Eastern Caribbean Central Bank

Economic and Financial Review

Volume 36 Number 2 June 2016

EASTERN CARIBBEAN CENTRAL BANK

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The Quarterly Economic and Financial Review report is a publication of the Eastern Caribbean Central Bank

Quarterly Economic and Financial Review

June 2016

The Eastern Caribbean Central Bank prepares a quarterly Economic and Financial Review for the Eastern Caribbean Currency Union and each individual member territory for the periods ending March, June, September and December of each year.

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C O N T E N T S

INTERNATIONAL ECONOMIC DEVELOPMENTS

Overview

Economic activity in the major economies was mixed in the second quarter of 2016. Relative to the first quarter of 2016, growth in the second quarter accelerated in the **United States of America (USA)** and the **United Kingdom (UK)** but decelerated in the **Euro Area** and **Canada**. In **China**, the pace of economic activity remained at the same level as in the first quarter. Labour market conditions improved, supported by stable positive growth and accommodative monetary policy. Influenced by low global oil and food prices, inflationary pressures were subdued. The monetary policy stance of Central Banks was largely accommodative with the maintenance of historically low interest rates and the implementation of non-conventional policy intervention such as asset purchases. A major highlight of the second quarter was the UK's vote to leave the European Union - Brexit, in a referendum held on 23 June 2016. The Brexit process which is expected to be completed within two years is likely to fuel uncertainty and negative macroeconomic effects in the global economy, especially in the EU, in the medium term.

Real global output is likely to slow in the remainder of 2016, influenced partly by uncertainty about the Brexit process which could weigh on the decisions of businesses and households for some time. **Real output for both 2016 and 2017 was revised downwards from earlier projections by 10 basis points to 3.1 per cent and 3.4 per cent, respectively (IMF WEO, July 2016).** The outlook for advanced economies including the USA and the UK worsened while it remained broadly stable for emerging and developing economies. The risks to global growth are largely negative and include economic and political uncertainty and a contraction in trade flows related to Brexit; geopolitical tensions, terrorism and economic distress especially in the Middle East; banking sector weaknesses in European banks, in particular Italy and Portugal; the rebalancing of China; and the Zika virus particularly affecting Latin America and the Caribbean. These risks could be abated by the crafting of policy responses aimed at tackling uncertainty, and the implementation of macro-economic/structural and financial reforms to ease the distresses in the financial system and the macro-economy.

Macro-Economic Developments in the Major Economies

Real Sector and Labour Market Developments

The **US** economy expanded at an annual rate of 1.1 per cent in the second quarter of 2016, according to the "second" estimate of the US Bureau of Economic Analysis. This outturn was an improvement from the first quarter, which realized an increase in real GDP by 0.8 per cent, but a slowdown from the 2.6 per cent recorded in the corresponding period of 2015. The increase in real GDP in the second quarter reflected positive contributions from personal consumption expenditures and exports that were partly offset by negative contributions from private inventory investment; nonresidential and residential fixed investment; state and local government spending and imports. The unemployment rate was 4.9 per cent in June 2016, better than the rate of 5.3 per cent recorded in June 2015. In May 2016, the unemployment rate reached 4.7 per cent, which was the lowest rate in nearly a decade. The uptick in the unemployment rate in June, relative to May reflected an increase in the number of persons unemployed by 347,000 to 7.8m. Meanwhile the labour force participation rate increased slightly to 62.7 per cent in June from 62.6 per cent in May. Average hourly earnings for all employees on private nonfarm payrolls, which have been sluggish following the recession, edged up by two cents to $25.61 in June. Over the year, average hourly earnings have risen by 2.6 per cent.

Preliminary estimates indicated that the economy of the **United Kingdom** (UK) expanded by 0.6 per cent in the second quarter of 2016 compared with growth of 0.4 per cent in the first quarter. The expansion was largely on account of a 2.1 per cent increase in industrial production, the sector's strongest quarterly performance since 1999. This was further supported by a 0.5 per cent increase in services, the largest contributor to GDP. In contrast, there were decreases in construction (0.4 per cent) and agriculture (1.0 per cent). On an annual basis, GDP was 2.2 per cent higher in quarter two, compared with the corresponding quarter a year ago. The UK's unemployment rate was 4.9 per cent in June 2016, down from 5.1 per cent in the first quarter and 5.6 per cent a year earlier. For the April to June 2016 period, there were 1.6m unemployed people, 207,000 fewer than for a year earlier and the lowest since March to May 2008. In June 2016 average nominal weekly earnings for employees in the UK increased by 2.4 per cent including bonuses and by 2.3 per cent excluding bonuses compared with a year earlier.

The **Euro Area** economy advanced by 0.3 per cent in the second quarter of 2016, down from 0.6 per cent in the first quarter, as growth slowed in the three major economies of Germany, France, Italy and remained unchanged in Spain. At an annualized rate, the Euro area GDP rose by 1.6 per cent. The largest economy, Germany recorded a 0.4 per cent expansion in the second quarter of 2016, slowing from growth of 0.7 per cent in the preceding quarter. The biggest contributor to this outturn was net trade while private consumption slowed and investment diminished. Economic output in Spain expanded by 0.8 per cent, the same level as in the previous quarter, a fairly solid performance despite the political stalemate that has plagued the country since December. The expansion was mainly driven by a surge in exports, which was the largest increase on record. Moreover, private consumption remained strong, influenced by rising employment, the annual decline in consumer prices and low interest rates. Economic activity in France and Italy came to a halt during the second quarter partly on account of massive strikes against labour reforms in the former, and the offsetting of the positive contribution from foreign trade by a contraction in domestic demand in the latter. Meanwhile, growth accelerated in Hungary (1.1 per cent), Poland (0.9 per cent), Belgium (0.5 per cent) and Greece (0.3 per cent). The Euro Area unemployment rate was 10.1 per cent in June 2016, stable relative to May 2016 and down from 11.0 per cent in June 2015. This unemployment rate remained the lowest rate recorded in the Euro Area since July 2011. Among the member states, the lowest unemployment rates in June 2016 were recorded in Malta (4.0 per cent), the Czech Republic (4.1 per cent) and Germany (4.2 per cent). The highest unemployment rates were observed in Greece (23.5 per cent in May 2016) and Spain (19.9 per cent).

The **Chinese** economy advanced at an annual rate of 6.7 per cent in the second quarter of 2016, the same pace as in the previous quarter but slightly below the 7.0 per cent recorded in the corresponding period of 2015. Growth was driven by increases in industrial output, retail sales and new Yuan loans while fixed-asset investment eased. On a quarterly basis, GDP expanded by 1.8 per cent, compared with an upwardly revised 1.2 per cent growth in the first quarter. This outturn was the strongest quarterly expansion in three quarters. The urban registered unemployment rate was 4.1 per cent in June 2016 compared with 4.0 per cent at the end of June 2015.

The **Canadian** economy contracted by an annualized rate of 1.6 per cent in the second quarter of 2016, its largest loss since 2009, reversing the expansion of 2.5 per cent in the first quarter. This outturn largely reflected the fall out in exports due to the May wildfires in Alberta – the largest oil producing province, as well as depressed oil prices. Excluding the drop in crude oil production due to the wildfires, the economy would have grown at an annualized rate of 0.4 per cent in the second quarter. On the upside, the economy rebounded in June, growing by 0.6 per cent, following a contraction of 0.6 per cent in May as oil sands production resumed. The Canadian unemployment rate fell to 6.8 per cent in June 2016 from 6.9 per cent in May, the smallest quarterly change in two years. This change was mainly the result of a reduction in the labour participation rate to 65.5 per cent from 65.7 per cent, its third straight monthly decline.

