to the 4.8 per cent increase during 2015. This contraction reflected the downward trend in business credit coupled with the activities of the central government. Private sector credit continued to moderate with growth of 1.3 per cent ($14.2m) during 2016 driven by the continued expansion of credit to households. Lending to households, which accounts for three-quarters of private sector credit, grew at a slightly faster pace of 3.6 per cent compared with a rate of 3.5 per cent during the previous year. One of the concerns from the data has been the continued weakness in outstanding credit to the corporate sector. Following a 1.2 per cent contraction in the previous year, credit to that sector plunged by 9.8 per cent, which may be reflective of limited perceived opportunities by firms or continued uncertainty regarding the economic landscape during much of the year. The net indebtedness of the central government fell by 46.0 per cent to $60.5m during 2016 compared to a 25.6 per cent increase in the previous year. The contraction was largely associated with growth in government deposits and a concurrent reduction in loans and advances. The net deposit position of non-financial public enterprises fell by 11.3 per cent to $99.0m, reflecting a drawdown on their deposits.

An analysis of the distribution of bank credit by economic activity revealed that gross financing raised by the private sector through the banking system dipped by 0.5 per cent to $1,200.3m during 2016, following a 2.1 per cent increase recorded during 2015. The marginal contraction was almost largely attributable to decline in loans extended to the corporate sector. Lending to most of the corporate sector fell, with the notable exceptions of agriculture (which comprised less than 1.0 per cent of total outstanding credit), and professional and other services, which grew by 44.4 per cent and 4.1 per cent respectively. The continued decline in business lending is a cause for concern as it could adversely impact growth and the employment outlook for the upcoming year. Meanwhile, lending continued to expand in the personal category, albeit at a lower rate than the previous year. Within the personal sector category, credit extended to home construction and renovation increased by 5.3 per cent, while lending on durable goods and other personal spending grew more slowly at 11.4 per cent and 2.0 per cent, respectively.

Net foreign assets of the banking system grew by 24.4 per cent to $661.8m, at the end of 2016, up from 4.7 per cent during 2015. This expansion was mainly fuelled by a rise of 16.1 per cent to $516.2m in St Vincent and the Grenadines' imputed share of the Central Bank reserves. This growth was accompanied by an increase in the net foreign assets of commercial banks of 67.1 per cent to $145.6m, largely influenced by a higher asset position with banks outside the Currency Union.



Liquidity in the commercial banking system improved during the period under review. This was evidenced by an increase in the ratio of liquid assets to total deposits plus liquid liabilities, which stood at 46.2 per cent as at end 2016, a 1.9 percentage point increase from twelve months prior. In addition, the ratio of loans and advances to total deposits fell by 0.5 percentage points to 67.4 per cent, well below the maximum threshold of 75.0 to 85.0 per cent.

Average deposit rates continued their downward trend during the period as commercial banks continued to take advantage of the reduction in the minimum savings rate. The average weighted deposit rate by commercial banks declined by 10 basis points to 1.82 per cent in annual terms. A larger reduction was recorded in the weighted average lending rate which moved to 8.9 per cent from 9.22 per cent in the previous year. Consequently, commercial banks weighted average interest rate spread narrowed to 7.09 at the end of 2016, from 7.30 per cent at the end of 2015.

Trade and Payments

Provisional trade data indicate that there was a negligible worsening of the merchandise trade deficit which stood at $777.6m (37.4 per cent of GDP) for the twelve-month period ending December 2016 relative to a deficit of $777.4m (39.0 per cent of GDP) in the 2015 calendar year. The fractional widening of the deficit was the result of divergent developments in both import and export activity. Total export receipts rose by 2.1 per cent to $126.2m, which were offset by a 0.3 per cent increase in total import payments totaling $903.8m. The growth in export receipts reflected higher earnings from the export of domestic goods which rose by 2.8 per cent to $115.8m, associated in part, with an uptick in the receipts from agricultural exports to the regional market. The improvement was partly offset by a 4.6 per cent contraction in the value of re-exports. Concurrently, import developments revealed that an 11.2 per cent increase in the machinery and transport equipment sub-category accounted for much of the growth in import payments. This growth was followed by a 4.6 per cent rise in miscellaneous manufactured goods. These increases were mitigated by declines in the payments for manufactured goods (7.1 per cent), food and live animals (3.6 per cent), and mineral fuels and related materials (2.0 per cent). The fall in the payments of mineral fuels and related materials reflected in part, issues related to the cash basis method of accounting.

Consistent with the growth in visitor arrivals, gross travel receipts are estimated to have advanced by 6.6 per cent to $275.5m. Preliminary estimates indicate that the transactions of commercial banks resulted in a net outflow of $58.4m in short-term capital during the twelve months to December 2016, relative to a net outflow of $0.4m recorded during the corresponding period of 2015. Concurrently, disbursements from external loans to the central government declined to $42.9m from $56.1m during the preceding year. The value of external principal repayments was 13.6 per cent lower at $51.0m.

Prospects

The economic recovery in St Vincent and the Grenadines is expected to be sustained in 2017, driven by the opening of the Argyle International Airport and a more benign external environment. On the upside, the airport was operationalized in the first quarter of 2017, which bodes well for the outlook for the remainder of the year. In particular, the newly-commissioned airport could result in rising business and consumer confidence which may lead to increases in investment and employment over the coming quarters which may help sustain economic growth. This positive outlook from the opening of the international airport however, would be contingent on improved foreign and domestic private sector investment as well as enhancing productivity and the competitiveness of the economy.

Consistent with this development, the pace of tourism activity is projected to improve further with a concomitant advance in gross travel receipts. However, private sector investment and enhanced marketing in both traditional and non-traditional source markets need to be enhanced to encourage the full potential in this sector. The proposed funding devoted to marketing in the 2017 budget is encouraging, but the impact may only be fully realized in the long-term. A swift resolution to the issues at the Buccament Bay Resort should also contribute positively to this sectoral outlook.

Given the range of ongoing donor-funded initiatives, the recovery in the agricultural sector is expected to pick up, supported by the sustained production of crops and livestock. However, the sector has been adversely affected by continuing challenges by farmers and hucksters in selling their produce and obtaining foreign exchange in regional markets. Output in manufacturing sector however, is unlikely to improve substantially in light of increased competitive pressure in the grains and beverages sub-sectors. Construction activity is projected to remain relatively robust, with increased projected spending by the private sector through some identified foreign direct investment such as the Mt Wynne/Peter's Hope project; and the Government, through its budgeted capital programme. The latter includes the geothermal project, basic needs, and continuing road rehabilitation and post-natural disaster reconstruction.

With respect to the fiscal accounts, the central government's surplus is expected to be neutral in light of counteracting developments in revenue and expenditure. The increase in capital expenditure and ongoing transfers for the operations of the airport, may be partly mitigated by the fiscal measures which were introduced in the 2017 budget. Those include a 1 percentage point increase in the Value-Added Tax, along with increases in departure tax and in professional fees.

Monetary liabilities and domestic credit are projected to expand in keeping with the anticipated expansion in economic activity. In the external sector, the current account deficit is projected to widen owing to an increase in import payments associated with the expected expansion in economic activity. An increase is also expected in the value of domestic exports, influenced by positive developments in the agricultural sector. Similarly, an improved outlook for key trading partners and the operations of the new airport are likely to enhance gross travel receipts, foreign direct investment and remittances which would contribute to an overall surplus on the balance of payments.

With respect to external developments, global economic activity is projected to grow moderately in 2017. The International Monetary Fund (IMF) in its January 2017 World Economic Outlook raised the global economic growth forecast for 2017 to 3.4 per cent, and projected that advanced economies would grow by 1.9 per cent in 2017. Employment in the USA has increased modestly and is currently estimated to be near full employment, which could have positive knock-on effects on the economies of the ECCU, including St Vincent and the Grenadines. This outlook may be further boosted if the tax cuts and public investment promised by President Trump were to materialise.

This optimistic outlook for economic growth should however be balanced in light of a number of downside risks related to both the domestic and external environment. In particular, policy uncertainty from President Trump's trade, immigration and fiscal policies and the final negotiations surrounding Brexit may cloud the 2017 global outlook and take a toll on visitor sentiment. Domestically, the operationalization of the airport may not facilitate the sustained recovery in tourism as is generally expected. Enhancements in major tourist sites and improved room stock may have to complement this development. Additionally, increase in the rate of VAT is likely to affect consumption and impact the positive growth outlook. If these developments materialise, it could suggest a weaker outturn for GDP growth in 2017.

NOTES FOR STATISTICAL TABLES AND MONETARY SURVEY

STATISTICAL TABLES

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'
R	denotes 'revised'
P	denotes 'provisional'
E	denotes 'ECCB estimates'

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

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, private businesses, non-bank financial institutions, and subsidiaries and affiliates.
4. Money Supply (M1) = currency plus total private sector demand deposits plus EC cheques and drafts issued.
5. Currency = total currency liabilities of the Central Bank less commercial banks' holdings of local currency cash.
6. Demand Deposits = total private businesses, households, non-bank financial institutions, and subsidiaries and affiliates residents' demand deposits.
7. Savings Deposits = total private businesses, households, non-bank financial institutions, and subsidiaries and affiliates residents' savings deposits.
8. Time Deposits = total private businesses, households, non-bank financial institutions, and subsidiaries and affiliates residents' time deposits.
9. Foreign Currency Deposits = total private businesses, households, non-bank financial institutions, and subsidiaries and affiliates residents' foreign currency deposits.

S T A T I S T I C A L   T A B L E S   I N D E X

ECCU **PAGE**

ANGUILLA

ANTIGUA AND BARBUDA

DOMINICA

GRENADA

MONTSERRAT

ST KITTS AND NEVIS

SAINT LUCIA

ST VINCENT AND THE GRENADINES

Table 1
ECCU - Selected Economic Indicators

	2012[K]	2013[K]	2014[K]	2015[K]	2016[K]
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal GDP at Basic Prices	1.79	2.85	5.17	3.51	2.47
Real GDP at Basic Prices	0.26	1.76	3.18	2.59	2.20
GDP Deflator	1.52	1.07	1.93	0.89	0.26
Consumer Prices (end of period)	2.67	(0.34)	1.26	(1.25)	(1.62)
Consumer Prices (period average)	2.87	0.90	1.28	(0.88)	(1.83)
Real GDP at Basic Prices					
Agriculture, Livestock and Forestry	5.77	5.02	7.05	9.47	(2.07)
Fishing	2.14	3.21	(5.15)	6.85	(0.31)
Manufacturing	(4.76)	0.63	0.29	0.83	(7.52)
Mining & Quarrying	9.61	9.88	(1.91)	(7.07)	6.51
Electricity & Water	(0.75)	(0.85)	(0.34)	3.19	3.53
Construction	(3.66)	5.76	2.26	4.70	7.01
Wholesale and Retail	(0.68)	(1.12)	3.36	1.72	4.64
Hotels and Restaurants	1.39	2.10	6.27	1.52	4.08
Transport, Storage and Communications	(2.18)	(0.52)	3.79	1.60	0.04
Transport and Storage	(1.27)	0.22	6.23	2.63	(0.61)
Communications	(3.57)	(1.69)	(0.14)	(0.16)	1.19
Financial Intermediation	3.24	0.33	(0.60)	2.72	2.59
Real Estate, Renting and Business Activities	0.51	2.83	2.57	2.89	1.59
Public Administration, Defence & Compulsory Social S	2.63	3.11	5.84	1.70	2.08
Education	2.17	3.84	3.18	3.26	2.16
Health and Social Work	2.23	1.59	2.59	2.33	2.03
Other Community, Social & Personal Services	0.81	(2.82)	1.35	(0.55)	1.39
Activities of Private Households as Employers	1.08	1.57	(2.45)	0.05	1.50
FISIM	0.54	(1.97)	(6.69)	0.63	2.31
Import Cover Ratio	5.57	6.54	8.18	10.01	10.61
	(In percent of GDP)				
Central Government					
Current Account Balance	(0.12)	0.49	1.42	2.56	3.36
Current Revenue	23.74	24.46	25.13	25.71	27.26
Current Expenditure	23.86	23.96	23.72	23.16	23.90
Capital Expenditure and Net Lending	4.75	6.54	5.63	5.16	4.15
Overall Fiscal Balance	(2.19)	(3.39)	(1.17)	0.32	2.19
	(In percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	3.04	2.85	2.58	1.98	1.72
Weighted Lending Interest Rates	8.92	8.94	8.92	8.74	8.53
	(In millions of EC dollars, unlesss otherwise stated)				
Memo					
Nominal GDP at Basic Prices	12,874.93	13,241.56	13,925.90	14,414.07	14,769.45
Real GDP at Basic Prices	11,144.71	11,340.91	11,701.70	12,005.29	12,269.53
Nominal GDP at Market Prices	15,040.85	15,432.67	16,324.95	16,959.19	17,444.62
Merchandise Imports (c.i.f.)	6,774.89	6,791.61	7,005.41	6,721.47	7,042.23
Merchandise Exports (f.o.b.)	1,057.27	1,067.76	999.34	1,039.52	923.73
Gross Visitor Expenditure	3,870.82	4,134.85	4,490.73	4,663.09	4,673.04
GDP per capita (EC$)	24,753.88	25,209.98	26,466.23	27,137.31	27,516.77
	(In percent of GDP)				
Public Sector External Debt (end-of-period)	42.96	46.22	44.23	42.18	41.73

Source: ECCU Central Statistics Offices and Eastern Caribbean Central Bank

The ECCB is transitioning from the IMF Balance of Payments Manual, Fifth Edition (BPM5) to the IMF Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). The new Balance of Payments series is not yet available.

Data as at 15 February 2017

Table 2
ECCU - Consolidated Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2012	2013	2014[K]	2015[K]	2016[K]
CURRENT REVENUE	**3,570.6**	**3,774.2**	**4,103.2**	**4,361.0**	**4,755.1**
Tax Revenue	3,071.7	3,117.2	3,362.3	3,587.7	3,793.6
Taxes on Income and Profits [1]	669.2	653.6	703.6	773.7	826.0
of which:					
Personal [2]	316.9	317.2	344.0	357.1	366.5
Company[3]	270.2	236.4	257.3	319.9	370.4
Taxes on Property	67.8	73.2	84.0	88.9	87.4
Taxes on Domestic Goods & Services	1,322.8	1,496.2	1,603.6	1,643.9	1,730.0
of which:					
Accommodation Tax	55.4	16.8	19.0	19.4	17.7
Licenses	103.4	139.2	126.2	122.1	127.2
Sales Tax [4]	227.6	209.4	229.2	231.7	251.0
Consumption Tax [5]	6.7	1.0	0.4	0.3	0.1
Value Added Tax [6]	612.7	857.9	927.3	956.0	993.1
Taxes on International Trade & Trans	1,012.0	894.1	971.1	1,081.2	1,150.2
of which:					
Consumption Tax [7]	115.8	40.5	52.0	75.3	89.9
Import Duties	417.7	416.2	446.6	470.3	498.2
Customs Service Charge [7]	196.5	197.4	210.5	227.5	233.6
Non-Tax Revenue	498.9	657.0	740.9	773.3	961.4
CURRENT EXPENDITURE	**3,589.3**	**3,698.4**	**3,871.8**	**3,927.3**	**4,168.4**
Personal Emoluments	1,582.7	1,653.0	1,707.6	1,700.9	1,846.3
Goods and Services	713.7	790.4	780.3	780.0	837.8
Interest Payments	466.7	437.8	480.2	454.3	460.7
Domestic	275.6	257.9	281.8	258.9	251.9
External	191.1	179.9	198.4	195.5	208.8
Transfers and Subsidies	826.1	817.1	903.8	992.1	1,023.6
Pensions	288.0	289.7	296.1	300.3	311.8
Current Account Balance (before gran	**(18.65)**	**75.79**	**231.40**	**433.66**	**586.65**
Capital Revenue	**26.0**	**60.5**	**37.0**	**86.5**	**189.4**
Grants	**378.0**	**350.3**	**459.5**	**410.2**	**329.2**
Current Grants	109.3	75.8	112.0	115.5	113.8
Capital Grants	268.7	274.5	347.5	294.7	215.4
Capital Expenditure and Net Lending	**714.4**	**1,010.0**	**919.3**	**875.5**	**723.9**
Captial Expenditure	715.2	1,008.7	918.6	854.4	743.7
Primary Balance after grants	**137.67**	**(85.63)**	**288.81**	**509.20**	**842.03**
Overall Balance after grants	**(329.0)**	**(523.5)**	**(191.3)**	**54.9**	**381.3**
Financing	**329.0**	**523.5**	**191.3**	**(54.9)**	**(381.3)**
Domestic	(4.7)	224.4	(46.6)	(403.6)	(259.1)
ECCB(net)	(93.8)	54.5	(63.7)	(60.4)	(41.8)
Commercial Banks(net)	46.7	(100.3)	139.1	(298.5)	(284.1)
Other	42.4	270.2	(122.0)	(44.7)	66.8
External	168.6	244.1	132.0	173.2	(128.4)
Net Disbursments/ (Amortisation)	131.1	247.4	140.6	95.8	(131.9)
Disbursement	464.1	586.3	508.5	548.9	430.1
Amortisation	333.0	338.9	367.9	453.1	562.0
Change in Govt. Foreign Assets	37.5	(3.3)	(8.6)	77.4	3.5
Other Foreign Financing [7]	-	-	-	-	-
Arrears	64.4	55.0	105.9	23.2	(24.2)
Domestic	113.0	(12.2)	18.0	(14.2)	(18.0)
External	(48.6)	67.1	88.0	37.4	(6.2)
Other Financing (residual)	100.7	-	-	152.3	30.4