Development in Commodity, Oil and Consumer Prices

Commodity and Oil Prices

In the second quarter of 2016, the trading prices of commodities and oil rose. West Texas Intermediate (WTI) a barometer for conditions in the middle part of the USA, averaged US$45.4 per barrel in the second quarter of 2016, compared with US$33.2 per barrel in the first quarter and US$57.8 per barrel in the comparable quarter in 2015. Brent crude, the leading global oil benchmark, averaged US$45.5 per barrel during the period April – June 2016, up from US$33.7 per barrel in the first quarter and US$61.7 in the corresponding second quarter of 2015. Contributing to the increase in the price of crude oil in the first half of 2016 were the slowdown in oil production in the USA; and some supply disruptions in Canada and Nigeria.

Meanwhile, the average price of gold per ounce rose to US$1,276.2 in the second quarter of 2016 from US$1,186.00 in the corresponding period of 2015. The price of silver averaged US$17.5 per ounce in the second quarter of 2016 up from US$16.4 in the comparable period of 2015.

Food prices, measured by the Food and Agricultural Organization (FAO) Food Price Index declined during the second quarter of 2016, relative to the corresponding period last year. The Food Price Index declined on average to 157.6 in the second quarter of 2016 from 166.8 in the comparable period in 2015. Declines were recorded in the major sub-indices of meat, dairy and cereals. Those declines were partly tempered by increases in the sugar and vegetable oil sub-indices. When compared with the first quarter of 2016, the Food Price Index rose by 7.7 points to average 157.6 largely due to higher prices of sugar related to tighter export supplies from Brazil, which forced prices up.

Price Inflation

Influenced by low global oil prices, inflationary pressures were contained in the major economies under review. The Consumer Price Index (CPI) in the **USA** increased by 0.2 per cent in June 2016, unchanged from May 2016 and slightly lower than the rate of 0.3 per cent recorded in June last year. Increases in the indexes for energy and all items, less food and energy, more than offset a decline in the food index to result in the overall all items increase. Core inflation, which excludes food and energy rose by 0.2 per cent in June. Over the last 12 months, the all items index rose by 1.0 per cent, about 0.9 percentage points above the rate recorded in the 12 months ended June 2015. In **Canada,** the CPI rose by 1.5 per cent in the 12 months to June 2016, matching the gain in May 2016. Excluding gasoline, the CPI was up 1.9 per cent year over year in June, equal to the increase in May. Prices rose in all major components with the shelter index and the household operations, furnishings and equipment index contributing the most to the year-over-year gain in consumer prices.

In the **United Kingdom**, the CPI rose by 0.5 per cent in the 12 months to June 2016, up from zero inflation recorded in the corresponding period in 2015. The June rate marginally exceeded the rates seen for most of 2016, though it was still relatively low historically. Rises in air fares, higher prices for motor fuels and a variety of recreational and cultural goods and services were the main contributors to the increase in the CPI. The **Euro Area** annual inflation rate, as measured by the Harmonized Consumer Price Index (HICP) was 0.1 per cent in June 2016 marking the first positive price increase since January 2016 but below the rate of 0.2 per cent obtained in June 2015. The main contributors to June's reading were higher prices for restaurants and cafes as well as for rents and tobacco. Core inflation remained unchanged from May 2016 at 0.8 per cent. The positive inflation rate may be an indication that the European Central Bank's (ECB) efforts to fight deflation were beginning to have some effect, though price growth was still significantly below the ECB's target of around 2.0 per cent. In June 2016, the CPI in **China** rose by 1.9 per cent year-on-year, relative to an increase of 1.4 per cent in the comparable month of 2015. This increase was largely associated with higher food prices. On average from January to June 2016, overall consumer prices were up by 2.1 per cent, over the corresponding period of the previous year.

Monetary Policy Developments

During the second quarter of 2016, monetary policy in the major economies focused on supporting and stimulating economic growth. The result of the UK referendum held on 23 June 2016 set off a sharp but orderly re-pricing of a number of asset classes in global financial markets. Safe-haven flows partly led to exchange rate movements, notably an appreciation of the US dollar and the yen against the pound and the euro. A day after the UK voted to exit the European Union (Brexit) the pound was down by nearly 9.0 per cent against the dollar, making this one of the biggest one-day declines on record. Moreover, the pound traded at US$1.30 for the first time since 1985 on 28 June 2016. Nevertheless, the global financial system remained resilient, with movements largely stabilizing in the days following the referendum but market sentiment remained fragile due to ongoing uncertainty about the strength of the global economy.

The **US** Federal Reserve Open Market Committee (FOMC) at their meeting held on 14-15 June 2016 kept interest rates unchanged. The Fed's benchmark overnight lending rate remained at a range of 0.25 per cent to 0.50 per cent largely due to uncertainty about the US labor market as well as the potential effects of Brexit on the US economy. Furthermore, consumer price inflation continued to run below the Committee's longer-run objective of 2.0 per cent, restrained somewhat by earlier decreases in energy prices and in prices of non-energy imports. The Fed was initially expected to raise interest rates four times this year, but this forecast has been adjusted to at least one rate hike in the last quarter of 2016.

At its meeting held on 15 June 2016 the **Bank of England's** Monetary Policy Committee (MPC) voted unanimously to maintain the Bank Rate at 0.5 per cent and the stock of purchased assets financed by the issuance of central bank reserves at £375 billion. The **ECB** left its benchmark refinancing rate unchanged at 0.0 per cent on 2 June 2016. Both the deposit rate and the lending rate were also left steady at -0.4 per cent and 0.25 per cent, respectively. Furthermore, to further strengthen the pass-through of the Asset Purchase Programme (APP) to the real economy, the ECB began to purchase corporate sector bonds under the Corporate Sector Purchase Programme (CSPP) on 8 June 2016. This move was in fulfillment of a decision taken on 10 March 2016 to further expand the APP as part of the single monetary policy and in pursuit of its price stability objective. The CSPP is expected to come to an end in March 2017, but could be extended if the inflation rate remains substantially below the target of 2.0 per cent.

During the second quarter of 2016, **the Bank of Canada** maintained its target for the overnight rate at 0.5 per cent as well as the corresponding Bank Rate of 0.75 per cent and the deposit rate of 0.25 per cent. The **People's Bank of China** Monetary Policy Committee made no changes to the benchmark interest rates during the period under review. The one year lending rate and deposit rate remained at 4.35 per cent and 1.5 per cent, respectively. On 8 June 2016, the Bank of China successfully arranged the Ministry of Finance's 3-year RMB 3.0 billion bond to list on the London Stock Exchange- the first Chinese sovereign RMB bond issued and listed outside of China. The bond was 2.8 times over-subscribed, with final allocations of 58.0 per cent to Europe, the Middle East and Africa (EMEA) investors and 42.0 per cent to Asian investors.

Prospects

The **July 2016 update of the IMF World Economic Outlook** indicated that the global economy is expected to expand by **3.1 per cent in 2016 and 3.4 per cent in 2017**. These projections were 10 basis points lower than the April 2016 forecasts, a downward revision associated with the uncertainty surrounding the Brexit process and other risks. Growth is expected to be uneven, accelerating in emerging markets and developing economies while stagnating in some major advanced economies. Inflation is expected to remain low for the remainder of the year and monetary policy will continue to accommodate economic growth.

US economic growth is expected at around 2.0 per cent in 2016, as the strong labour market and accommodative monetary policy continue to support private domestic demand. High levels of consumer confidence and healthy employment are expected to boost consumption growth. In addition, despite the uncertainty allied with Brexit which could weigh on confidence and business prospects, investment is expected to pick up in the second half of 2016. The FOMC will continue to monitor inflation indicators and global economic and financial developments in determining the timing and size of interest rate adjustments. However, analysts speculate that the Federal Reserve is likely to increase the federal funds rate in the last quarter of 2016.

Following the United Kingdom's vote to leave the European Union, the outlook for growth in the short to medium term has weakened. Recent surveys of business activity, confidence and optimism suggest that the **UK** economy is likely to see minimal GDP growth in the second half of 2016. To cushion the adverse effects of Brexit on the economy, the Bank of England announced that it would take the necessary policy actions to avoid a severe contraction. Some of these policies would include a downward adjustment in the Bank Rate and an expansion of its asset purchase programme. Consequently, real output is forecasted within the range of 1.5 to 2.3 per cent in 2016. The depreciation of the sterling is likely to increase inflationary pressures with the possibility that the 2.0 per cent could be achieved or even exceeded before the exchange rate effect is muted.

In May the European Commission forecasted growth in the **Euro Area** at 1.6 per cent in 2016, underpinned by low oil prices, a depreciated euro, ample monetary policy and slightly supportive fiscal policy. However, due to Brexit, it is likely that growth would be revised downwards in the coming months.

The **Canadian** economy will continue to adjust to low commodity prices as the reallocation of investment and employment from the resource sector to the non-resource sector progresses. Real GDP is expected to strengthen in the second half of 2016, driven by solid US domestic demand and the restoration of oil production as well as higher public sector spending. The outlook is also supported by accommodative monetary policy; improved financial conditions and the depreciation of the Canadian dollar. Consequently, the Canadian economy is forecasted to expand by 1.3 per cent in 2016. Meanwhile, the inflation target of 2.0 per cent, with a control range of 1 to 3 per cent comes up for review or renewal in December 2016.

The **Chinese** economy is forecasted to expand by 6.6 per cent in 2016, within the authorities' target range of 6.5 to 7.0 per cent. This expansion will be primarily fueled by expansionary fiscal policy.

The risks to this global growth outlook are mainly towards the downside. The high level of uncertainty concerning the Brexit process could hamper investments and trade flows and adversely affect the pace of economic growth. Geopolitical tensions in the Middle East and terrorist attacks could potentially disrupt trading relationships and affect export growth of major exporting economies. Lingering banking fragilities in some EU countries such as Italy and Portugal could likely affect the global financial system. In the largest emerging economy, China, risks are fairly balanced. In Latin America and the Caribbean where the Zika virus is rampant in some countries, tourism demand could be adversely affected while fiscal costs to contain the disease could rise. On the upside, oil importers are likely to benefit from low oil prices and currency depreciation in some economies could strengthen export demand.

DOMESTIC ECONOMIC DEVELOPMENTS

Overview

Preliminary data indicate that economic activity at the ECCU level improved in the first half of 2016, relative to the performance in the comparable period of 2015. This assessment was based primarily on mixed performances in the major economic sectors. While improvements were recorded in the construction and agricultural sectors, activity waned in the tourism industry and the manufacturing sector. The economic improvement was reflective of marginal growth in four member countries and a relatively flat outturn in the others. Deflationary pressures persisted across the Currency Union, as four territories recorded overall price declines, with the remaining member countries recording slight increases. **The consolidated accounts of the central governments resulted in a larger overall fiscal surplus relative to the corresponding period of last year, primarily reflective of an improved current account position.** The outstanding debt stock of the public sector rose during the period under review. The merchandise trade deficit is estimated to have widened, on account of an increase in import payments, coupled with a lower level of export receipts. In the banking sector, monetary liabilities (M2) and net foreign assets rose, while domestic credit decreased. Meanwhile, commercial bank liquidity improved and the spread between the weighted average interest rates on loans and deposits narrowed.

Based on global economic prospects and expectations for the domestic economy for the latter half of the year, economic activity in the ECCU is forecasted to increase in 2016. Growth is expected to be largely driven by a number of major sectors including construction, hotels and restaurants and agriculture. Construction activity is projected to strengthen as work progresses on major private sector projects, supported by public sector developments on road and other infrastructure. The outlook for the hotels and restaurants sector is contingent on anticipated enhancements in airlift, marketing and accommodation and positive economic developments in the main source markets. Forecasted developments for the construction, hotels and restaurants and agricultural sectors will positively impact wholesale and retail trade; transport, storage and communications; and the real estate, renting and business activities sectors. Inflationary pressures are likely to remain subdued for the rest of the year and into the near-term. In the external sector, the merchandise trade deficit is projected to continue to widen, due to a combination of larger import payments and falling export receipts. The fiscal position is projected to improve based on expectations for continued fiscal consolidation programmes and economic growth. **The banking system is expected to remain stable, with some tightening in lending terms and conditions.** In spite of the positive outlook, the ECCU countries are challenged by a number of structural impediments that constraint growth and competitiveness. Other downside risks include the negative effects of global warming and climate change, geopolitical tension, adverse weather, the issue of de-risking, the Zika virus and its impact on the region's health system and the tourism industry; setbacks in the global economy and commodity price developments. On the upside the efficient resolution of the recent banking issues in Anguilla has boost overall confidence, which has the ability to bolster credit flows and facilitate growth. Internationally, continuous downward pressure on oil prices could augur well for near-term prospects.

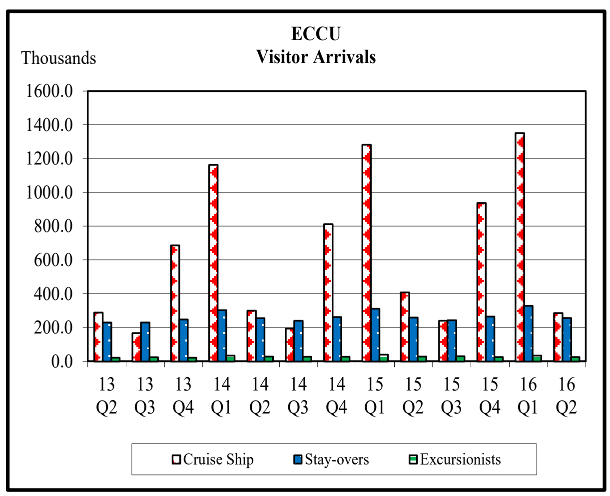
Output

Activity in the construction sector, one of the main drivers of economic growth in the Currency Union, is estimated to have increased in the first six months of 2016, compared with the corresponding period of the prior year. The improvement in construction activity was driven mainly by developments in the private sector as public construction was constrained in five of the eight territories. Antigua and Barbuda, Dominica, Grenada, and St Vincent and the Grenadines recorded strengthened activity, which mitigated declines in Anguilla and Montserrat. Construction activity remained relatively flat in St Kitts and Nevis and Saint Lucia. Private sector construction in the ECCU largely concentrated on hotels, villas, other tourism-related establishments and to a lesser extent, residential properties. In contrast to the increase in private construction activity, public sector capital investment spending contracted by 10.9 per cent, largely reflecting developments in Grenada, Saint Lucia and St Kitts and Nevis.

Public sector activity focused primarily on infrastructural development including road and bridges. Concomitant with the improved construction activity was an increase in output in the mining and quarrying sector.

Output in the agricultural sector is estimated to have increased in the first half of 2016, relative to developments in that sector in the first six months of last year. In the non-banana sub-category, output is estimated to have increased in Saint Lucia, St Kitts and Nevis and St Vincent and the Grenadines, but declined in Dominica and Grenada. On the contrary, banana production fell by 11.0 per cent to 7,899.9 tonnes, in contrast to growth of 3.0 per cent in the first six months of 2015, when the crop began to recover from the adverse impact of diseases, pests and unfavourable weather. There was lower banana output in Dominica and Saint Lucia, while production increased in Grenada and St Vincent and the Grenadines.

Activity in the tourism industry weakened in the first half of 2016, relative to the outturn in the comparable period of 2015. Total visitor arrivals declined by 2.8 per cent to 2.4m, in contrast to growth of 11.0 per cent in the corresponding period last year. The decrease in total visitor arrivals was influenced largely by poor performance in all the sub-categories of visitors, except stay-over arrivals. The cruise ship visitor category, which accounted for 69.4 per cent of total visitor arrivals in the review period, recorded a decline of 3.1 per cent to 1.6m, in contrast to growth of 15.4 per cent a year ago. This outcome reflected a 1.7 per cent decrease in the number of cruise ship calls to 1,092. The main contributors to the deterioration in the performance of cruise passenger arrivals were Saint Lucia, where a decrease of 18.4 per cent was recorded, Antigua and Barbuda, 6.4 per cent and Dominica, 4.8 per cent. Yacht passenger arrivals declined by 24.5 per cent to 70,501 and the number of excursionists fell by 11.7 per cent.