Source: ECCU Ministries of Finance and Eastern Caribbean Central Bank
/1 Taxes on Income & Profits include stabilization levy collected in Anguilla
/2 Included is a Social Services Levy which is applied in St. Kitts & Nevis; not collected in Anguilla.
/3 Excludes Anguilla
/4 Includes data for Antigua and Barbuda, and Dominica
/5 Excludes Anguilla, Antigua and Barbuda, and Montserrat
/6 Includes Dominica, Grenada, St Kitts and Nevis, and St Vincent and the Grenadines
/7 Excludes Anguilla
Data as at 15 February 2017

Table 3
ECCU - Monetary Survey
(EC$M at end of period)

	2011	2012	2013	2014	2015	2016P
Net Foreign Assets	**2,052.89**	**2,653.67**	**3,481.20**	**4,960.27**	**6,532.89**	**7,399.67**
Central Bank (Net)	**2,717.94**	**3,031.40**	**3,149.94**	**3,804.49**	**4,205.97**	**4,557.25**
External Assets	2,720.52	3,036.61	3,156.59	3,810.30	4,211.41	4,565.64
External Liabilities	(2.58)	(5.21)	(6.64)	(5.81)	(5.44)	(8.39)
Commercial Banks (Net)	**(665.05)**	**(377.73)**	**331.26**	**1,155.78**	**2,326.92**	**2,842.42**
External Assets	3,863.51	4,045.46	4,205.66	4,940.18	5,904.76	6,159.17
External Liabilities	(4,528.56)	(4,423.20)	(3,874.41)	(3,784.40)	(3,577.84)	(3,316.75)
Net Domestic Assets	11,133.97	10,986.90	10,755.91	10,165.47	9,189.81	8,458.33
Domestic Credit	**13,429.02**	**13,396.80**	**12,888.29**	**12,088.16**	**11,084.55**	**10,097.14**
Central Government (Net)	1,622.86	1,575.75	1,529.90	1,605.30	1,246.39	920.45
Other Public Sector (Net)	(1,391.09)	(1,512.94)	(1,621.12)	(1,893.77)	(2,002.93)	(1,969.69)
Private Sector	13,197.24	13,333.99	12,979.51	12,376.63	11,841.09	11,146.38
Household	6,415.39	6,685.98	6,715.87	6,872.24	6,776.08	6,587.04
Business	6,196.51	6,134.33	5,822.04	5,166.43	4,719.03	4,203.60
Non-Bank Financial Instituti	311.22	305.15	276.71	180.67	199.12	270.55
Subsidiaries & Affiliates	274.13	208.53	164.89	157.30	146.86	85.19
Other Items (Net)	**(2,295.05)**	**(2,409.90)**	**(2,132.38)**	**(1,922.68)**	**(1,894.74)**	**(1,638.81)**
Monetary Liabilities (M2)	**13,186.86**	**13,640.57**	**14,237.11**	**15,125.74**	**15,722.70**	**15,857.99**
Money Supply (M1)	**2,758.66**	**2,870.37**	**2,925.59**	**3,253.35**	**3,525.93**	**3,787.67**
Currency with the Public	634.59	633.82	667.57	715.80	763.92	833.99
Demand Deposits	2,049.53	2,170.30	2,187.67	2,456.96	2,697.48	2,877.44
EC$ Cheques and Drafts Issu	74.54	66.25	70.34	80.59	64.52	76.24
Quasi Money	**10,428.20**	**10,770.20**	**11,311.52**	**11,872.39**	**12,196.77**	**12,070.32**
Savings Deposits	5,575.60	5,968.92	6,399.91	6,787.27	7,002.09	7,201.48
Time Deposits	3,091.41	3,025.87	2,903.67	2,731.55	2,572.90	2,349.61
Foreign Currency Deposits	1,761.19	1,775.42	2,007.94	2,353.57	2,621.79	2,519.24

Source: Eastern Caribbean Central Bank
Data as at 15 February 2017

Table 4
ECCU - Selected Tourism Statistics

	2012[R]	2013[R]	2014[R]	2015[R]	2016[R]
Total Visitors	3,484,369	3,492,245	3,817,798	4,238,572	4,204,997
Stay-Over Visitors	991,804	1,004,883	1,062,538	1,081,417	1,115,859
USA	385,630	401,808	430,951	450,376	478,832
Canada	90,562	96,972	105,932	94,290	91,807
UK	201,242	193,241	203,437	208,187	203,316
Caribbean	208,101	208,090	202,616	211,381	224,565
Other Countries	106,269	104,772	119,602	117,183	117,339
Excursionists	89,381	102,117	124,598	132,310	120,068
Cruise Ship Passengers[/1]	2,252,860	2,227,815	2,475,312	2,860,932	2,807,155
Yacht Passengers[/2]	150,324	157,430	155,350	163,913	161,915
Number of Cruise Ship Calls[/3]	1,462	1,485	1,652	1,796	1,794
Total Visitor Expenditure (EC$M	**3,870.82**	**4,134.85**	**4,490.73**	**4,663.09**	**4,673.04**

Source: ECCU Central Statistics Offices, Tourist Boards and Eastern Caribbean Central Bank
[/1]Cruiseship passengers excludes Anguilla but includes Excursionists for Antigua and Barbuda
[/2]Yacht passengers excludes Anguilla
[/3]Cruiseship calls excludes Anguilla
Data as at 15 February 2017

Table 5
ECCU - Total Public Sector Disbursed Outstanding Debt (DOD)*
(In millions of Eastern Caribbean dollars)
at end of period

	2012R	2013R	2014R	2015R	2016P
Anguilla	234.01	231.64	221.90	212.71	475.24
Antigua and Barbuda	2,840.56	3,223.86	3,380.18	3,072.43	3141.15
Dominica	1,018.28	1,053.47	1,069.44	1,097.67	1038.10
Grenada	2,234.59	2,353.29	2,382.70	2,341.31	2310.03
Montserrat	7.40	6.83	6.26	9.04	8.62
St Kitts and Nevis	2,725.60	2,115.11	1,774.08	1,586.54	1553.53
Saint Lucia	2,610.76	2,754.60	2,894.38	2,949.12	3016.04
St Vincent and the Grenadines	1,284.31	1,390.23	1,570.60	1,611.87	1667.15
TOTAL ECCU	**12,955.51**	**13,129.03**	**13,299.54**	**12,880.68**	**13,209.85**

Source: ECCU
* Includes arrears of principal
Data as at 21 March 2017

Table 6
ECCU - Central Government Disbursed Outstanding Debt (DOD)
(In millions of Eastern Caribbean dollars)
at end of period

	2012R	2013R	2014R	2015R	2016P
Anguilla	217.33	216.77	209.15	201.52	462.99
Antigua and Barbuda	2,362.16	2,509.41	2,836.02	2,560.51	2648.19
Dominica	847.46	881.00	888.72	938.92	885.17
Grenada	2,012.88	2,145.70	2,202.98	2,183.50	2177.98
Montserrat	1.81	1.63	1.44	1.32	1.21
St Kitts and Nevis	2,154.82	1,635.81	1,482.43	1,278.55	1257.91
Saint Lucia	2,389.19	2,558.69	2,731.52	2,802.88	2901.13
St Vincent and the Grenadines	1,067.84	1,150.88	1,342.13	1,379.01	1528.18
TOTAL ECCU	**11,053.49**	**11,099.89**	**11,694.40**	**11,346.21**	**11862.76**

Source: ECCU
Data as at 21 March 2017

Table 7
ECCU - Total Central Government Debt Service Payments
(In millions of Eastern Caribbean dollars)

	2012R	2013R	2014R	2015R	2016P
Anguilla	14.98	15.71	16.07	17.97	42.61
Antigua and Barbuda	226.00	232.24	228.75	374.38	577.61
Dominica	53.03	47.96	56.42	52.35	63.95
Grenada	139.08	153.45	197.21	157.22	376.70
Montserrat	0.14	0.15	0.15	0.15	0.14
St Kitts and Nevis	233.25	143.37	229.65	242.67	102.18
Saint Lucia	223.99	321.22	240.03	254.27	269.80
St Vincent and the Grenadines	117.43	131.80	132.17	135.51	147.57
TOTAL ECCU	**1,007.90**	**1,045.89**	**1,100.45**	**1,234.52**	**1580.56**

Source: ECCU
Data as at 21 March 2017

Table 8
ECCU - Participation on the RGSM

	2012^R	2013^R	2014^R	2015^R	2016^P
Treasury Bills					
Number of Auctions	44	43	47	46	48
Amount Raised (EC$M)	806.2	832.4	958.64	955.06	1013.6
Subscriptions (EC$M)	1103.6	1086.5	1178.43	1326.7	1419.4
Bonds					
Number of Auctions	7	10	9	7	3
Amount Raised (EC$M)	260.0	235.0	220.8	139.9	80.2
Subscriptions (EC$M)	270.6	235.9	222.81	142.46	81.01
Total number of auctions	51	53	56	53	51
Total Amounts Raised (EC$M)	1066.2	1067.4	1179.47	1095	1093.8
Total Subscriptions (EC$M)	1374.2	1322.3	1401.24	1469.1	1500.5

Source: Eastern Caribbean Central Bank
Data as at 21 March 2017

Table 9
ECCU - Average Weighted Interest Rates on the RGSM (%)

	2012^R	2013^R	2014^R	2015^R	2016^P
91-day Treasury Bill	4.43	3.94	3.68	3.41	3.77
180-day Treasury Bill	5.79	6.00	5.01	4.31	3.76
365-day Treasury Bill	6.24	5.93	6.21	5.34	4.89
2-year Bonds	**	**	4.50	4.95	**
3-year Bonds	**	6.75	5.25	6.50	6.50
4-year Bonds	6.00	**	**	**	**
5-year Bonds	6.99	7.25	6.46	6.80	**
6-year Bonds	**	6.90	**	7.25	7.00
7-year Bonds	7.00	7.34	7.28	**	**
8-year Bonds	7.10	7.10	**	**	**
10-year Bonds	7.48	7.32	7.50	**	7.50
15-year Bonds	**	**	7.95	**	**

Source: Eastern Caribbean Central Bank
Data as at 21 March 2017

Table 10
Anguilla - Selected Economic Indicators

	2012 R	2013 R	2014 R	2015 R	2016 P
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal GDP at Basic Prices	0.29	1.76	10.92	2.56	6.53
Real GDP at Basic Prices	(1.85)	0.47	5.62	2.81	4.50
GDP Deflator	2.19	1.28	5.01	(0.24)	1.95
Consumer Prices (end of period)	3.71	0.76	(0.92)	(1.71)	1.72
Consumer Prices (period average)	3.93	0.15	(0.26)	(0.97)	(0.52)
Real GDP at Basic Prices					
Agriculture, Livestock and Forestry	(12.75)	5.21	(2.37)	16.82	2.36
Fishing	10.60	(18.19)	2.27	5.00	5.00
Manufacturing	0.38	(1.35)	16.49	1.02	(10.00)
Mining and Quarrying	(9.04)	(8.63)	43.99	0.61	14.00
Electricity and Water	(10.63)	(3.82)	0.12	(9.01)	11.75
Construction	9.85	7.07	38.86	7.63	14.00
Wholesale and Retail Trade	7.93	(4.30)	15.43	2.03	2.50
Hotels and Restaurants	(4.78)	6.22	2.92	2.24	10.00
Transport, Storage and Communications	(6.54)	(2.09)	5.18	4.57	(1.89)
Transport and Storage	0.47	9.97	16.48	8.08	(5.00)
Communications	(10.80)	(10.34)	(4.29)	0.98	1.50
Financial Intermediation	(2.48)	(4.12)	(8.82)	4.79	(2.17)
Real Estate, Renting and Business Activities	(4.65)	1.39	2.31	2.25	2.21
Public Administration, Defence & Compulsory S	(0.56)	(0.15)	0.95	4.18	2.00
Education	7.23	7.35	(2.17)	(1.56)	2.00
Health and Social Work	(12.11)	(3.52)	2.39	2.43	1.90
Other Community, Social and Personal Services	0.89	2.07	1.88	1.42	1.00
Activities of Private Households as Employers	2.70	1.09	1.09	3.53	1.00
FISIM	(5.57)	(0.42)	(10.08)	2.42	3.00
Import Cover Ratio	3.28	4.58	3.50	3.23	6.16
	(In percent of GDP)				
Central Government					
Current Account Balance	1.25	(0.31)	1.17	0.87	0.12
Current Revenue	23.78	22.78	22.37	22.13	20.42
Current Expenditure	22.53	23.09	21.19	21.26	20.30
Capital Expenditure and Net Lending	1.26	1.09	0.41	0.85	0.71
Overall Fiscal Balance	1.53	0.67	2.53	0.45	(0.34)
	(In percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	3.49	3.32	2.97	2.65	2.35
Weighted Lending Interest Rates	9.19	9.17	9.25	9.07	8.78
	(In millions of EC dollars, unlesss otherwise stated)				
Memo					
Nominal GDP at Basic Prices	637.29	648.48	719.30	737.72	785.92
Real GDP at Basic Prices	549.47	552.03	583.08	599.47	626.45
Nominal GDP at Market Prices	756.30	761.38	840.63	863.32	924.19
Merchandise Imports (c.i.f)	445.64	416.03	471.24	551.07	521.82
Merchandise Exports (f.o.b)	15.52	13.52	14.17	29.11	19.40
Gross Visitor Expenditure	304.52	331.56	346.08	346.09	355.46
GDP per Capita (EC$)	55,132.18	54,917.61	59,111.99	60,136.24	63,114.90
	(In percent of GDP)				
Public Sector External Debt (end-of-period)	22.95	22.46	19.98	18.82	22.46

Source: Anguilla Statistics and Customs Departments, Ministry of Finance, Economic Development, Investment, Commerce and Tourism and Eastern Caribbean Central Bank

The ECCB is transitioning from the IMF Balance of Payments Manual, Fifth Edition (BPM5) to the IMF Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). The new Balance of Payments series is not yet available.

Data as at 14 February 2017

Table 11
Anguilla - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2012	2013	2014	2015	2016 P
Current Revenue	179.89	173.41	188.04	191.04	188.71
Tax Revenue	155.13	147.47	156.31	162.75	160.35
Taxes on Income and Profit	13.86	12.77	13.21	13.85	14.44
of which: Stabilisation Levy	13.86	12.77	13.21	13.85	14.44
Taxes on Property	3.91	3.62	4.46	4.80	5.82
Taxes on Domestic Goods and Servi	66.03	52.45	58.21	58.98	55.60
of which:					
Licenses	11.93	13.52	12.33	13.86	17.35
Accommodation Tax	18.58	13.62	16.11	18.34	17.08
Stamp Duties	18.22	9.37	12.97	10.93	7.08
Taxes on International Trade and Tr	71.33	78.62	80.43	85.12	84.49
of Which:					
Import Duty	53.61	56.77	61.80	65.13	65.19
Customs Surcharge	14.72	15.89	16.48	17.69	17.32
Embarkation Tax	2.12	4.97	1.19	1.39	1.27
Non-tax Revenue	24.75	25.94	31.72	28.30	28.36
Current Expenditure	170.43	175.78	178.17	183.52	187.65
Personal Emoluments	79.91	80.32	81.15	82.82	84.93
Goods and Services	38.33	40.45	42.20	42.79	44.24
Interest Payments	8.35	9.11	9.39	8.38	11.99
Domestic	2.42	3.08	3.09	2.41	7.34
External	5.93	6.03	6.30	5.97	4.64
Transfers and Subsidies	43.84	45.91	45.43	49.54	46.49
of which: Pensions	7.77	8.21	7.95	9.19	8.51
Current Account Balance	9.46	(2.37)	9.87	7.53	1.07
Capital Revenue	-	-	-	-	2.22
Grants					
Of which Capital Grants	11.64	15.72	14.82	3.74	0.12
Capital Expenditure and Net Lendin	9.51	8.27	3.43	7.34	6.56
Of which: Capital Expenditure	9.51	8.27	3.43	7.34	6.56
Primary Balance before grants	8.29	(1.53)	15.83	8.56	8.72
Primary Balance after grants	19.93	14.19	30.65	12.30	8.83
Overall Balance before grants	(0.05)	(10.64)	6.44	0.19	(3.27)
Overall Balance after grants	11.59	5.08	21.26	3.93	(3.15)
Financing	(11.59)	(5.08)	(21.26)	(3.93)	3.15
Domestic	(7.49)	(4.03)	(20.26)	0.12	(46.35)
ECCB (net)	5.71	0.14	(0.04)	0.05	(54.98)
Commercial Banks (net)	(9.21)	(8.27)	(8.53)	9.51	43.32
Other	(3.99)	4.10	(11.69)	(9.45)	(34.69)
External	(1.08)	(1.04)	(1.12)	(4.04)	49.50
Net Disbursements/(Amortisation)	(1.08)	(1.04)	(1.12)	(4.04)	46.50
Disbursements	-	-	-	-	59.87
Amortisation	1.08	1.04	1.12	4.04	13.37
Change in Government Foreign Ass	-	-	-	-	3.00
Arrears	(3.02)	(0.01)	0.12	0.00	0.00
Domestic	(3.02)	(0.01)	0.12	0.00	0.00
External	-	-	-	-	-
Other financing					

Source: Treasury Department, Anguilla and the Eastern Caribbean Central Bank
Data as at 14 February 2017

Table 12
Anguilla - Monetary Survey
(EC$M at end of period)

	2011	2012	2013	2014	2015	2016^p
Net Foreign Assets	**187.12**	**186.28**	**233.83**	**263.46**	**325.69**	**432.23**
Central Bank (Net)	**101.76**	**108.04**	**110.82**	**127.66**	**129.99**	**149.99**
Commercial Banks (Net)	85.36	78.24	123.01	135.80	195.70	282.25
External (Net)	7.70	12.11	77.39	31.26	35.02	187.59
Assets	224.86	224.43	203.04	182.71	198.07	275.56
Liabilities	217.16	212.33	125.65	151.45	163.05	87.97
Other ECCB Territories (Net)	77.66	66.14	45.62	104.54	160.68	94.66
Assets	195.69	173.75	135.07	157.56	201.08	201.10
Liabilities	118.03	107.61	89.45	53.02	40.40	106.44
Net Domestic Assets	**827.44**	**821.31**	**797.07**	**776.88**	**748.25**	**578.78**
Domestic Credit	**1,199.03**	**1,123.55**	**1,053.11**	**983.29**	**934.13**	**532.01**
Central Government (Net)	(54.32)	(57.81)	(65.95)	(74.52)	(64.95)	(76.61)
Other Public Sector (Net)	(160.81)	(184.35)	(198.64)	(210.23)	(224.05)	(39.10)
Private Sector	1,414.16	1,365.72	1,317.70	1,268.04	1,223.13	647.72
Household	594.13	565.42	539.74	521.37	517.30	356.19
Business	794.05	776.95	751.46	724.74	684.15	283.80
Non-Bank Financial Institutions	6.96	5.67	5.30	4.13	3.88	1.01
Subsidiaries & Affiliates	19.02	17.68	21.20	17.80	17.80	6.72
Other Items (Net)	**(371.60)**	**(302.24)**	**(256.04)**	**(206.42)**	**(185.88)**	**46.77**
Monetary Liabilities (M2)	**1,014.55**	**1,007.59**	**1,030.90**	**1,040.34**	**1,073.94**	**1,011.02**
Money Supply (M1)	**45.43**	**42.62**	**43.06**	**51.51**	**70.14**	**64.10**
Currency with the Public	11.22	11.19	12.21	12.31	17.38	19.98
Demand Deposits	31.78	29.93	30.13	38.35	52.04	42.87
EC$ Cheques and Drafts Issued	2.43	1.51	0.73	0.85	0.72	1.26
Quasi Money	**969.12**	**964.96**	**987.83**	**988.84**	**1,003.80**	**946.92**
Savings Deposits	98.41	106.24	107.84	121.66	131.43	134.76
Time Deposits	124.48	127.03	130.09	134.50	121.40	99.37
Foreign Currency Deposits	746.24	731.69	749.90	732.68	750.97	712.80

Source: Eastern Caribbean Central Bank
Data as at 07 March 2017

Table 13
Anguilla - Selected Tourism Statistics

	2012	2013	2014	2015	2016 P
Total Visitor Arrivals	129,391	151,303	176,780	186,068	175,970
Stay-Over Arrivals	64,698	69,068	70,927	73,232	79,239
Of Which:					
USA	41,795	45,510	45,446	47,248	50,508
Canada	3,291	3,575	3,709	3,397	3,501
UK	2,599	2,796	2,750	2,753	2,968
Caribbean	10,181	10,454	11,445	12,497	13,435
Other Countries	6,832	6,733	7,577	7,337	8,827
Excursionists	64,693	82,235	105,853	112,836	96,731
Total Visitor Expenditure (EC$M)	**304.52**	**331.56**	**346.08**	**346.09**	**355.46**

Source: Anguilla Statistics Department, Ministry of Finance, Economic Development, Investment, Commerce and Tourism

Data as at 14 February 2017

Table 14
Antigua and Barbuda - Selected Economic Indicators

	2012^R	2013^R	2014^R	2015^R	2016^P
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal GDP at Basic Prices	6.06	(0.02)	6.69	6.06	6.81
Real GDP at Basic Prices	3.41	1.46	4.73	3.81	4.29
GDP Deflator	2.56	(1.46)	1.87	2.16	2.42
Consumer Prices (end of period)	1.84	1.06	1.33	0.90	(1.12)
Consumer Prices (period average)	3.38	1.06	1.09	0.97	(0.49)
Real GDP at Basic Prices					
Agriculture, Livestock and Forestry	(4.08)	(3.23)	2.88	(1.48)	2.88
Fishing	8.94	13.25	(30.22)	29.20	3.00
Mining and Quarrying	6.26	40.46	4.67	(11.11)	5.00
Manufacturing	(15.23)	17.59	3.88	(1.17)	(2.00)
Electricity and Water	(1.41)	(1.98)	(1.82)	6.93	0.73
Construction	10.06	2.83	7.08	3.96	12.00
Wholesale and Retail Trade	6.42	(2.31)	6.78	2.22	7.77
Hotels and Restaurants	2.22	(0.01)	2.96	2.65	6.39
Transport, Storage and Communications	(0.98)	(1.86)	(0.44)	2.70	2.26
Transport	5.45	(5.17)	3.89	(1.43)	3.12
Communication	(9.81)	3.46	(6.81)	9.45	1.00
Financial Intermediation	(1.29)	(6.21)	0.73	0.21	1.00
Real Estate, Renting and Business Activities	4.71	3.66	6.55	11.18	1.89
Public Administration, Defence & Compulsory S	3.47	1.69	15.51	4.37	2.50
Education	10.70	11.53	4.58	2.60	2.22
Health and Social Work	6.02	1.07	7.84	4.21	2.73
Other Community, Social & Personal Services	5.43	7.75	2.59	(7.25)	2.03
Activities of Private Households as Employers	(0.71)	(0.66)	(3.24)	(2.80)	2.00
FISIM	(5.00)	(5.84)	(6.75)	(4.21)	1.00
Import Cover Ratio	1.92	2.06	3.84	8.74	7.31
	(In percent of GDP)				
Central Government					
Current Account Balance	(0.76)	(3.19)	(1.57)	1.14	(0.38)
Current Revenue	19.69	18.51	19.31	21.39	19.99
Current Expenditure	20.45	21.70	20.88	20.26	20.37
Capital Expenditure and Net Lending	0.64	1.33	1.60	1.40	3.14
Overall Fiscal Balance	(1.33)	(4.48)	(2.73)	2.11	1.08
	(In percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	3.01	2.93	2.81	2.04	1.68
Weighted Lending Interest Rates	9.48	9.47	9.45	9.30	9.11
	(In millions of EC dollars, unless otherwise stated)				
Memo					
Nominal GDP at Basic Prices	2,805.71	2,805.18	2,992.93	3,174.35	3,390.50
Real GDP at Basic Prices	2,417.86	2,453.24	2,569.37	2,667.38	2,781.78
Nominal GDP at Market Prices	3,283.32	3,228.89	3,440.69	3,660.24	3,912.73
Merchandise Imports (c.i.f.)	1,437.43	1,372.87	1,489.73	1,318.61	1,334.26
Merchandise Exports (f.o.b.)	78.32	88.89	62.32	70.90	164.58
Gross Visitor Expenditure	861.30	848.17	853.05	866.09	908.91
GDP per capita (EC$)	37,829.36	36,663.18	38,490.36	40,331.04	42,457.25
	(In percent of GDP)				
Public Sector External Debt (end-of-period)	36.60	48.22	43.92	42.87	40.74

Source: Statistics Division,Ministry of Finance, The Economy and Public Administration, Antigua and Barbuda
and Eastern Caribbean Central Bank

The ECCB is transitioning from the IMF Balance of Payments Manual, Fifth Edition (BPM5) to the IMF Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). The new Balance of Payments series is not yet available.

Data as at 14 February 2017

Table 15
Antigua and Barbuda - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2012	2013	2014	2015	2016P
Current Revenue	646.64	597.82	664.41	782.96	782.21
Tax Revenue	604.21	555.24	571.12	622.65	640.38
Taxes on Income and Profit	77.32	84.69	72.56	89.48	74.76
of which:					
Personal Income	41.89	40.34	37.00	37.28	25.64
Corporation	35.42	44.17	35.55	52.20	49.12
Taxes on Property	20.15	18.30	21.85	18.34	17.52
Taxes on Domestic Goods and Servi	275.42	244.69	268.25	274.39	301.41
of which:					
Antigua and Barbuda Sales Tax	227.49	209.34	228.94	231.62	250.94
Stamp Duties	39.07	27.02	30.59	33.95	42.13
Taxes on International Trade and Tr	231.33	207.56	208.46	240.43	246.70
of which:					
Import Duty	81.02	79.13	79.07	82.19	82.07
Consumption Tax	30.94	29.05	39.99	63.61	77.57
Embarkation Tax	13.46	-	0.23	0.33	0.15
Passenger Facility Charge	15.64	-	-	-	-
Revenue Recovery Charge	70.47	69.91	75.96	75.28	74.20
Non-Tax Revenue	42.43	42.58	93.29	160.31	141.83
Current Expenditure	671.49	700.66	718.32	741.42	796.94
Personal Emoluments	273.81	276.88	307.61	307.22	327.71
Goods and Services	113.75	147.65	124.74	106.65	127.81
Interest Payments	80.02	66.27	88.88	90.12	109.86
Domestic	64.40	48.64	57.74	64.17	60.66
External	15.63	17.63	31.14	25.96	49.20
Transfers and Subsidies	203.90	209.85	197.09	237.42	231.56
of Which: Pensions	70.66	75.63	60.58	63.37	64.71
Current Account Balance	(24.85)	(102.84)	(53.91)	41.54	(14.73)
Capital Revenue	2.21	1.30	1.38	65.86	179.88
Grants	-	-	13.79	21.13	-
of which: Capital Grants	-	-	13.79	21.13	-
Debt Forgiveness	-	-	-	-	-
Capital Expenditure	20.89	43.08	55.10	51.37	122.98
of which: Capital Expenditure	20.89	43.08	55.10	51.37	122.98
Primary Balance after grants	36.49	(78.34)	(4.96)	167.29	152.03
Overall Balance (before grants)	(43.53)	(144.62)	(107.62)	56.04	42.17
Overall Balance (after grants)	(43.53)	(144.62)	(93.83)	77.16	42.17
Financing	43.53	144.62	93.83	(77.16)	(42.17)
Domestic	(96.78)	84.23	128.83	(311.02)	68.50
ECCB (net)	(1.45)	(17.79)	0.74	(88.05)	61.33
Commercial Banks (net)	9.74	(10.41)	(8.89)	(92.29)	(2.88)
Other	(105.08)	112.43	136.98	(130.68)	10.05
External	35.39	79.61	(80.17)	82.55	(146.13)
Net Disbursements/(Amortisation)	26.51	82.85	(80.59)	79.73	(142.83)
Disbursements	72.48	138.88	16.95	161.73	107.73
Amortisation	45.97	56.03	97.54	82.00	250.56
Change in Govt. Foreign Assets	8.88	(3.24)	0.42	2.82	(3.30)
Arrears	4.24	(19.22)	45.17	(0.96)	5.02
Domestic	97.05	(27.46)	6.36	7.83	13.59
External	(92.80)	8.24	38.81	(8.79)	(8.57)
Other Financing	100.69	-	-	152.27	30.44

Source: Ministry of Finance and Corporate Governance, Antigua and Barbuda and Eastern Caribbean Central Bank
Data as at 14 February 2017

Table 16
Antigua and Barbuda - Monetary Survey
(EC$M at end of period)

	2012	2013	2014	2015	2016[P]
Net Foreign Assets	**453.95**	**559.09**	**883.06**	**1,524.05**	**1,461.15**
Central Bank (Net)	**435.38**	**546.72**	**801.47**	**959.86**	**890.46**
Commercial Banks (Net)	18.57	12.37	81.59	564.19	570.69
External (Net)	(299.26)	(359.60)	(265.85)	319.59	175.47
Assets	966.07	594.52	540.00	1,090.41	904.94
Liabilities	1,265.33	954.11	805.84	770.82	729.46
Other ECCB Territories (Net)	317.83	371.97	347.44	244.60	395.22
Assets	1,298.86	1,393.47	1,418.89	1,422.33	1,549.32
Liabilities	981.04	1,021.50	1,071.45	1,177.73	1,154.10
Net Domestic Assets	**2,336.16**	**2,349.35**	**2,128.72**	**1,576.46**	**1,763.50**
Domestic Credit	**2,711.70**	**2,684.34**	**2,610.89**	**2,251.10**	**2,320.75**
Central Government (Net)	552.00	523.80	515.65	335.31	393.76
Other Public Sector (Net)	(216.53)	(109.00)	(56.38)	6.32	14.66
Private Sector	2,376.23	2,269.54	2,151.63	1,909.47	1,912.33
Household	1,277.24	1,250.66	1,238.91	1,173.93	1,184.71
Business	1,014.33	942.39	846.94	713.57	706.14
Non-Bank Financial Institutions	29.58	30.64	21.78	14.95	15.82
Subsidiaries & Affiliates	55.09	45.85	44.01	7.02	5.66
Other Items (Net)	**(375.54)**	**(334.99)**	**(482.17)**	**(674.63)**	**(557.25)**
Monetary Liabilities (M2)	**2,790.11**	**2,908.44**	**3,011.78**	**3,100.51**	**3,224.65**
Money Supply (M1)	**554.01**	**597.23**	**632.21**	**694.15**	**790.98**
Currency with the Public	121.73	136.59	149.23	159.59	167.53
Demand Deposits	413.33	431.63	450.67	510.67	594.61
EC$ Cheques and Drafts Issued	18.95	29.02	32.32	23.89	28.84
Quasi Money	**2,236.10**	**2,311.21**	**2,379.57**	**2,406.36**	**2,433.66**
Savings Deposits	1,082.44	1,181.61	1,310.85	1,375.93	1,474.92
Time Deposits	978.83	898.51	824.34	664.57	619.97
Foreign Currency Deposits	174.83	231.09	244.38	365.86	338.78