The number of stay-over visitors, on the other hand, increased by 2.6 per cent to 589,006, marginally above growth of 2.3 per cent in the first half of 2015. Stay-over visitor arrivals from the USA, the largest source market (45.3 per cent), grew by 7.6 per cent, compared with an increase of 4.5 per cent in the corresponding last year. Meanwhile, the number of stay-over visitors from the Caribbean, the third largest source, increased by 4.2 per cent, a slower pace than growth of 7.5 per cent recorded in the comparable period of the prior year. On the contrary, arrivals from Canada declined by 8.5 per cent, following a decline of 5.7 per cent recorded in that source market in the first six months of 2015. Arrivals from the UK, the region's second largest market, decreased by 1.5 per cent in contrast to a marginal increase (0.7) per cent recorded in the first half of the previous year. Five of the ECCU member countries recorded an increase in stay-over arrivals, ranging from 6.1 per cent in Montserrat to 9.1 per cent in Antigua and Barbuda. By contrast, reductions were observed in Dominica (11.1 per cent), St Kitts and Nevis (3.2 per cent) and Saint Lucia (1.2 per cent). The weakening of activity in the tourism industry is estimated to have adversely impacted the wholesale and retail trade; transport, storage and communications; and the real estate, renting and business activities sectors.

Based on preliminary data, the overall performance of the manufacturing sector in the Currency Union is estimated to have deteriorated. A decline was recorded in St Kitts and Nevis, one of the key manufacturing territories, largely reflected by a contraction in the export of manufactured items. Manufacturing activity remained relatively flat in Dominica and Saint Lucia. The prognosis was mixed in Grenada, where although the production of a number of items, including beverages, grain mill and macaroni, increased, the output of flour, animal feed and chemical and paints declined. By contrast manufacturing activity in St Vincent and the Grenadines registered a modest improvement, driven by growth in the production of beverages.

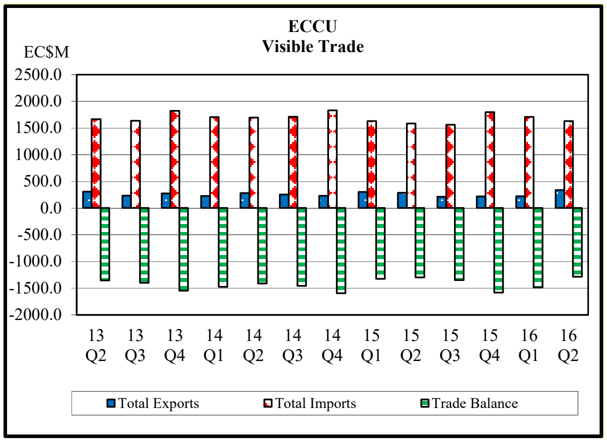
Prices

The overall impact of consumer prices in the Currency Union during the first six months of 2016 is estimated to be deflationary, as evidenced by lower prices in some of the member territories. The fall in the consumer price index (CPI) was influenced in part by a decline in oil prices on the domestic market. The average price of gasoline in the ECCU member territories was estimated at $11.67 per gallon, $1.53 below the average price recorded during the corresponding period of the prior year. Consequently, the index for gas and fuels recorded declines in most territories, ranging from 0.5 per cent in St Kitts and Nevis to 10.7 per cent in Saint Lucia. Overall, prices fell in four of the eight territories with the most significant declines recorded in St Kitts and Nevis (2.5 per cent) and Saint Lucia (2.5 per cent). Antigua and Barbuda and Montserrat recorded deflation rates of 1.7 per cent and 0.5 per cent respectively. The other member countries, on the contrary, recorded marginal increases ranging from 0.1 per cent in Grenada to 1.2 per cent in St Vincent and the Grenadines.

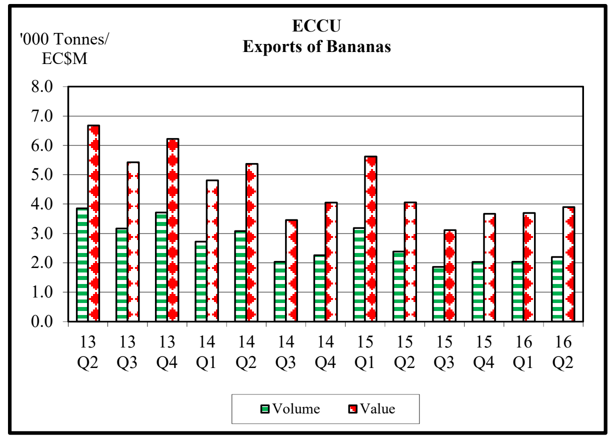
Trade and Payments

Based on preliminary estimates, the merchandise trade deficit deteriorated relative to that in the first half of 2015. **The merchandise trade deficit widened to $2,780.9m from $2,631.8m primarily on account of an expansion in import payments, supported by a decline in export receipts.** Import payments increased by 3.8 per cent ($120.8m), to $3,338.3m, in contrast to a decline of 5.4 per cent ($182.8m) recorded in the comparable period of last year. Import payments for machinery and transport equipment recorded the largest increase of $105.4m (16.8 per cent). On a country level, the value of imports grew by 17.3 per cent ($131.2m) in Saint Lucia, 5.4 per cent ($22.4m) in St Vincent and the Grenadines, 2.0 per cent ($8.0m) in St Kitts and Nevis and 0.1 per cent ($0.2m) in Anguilla. All other territories recorded declines in import payments, ranging from by $3.0m (6.2 per cent) in Montserrat to $16.8m (5.9 per cent) in Dominica. Simultaneously, export receipts fell by 4.8 per cent to $557.4m, in contrast to growth of 15.8 per cent in the first six months of 2015. The outturn reflected a 13.0 per cent ($44.6m) decline in domestic exports, which more than offset an increase of 6.8 per cent ($16.3m) in re-exports. On a country basis, domestic export earnings contracted in Dominica ($16.4m), St Kitts and Nevis ($11.5m), Saint Lucia ($9.5m), St Vincent and the Grenadines ($4.0m), Grenada ($3.3m) and Antigua and Barbuda ($0.4m). Earnings from export of bananas fell by 21.5

per cent ($2.1m) to $7.6m, indicative of declines in production in Saint Lucia and Dominica.



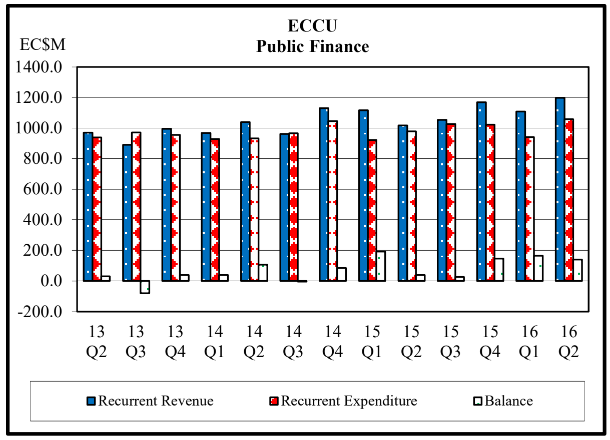
Gross travel receipts fell by 1.1 per cent to $1,977.0m, commensurate with the decline in visitor arrivals. The external transactions of commercial banks resulted in a net outflow of $94.5m in short-term capital compared with a net outflow of $713.2m during the corresponding period of 2015. Disbursements of foreign loans to central governments stood at $170.7m, compared with $182.4m at the end of June 2015; while external loan amortisation amounted to $254.2m from $177.9m. Consequently, the Currency Union was in an external net amortisation position of $83.5m, in contrast to a net disbursement position of $4.5m in the first six months of the previous year. Of the other major flows, gross inflows of official grants fell by 30.7 per cent to $134.1m, largely reflecting lower inflows to Montserrat, Saint Lucia and Grenada.