Source: Eastern Caribbean Central Bank
Data as at 23 February 2017

Table 17
Antigua and Barbuda - Selected Tourism Statistics

	2012	2013	2014	2015	2016P
Total Visitor Arrivals	842,693	805,552	792,587	905,674	875,093
Stay-Over Arrivals	246,926	243,219	249,316	250,450	265,187
of which:					
USA	93,214	88,619	95,332	94,617	108,652
Canada	24,185	30,235	27,701	23,270	21,196
UK	68,677	68,854	71,193	77,890	76,512
Caribbean	32,680	29,034	27,637	28,052	31,036
Other Countries	9,843	9,610	10,187	10,010	10,408
Cruise Ship Passengers\1	567,707	533,280	525,349	636,458	591,579
Cruise Calls\2	333	321	315	339	312
Yacht Passengers	28,060	29,053	17,922	18,766	18,327
Yacht Calls	3,803	3,825	3,774	3,941	3,996
Total Visitor Expenditure (EC$M)	**861.30**	**848.17**	**853.05**	**866.09**	**908.91**

Source: Ministry of Tourism, Antigua and Barbuda and Eastern Caribbean Central Bank Estimates
\1 includes Excursionists
\2 Includes Windjammer Calls
Data as at 14 February 2017

Table 18
Dominica - Selected Economic Indicators

	2012^R	2013^R	2014^R	2015^R	2016^P
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal GDP at Basic Prices	(2.79)	5.82	3.40	(2.80)	2.23
Real GDP at Basic Prices	(0.84)	1.91	3.71	(2.49)	1.53
GDP Deflator	(1.96)	3.84	(0.29)	(0.32)	0.69
Consumer Prices (end of period)	1.27	(0.44)	0.46	(0.54)	1.64
Consumer Prices (period average)	1.36	(0.05)	0.80	(0.79)	0.25
Real GDP at Basic Prices					
Agriculture, Livestock and Forestry	8.65	4.85	(1.45)	(4.85)	4.02
Fishing	(14.61)	(4.92)	49.15	15.44	4.00
Manufacturing	5.62	3.26	1.60	(8.78)	(30.00)
Mining and Quarrying	(3.00)	6.00	(5.00)	(13.50)	15.00
Electricity and Water	1.22	(1.41)	3.22	5.87	3.54
Construction	(10.88)	(7.96)	9.24	(20.32)	20.50
Wholesale and Retail Trade	(5.00)	3.83	5.15	(6.10)	(2.50)
Hotels and Restaurants	3.11	3.79	12.23	(7.38)	(4.74)
Transport, Storage and Communications	(1.27)	1.98	(1.58)	(3.98)	(0.52)
Transport and Storage	(0.72)	3.39	(2.11)	(7.58)	(2.12)
Communications	(2.00)	0.06	(0.83)	1.01	1.50
Financial Intermediation	(1.80)	3.49	4.22	3.34	7.49
Real Estate, Renting and Business Activities	0.38	0.51	0.52	(1.78)	1.55
Public Administration, Defence & Compulsory	(0.24)	2.20	13.48	3.35	2.40
Education	(2.23)	1.01	6.09	3.19	2.88
Health and Social Work	3.43	2.48	1.77	1.39	2.88
Other Community, Social and Personal Service	(0.18)	(4.37)	0.64	2.33	1.00
Activities of Private Households as Employers	1.79	16.96	12.50	(9.33)	1.00
FISIM	19.26	0.57	(2.03)	2.06	3.00
Import Cover Ratio	6.01	6.41	6.80	9.44	14.57
	(In percent of GDP)				
Central Government					
Current Account Balance	2.48	2.23	1.81	1.97	21.49
Current Revenue	26.58	27.89	26.48	28.88	49.24
Current Expenditure	24.11	25.66	24.66	26.92	27.75
Capital Expenditure and Net Lending	12.77	11.72	8.54	5.89	11.19
Overall Fiscal Balance	(9.19)	(9.43)	(1.36)	(1.80)	11.82
	(In percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	3.02	3.02	2.80	2.09	1.70
Weighted Lending Interest Rates	9.03	8.96	8.76	8.43	8.12
	(In millions of EC dollars, unless otherwise stated)				
Memo					
Nominal GDP at Basic Prices	1,095.75	1,159.55	1,199.02	1,165.47	1,191.48
Real GDP at Basic Prices	984.59	1,003.40	1,040.61	1,014.72	1,030.25
Nominal GDP at Market Prices	1,311.95	1,372.81	1,426.08	1,396.49	1,418.65
Merchandise Imports (c.i.f)	562.45	548.09	621.75	577.54	577.97
Merchandise Exports (f.o.b)	91.40	95.83	97.21	81.57	61.01
Gross Visitor Expenditure	205.54	277.00	343.46	336.97	361.69
GDP per capita (EC$)	19,022.80	19,877.03	20,619.15	19,795.47	19,715.20
	(In percent of GDP)				
Public Sector External Debt (end-of-period)	54.06	53.73	51.82	54.67	50.27

Source: Central Statistical Office, Dominica and Eastern Caribbean Central Bank
The ECCB is transitioning from the IMF Balance of Payments Manual, Fifth Edition (BPM5) to the IMF Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). The new Balance of Payments series is not yet available.
Data as at 14 February 2017

Table 19
Dominica - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2012	2013	2014R	2015R	2016P
Current Revenue	348.74	382.91	377.58	403.33	698.49
Tax Revenue	302.17	303.29	314.94	329.81	348.56
Taxes on Income and Profits	57.12	58.60	58.15	65.94	68.93
Of which:					
Personal	31.97	34.31	33.78	32.54	32.17
Company/Corporation	27.51	26.30	26.57	35.19	39.02
Taxes on Property	6.29	7.80	6.82	7.78	7.15
Taxes on Domestic Goods and Servi	178.10	180.22	186.96	189.72	201.35
Of which:					
Value Added Tax (VAT)	125.25	123.31	129.09	127.59	135.06
Licenses	17.71	18.73	17.96	20.05	18.92
Excise Tax	32.76	36.56	37.44	40.12	45.37
Taxes on International Trade and Tra	60.67	56.67	63.01	66.37	71.12
Of which:					
Import Duty	34.09	32.82	35.44	37.54	39.39
Customs Service Charge	13.63	13.27	14.70	15.09	16.50
Environmental Levy	7.47	7.93	8.56	9.61	10.10
Non-Tax Revenue	46.57	79.61	62.64	73.52	349.93
Current Expenditure	316.26	352.29	351.71	375.88	393.62
Personal Emoluments	135.19	149.80	148.42	163.73	152.86
Goods and Services	93.63	107.30	107.90	105.57	119.99
Interest Payments	20.43	28.06	24.85	25.20	26.81
Domestic	11.18	10.48	10.65	6.72	7.28
External	9.25	17.58	14.20	18.49	19.53
Transfers and Subsidies	67.00	67.13	70.53	81.38	93.95
Of which: Pensions	15.42	17.42	18.13	18.94	19.72
Current Account Balance	32.48	30.61	25.87	27.44	304.87
Capital Revenue	2.73	0.25	0.34	0.07	0.11
Grants	11.78	0.49	76.14	29.66	21.44
Of which: Capital Grants	11.78	0.49	76.14	29.66	21.44
Capital Expenditure and Net Lend	167.56	160.87	121.79	82.27	158.76
Of which: Capital Expenditure	168.48	160.45	121.75	82.57	159.09
Primary Balance after grants	(100.15)	(101.45)	5.40	0.10	194.47
Overall Balance after grants	(120.57)	(129.52)	(19.44)	(25.10)	167.65
Financing	120.57	129.52	19.44	25.10	(167.65)
Domestic	20.91	87.50	5.03	(40.81)	(134.68)
ECCB (net)	(19.01)	25.32	(8.90)	(5.77)	(17.79)
Commercial Banks (net)	44.93	34.80	14.36	(104.81)	(230.17)
Other	(5.01)	27.38	(0.42)	69.77	113.28
External	107.29	36.14	20.69	58.87	(23.20)
Net Disbursements/Amortisation	78.65	36.17	29.67	47.74	(27.04)
Disbursements	98.96	49.12	54.04	70.94	7.19
Amortisation	20.31	12.95	24.36	23.21	34.23
Change in Government Foreign .	28.63	(0.03)	(8.98)	11.13	3.84
Arrears	(7.63)	5.88	(6.28)	7.05	(9.78)
Domestic	(7.28)	5.88	(6.28)	7.05	(9.78)
External	(0.35)	0.00	0.00	0.00	0.00
Other Financing	0.00	0.00	0.00	0.00	0.00

Source: Ministry of Finance, Dominica and Eastern Caribbean Central Bank
Data as at 14 February 2017

Table 20
Dominica - Monetary Survey
(EC$M at end of period)

	2011	2012	2013	2014	2015	2016[P]
Net Foreign Assets	**459.12**	**544.98**	**527.87**	**611.91**	**755.48**	**1,090.32**
Central Bank (Net)	**203.43**	**247.96**	**230.48**	**269.79**	**338.65**	**596.43**
Commercial Banks (Net)	255.69	297.02	297.39	342.13	416.83	493.89
External (Net)	(17.76)	8.99	36.13	66.81	147.03	248.73
Assets	166.40	252.95	280.67	331.65	423.54	514.08
Liabilities	184.16	243.97	244.54	264.84	276.51	265.35
Other ECCB Territories (Net)	273.45	288.03	261.26	275.32	269.80	245.16
Assets	393.05	333.42	305.82	333.88	353.82	326.59
Liabilities	119.60	45.38	44.56	58.57	84.02	81.43
Net Domestic Assets	**574.84**	**593.37**	**630.67**	**637.02**	**542.99**	**285.91**
Domestic Credit	**652.90**	**687.42**	**722.45**	**737.36**	**631.72**	**402.11**
Central Government (Net)	(32.54)	(6.62)	53.50	58.96	(51.62)	(299.58)
Other Public Sector (Net)	(77.92)	(102.44)	(121.98)	(94.80)	(92.26)	(96.44)
Private Sector	763.35	796.48	790.93	773.20	775.60	798.13
Household	422.83	443.08	456.59	456.38	464.38	449.58
Business	329.52	332.64	318.64	297.83	284.68	280.82
Non-Bank Financial Institutions	4.44	14.20	11.13	12.41	26.53	67.74
Subsidiaries & Affiliates	6.57	6.57	4.57	6.57	-	-
Other Items (Net)	**(78.07)**	**(94.06)**	**(91.79)**	**(100.34)**	**(88.73)**	**(116.21)**
Monetary Liabilities (M2)	**1,033.96**	**1,138.35**	**1,158.54**	**1,248.94**	**1,298.47**	**1,376.23**
Money Supply (M1)	**189.77**	**227.83**	**212.86**	**234.69**	**260.78**	**302.43**
Currency with the Public	47.00	45.61	41.59	46.89	46.59	52.62
Demand Deposits	140.17	175.67	169.03	185.55	212.31	248.10
EC$ Cheques and Drafts Issued	2.60	6.56	2.24	2.25	1.88	1.71
Quasi Money	**844.19**	**910.52**	**945.68**	**1,014.25**	**1,037.69**	**1,073.80**
Savings Deposits	564.18	628.20	686.38	760.39	802.30	818.02
Time Deposits	256.21	248.77	235.76	217.49	208.18	224.13
Foreign Currency Deposits	23.80	33.55	23.54	36.36	27.21	31.66

Source: Eastern Caribbean Central Bank
Data as at 16 February 2017

Table 21
Dominica - Selected Tourism Statistics

	2012	2013	2014	2015[R]	2016[P]
Total Visitors	355,175	320,362	378,812	367,395	365,564
Stay-Over Visitors	75,130	75,096	78,135	71,419	74,446
USA	14,959	14,521	15,853	14,101	15,632
Canada	2,553	2,636	2,582	2,545	2,621
UK	4,657	4,619	4,866	4,979	4,878
Caribbean	41,850	41,437	41,890	37,273	38,066
Other Countries	11,111	11,883	12,944	12,521	13,249
Excursionists	2,104	1,904	2,195	1,494	1,041
Yachts Passengers	11,763	12,775	11,909	12,938	12,946
Cruise Ship Passengers	266,178	230,587	286,573	281,544	277,131
Number of Cruise Ship Calls	183	162	199	187	163
Total Visitor Expenditure (EC$M)	**205.54**	**277.00**	**343.46**	**336.97**	**361.69**

Sources: Discover Dominica Authority; Central Statistical Office, Dominica and Eastern Caribbean Central Bank
Data as at 14 February 2017

Table 22
Grenada - Selected Economic Indicators

	2012 R	2013 R	2014 R	2015 R	2016 P
	(Annual Percentage change unless otherwise indicated)				
National Income and Prices					
Nominal GDP at Basic Prices	3.33	6.19	7.33	6.87	3.08
Real GDP at Basic Prices	(0.58)	3.18	6.48	5.16	1.68
GDP Deflator	3.93	2.92	0.79	1.62	1.38
Consumer Prices (end of period)	1.81	(1.24)	(0.63)	1.11	0.92
Consumer Prices (period average)	2.41	(0.04)	(0.98)	(0.52)	1.64
Real GDP at Basic Prices					
Agriculture , Livestock and Forestry	3.34	3.56	53.74	44.81	(17.49)
Fishing	6.33	21.27	4.25	(3.08)	0.54
Mining and Quarrying	(14.13)	27.02	2.97	40.73	17.50
Manufacturing	(0.22)	(2.26)	1.56	3.68	2.50
Electricity and Water	(1.48)	0.06	0.53	2.32	4.67
Construction	(17.61)	26.90	(4.69)	6.38	7.02
Wholesale and Retail Trade	0.86	3.62	3.70	12.83	4.21
Hotels and Restaurants	7.02	(2.93)	40.30	(0.89)	7.46
Transport, Storage and Communications	(3.92)	4.94	8.68	(2.64)	5.94
Transport	(7.34)	4.79	9.06	5.76	8.86
Communications	1.21	5.16	8.18	(14.21)	1.00
Financial Intermediation	1.72	(4.35)	(1.63)	4.41	1.21
Real Estate, Renting and Business Activities	(0.06)	1.47	3.54	1.80	1.61
Public Administration, Defence & Compulsory S	4.77	(3.18)	0.07	(0.51)	(0.33)
Education	0.06	3.94	4.56	5.10	2.50
Health and Social Work	(1.26)	(2.87)	(0.14)	1.61	0.53
Other Community, Social & Personal Services	6.81	0.01	2.21	(1.00)	0.48
Activities of Private Households as Employers	0.87	0.91	0.73	1.09	0.84
FISIM	(5.95)	(6.14)	0.39	9.95	1.06
Import Cover Ratio	3.50	4.95	6.50	8.62	10.01
	(In per cent of GDP)				
Central Government					
Current Account Balance	(1.52)	(1.08)	0.45	3.92	3.14
Current Revenue	19.69	19.23	20.41	21.50	23.75
Current Expenditure	21.21	20.31	19.96	17.58	20.61
Capital Expenditure and Net Lending	5.02	6.78	9.21	8.42	4.38
Overall Fiscal Balance	(5.54)	(6.49)	(4.68)	(1.21)	2.40
	(In percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	2.68	2.46	2.23	1.57	1.44
Weighted Lending Interest Rates	9.19	9.10	9.01	8.70	8.43
	(In millions of EC Dollars, unless otherwise stated)				
Memo					
Nominal GDP at Basic Prices	1,863.92	1,979.36	2,124.35	2,270.20	2,340.13
Real GDP at Basic Prices	1,614.07	1,665.47	1,773.46	1,865.03	1,896.40
Nominal GDP at Market Prices	2,159.68	2,274.94	2,461.21	2,656.97	2,743.76
Merchandise Imports (c.i.f.)	921.42	994.78	916.79	928.23	944.20
Merchandise Exports (f.o.b.)	93.43	99.40	99.75	87.86	79.82
Gross Visitor Expenditure	329.11	327.53	362.28	392.52	395.91
GDP per capita (EC$)	20,071.58	20,951.76	22,502.71	24,133.19	24,809.90
	(In percent of GDP)				
Public Sector External Debt (end-of-period)	67.15	66.91	63.74	61.18	59.58