Central Government Fiscal Operations

On aggregate, the fiscal operations of the central governments resulted in an improved position in the first half of 2016, compared with that of the corresponding period last year. An overall surplus of $162.2m was recorded on the consolidated fiscal accounts, compared with one of $33.9m in the first six months of 2015. This favourable outturn in the fiscal position was mainly attributed to a larger current account surplus, coupled with lower capital expenditure. On a country basis, five territories recorded improved fiscal performances – Dominica, Grenada, St Kitts and Nevis, Saint Lucia and St Vincent and the Grenadines. Two of these countries recorded smaller deficits, one reported a bigger surplus, while two – Grenada and Saint Lucia transitioned from deficit position to surpluses, bolstered by their revenue intake. On the contrary, smaller surpluses were recorded in Anguilla and Antigua and Barbuda, but in Montserrat, the result of the fiscal operations changed to a deficit from an overall surplus in the comparable period one year ago.

In the first half of 2016, a surplus of $306.1m was generated on the central governments' current operations compared with one of $231.4m in the corresponding period of the prior year. The expansion in the current account surplus was mainly influenced by a higher intake in current revenue, which more than offset a rise in current expenditure. All member countries, with the exception of Montserrat, registered current surpluses, which ranged from $8.0m in Anguilla to $102.4m in Saint Lucia. The surplus generated by Saint Lucia doubled the amount recorded in the first six months of 2015, largely influencing the overall improvement on the current account balance of the ECCU.



Current revenue grew by 8.1 per cent to $2,305.1m, largely reflecting an 8.0 per cent ($143.5m) increase in revenue from taxes, as the yield grew from all major taxes, with the exception of the property tax. Revenue from taxes on domestic goods and services rose by 6.3 per cent ($52.7m) partially attributed to a 3.3 per cent ($16.0m) increase to $500.0m in the receipts from the Value Added Tax (VAT), due largely to higher intakes in Grenada ($10.0m) and Saint Lucia ($8.3m). Revenues from taxes on international trade and transactions were 10.0 per cent ($50.9m) higher than the amount collected in the first six months of 2015. The improved performance from taxes on international trade and transactions resulted primarily from growth in import duties ($17.2m, the consumption tax ($8.8m) and the customs service charge ($4.9m). Receipts from taxes on income and profits rose by 10.1 per cent

($41.6m), influenced by larger intakes from both the company tax ($40.6m) and the personal income tax ($8.8m). Collections from the property tax, by contrast, fell by 3.1 per cent ($1.7m) when compared with the first half of last year. On a county level, increases in tax revenue ranged from 5.7 per cent ($1.1m) in Montserrat to 11.4 per cent ($52.8m) in Saint Lucia, notwithstanding declines of 6.3 per cent and 3.5 per cent recorded in St Kitts and Nevis and Anguilla, respectively. Non-tax revenue grew by 8.7 per cent ($28.6m) mainly reflecting increased collections in Dominica and to a lesser extent in St Vincent and the Grenadines.

Current expenditure increased by 5.1 per cent to $1,999.0m compared with growth of 2.2 per cent in the corresponding period of 2015. Payment for goods and services grew by 13.5 per cent ($47.5m), largely on account of developments in Grenada, which had the largest increase ($25.0m), followed by Antigua and Barbuda ($18.7m) and Dominica ($10.0m). Outlays on personal emoluments, the largest sub-component, grew by 5.3 per cent ($44.8m), in contrast to a marginal decline ($2.9m) recorded in the corresponding period of 2015. Expenditure on personal emoluments was higher in all of the territories, except Dominica, which registered a decline of 12.8 per cent ($11.1m). The most significant increases were recorded in St Kitts and Nevis ($16.1m), Grenada ($13.7m), St Vincent and the Grenadines ($12.0m) and Antigua and Barbuda ($11.6m). Outlays on transfers and subsidies rose by 2.0 per cent ($9.4m), a slower pace relative to the first six months of last year, when that category of expenditure increased by 11.8 per cent ($50.7m). The increase in spending on transfers and subsidies occurred in five territories, Grenada being the most noteworthy ($18.1m). By contrast, a decline of 1.9 per cent ($4.3m) was reported for interest payments, as interest obligations fell in a few member territories, particularly St Kitts and Nevis ($3.4m), St Vincent and the Grenadines ($2.4m) and Grenada ($2.4m).

Capital expenditure totaled $344.0m representing a decline of 10.9 per cent ($42.1m) when compared with the first six months of 2015. The contraction in capital expenditure was largely influenced by reductions in five member territories. The largest declines in capital outlays were recorded in Grenada ($52.4m), Saint Lucia

($22.9m) and St Kitts and Nevis ($22.0m). Other countries registering declines in capital expenditure were St Vincent and the Grenadines and Montserrat. By contrast, capital outlays more than doubled in Antigua and Barbuda ($43.9m) and increased by 42.6 per cent ($23.9m) in Dominica. Commensurate with the decline in capital expenditure was a contraction of 37.2 per cent to $77.8m in capital grant receipts. This outturn follows a decline of 28.0 per cent ($48.2m) in the corresponding period of the prior year. Developments in Montserrat, Saint Lucia and Grenada mainly influenced the outturn in capital grants receipts.

Public Sector Debt

Notwithstanding an improved fiscal performance in the ECCU in the first half of 2016, an expansion in the debt stock was recorded. The total disbursed outstanding public sector debt grew by 2.0 per cent to $13,140.9m. The expansion was attributed largely to an increase in the indebtedness of central governments as both their domestic and external debt grew. Central governments' outstanding debt increased by 2.5 per cent to $11,646.9m, as their domestic debt grew by 3.1 per cent ($146.9m) and their external debt by 2.0 per cent ($133.5m). On a country basis, increases were recorded in the total public debt of Anguilla, Antigua and Barbuda and Saint Lucia. In the rest of the public sector, public corporations' indebtedness fell by 1.7 per cent ($25.5m) to $1,494.0m, attributable to declines of $19.1m and $6.4m in external debt and domestic debt, respectively.

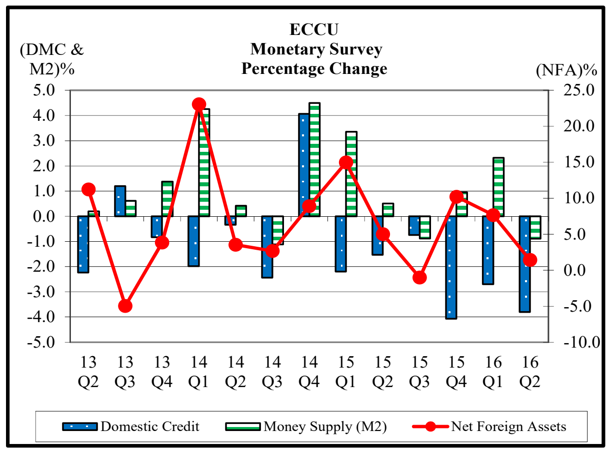
Consistent with the rising debt, debt service payments grew by 15.6 per cent to $329.3m during the first six months of 2016. This outturn compares with growth of 8.8 per cent recorded during the first half of the previous year. Majority of the increase was from principal payments, which grew by 14.4 per cent ($27.4m) during the period in question. Principal repayments represented 64.9 per cent of total debt servicing, while interest payments accounted for the remaining 35.1 per cent. Higher debt service payments were recorded for all countries, except Antigua and Barbuda and Saint Lucia, which recorded lower payments and Montserrat, where there was no change in the amount paid for debt servicing.