Source: Central Statistics Office, Ministry of Finance, Planning, Economy, Energy and Cooperatives, Grenada and ECCB
The ECCB is transitioning from the IMF Balance of Payments Manual, Fifth Edition (BPM5) to the IMF Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). The new Balance of Payments series is not yet available.
Data as at 14 February 2017

Table 23
Grenada - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2012	2013	2014	2015	2016 P
Current Revenue	425.27	437.57	502.32	571.26	651.58
Tax Revenue	403.18	419.34	478.15	530.24	617.12
Taxes on Income and Profit	75.49	66.11	89.90	101.74	127.27
Of which:					
Personal[1]	27.95	29.67	45.88	52.86	59.31
Company/Corporation	47.54	36.44	44.02	48.89	67.96
Taxes on Property	16.42	15.08	21.35	23.32	23.89
Taxes on Domestic Goods and Servi	189.48	213.05	223.40	232.41	261.48
Of which:					
Value Added Tax	152.63	157.50	176.66	197.01	218.09
Consumption Duty	0.31	0.03	0.30	0.25	0.06
Stamp Duties	12.81	3.52	5.78	4.24	8.66
Licenses	15.51	42.56	30.04	18.40	16.65
Taxes on International Trade and Tr	121.79	125.10	143.50	172.76	204.48
Of which:					
Import Duty	48.04	50.38	56.56	62.99	69.82
Consumption Tax	0.27	0.01	-	0.00	-
Customs Service Charge	35.66	35.61	45.22	46.88	49.56
Non-Tax Revenue	22.09	18.24	24.17	41.03	34.46
Current Expenditure	458.13	462.13	491.36	466.98	565.46
Personal Emoluments	227.22	243.49	242.45	215.25	251.64
Goods and Services	86.40	75.89	72.19	75.86	117.62
Interest Payments	73.64	70.58	86.78	89.91	82.28
Domestic	23.09	15.17	26.96	28.74	22.96
External	50.55	55.41	59.82	61.17	59.32
Transfers and Subsidies	70.87	72.17	89.95	85.95	113.93
Of which: Pensions	26.62	29.18	33.43	30.96	31.83
Current Account Balance	(32.86)	(24.55)	10.96	104.28	86.12
Capital Revenue	0.09	0.05	0.09	0.13	0.00
Grants	21.54	31.26	100.46	87.18	99.99
of which: Capital Grants	20.81	31.26	90.56	87.18	74.01
Capital Expenditure and Net lending	108.36	154.32	226.69	223.64	120.13
of which: Capital Expenditure	108.36	154.32	226.69	223.64	120.13
Primary Balance after grants	(45.95)	(76.98)	(28.40)	57.86	148.26
Overall Balance after grants	(119.59)	(147.56)	(115.19)	(32.05)	65.98
Financing	119.59	147.56	115.19	32.05	(65.98)
Domestic	105.13	37.22	(25.92)	(101.90)	(54.29)
ECCB (net)	2.26	(12.43)	(27.48)	(46.04)	(0.69)
Commercial Banks (net)	(45.14)	(42.83)	(7.43)	(37.18)	7.75
Other	148.01	92.48	8.99	(18.68)	(61.35)
External	(19.78)	51.45	76.77	87.82	(15.86)
Net Disbursements/(Amortisation)	(19.78)	51.45	76.77	87.82	(15.86)
Disbursements	33.10	106.06	120.29	134.88	66.53
Amortisation	52.88	54.61	43.51	47.06	82.40
Change in Government Foreign Ass	-	-	-	-	-
Arrears	-	-	-	-	4.17
Domestic	34.24	58.89	64.33	46.13	1.78
External	(10.30)	-	15.18	(0.05)	2.40
Other Financing	44.54	58.89	49.16	46.19	-

Source: Ministry of Finance, Planning, Economy, Energy and Cooperatives, Grenada and Eastern Caribbean Central Bank

[1] Includes Debt Service Levy

Data as at 14 February 2017

Table 24
Grenada - Monetary Survey
(EC$M at end of period)

	2011	2012	2013	2014	2015	2016[P]
Net Foreign Assets	**168.90**	**113.78**	**352.39**	**582.15**	**852.48**	**1,003.20**
Central Bank (Net)	**285.93**	**280.81**	**365.60**	**427.31**	**508.98**	**543.71**
Commercial Banks (Net)	(117.04)	(167.03)	(13.21)	154.85	343.50	459.49
External (Net)	(245.57)	(263.29)	(187.69)	(144.40)	12.21	151.70
Assets	255.14	244.30	285.24	339.54	493.91	604.88
Liabilities	500.71	507.59	472.93	483.93	481.70	453.19
Other ECCB Territories (Net)	128.54	96.26	174.48	299.24	331.29	307.79
Assets	256.73	233.69	260.99	333.20	362.00	361.94
Liabilities	128.19	137.43	86.51	33.96	30.71	54.15
Net Domestic Assets	**1,680.78**	**1,748.47**	**1,586.33**	**1,435.83**	**1,269.88**	**1,147.82**
Domestic Credit	**1,782.55**	**1,857.44**	**1,695.39**	**1,526.92**	**1,320.07**	**1,240.91**
Central Government (Net)	150.40	107.51	52.25	17.34	(65.88)	(58.81)
Other Public Sector (Net)	(168.17)	(53.29)	(57.26)	(104.29)	(166.44)	(248.87)
Private Sector	1,800.32	1,803.22	1,700.40	1,613.87	1,552.39	1,548.60
Household	1,176.17	1,162.76	1,147.75	1,119.40	1,073.59	1,054.61
Business	608.24	625.56	541.65	485.36	469.46	485.32
Non-Bank Financial Institutic	15.91	14.90	11.01	9.11	9.34	8.67
Subsidiaries & Affiliates	-	-	-	-	-	-
Other Items (Net)	**(101.77)**	**(108.97)**	**(109.06)**	**(91.10)**	**(50.19)**	**(93.10)**
Monetary Liabilities (M2)	**1,849.67**	**1,862.25**	**1,938.72**	**2,017.98**	**2,122.37**	**2,151.01**
Money Supply (M1)	**324.53**	**333.00**	**381.04**	**466.47**	**543.00**	**577.89**
Currency with the Public	108.66	112.88	115.69	124.09	131.55	135.66
Demand Deposits	204.06	211.12	253.71	332.27	402.11	430.65
EC$ Cheques and Drafts Issue	11.81	9.01	11.64	10.11	9.34	11.58
Quasi Money	**1,525.14**	**1,529.25**	**1,557.68**	**1,551.51**	**1,579.37**	**1,573.12**
Savings Deposits	1,023.07	1,095.90	1,143.12	1,167.94	1,160.49	1,174.66
Time Deposits	381.44	339.92	318.24	287.13	271.43	242.57
Foreign Currency Deposits	120.63	93.42	96.33	96.44	147.45	155.89

Source: Eastern Caribbean Central Bank
Data as at 14 February 2017

Table 25
Grenada - Selected Tourism Statistics

	2012	2013	2014 R	2015 R	2016 P
Total Visitor Arrivals	378,495	333,894	394,999	435,057	477,333
Stay-Over Arrivals	112,335	112,811	133,549	140,735	144,274
Of Which:					
USA	30,205	34,561	41,352	47,225	52,332
Canada	7,822	9,648	13,950	11,461	11,480
UK	24,489	20,588	23,408	24,822	24,200
Caribbean	24,849	24,455	22,587	23,027	23,781
Other Countries	24,970	23,559	32,252	34,200	32,481
Excursionists	3,343	1,611	1,660	1,579	3,270
Yacht Passengers	20,060	22,163	24,650	22,115	20,590
Cruise Ship Passengers	242,757	197,309	235,140	270,628	309,199
Number of Cruise Ship Calls	135	144	156	193	242
Total Visitor Expenditure (EC$M) 1/	**329.11**	**327.53**	**362.28**	**392.52**	**395.91**

Source: Grenada Tourism Authority

1/ Expenditure of stay over visitors and cruiseship passengers only

Data as at 14 February 2017

Table 26
Montserrat - Selected Economic Indicators

	2012[R]	2013[R]	2014[R]	2015[R]	2016[r]
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal GDP at Basic Prices	(3.83)	(4.61)	(2.45)	0.26	4.10
Real GDP at Basic Prices	1.57	5.35	0.32	0.30	1.34
GDP Deflator	(3.83)	(4.61)	(2.45)	0.26	4.10
Consumer Prices (end of period)	n.a.	n.a.	n.a.	(0.08)	(1.30)
Consumer Prices (period average)	n.a.	n.a.	n.a.	(1.15)	(0.25)
Real GDP at Basic Prices					
Agriculture, Livestock and Forestry	43.21	(6.66)	17.79	(7.27)	22.63
Fishing	11.31	(0.82)	1.18	(16.94)	(8.00)
Manufacturing	17.57	(2.54)	(3.14)	(15.03)	(2.50)
Mining and Quarrying	(34.16)	34.01	66.66	47.97	(10.00)
Electricity and Water	(1.57)	1.15	(11.32)	7.78	3.18
Construction	6.30	8.33	4.86	(39.25)	7.50
Wholesale and Retail Trade	8.86	4.97	(2.29)	1.57	(4.00)
Hotels and Restaurants	12.02	4.25	12.45	(1.16)	(7.18)
Transport, Storage and Communications	(2.33)	4.67	0.21	18.36	(0.32)
Transport and Storage	(5.30)	12.79	16.01	24.93	(2.04)
Communications	0.09	(1.60)	(13.76)	10.53	2.00
Financial Intermediation	3.41	5.22	(0.73)	16.59	3.16
Real Estate, Renting and Business Activities	1.18	1.51	0.54	1.31	2.15
Public Administration, Defence & Compulsory S	(0.74)	8.42	(4.32)	(3.19)	1.00
Education	15.69	(10.57)	8.51	2.34	2.91
Health and Social Work	(1.20)	7.62	15.14	1.75	4.07
Other Community, Social and Personal Services	0.37	1.38	4.15	0.84	1.50
Activities of Private Households as Employers	(11.54)	14.49	(7.60)	(5.48)	1.50
FISIM	11.57	(2.07)	3.90	2.20	4.00
Import Cover Ratio	15.21	14.23	18.69	23.81	22.86
	(In percent of GDP)				
Central Government					
Current Account Balance	(41.03)	(41.10)	(45.55)	(47.03)	(40.46)
Current Revenue	25.17	25.98	28.45	28.49	28.28
Current Expenditure	66.20	67.08	74.00	75.51	68.74
Capital Expenditure and Net Lending	23.46	45.77	26.50	16.47	12.57
Overall Fiscal Balance	(7.01)	(17.02)	(6.15)	21.56	(0.34)
	(In percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	2.19	1.83	1.95	1.10	1.10
Weighted Lending Interest Rates	7.98	8.02	8.05	7.49	7.07
	(In millions of EC dollars, unless otherwise stated)				
Memo					
Nominal GDP at Basic Prices	151.18	144.21	140.68	141.05	146.83
Real GDP at Basic Prices	142.32	149.93	150.41	150.86	152.89
Nominal GDP at Market Prices	168.83	160.61	159.26	159.87	166.22
Merchandise Imports (c.i.f.)	99.75	113.66	111.30	104.31	97.52
Merchandise Exports (f.o.b.)	4.86	16.10	9.12	8.04	10.76
Gross Visitor Expenditure	18.97	18.33	22.20	22.88	22.73
GDP per capita (EC$)	34,203	32,388	32,005	31,897	32,927
	(In percent of GDP)				
Public Sector External Debt (end-of-period)	4.30	4.21	3.93	5.65	5.18

Source: Statistics Department, Ministry of Finance and Economic Development, Montserrat and Eastern Caribbean Central Bank
Rebased CPI for Montserrat only available for 2014 and 2015

The ECCB is transitioning from the IMF Balance of Payments Manual, Fifth Edition (BPM5) to the IMF Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). The new Balance of Payments series is not yet available.

Data as at 14 February 2017

Table 27
Montserrat - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2012	2013	2014	2015	2016P
Current Revenue	42.49	41.73	45.31	45.55	47.00
Tax Revenue	37.18	35.70	40.46	39.03	41.84
Taxes on Income and Profit	15.55	14.98	16.70	15.82	16.58
of which:					
Personal	12.16	11.90	12.35	11.85	12.30
Corporation	2.78	2.43	3.59	3.01	3.41
Taxes on Property	0.85	1.02	0.81	0.66	0.74
Taxes on Domestic Goods and Services	3.49	3.69	4.92	4.25	5.15
of which:					
Insurance Company Levy	0.36	0.16	0.22	0.21	0.26
Stamp Duty and Licenses	2.15	2.33	3.40	2.74	2.82
Taxes on International Trade and Trans:	17.28	16.02	18.04	18.30	19.37
of which:					
Import Duty	5.67	5.11	5.80	6.16	6.99
Consumption Tax	9.78	10.00	11.11	10.91	11.37
Customs Service Charge	1.27	0.00	0.00	0.00	0.00
Non-Tax Revenue	5.31	6.03	4.85	6.51	5.17
Current Expenditure	111.76	107.74	117.86	120.72	114.25
Personal Emoluments	42.32	41.77	42.72	41.75	42.15
Goods and Services	22.14	26.23	29.37	40.45	42.33
Interest Payments	0.03	0.03	0.03	0.03	0.03
Domestic	0.00	0.00	0.00	0.00	0.00
External	0.03	0.03	0.03	0.03	0.03
Transfers and Subsidies	47.27	39.70	45.74	38.49	29.75
of which: Pensions	29.77	11.51	15.11	12.41	11.68
Current Account Balance (before grants)	(69.27)	(66.01)	(72.55)	(75.18)	(67.25)
Current Grants	54.76	31.16	69.79	99.00	74.39
Current Account Balance (after grants)	(14.51)	(34.85)	(2.76)	23.82	7.14
Capital Grants	42.27	81.03	35.15	36.98	13.20
Capital Expenditure and Net Lending	39.60	73.51	42.20	26.33	20.90
of which: Capital Expenditure	39.60	73.51	42.20	26.33	20.90
Primary Balance (after grants)	(11.81)	(27.30)	(9.77)	34.50	(0.53)
Overall Balance (before grants)	(108.87)	(139.52)	(114.75)	(101.51)	(88.15)
Overall Balance (after grants)	(11.84)	(27.33)	(9.80)	34.47	(0.56)
Financing	11.84	27.33	9.80	(34.47)	0.56
Domestic	11.96	27.45	9.92	(37.63)	0.60
ECCB (net)	0.01	(0.10)	(13.90)	14.03	(0.20)
Commercial Banks (net)	(9.70)	7.78	17.77	(44.02)	6.48
Other	21.65	19.77	6.05	(7.64)	(5.69)
External	(0.12)	(0.12)	(0.12)	3.16	(0.04)
Net Disbursements/(Amortisation)	(0.12)	(0.12)	(0.12)	3.16	(0.04)
Disbursements	0.00	0.00	0.00	3.28	0.08
Amortisation	0.12	0.12	0.12	0.12	0.12
Change in Govt. Foreign Assets	-	-	-	-	-
Arrears	-	-	-	-	-
Domestic	-	-	-	-	-
External	-	-	-	-	-

Source: Ministry of Finance, Montserrat and Eastern Caribbean Central Bank
Data as at 14 February 2017

Table 28
Montserrat - Monetary Survey
(EC$M at end of period)

	2011	2012	2013	2014	2015	2016[P]
Net Foreign Assets	**231.97**	**278.87**	**270.08**	**288.10**	**320.51**	**310.18**
Central Bank (Net)	**69.48**	**86.63**	**109.38**	**121.77**	**138.96**	**133.26**
Commercial Banks (Net)	162.50	192.24	160.70	166.33	181.55	176.92
External (Net)	34.99	69.94	85.61	84.06	117.04	108.16
Assets	73.13	121.48	140.84	147.33	186.35	178.72
Liabilities	38.15	51.53	55.23	63.27	69.31	70.56
Other ECCB Territories (Net)	127.51	122.30	75.09	82.27	64.51	68.77
Assets	242.92	128.24	82.09	90.45	77.92	81.03
Liabilities	115.41	5.95	7.00	8.18	13.41	12.26
Net Domestic Assets	**(39.41)**	**(58.03)**	**(54.75)**	**(48.89)**	**(75.65)**	**(62.88)**
Domestic Credit	**(5.10)**	**(17.04)**	**(9.71)**	**(6.77)**	**(30.88)**	**(14.64)**
Central Government (Net)	(54.62)	(64.31)	(56.63)	(52.76)	(82.75)	(76.46)
Other Public Sector (Net)	(18.84)	(27.87)	(19.94)	(21.14)	(18.89)	(18.50)
Private Sector	68.36	75.14	66.86	67.13	70.76	80.32
Household	57.93	65.29	58.36	59.70	63.67	70.62
Business	10.43	9.85	8.51	7.43	7.10	9.70
Non-Bank Financial Institutions	-	-	-	-	-	-
Subsidiaries & Affiliates	-	-	-	-	-	-
Other Items (Net)	**(34.31)**	**(40.99)**	**(45.04)**	**(42.12)**	**(44.77)**	**(48.24)**
Monetary Liabilities (M2)	**192.56**	**220.84**	**215.33**	**239.20**	**244.86**	**247.31**
Money Supply (M1)	**41.17**	**47.37**	**53.62**	**45.07**	**47.64**	**62.20**
Currency with the Public	21.63	25.69	18.39	18.36	20.20	20.69
Demand Deposits	19.41	21.55	35.10	26.57	27.31	41.41
EC$ Cheques and Drafts Issued	0.13	0.13	0.13	0.15	0.14	0.09
Quasi Money	**151.39**	**173.47**	**161.71**	**194.13**	**197.22**	**185.11**
Savings Deposits	129.84	148.63	119.65	140.47	143.39	144.23
Time Deposits	13.23	15.94	33.71	46.00	45.40	30.48
Foreign Currency Deposits	8.32	8.91	8.36	7.66	8.44	10.40

Source: Eastern Caribbean Central Bank
Data as at 16 February 2017

Table 29
Montserrat - Selected Tourism Statistics

	2012	2013	2014	2015[R]	2016[P]
Total Visitor Arrivals	12,127	10,461	12,334	15,090	15,679
Stay-Over Arrivals	7,310	7,201	8,804	8,944	8,848
Of Which:					
USA	1,950	1,775	2,041	2,326	2,342
Canada	505	516	678	540	527
UK	2,148	1,821	2,164	2,339	2,279
Caribbean	2,390	2,591	3,528	3,321	3,337
Other Countries	317	498	393	418	363
Excursionists	2,606	1,519	1,749	1,740	1,429
Cruise Ship Passengers	840	364	184	2,591	3,596
Yacht Passengers	1371	1377	1597	1815	1806
Number of Yacht	327	346	368	474	450
Number of Cruise Ship Calls	5	4	2	11	12
Total Visitor Expenditure (EC$M)	**18.97**	**18.33**	**22.20**	**22.88**	**22.73**

Source: Statistics Department, Ministry of Finance and Economic Development, Montserrat and Eastern Caribbean Central Bank
Data as at 21 March 2017

Note: *Includes ECCB Estimates*

Table 30
St Kitts and Nevis - Selected Economic Indicators

	2012^R	2013^R	2014^R	2015^R	2016
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal GDP at Basic Prices	(2.66)	7.65	6.70	4.50	3.88
Real GDP at Basic Prices	(0.78)	6.56	5.12	4.88	2.84
GDP Deflator	(1.90)	1.03	1.51	(0.36)	1.01
Consumer Prices (end of period)	0.51	0.61	(0.55)	(2.40)	(0.05)
Consumer Prices (period average)	0.82	1.11	0.25	(2.30)	(0.80)
Real GDP at Basic Prices					
Agriculture, Livestock and Forestry	(3.40)	5.12	(8.46)	(8.39)	(1.62)
Fishing	(16.06)	(18.36)	3.13	1.20	(7.84)
Manufacturing	(8.43)	1.95	(7.61)	1.73	(11.60)
Mining and Quarrying	(2.24)	75.95	5.22	(6.91)	(12.23)
Electricity and Water	(6.18)	1.05	1.55	2.88	(0.64)
Construction	(9.08)	24.30	14.82	6.74	3.53
Wholesale and Retail Trade	(10.85)	5.91	0.35	9.13	7.58
Hotels and Restaurants	2.46	3.14	4.99	3.54	1.92
Transport, Storage and Communications	(2.29)	1.13	6.30	6.75	1.12
Transport and Storage	(4.44)	3.00	9.38	12.35	(0.07)
Communications	(0.06)	(0.74)	3.11	0.60	2.59
Financial Intermediation	21.05	6.84	5.66	5.92	5.49
Real Estate, Renting and Business Activities	(0.35)	3.48	2.24	2.45	2.66
Public Administration, Defence & Compulso	2.04	8.49	5.62	3.46	5.20
Education	(0.33)	(2.19)	2.09	4.30	4.73
Health and Social Work	1.37	8.90	3.32	6.48	6.35
Other Community, Social and Personal Serv	1.65	(2.24)	10.86	8.30	2.44
Activities of Private Households as Employe	7.79	-	(16.18)	(2.76)	4.00
FISIM	6.77	4.26	1.50	7.01	3.03
Import Cover Ratio	23.11	27.40	30.91	24.24	23.77
	(In percent of GDP)				
Central Government					
Current Account Balance	4.95	11.85	11.68	10.47	4.89
Current Revenue	32.51	38.19	38.85	37.46	31.64
Current Expenditure	27.56	26.34	27.17	26.99	26.75
Capital Expenditure and Net Lending	3.64	6.67	5.67	6.99	3.27
Overall Fiscal Balance	11.21	13.23	10.53	6.21	4.99
	(In percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	3.40	3.01	2.49	2.05	1.88
Weighted Lending Interest Rates	8.36	8.81	8.62	8.54	8.56
	(In millions of EC dollars, unlesss otherwise stated)				
Memo					
Nominal GDP at Basic Prices	1,683.88	1,812.76	1,934.28	2,021.39	2,099.76
Real GDP at Basic Prices	1,493.35	1,591.29	1,672.70	1,754.41	1,804.28
Nominal GDP at Market Prices	1,983.05	2,128.04	2,289.00	2,366.49	2,475.62
Merchandise Imports (c.i.f)	609.16	672.04	724.80	801.12	895.56
Merchandise Exports (f.o.b)	166.16	150.34	153.48	151.60	138.89
Gross Visitor Expenditure	295.05	314.72	339.09	360.01	373.78
GDP per capita (EC$)	42,740	45,637	48,845	49,508	46,536
	(In percent of GDP)				
Public Sector External Debt (end-of-period)	43.15	40.21	37.38	36.16	34.56

Source: Central Statistics Office, St Kitts and Eastern Caribbean Central Bank
The ECCB is transitioning from the IMF Balance of Payments Manual, Fifth Edition (BPM5) to the IMF Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). The new Balance of Payments series
Data as at 14 February 2017

Table 31
St Kitts and Nevis - Federal Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2012	2013	2014	2015	2016
Current Revenue	644.61	812.74	889.19	886.60	783.30
Tax Revenue	399.01	421.26	474.88	507.47	486.75
Taxes on Income and Profits	81.36	81.99	94.44	127.03	116.86
of which:					
Personal[1]	38.24	37.68	42.92	49.93	52.57
Company/Corporation	35.61	34.45	44.49	65.19	53.32
Taxes on Property	12.90	15.20	16.63	20.22	16.67
Taxes on Domestic Goods and Service	203.30	215.93	238.08	216.99	207.87
of which:					
Licences	5.58	8.78	9.10	10.25	9.91
Value Added Tax	144.24	148.25	161.52	142.28	140.68
Stamp Duties	34.35	38.23	46.88	41.19	36.31
Taxes on International Trade and Tran	101.45	108.14	125.74	143.23	145.35
of which:					
Import Duty	46.29	49.78	57.07	59.46	67.61
Customs Service Charge	30.13	37.61	41.13	43.63	43.70
Export/Excise Duty	10.60	10.24	15.72	22.38	17.04
Non Refundable Duty Free Levy	2.94	3.85	4.41	5.52	4.17
Non-Tax Revenue	245.61	391.49	414.30	379.14	296.55
Current Expenditure	546.47	560.58	621.92	638.79	662.16
Personal Emoluments	222.26	236.91	257.82	257.55	310.73
Goods and Services	129.21	158.67	159.63	167.23	154.01
Interest Payments	116.66	81.05	77.94	47.33	39.22
Domestic	77.84	69.42	62.11	32.75	29.47
External	38.81	11.63	15.83	14.58	9.75
Transfers and Subsidies	78.34	83.95	126.53	166.68	158.20
of which: Pensions	25.90	29.29	31.49	31.69	49.55
Current Account Balance	98.15	252.16	267.26	247.81	121.14
Capital Revenue	10.10	24.12	34.32	9.06	5.46
Grants	186.30	147.29	69.22	55.66	77.87
Of which: Capital Grants	14.55	102.62	36.92	39.17	64.47
Capital Expenditure and Net Lendin	72.26	141.94	129.82	165.49	80.99
of which: Capital Expenditure	72.20	141.01	129.17	144.08	100.48
Primary Balance after grants	338.94	362.68	318.92	194.37	162.71
Overall Balance after grants	222.29	281.63	240.98	147.04	123.49
Financing	(222.29)	(281.63)	(240.98)	(147.04)	(123.49)
Domestic	(225.43)	(296.58)	(159.10)	26.52	(68.45)
ECCB (net)	(73.98)	(8.00)	19.82	75.43	(25.61)
Commercial Banks (net)	(163.47)	(202.33)	70.33	(28.59)	(46.80)
Other	12.02	(86.25)	(249.24)	(20.32)	3.95
External	3.14	14.95	(81.88)	(173.56)	(55.04)
Net Disbursements/(Amortisation)	3.14	14.95	(81.88)	(173.56)	(55.04)
Disbursements	94.57	46.18	8.67	2.02	1.21
Amortisation	91.43	31.23	90.55	175.57	56.3
Change in Govt. Foreign Assets	0.00	0.00	0.00	0.00	0.00
Arrears	0.00	0.00	0.00	0.00	0.00
Domestic	0.00	0.00	0.00	0.00	0.00
External	0.00	0.00	0.00	0.00	0.00

Source: Ministry of Finance - St Kitts, Nevis and Eastern Caribbean Central Bank
[1]Data reflects Housing and Social Development Levy
Data as at 14 February 2017

Table 32
St Kitts and Nevis - Monetary Survey
(EC$M at end of period)

	2011	2012	2013	2014	2015	2016[P]
Net Foreign Assets	**925.14**	**1,377.56**	**1,945.84**	**2,363.88**	**2,206.09**	**2,167.07**
Central Bank (Net)	**629.40**	**679.43**	**786.50**	**859.71**	**757.19**	**844.71**
Commercial Banks (Net)	295.73	698.13	1,159.34	1,504.17	1,448.91	1,322.36
External (Net)	470.38	667.01	1,100.22	1,578.86	1,600.48	1,698.67
Assets	1,317.90	1,558.09	1,920.89	2,434.82	2,388.23	2,447.43
Liabilities	847.52	891.07	820.67	855.96	787.75	748.76
Other ECCB Territories (Net)	(174.65)	31.12	59.11	(74.69)	(151.57)	(376.31)
Assets	587.61	644.34	690.12	735.16	809.89	676.52
Liabilities	762.26	613.22	631.00	809.85	961.47	1,052.84
Net Domestic Assets	**1,249.87**	**969.40**	**642.71**	**591.25**	**821.93**	**740.59**
Domestic Credit	**1,784.10**	**1,490.31**	**1,133.02**	**1,012.58**	**1,031.99**	**887.00**
Central Government (Net)	819.80	582.38	372.05	462.19	509.03	436.63
Other Public Sector (Net)	(442.08)	(500.61)	(635.31)	(854.14)	(926.04)	(1,011.46)
Private Sector	1,406.38	1,408.54	1,396.28	1,404.53	1,448.99	1,461.83
Household	891.60	883.81	878.65	866.64	865.43	875.34
Business	427.50	433.84	428.51	479.42	527.07	523.79
Non-Bank Financial Institutions	48.33	49.18	46.88	16.20	15.22	22.15
Subsidiaries & Affiliates	38.95	41.71	42.24	42.28	41.28	40.56
Other Items (Net)	**(534.23)**	**(520.91)**	**(490.31)**	**(421.33)**	**(210.06)**	**(146.41)**
Monetary Liabilities (M2)	**2,175.01**	**2,346.96**	**2,588.54**	**2,955.13**	**3,028.02**	**2,907.67**
Money Supply (M1)	**485.48**	**541.33**	**521.09**	**582.11**	**624.28**	**567.40**
Currency with the Public	101.99	107.60	133.10	154.64	168.26	178.13
Demand Deposits	373.53	419.37	375.25	411.05	441.59	373.42
EC$ Cheques and Drafts Issued	9.96	14.36	12.74	16.42	14.43	15.85
Quasi Money	**1,689.53**	**1,805.63**	**2,067.45**	**2,373.02**	**2,403.75**	**2,340.27**
Savings Deposits	684.88	753.36	827.89	908.94	936.64	955.38
Time Deposits	607.01	555.00	606.56	585.53	620.45	560.05
Foreign Currency Deposits	397.65	497.27	633.01	878.55	846.65	824.84

Source: Eastern Caribbean Central Bank
Data as at 07 Mar 2017

Table 33
St Kitts and Nevis - Selected Tourism Statistics

	2012	2013	2014	2015	2016
Total Visitors	635,426	709,935	823,284	1,034,445	1,072,877
Stay- Over Visitors	104,240	107,137	112,936	116,348	115,061
of which:					
USA	66,988	68,385	68,507	70,058	68,147
Canada	7,073	7,231	8,607	6,885	7,090
UK	7,975	8,512	9,136	10,184	10,180
Caribbean	17,317	17,853	20,127	22,900	23,240
Other Countries	3,043	3,135	4,188	4,008	3,966
Excursionists	3,230	3,958	3,463	3,849	3,796
Yacht Passengers	1,651	6,868	5,441	4,010	2,999
Cruise Ship Passengers	526,305	591,972	701,444	910,238	951,021
Number of Cruise Ship Calls	298	301	372	448	422
Total Visitor Expenditure (EC$M)	**295.05**	**314.72**	**339.09**	**360.01**	**373.78**

SOURCE: Central Statistics Office, St Kitts, Nevis and Eastern Caribbean Central Bank
Data as at 14 February 2017

Table 34
Saint Lucia - Selected Economic Indicators

	2012[R]	2013[R]	2014[R]	2015[R]	2016[R]
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal GDP at Basic Prices	1.67	(0.68)	4.10	2.61	(5.03)
Real GDP at Basic Prices	(1.21)	(2.07)	(0.65)	1.30	(0.73)
GDP Deflator	2.91	1.42	4.78	1.29	(4.34)
Consumer Prices (end of period)	5.01	(0.74)	3.67	(2.60)	(3.01)
Consumer Prices (period average)	4.18	1.47	3.52	(0.98)	(3.09)
Real GDP at Basic Prices					
Agriculture, Livestock and Forestry	16.03	9.31	(14.69)	9.73	7.90
Fishing	0.38	(5.92)	(0.62)	(0.47)	(3.17)
Manufacturing	(3.04)	(3.94)	(0.80)	1.95	(7.43)
Mining and Quarrying	77.20	(44.11)	(54.65)	(47.62)	2.47
Electricity and Water	0.67	(0.02)	(1.04)	1.83	3.96
Construction	(3.60)	(13.24)	(13.93)	7.36	2.47
Wholesale and Retail Trade	(9.11)	(12.66)	(2.35)	2.00	2.99
Hotels and Restaurants	1.19	4.70	4.27	(0.02)	(2.65)
Transport, Storage and Communications	(2.65)	(3.70)	6.37	2.55	(5.51)
Transport and Storage	(1.78)	(1.11)	9.99	3.21	(7.91)
Communications	(4.25)	(8.62)	(1.12)	1.03	0.11
Financial Intermediation	1.53	3.38	(7.50)	(0.63)	2.03
Real Estate, Renting and Business Activities	(0.67)	4.20	0.91	(0.31)	0.96
Public Administration, Defence & Compulsory	1.55	2.19	0.01	(0.85)	(0.38)
Education	1.63	2.06	0.05	(0.63)	(0.61)
Health and Social Work	2.18	2.00	(0.06)	(1.44)	(2.13)
Other Community, Social & Personal Services	(3.84)	(10.50)	(3.39)	(0.75)	0.92
Activities of Private Households as Employers	(4.78)	(3.74)	(12.36)	27.07	1.00
FISIM	2.61	1.91	(14.73)	(2.12)	2.86
Import Cover Ratio	1.91	1.91	3.83	6.70	6.23
	(In percent of GDP)				
Central Government					
Current Account Balance	(0.44)	0.49	0.48	1.92	2.66
Current Revenue	23.11	24.32	24.08	24.89	27.28
Current Expenditure	23.55	23.83	23.61	22.98	24.63
Capital Expenditure and Net Lending	6.90	7.76	5.75	5.67	3.86
Overall Fiscal Balance	(6.53)	(6.77)	(3.68)	(2.41)	(0.62)
	(In percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	2.93	2.79	2.58	1.94	1.62
Weighted Lending Interest Rates	8.52	8.41	8.50	8.35	8.15
	(In millions of EC dollars, unless otherwise stated)				
Memo					
Nominal GDP at Basic Prices	3,044.66	3,023.81	3,147.64	3,229.83	3,067.29
Real GDP at Basic Prices	2,535.07	2,482.51	2,466.29	2,498.39	2,480.23
Nominal GDP at Market Prices	3,506.80	3,558.74	3,742.71	3,864.06	3,722.29
Merchandise Imports (c.i.f.)	1,737.71	1,675.14	1,693.77	1,539.57	1,767.06
Merchandise Exports (f.o.b.)	492.57	470.87	433.56	486.84	323.07
Gross Visitor Expenditure	1,602.13	1,768.20	1,975.12	2,080.02	1,979.07
GDP per capita (EC$)	20,729.45	########	21,681.41	21,945.43	21,151.59
	(In percent of GDP)				
Public Sector External Debt (end-of-period)	33.48	37.02	37.98	35.54	38.39

Source: Central Statistical Office, Saint Lucia and Eastern Caribbean Central Bank

The ECCB is transitioning from the IMF Balance of Payments Manual, Fifth Edition (BPM5) to the IMF Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). The new Balance of Payments series is not yet available.