Monetary and Financial Developments

Money and Credit

Monetary liabilities (M2) grew by 1.4 per cent to $15,945.2m during the first half of 2016, a deceleration from the rate of growth of 3.9 per cent during the comparable period of 2015. The outturn stemmed from growth in both narrow money (M1) and quasi money. M1 was up by 5.2 per cent ($182.3m), reflecting increases in EC dollar Cheques and Drafts Issued (14.9 per cent) and private sector demand deposits (6.9 per cent), which outweighed a contraction of 1.8 per cent in currency with the public. Quasi money rose by 0.3 per cent ($40.2m) to $12,237.0m, resulting from growth of 2.3 per cent in private sector savings deposits. Among the remaining components of quasi money, declines were recorded in private sector time deposits (2.8 per cent) and private sector foreign currency deposits (1.9 per cent).

The net foreign assets of the ECCU banking system rose by 9.2 per cent to $7,133.2m during the review period, registering a deceleration from the pace of expansion of 20.7 per cent during the corresponding period of 2015. Growth in the net foreign assets of both the Central Bank (12.0 per cent) and the commercial banks (4.1 per cent) contributed to this outturn. The Central Bank's net foreign assets amounted to $4,711.8m, resulting largely from accumulation of assets, coupled with a contraction in liabilities. Growth in the net foreign asset position of the commercial banks was the consequence of a fall of 4.9 per cent in liabilities, which offset a decrease of 1.3 per cent in assets.

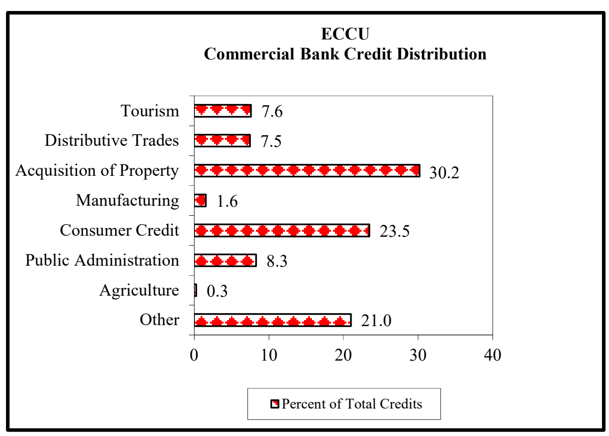


Domestic credit was down by 6.4 per cent to $10,375.5m during the first half of the year, registering a deeper rate of contraction from one of 3.7 per cent during the comparable period of 2015. Subdued developments in private sector credit contributed largely to the outturn for domestic credit. Private sector credit fell by 4.5 per cent, as contractions in outstanding loans to subsidiaries and affiliates

(11.0 per cent), businesses (8.4 per cent) and households (2.2 per cent), offset an increase of 13.1 per cent in credit to non-bank financial institutions. The transactions of general government were also responsible for the reduction in domestic credit. Net credit to the general government fell by 18.4 per cent, on account of an increase of 11.9 per cent in total deposits and a contraction of 1.8 per cent in total credit from the entire banking system. By contrast, developments with non-financial public enterprises help stymied the reduction in domestic credit. The net deposit position of non-financial public enterprises was down by 2.7 per cent, largely attributed to a decline of 3.1 per cent in their deposits.

Outstanding credit fell for most sectors, with the exception of financial institutions; and utilities, electricity and water for which credit rose by 32.1 per cent and 26.1 per cent, respectively. Reductions were observed in outstanding loans for construction (18.3 per cent), tourism (13.8 per cent), agriculture and fisheries (12.8 per cent), transportation and storage (12.6 per cent), entertainment and catering (8.2 per cent), distributive trades (6.5 per cent), public administration (2.7 per cent), professional and other services (2.3 per cent), and manufacturing, mining and quarry (0.4 per cent). Credit for personal use, which accounts for the majority of lending, fell by 1.9 per cent largely on account of declines in credit for durable consumer goods (5.2 per cent), home construction and renovation (3.4 per cent), and house and land purchase (2.1 per cent).

Commercial bank liquidity rose during the period under review, backed by growth of 0.6 per cent in deposits with a concurrent fall of 4.2 per cent in loans and advances in the commercial banking system. The ratio of liquid assets to total deposits plus liquid liabilities grew by 0.7 percentage point to 43.4 per cent. The loans and advances to deposits ratio was 61.7 per cent, below that of 64.8 per cent at the end of December 2015.



The weighted average deposit rate fell to 1.83 per cent at the end of June 2016 from 1.98 per cent at the end of December 2015. This rate gradually declined following the decision of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) to reduce the minimum savings deposit rate from 3.0 per cent to 2.0 per cent, effective 01 May 2015. The weighted average lending rate fell to 8.51 per cent from 8.74 per cent. As a result, the spread between the average weighted interest rate on deposits and loans narrowed to 6.68 per cent at the end of June 2016, from 6.77 per cent at the end of December 2015.

Developments on the Regional Government Securities Market (RGSM)

Activity on the primary market for government securities rose during the first half of 2016, amid growing amortization needs. Gross funds issuance amounted to \$448.0m, up from \$384.0m in the comparable period of the previous year. This total represented the issuance of twenty-four (24) securities compared with twenty-one (21) during the first six months of 2015. The increase was attributable to greater issuance by the governments of Saint Lucia and St Vincent and the Grenadines, largely associated with the re-issuance of maturing securities on the RGSM. Another purpose of the increased issuance in Saint Lucia was to meet budget financing needs for the fiscal year 2015/2016. The securities comprised of one (1) ten-year bond, one (1) six-year bond, and twenty (22) Treasury bills - sixteen (16) of which were 91 days, five (5) were 180 days and one (1) was 365 days. Both bonds were issued by Saint Lucia. In comparison with the first half of 2015, the securities consisted of one five (5) year bond and twenty (20) Treasury bills - fifteen (15) of which were 91 days, four (4) were 180 days and one (1) was 365 days.

The total value of Treasury bills issued rose by 12.5 per cent to \$404.0m during the first half of 2016. An increase was noted in the total value of these short term investments for the governments of Saint Lucia (\$20.0m) and St Vincent and the Grenadines (\$25.0m). The value of such investments remained unchanged for Antigua and Barbuda, Dominica and Grenada.

The data indicators point to lower investor sentiment in the market. The bid-to-cover ratio, which represents the proportion of the value of bids received in an auction to the value of bids accepted, is estimated to have contracted to 1.35 from 1.53 during the comparable period of 2015. The pace of growth in the value of bids accepted exceeded that of the value of bids received, resulting in the decline in the ratio. The value of bids received grew by 11.1 per cent to $698.9m, while the value of bids accepted rose by 26.4 per cent to $518.5m. There were no under-subscriptions during the period under review. By comparison, during the first six months of 2015, there was one under-subscription, as the 365-day Treasury bill valued at $10.0m and issued by the Government of Antigua and Barbuda only raised $6.4m.

The weighted average interest rate on a 91-day Treasury bill rose to 4.15 per cent from 3.09 per cent during the six months ending June 2015. Yields for 180-day Treasury bills fell to 4.06 per cent from 4.50 per cent, and those for the 365-day Treasury bills declined to 4.50 per cent from 6.50 per cent at the end of June 2015. The yield for the longer-term, 6-year bond was 7.0 per cent, while a rate of 7.5 per cent was recorded for the 10-year bond issued during the review period. This outturn compares to a yield of 7.0 per cent for a 5-year bond in the first half of 2015.

Trading activity on the secondary market for government securities increased during the first half of 2016. The value of secondary trading moved up to $2.4m from $0.6m during the first six months of the previous year.

Prospects

Consequent to recent international developments, the International Monetary Fund’s World Economic Outlook (July 2016) revised estimates for global economic growth for 2016 to 3.1 per cent, marginally below its earlier preliminary forecasts of 3.2 per cent. The slight downward revision stemmed from the initial shock of the UK vote to leave the European Union (Brexit), cushioned somewhat by a better than anticipated first quarter performance. Notwithstanding the inherent uncertainty of the impact of Brexit, the general outlook for the global economy in the short term remains favourable with growth forecasts of 3.4 per cent for 2017, which is higher than the outturn for 2015.

Premised on the prospects for the global economy and expectations for the domestic environment for the rest of the year, economic activity in the ECCU is forecasted to increase in 2016, consistent with the expectations of improved economic conditions from respondents of the last ECCU business outlook survey. It is anticipated that growth will be largely driven by the major sectors including construction and its auxiliary sectors; agriculture and to a lesser extent, hotels and restaurants. The pace of construction activity is projected to strengthen as work on projects in the private sector progresses, mainly on real estate developments, other tourism-related plants and residential undertakings. The public sector is expected to contribute towards the uptick in the construction sector largely through road and other infrastructural development in most territories, supported by, inter alia, a government housing project in Antigua; a new secondary school, cruise ship berth and recreational park in St Kitts; and post-Erika reconstruction in Dominica.

Projections for growth in the agricultural sector are hinged on continued diversification efforts within the sector, larger investments in the development of non-banana crops, improvement in banana production in the Windward Islands and strengthening of linkages with other critical sectors of the economy. The short term outlook for the tourism industry is contingent on anticipated enhancements in airlift, marketing, accommodation and positive economic developments in the main source markets, particularly the USA. While uncertainty in the aftermath of Brexit is likely to continue to impact arrivals from the UK, the region's second largest market, the anticipated gain from the other source markets is expected to compensate and result in an overall improvement in visitor arrivals.

It is anticipated that the forecasted developments in the agricultural and construction sectors, supported by the tourism industry, will positively impact wholesale and retail trade; transport, storage and communications; and the real estate, renting and business activities sectors. As the macro-economic environment improves, it is likely to have positive spin-offs for the domestic labour market and the overall socio-economic conditions in the Currency Union.

Inflationary pressures are likely to remain subdued for the rest of 2016 and into the near-term, as expectations in most advanced economies remain below target. Also, the ECCU's deflationary conditions during the first half of 2016 are forecasted to linger for the remainder of the year, as global commodity prices remain down.

In the external sector, the merchandise trade deficit is projected to continue to widen, as import payments expand consistent with the anticipated increase in construction activity. Activity in the manufacturing sector may remain weak and further impact total export receipts. Gross travel receipts are projected to increase, in line with forecasted improvement in the stay over visitor category.

Central governments' aggregate fiscal position is expected to improve in 2016, buoyed by expectations for continued fiscal consolidation programmes and economic growth in most territories. The fiscal performance is likely to be underscored by improvements in current revenue collection, as capital expenditure may be above the level recorded last year, as infrastructural development continues in most territories and strengthens in Dominica where reconstruction works progress following the devastation by tropical storm Erika. Current expenditure is expected to increase albeit at a slower pace than the rise in current revenue, as member governments spend more on goods and services and personal emoluments. Consequently, the overall fiscal position is projected to move to a surplus, largely on the strength of the improved current account balance. Consistent with better fiscal positions and economic expansion, the overall indebtedness of the currency union is expected to decline as some member territories converge towards the 60 per cent debt to GDP target.

It is expected that the banking system will remain stable, contingent on continued strengthening of its supervision and regulation, supported by an uptick in economic activity. The passing of the revised Banking Bill and the ECAMC Agreement Act in all the territories sets the tone for an enhanced banking system, imperative to deal with the dynamic financial sector challenges, including correspondent banking issues. Monetary liabilities are projected to increase as private sector savings deposits grow, reflective of increased economic activity. The easing of the monetary policy stance by the Monetary

Council, through the reduction of the minimum savings rate, has not visibly impacted lending rates and ultimately private sector credit to facilitate economic growth in the ECCU. Consequently, domestic credit is likely to remain subdued, as commercial banks maintain their risk-adverse stance and tighten lending standards, notwithstanding a very liquid environment. However, declining deposits rates in the banking system may encourage increased investment activity on the RGSM, as businesses continue to move to higher interest yielding opportunities. It is likely that the net foreign assets of the banking system will be positively influenced by a projected increase in travel receipts; official flows and inflows of foreign direct investments, driven by the citizenship by investment initiatives.

The economic outlook for improved fiscal, financial and macroeconomic conditions for the ECCU has significant inherent risks, both upside and downside. **Regarding the upside, the ability of the financial system to efficiently resolve the recent banking issues in Anguilla has boost overall confidence, which has the ability to bolster credit flows and facilitate growth.** On the international front, continuous downward pressure on oil prices could augur well for near-term prospects. On the other hand, the Brexit is still unfolding and has substantially increased global economic and political uncertainty. Also, tourist arrivals from the UK may be challenged by developments in that economy in the aftermath of Brexit. A generally weak inflation outlook for advanced economies, coupled with lower than anticipated global growth, also pose significant risks. Other downside risks include ongoing concerns about climate change; geopolitical tension; the Zika virus and its impact on the region's health system and the tourism industry; the issue of de-risking and how it affects the domestic banking system; and adverse weather associated with an active hurricane season.

The high cost of doing business in the region and high levels of unemployment are major concerns for regional policy makers. The average growth forecast (2.8 per cent) for the ECCU in the short-term remains below the target growth of 5.0 per cent needed to thrust economic development. There are a number of structural issues, which need to be addressed to facilitate more favourable prospects for the region's economy. **Policy**

initiatives should focus on structural reforms - including education and competitiveness, financial sector stability and fiscal and debt sustainability.

A N G U I L L A

Overview

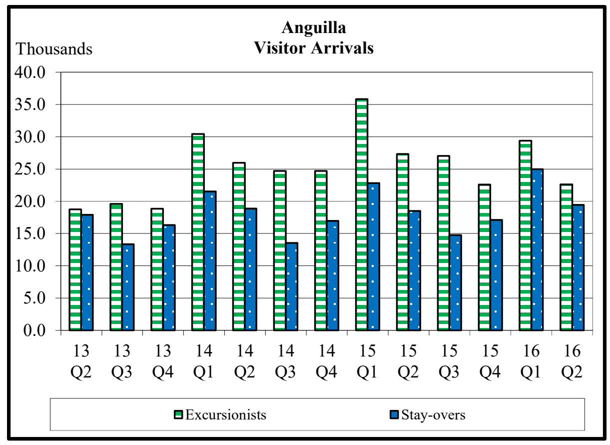
Provisional estimates suggest a strengthening of the Anguillan economy in the first half of 2016 relative to the comparable period of 2015. There were estimated increases in a number of sectors including hotels and restaurants, construction and wholesale and retail trade. Consumer prices grew by 0.5 per cent on an end-of-period basis. In the external sector, the merchandise trade deficit stabilised while **the fiscal operations of the government resulted in a smaller overall surplus.** Total outstanding public sector debt doubled over the period under review. In the banking system, net foreign assets increased, while monetary liabilities and domestic credit decreased. Commercial bank liquidity improved and the weighted average interest rate spread between loans and deposits widened.