Data as at 14 February 2017

Table 35
Saint Lucia - Central Government Fiscal Operations
(In Million of Eastern Caribbean Dollars)

	2012	2013	2014	2015	2016
Current Revenue	810.38	865.41	901.38	961.95	1,015.61
Tax Revenue	740.24	814.25	855.50	913.40	965.88
Taxes on Income & Profits	226.11	223.05	218.79	230.19	251.59
Of which:					
Personal	92.88	93.96	100.55	102.35	106.86
Company/Corporation	80.46	62.07	62.89	69.13	92.70
Taxes on Property	4.56	8.30	8.10	9.41	11.56
Taxes on Domestic Goods and Service	182.58	362.87	383.21	413.11	424.61
Of which:					
Stamp Duty	18.86	12.94	14.19	11.60	14.91
Hotel Occupancy Tax	36.24	3.04	2.67	0.66	0.42
Licenses	23.06	26.68	23.53	25.61	28.82
Value Added Tax	56.50	298.14	322.02	345.36	345.44
Taxes on International Trade and Tran	327.00	220.03	245.41	260.69	278.11
Of which:					
Consumption Tax	73.72	0.50	0.24	0.03	0.25
Import Duty	101.41	93.92	101.54	104.50	110.41
Service Charge	69.22	61.31	60.06	66.77	69.24
Excise Tax	53.94	54.75	65.72	73.06	80.97
Non-Tax Revenue	70.14	51.16	45.88	48.55	49.73
Current Expenditure	825.85	847.94	883.56	887.91	916.74
Personal Emoluments	359.12	372.92	379.52	375.44	400.64
Goods and Services	159.81	168.13	169.71	168.80	165.65
Interest Payments	123.18	134.81	146.61	148.74	149.29
Domestic	73.39	81.66	93.94	97.43	98.43
External	49.79	53.15	52.68	51.31	50.86
Transfers and Subsidies	183.73	172.09	187.72	194.94	201.17
Of which: Pensions	62.30	64.07	70.78	73.13	81.54
Current Account Balance	(15.47)	17.46	17.82	74.03	98.86
Capital Revenue	5.52	0.42	0.18	0.06	0.23
Grants	23.09	17.33	59.48	52.04	21.39
Of which: Capital Grants	23.09	17.33	59.48	52.04	21.39
Capital Expenditure and Net Lending	242.02	276.24	215.07	219.10	143.55
Of which: Capital Expenditure	242.02	276.24	215.07	219.10	143.55
Primary Balance after grants	(105.70)	(106.21)	9.02	55.77	126.21
Overall Balance after grants	(228.88)	(241.02)	(137.59)	(92.97)	(23.07)
Financing	228.88	241.02	137.59	92.97	23.07
Domestic	186.24	274.25	37.00	(14.25)	(47.45)
ECCB (net)	21.70	65.74	(34.10)	(26.69)	(11.26)
Commercial Banks (net)	141.64	79.88	(16.72)	(3.76)	(10.48)
Other	22.90	128.63	87.83	16.19	(25.71)
External	42.64	(33.22)	100.59	107.22	70.52
Net Disbursement (Amortisation)	42.64	(33.22)	100.59	43.72	70.52
Disbursements	112.24	100.02	168.83	119.90	144.59
Amortisation	69.61	133.24	68.24	76.18	74.07
Change in Govt. Foreign Assets	-	-	-	63.50	-
Arrears	-	-	-	-	-
Domestic	-	-	-	-	-
External	-	-	-	-	-
Other financing	-	-	-	-	-

Source: Ministry of Finance, Saint Lucia and Eastern Caribbean Central Bank
Data as at 14 February 2017

Table 36
Saint Lucia - Monetary Survey
(EC$M at end of period)

	2011	2012	2013	2014	2015	2016P
Net Foreign Assets	**(489.24)**	**(576.84)**	**(646.15)**	**(305.18)**	**268.38**	**449.49**
Central Bank (Net)	**517.81**	**562.22**	**454.85**	**635.38**	**804.87**	**743.60**
Commercial Banks (Net)	(1,007.06)	(1,139.07)	(1,101.00)	(940.56)	(536.49)	(294.11)
External (Net)	(591.97)	(485.18)	(390.10)	(200.75)	91.17	204.15
Assets	368.37	558.28	605.91	748.36	892.87	960.03
Liabilities	960.34	1,043.46	996.01	949.12	801.69	755.89
Other ECCB Territories	(415.09)	(653.88)	(710.90)	(739.81)	(627.66)	(498.25)
Assets	454.50	314.40	300.91	236.83	333.34	390.34
Liabilities	869.59	968.29	1,011.82	976.64	961.00	888.59
Net Domestic Assets	**3,219.01**	**3,375.33**	**3,499.35**	**3,193.12**	**2,786.32**	**2,675.53**
Domestic Credit	**3,597.63**	**3,903.51**	**3,977.32**	**3,579.47**	**3,269.23**	**3,072.42**
Central Government (Net	(0.96)	162.38	307.99	257.17	226.72	204.98
Other Public Sector (Net	(288.90)	(343.46)	(382.10)	(456.29)	(480.38)	(478.35)
Private Sector	3,887.49	4,084.59	4,051.43	3,778.60	3,522.89	3,345.79
Household	1,349.27	1,568.14	1,572.07	1,785.54	1,771.13	1,726.84
Business	2,384.41	2,438.25	2,435.26	1,962.33	1,689.50	1,600.97
Non-Bank Financial In	22.48	37.01	28.10	19.17	14.93	17.40
Subsidiaries & Affiliat	131.34	41.19	16.01	11.56	47.34	0.59
Other Items (Net)	**(378.61)**	**(528.17)**	**(477.97)**	**(386.35)**	**(482.92)**	**(396.89)**
Monetary Liabilities (M2)	**2,729.77**	**2,798.49**	**2,853.20**	**2,887.94**	**3,054.70**	**3,125.02**
Money Supply (M1)	**675.03**	**701.03**	**695.44**	**748.57**	**769.09**	**859.74**
Currency with the Publi	165.24	163.01	159.97	154.89	153.85	165.76
Demand Deposits	496.55	528.78	527.61	583.57	610.27	685.58
EC$ Cheques and Draft	13.24	9.24	7.86	10.10	4.97	8.40
Quasi Money	**2,054.73**	**2,097.46**	**2,157.76**	**2,139.37**	**2,285.61**	**2,265.28**
Savings Deposits	1,393.50	1,448.31	1,543.19	1,526.49	1,556.01	1,584.80
Time Deposits	490.99	486.90	443.79	369.54	387.72	362.13
Foreign Currency Depo	170.25	162.25	170.78	243.34	341.88	318.35

Source: Eastern Caribbean Central Bank
Data as at 23 Feb 2017

Table 37
Saint Lucia - Selected Tourism Statistics

	2012	2013	2014	2015	2016
Total Visitor Arrivals	931,222	960,617	1,034,068	1,088,181	1,004,044
Stay Over Arrivals	306,801	318,626	338,158	344,908	347,872
USA	115,065	128,331	142,582	152,738	157,576
Canada	37,709	35,985	41,502	38,677	37,772
UK	75,674	70,868	73,960	68,175	64,514
Caribbean	56,066	60,521	55,516	62,745	67,226
Other Countries	22,287	22,921	24,598	22,573	20,784
Excursionists	10,354	8,227	7,526	9,080	12,483
Cruise Ship Passenger	571,894	594,118	641,452	677,394	587,421
Yacht Passengers	42,173	39,646	46,932	56,799	56,268
Number of Cruise Ships	336	341	386	387	381
Total Visitor Expenditure (EC$M) [1]	**1,602.13**	**1,768.20**	**1,975.12**	**2,080.02**	**1,979.07**

[1/] *Visitor Expenditure includes only the expenditure of stay-over visitors and cruise ship passengers*

Source: Saint Lucia Tourist Board and Eastern Caribbean Central Bank

Data as at 14 February 2017

Table 38
St Vincent and the Grenadines - Selected Economic Indicators

	2012 R	2013 R	2014 R	2015 R	2016P
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal GDP at basic prices	2.40	4.75	(0.03)	0.38	4.39
Real GDP at basic prices	1.30	2.49	0.19	0.64	2.90
GDP Deflator	1.09	2.21	(0.22)	(0.26)	1.44
Consumer Prices (end of period)	1.04	-	0.09	(2.05)	0.95
Consumer Prices (period average)	2.27	0.81	0.20	(1.73)	(0.15)
Real GDP at Basic Prices					
Agriculture, Livestock and Forestry	2.21	5.94	2.80	(5.00)	7.51
Fishing	(14.93)	6.60	2.31	8.61	(17.00)
Mining and Quarrying	(24.44)	(10.87)	10.05	2.38	5.00
Manufacturing	(4.32)	(4.06)	6.01	2.90	(5.00)
Electricity and Water	4.86	(0.45)	(1.13)	3.30	4.70
Construction	(3.53)	6.60	(11.70)	8.74	5.00
Wholesale and Retail Trade	3.29	3.36	0.85	(4.23)	5.00
Hotels and Restaurants	0.16	(3.20)	(3.22)	3.94	14.05
Transport , Storage and Communications	(0.23)	(0.67)	(0.21)	(0.21)	2.98
Transport	(0.21)	(0.30)	(0.25)	(0.58)	3.50
Communication	(0.30)	(1.72)	(0.07)	0.83	1.50
Financial Intermediation	0.13	2.69	3.05	3.23	1.49
Real Estate, Renting and Business Activities	0.59	1.32	0.76	0.81	0.81
Public Administration, Defence & Compulsory S	5.29	6.59	5.72	0.31	2.75
Education	4.97	2.69	(3.42)	2.46	0.58
Health and Social Work	4.77	(0.81)	(3.67)	0.56	0.98
Other Community, Social and Personal Services	4.35	(0.52)	3.12	2.14	1.50
Activities of Private Households as Employers	6.27	2.68	(2.00)	(2.00)	1.00
FISIM	3.03	(15.78)	3.32	(2.98)	3.00
Import Cover Ratio	3.33	4.33	5.45	5.97	7.19
	(In percent of GDP)				
Central Government					
Current Account Balance	n.a.	n.a.	1.34	0.31	2.84
Current Revenue	n.a.	n.a.	27.23	26.06	28.32
Current Expenditure	n.a.	n.a.	25.89	25.75	25.47
Capital Expenditure and Net Lending	n.a.	n.a.	6.37	4.98	3.38
Overall Fiscal Balance	n.a.	n.a.	(2.99)	(1.95)	0.55
	(In percent per annum)				
Monetary Sector					
Weighted Average Deposit Interest Rate	2.79	2.63	2.51	1.92	1.82
Weighted Average Lending Interest Rate	9.42	9.41	9.30	9.22	8.90
	(In millions of EC dollars, unless otherwise stated)				
Memo					
Nominal GDP at basic prices	1,592.53	1,668.22	1,667.69	1,674.06	1,747.54
Real GDP at basic prices	1,407.98	1,443.05	1,445.77	1,455.02	1,497.26
Nominal GDP at market prices	1,870.92	1,947.26	1,965.36	1,991.75	2,081.15
Merchandise Imports (c.i.f)	961.33	999.02	976.03	901.02	903.84
Merchandise Exports (f.o.b)	115.02	132.81	129.73	123.58	126.21
Gross Visitor Expenditure	254.20	249.33	249.44	258.51	275.49
GDP per capita (EC$)	17,002.96	17,682.58	17,832.74	18,057.69	18,853.22
	(In percent of GDP)				
Public Sector External Debt (end-of-period)	47.54	49.13	52.86	53.94	55.75

Source: Statistical Office, Central Planning Division, Ministry of Finance and Economic Planning and Eastern Caribbean Central Bank
The ECCB is transitioning from the IMF Balance of Payments Manual, Fifth Edition (BPM5) to the IMF Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). The new Balance of Payments series is not yet available.
Data as at 14 February 2017

Table 39
St Vincent and the Grenadines - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2014	2015	2016^p
Current Revenue	535.19	519.12	589.37
Tax Revenue	436.62	444.07	497.71
Taxes on Income and Profits	140.03	129.70	155.58
Personal	71.65	70.43	77.68
Corporate	40.18	46.31	64.88
Non Resident	28.21	12.96	13.02
Taxes on Property	34.49	29.02	45.11
*Taxes on Goods and Services	208.77	229.63	234.07
of which:			
Telecomm Broadcast licence	4.17	7.43	0.85
Excise Tax	5.81	6.34	6.81
Value Added Tax	138.06	143.74	153.79
Motor Vehicle Licence	10.17	10.79	13.10
Taxes on International Trade and Transa	53.32	55.73	62.95
of which:			
Import Duties	49.35	52.37	56.69
Other Revenue	98.57	75.05	91.66
Current Expenditure	508.92	512.90	530.17
Compensation of Employees	260.11	268.87	274.97
Use of Goods and Services	73.95	73.26	67.06
Interest Payments	45.67	44.84	42.42
Domestic	27.29	26.87	27.48
External	18.37	17.97	14.93
Transfers	129.20	125.93	145.73
of which:			
Other Grants and Contributions	54.59	51.73	55.76
Employment Related Social Benefit	46.45	49.00	54.58
Current Account Balance	26.27	6.22	59.20
Capital Revenue & Grants	40.22	54.19	22.61
Capital Expenditure and Net Lending	125.21	99.23	70.34
Primary Balance after grants	(13.05)	6.02	53.89
Overall Balance	(58.72)	(38.81)	11.47
Financing	58.72	38.81	(11.47)
Domestic	(41.15)	56.56	20.26
Central Banks (net)	2.18	6.73	(1.57)
Commercial Banks (net)	22.35	15.82	(49.17)
Other	(65.67)	34.01	71.01
External	97.26	11.23	(8.10)
Net Disbursements/(Amortisation)	97.26	11.23	(8.10)
Disbursements	139.72	56.13	42.88
Amortisation	42.47	44.90	50.98
Change in Govt. Foreign Assets	-	-	-
Arrears	2.61	(28.98)	(23.64)
Domestic	2.61	(28.98)	(23.64)
External	-	-	-
Other Financing	-	-	-

Source: Ministry of Finance and Economic Planning, St Vincent and the Grenadines and Eastern Caribberan Central Bank

**Based on international best practice of economic classification, VAT is a tax on goods and services; therefore all receipts including those payable on imports of goods and services have been consolidated under Taxes on Domestic Goods and Services*

Data as at 14 February 2017

Table 40
St Vincent and the Grenadines - Monetary Survey
(EC$M at end of period)

	2011	2012	2013	2014	2015	2016[P]
Net Foreign Assets	**394.30**	**408.78**	**493.08**	**508.23**	**531.94**	**661.82**
Central Bank (Net)	**238.11**	**294.66**	**359.42**	**421.43**	**444.81**	**516.24**
Commercial Banks (Net)	156.19	114.12	133.66	86.80	87.13	145.58
External (Net)	(100.81)	(88.05)	(30.71)	5.79	4.38	67.95
Assets	126.02	119.86	174.55	215.78	231.39	273.52
Liabilities	226.83	207.91	205.26	209.99	227.01	205.58
Other ECCB Territories (Net)	257.00	202.17	164.37	81.01	82.75	77.64
Assets	366.69	300.24	276.13	200.15	200.27	197.52
Liabilities	109.69	98.07	111.77	119.13	117.52	119.89
Net Domestic Assets	**715.84**	**775.17**	**791.95**	**900.40**	**943.84**	**858.90**
Domestic Credit	**906.67**	**959.54**	**998.91**	**1,020.24**	**1,069.38**	**1,045.43**
Central Government (Net)	44.49	49.53	64.09	88.61	111.16	60.42
Other Public Sector (Net)	(137.07)	(124.31)	(113.02)	(113.63)	(111.66)	(99.04)
Private Sector	999.25	1,034.32	1,047.84	1,045.26	1,069.89	1,084.05
Household	637.33	670.32	777.08	789.59	817.52	846.62
Business	330.06	343.40	250.34	235.61	232.88	210.02
Non-Bank Financial Institutions	27.86	16.60	16.43	16.06	15.49	23.41
Subsidiaries & Affiliates	4.00	4.00	4.00	4.00	4.00	4.00
Other Items (Net)	**(190.83)**	**(184.37)**	**(206.96)**	**(119.84)**	**(125.54)**	**(186.54)**
Monetary Liabilities (M2)	**1,110.14**	**1,183.95**	**1,285.03**	**1,408.62**	**1,475.78**	**1,520.72**
Money Supply (M1)	**331.45**	**360.94**	**374.21**	**426.30**	**437.83**	**479.79**
Currency with the Public	46.51	43.87	48.14	53.61	64.62	91.72
Demand Deposits	276.31	310.58	320.08	364.30	364.05	379.55
EC$ Cheques and Drafts Issued	8.62	6.50	5.99	8.39	9.16	8.51
Quasi Money	**778.70**	**823.01**	**910.82**	**982.33**	**1,037.95**	**1,040.93**
Savings Deposits	594.18	632.95	717.40	779.44	820.61	845.21
Time Deposits	139.70	153.73	136.28	130.09	126.90	114.25
Foreign Currency Deposits	44.82	36.32	57.15	72.79	90.44	81.47

Source: Eastern Caribbean Central Bank
Data as at 07 Mar 2017

Table 41
St Vincent and the Grenadines - Selected Tourism Statistics

	2012	2013	2014	2015	2016P
Total Visitor Arrivals	199,840	200,121	204,934	206,662	218,437
Stay-Over Arrivals	74,364	71,725	70,713	75,381	80,932
Of Which:					
USA	21,454	20,106	19,838	22,063	23,643
Canada	7,424	7,146	7,203	7,515	7,620
UK	15,023	15,183	15,960	17,045	17,785
Caribbean	22,768	21,745	19,886	21,566	24,444
Other Countries	7,695	7,545	7,826	7,192	7,440
Excursionists	3,051	2,663	2,152	1,732	1,318
Yacht Passengers	45,246	45,548	46,899	47,470	48,979
Cruise Ship Passengers	77,179	80,185	85,170	82,079	87,208
Number of Cruise Ship Calls	172	212	222	231	262
Total Visitor Expenditure (EC$M)	**254.20**	**249.33**	**249.44**	**258.51**	**275.49**

Source: St Vincent and the Grenadines Tourism Authority and Eastern Caribbean Central Bank
Data as at 07 March 2017

FURTHERING AGRICULTURAL DEVELOPMENT THROUGH INFORMATION AND COMMUNICATION TECHNOLOGIES

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EASTERN CARIBBEAN CENTRAL BANK

ST KITTS

1. Introduction

The lack of sustainable development projects and the erosion of preferential trading agreements with the European Union have underscored the low rating of the agricultural sector to economic activity.[4] OECS member governments continue to express their intention to revitalise the agricultural sector as a more prominent contributor to employment creation and economic growth. However, agriculture's contribution to regional output has declined considerably over the last three decades. This reduction reflects a substantial structural change and focus of the ECCU territories from agrarian societies to service-oriented economies. The shrinking of the sector is even more evident in the Windward Island sub-grouping (Dominica, Saint Lucia, St Vincent and the Grenadines, and Grenada) who had relatively large agricultural sectors that contributed to exports and by extension domestic output. These events can ideally be coined "creative destruction" (credited to Schumpeter, 1942), the process of creating a new industry (tourism/services) has not progressed without the destruction of the pre-existing order (agriculture).

A general shift of priorities from agriculture to tourism has left the sector relatively under-developed. Positive synergies were never truly explored between the two industries, hence, tourism grew while agriculture remained static. Regional governments' have supported farmers with subsidies and other incentives in an attempt to maximize food production given their land capacity and climate conditions. Despite the initiatives, the sector remains challenged and farmers are yet to become self-reliant.

Meagre development in the agricultural sector is a function of multiple factors. The sector is not one dominated by market forces and suffers from a knowledge deficit. According to neoclassical economists, one of the necessary conditions for an ideal and efficient market is the presence of perfect knowledge/information. Thus, to enhance the agricultural sector in the region there should be greater access and dissemination of market information. The global development of Information and Communication Technologies (ICTs) has created an

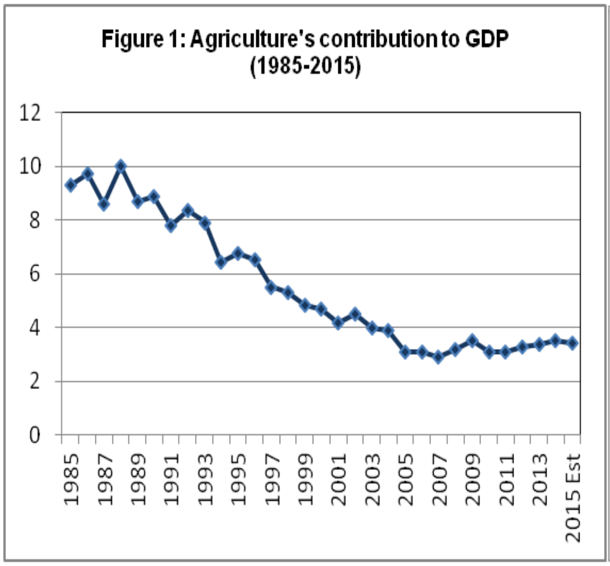
[4] Agriculture for the purpose of this paper is defined as land-based crop production.

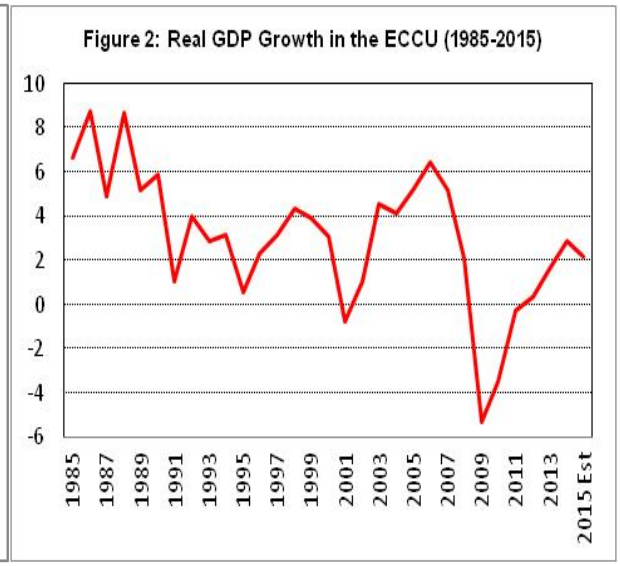
agricultural development paradigm that promises to transform the sector in developing countries.

This brief proposes a holistic approach to agricultural development, founded on the strength of modern technological advancements and techniques. Existing policies (or lack thereof) have not fared well in promoting a sustainable and modern agricultural market. A number of options exist, including the full automation of the industry or the use of Information and Communication Technologies (ICTs) to enhance production management, productivity, access to global and international agricultural markets, and knowledge sharing.

2. Context and Importance of Problem

As illustrated in figure 1 and 2, there is a visible downward trend in real GDP growth and also agriculture's contribution to GDP over the past thirty years. In 1985 the contribution of agricultural activity to ECCU GDP was 9.3 per cent, in contrast to 2015 where it is estimated to be a mere 3.4 per cent, reflecting a six percentage point decline in its overall contribution to the ECCU economies. The reduction is less adverse in the Leeward Islands (Antigua and Barbuda, Saint Kitts and Nevis, and Montserrat) and Anguilla where agriculture plays a minimal role in the economies, averaging just 4.5 per cent from 1985 to 2014. On the other hand, in the Windward Islands, the contribution has contracted from an average of 15.3 per cent in 1985 to 6.5 per cent in 2014. This decline heavily impacted the economies of the Windward Islands who have for decades relied heavily on the export of bananas to earn foreign exchange.





Note: Values for 2015 are estimates from the ECCB - Statistics Department
Source: Eastern Caribbean Central Bank

According to the IICA (1997a), competitiveness in agriculture can be viewed as a dynamic economic concept inherent to globalisation, which must take into account the need to adjust to the macroeconomic environment, adapt to the astonishing pace of technological innovation and be flexible in terms of the requirements of sustainable and equitable development. Agriculture in the OECS has been relatively static over the past decades, with under-investment and inadequate access to markets. The sector is marred by low production attributed to a few inherent conditions such as size, suitability of arable land, and low surface water supply and rainfall. Moreover, there exists growing differentials in the remuneration of employees in the agricultural sector when compared to the more attractive services sectors like tourism or finance. Consequently, labour force attrition to these alternative sectors has been vast leaving the agriculture sector under-engaged and unsophisticated.

The subsidy and incentive regimes of ECCU member governments have done enough to maintain an agricultural presence in the countries and aid in some advancements. However, agriculture has not transformed into a vibrant and robust economic sector. What exists is a sector characterised by rising production costs, low output, and low earnings potential. Thus, financing to the sector has also declined drastically, reducing the supply of long-term financing to any viable agricultural development initiative. Even the regional Development Banks have reduced their lending to the sector at concessionary interest rates further restricting access to much needed credit.

Given the continued progression of technology; opportunities exist for the creation of modern agricultural markets, complementing the existing policy regime. This is of utmost importance at a time when ECCU countries are experiencing a downward trajectory in long-run real output as their terms of trade continue to diminish. A modern agricultural sector will aid in the development of more diversified and resilient economies with the potential to achieve sustainable growth rates. It will also reduce reliance on volatile tourism receipts and unpredictable foreign investment flows and; aid in the achievement of food security within the sub-region.

3. Critique of Policy Options

The strategy towards agricultural development has for decades revolved around the fiscal incentives provided by the state to farmers, which include tax reliefs and duty free entry of agricultural inputs. Additionally, Central Marketing agencies would provide subsidised inputs for farmers but this provision has been reduced throughout the islands. Today, these agencies have basically adopted the role of retail outlets for agricultural produce that they purchase from farmers. The lack of profitability and development in the sector has resulted in reduced external financing, placing a burden on the ECCU governments to finance agricultural investments with limited tax receipts. These policy developments are compounded by the diminishing presence of Non-governmental Organisations (NGOs) in the agricultural sector that addresses the issues of nutrition, food security, and agricultural development. Overall, the policies in isolation have not been able to amply reignite and transform the agricultural industry.

The automation of agricultural production is another innovative key in the development of the sector. Farming in the ECCU is still a highly labour-intensive process, with the use of only simple machinery in the land preparation process. However, the true benefit of mechanisation would be realised when machinery is introduced at all stages of agricultural production (i.e.

from pre-cultivation to post-harvesting). This would mean the use of specialised agricultural equipment such as harvesters, precision seeders, washers, commercial boom sprayers, and packaging machines. Technological advancements in agricultural equipment are improving the efficiency of crop production at a fast pace. Modern equipment of this type reduces production costs in the sector, improves yields, and increases productivity. Even with subsidies and other fiscal incentives modern agricultural equipment remains costly and financing is not readily available. Additionally, not many large scale commercial agricultural projects exist to reap maximum benefits from these machines and mechanisation still fails to address the issue of information and market efficiency.

Another potential benefit of mechanisation is the alleviation of water shortages (especially in the Leeward Islands). Many agricultural industries across the globe have turned to Reverse Osmosis systems (ROs) to overcome water deficits and seasonal rainfall. Therefore, dedicated RO plants for agricultural production, during times of low rainfall, is something that could be explored in the region. However, RO systems are costly and consume large amounts of energy.

A more effective intervention at this juncture may be ICTs as a means of revitalizing and developing agriculture. Africa presents itself as an ideal example. The African countries have been engaging in sector-specific strategies called ICT for development (ICT4D). E-agriculture is one of promising rural development strategies that the governments have implemented to modernise their agricultural sectors and enhance productivity. The 2015 eLearning Africa Report indicates that ICTs are having a significant impact on the efficiency and productivity of the continent's agriculture sector. One of the surveys report that 71.0 per cent farmers have used ICTs to improve their farming practices, with another 90.0 per cent expressing that ICTs have helped to improve food security and sustainability, while boosting yields and income.

Innovation is steadily reducing the purchase price of phones, software, laptops, and scientific instruments. Agricultural innovations in advanced countries have become more applicable and feasible to the needs of developing countries. ICTs in agriculture address the need for timely and relevant market information, timely and important crop and disease management advice, stronger links to agricultural value chains, and better supply chain management. Thus, significant benefits exist from the introduction of modern ICTs in agriculture.

4. Policy Recommendation and Conclusion

There is increasing application of ICT in agriculture. The emerging field “e-agriculture” focuses on the enhancement of agricultural and rural development through improved information and communication technologies.

Greater use of ICTs should be introduced into the sector to transform agriculture from its current state to a more market-oriented industry. Investments in information and communicationtechnologies can be used to develop an Agricultural Management Information System (AMIS)[5]. As a knowledge-based industry it is paramount that farmers have access to financial, climatic, technical, and regulatory information for the efficient management of their operations. This system would host data on commodity prices and supply, production schedules, weather forecasts, and technical material from agricultural experts and companies all within a modern graphic user interface. The system would allow the proper planning of production; reducing the glut on the market for particular produce and identifying the scarcity of others. Thus, allowing the market forces of demand and supply to trend closer to equilibrium. This initiative could also aid in the facilitation of intra-regional trade by virtue of being an accessible online marketplace. This virtual marketplace would contain price, demand/supply data, and host customs and trade regulations.

In most of the ECCU territories the information and communications infrastructures are sophisticated enough for such an initiative. Moreover, ICT access and penetration in the region is among the highest in world, whereas in Sub-Saharan African countries many barriers still exist. The institutions exist within our countries; these include dedicated Ministries of Agriculture and Information Technology, Central Marketing Corporations, Farmer's Cooperatives and non-profit Agricultural Agencies. Technocrats within the ministries and

[5] Antigua and Barbuda once established a similar system call The Production and Marketing Intelligence Service (PROMIS) but this has since become defunct.

agencies along with farmers and distributors would have input capabilities and exposure to a plethora of resources. Access would be available via multiple platforms and devices. Moreover, a system like this would aid in the collection of much needed data used to guide policy decisions.

Regional economies are now beginning to stabilise, but growth remains an issue. The volatility of international markets highlights a need for diversification within our economies. The once vibrant agricultural sector is now receiving a lower level of state support and financing. However, the implementation of a sophisticated e-agriculture strategy will likely result in increased national output and trade opportunities. The benefits of ICT applications in other sectors are currently well known. Adoption of ICTs in the financial (e-banking, m-banking, etc.,) and education sectors (e-books, online/distance learning, etc.,) have supported their impressive growth. There are potential benefits to be derived from ICT use in agriculture, it is essential that we incorporate these modern technologies into the overall development framework. There is much to gain from a vibrant agricultural sector including improvements to the long-run growth potential of the territories.

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