Economic activity is expected to improve in 2016 premised on some improvement in the tourism industry, the completion and opening of several boutique hotels, planned enhancements to public infrastructure and private sector construction activity. An increase in the number of excursionists combined with an improvement in stay-over visitor arrivals will sustain economic activity in the short term. Similarly, construction activity is anticipated to recover due to planned upgrades and investments in hotel developments and public financing for port (both air and sea) enhancement projects. The pace of implementation is expected to have a positive impact on the transport, storage and communications and wholesale and retail trade sectors. In the public sector, the UK government has earmarked funding for public infrastructure enhancements. Notwithstanding the favourable prospects in the domestic economy, **key downside risks exist related to the unforeseen costs associated with the banking sector resolution and the uncertainty for UK's economy as a result of Brexit**. **On the upside, falling global commodity prices and the opportunities created by the planned improvement in port facilities can augur well for economic growth in Anguilla.**

Output

Value added in the hotels and restaurants sector is estimated to have increased in the first half of 2016, compared with the first six months of the prior year. The number of stay-over visitor arrivals rose by 7.4 per cent, driven by growth in visitor arrivals from the USA, European and Caribbean markets. Developments in this category were attributed in part to increased airlift into Anguilla, improved marketing by the Anguilla Tourism Board and the addition of the Zemi Beach Resort to the hotel room stock. Stay-over visitor arrivals from USA, which accounted for 68.7 per cent of all stay-over arrivals, grew by 6.1 per cent to 44,411, following growth of 4.4 per cent in the corresponding period of 2015. This performance was underpinned by marketing initiatives including several media outlets and a US-based marketing representative. Stay-over visitor arrivals from the UK grew by 9.9 per cent, following 2.0 per cent growth in the first half of 2015. In addition, there were increases in stay-over visitor arrivals from the Caribbean (9.4 per cent). By contrast, the number of visitors from the Canadian market declined marginally (0.9 per cent).

Notwithstanding the improvement in the stay-over visitor category, total visitor arrivals declined by 7.8 per cent to 96,417, in contrast to an 8.0 per cent increase in the corresponding period of 2015. The fall in total visitor arrivals was reflective of a 17.7 per cent reduction in the number of excursionists visiting the island.

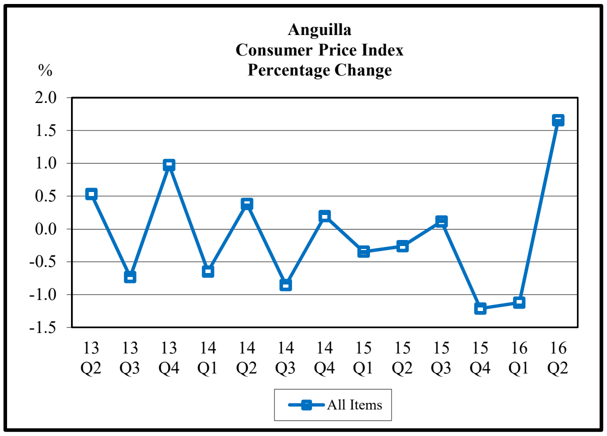


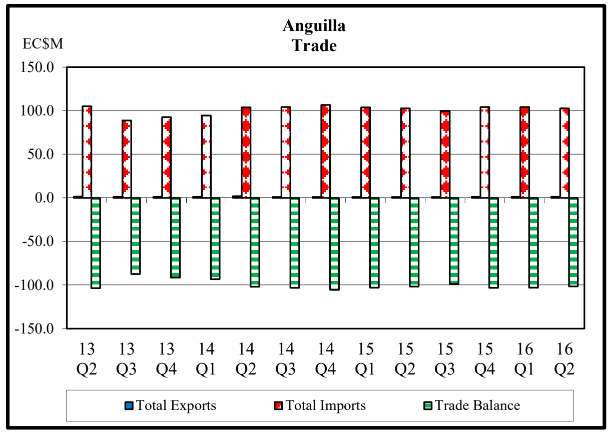
Construction work is estimated to have increased in the first half of 2016 relative to the outturn in the corresponding period of 2015. Developments in the private sector included the completion of the Zemi Beach Resort, which opened in January 2016, ongoing work on the Manoah hotel, the Reef at Cuisinart Golf Course and Spa and the Solaire hotel and villas project. In the public sector, government outlays on capital projects slowed, constrained by limited fiscal space and restrictions on borrowing. In spite of the expansion in tourism activity, both credit to the sector and the volume of imports of cement declined. Increased value added was also recorded in public administration, defence and compulsory social security, associated with larger outlays for wages and salaries.

Conversely, value added by the financial intermediation sector is estimated to have declined in the first half of 2016 on account of estimated reductions in the value of loans and advances extended by commercial banks. Similarly, tourism and construction activities are estimated to have had a positive impact on allied sectors including; wholesale and retail trade; and real estate, renting and business activities.

Prices

The consumer price index increased by 0.5 per cent on an end-of-period basis during the first half of 2016, following a decline of 0.6 per cent during the corresponding period of 2015. The main sub-indices contributing to the rise in prices were communication (11.6 per cent), clothing and footwear (5.8 per cent), household furnishings, supplies and maintenance (4.0 per cent) and alcoholic beverages, tobacco and narcotics (0.9 per cent). The upward price pressure on the communications sub-index was largely due to an increase in the communication tax from 10 per cent to 15 percent. The higher sub-indices for clothing and footwear, household furnishings and supplies reflected an increase in the price of men's and women's garments, and increases in the price of furniture. The increase in those sub-indices was tempered by decreases in the transport (4.5 per cent), recreation and culture (4.3 per cent), housing, utilities gas and fuels (1.4 per cent), hotels and restaurants (1.0 per cent) and food and non-alcoholic beverages (0.4 per cent). The fall in the sub-index for transport reflected declines in airfares to the United States of America, Dominican Republic and US Virgin Islands, in addition to a fall in fuel and lubricants due to lower fuel prices. The lower sub-index for recreation and culture was attributed to declines in the price of televisions and radio stereos. The decline in the sub-index for housing, utilities, gas and fuels was largely influenced by a decline in electricity and petroleum prices.





Trade and Payments

A merchandise trade deficit of $204.7m was estimated in the first half of 2016, similar to the deficit recorded in the corresponding period of 2015. Total import payments and export receipts both increased marginally to $206.9m and $2.3m, respectively. Gross travel receipts are estimated to have decreased by 0.4 per cent to $191.1m in the first six months of the year, in line with a fall in the number of excursionists. The transactions of commercial banks resulted in a net outflow of $60.4m in short term capital during the review period, compared with an outflow of $69.5m in the corresponding period of 2015. There were external disbursements of $0.1m received in the first half of the year and external principal repayments of $6.7m.

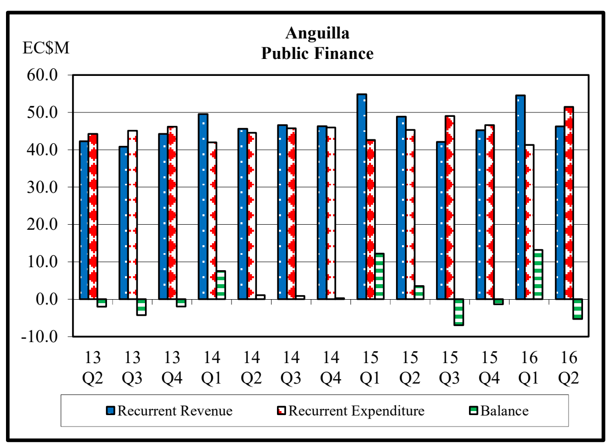
Central Government Fiscal Operations

The fiscal operations of the central government resulted in an overall surplus of $6.0m in the first half of 2016, compared with one of $15.0m in the corresponding period of 2015. The outturn was largely influenced by a narrowing of the current account surplus to $8.0m, from $15.8m in the first six months of 2015, as the level of tax revenue collected, despite declining over the period exceeded the growth in expenditure outlays. A primary surplus (after grants) of $11.3m was recorded, compared with one of $19.3m realised in the first half of 2015.

Current revenue fell by 2.9 per cent ($3.0m) to $100.8m, attributable to lower taxes on domestic goods and services and property tax receipts. Tax revenue totalled $86.5m, which was 3.5 per cent lower than the amounted collected in the comparable period of 2015. The yield from property taxes fell by 60.3 per cent ($1.8m) to $1.2m, mainly due to delays in the implementation of the proposed property tax reform. Receipts from taxes on domestic goods and services fell by 6.5 per cent ($2.5m) to $35.3m, reflective of lower stamp duty ($4.3m) and bank deposit levy ($2.0m) collections. The decline in taxes on domestic goods and services was moderated by collections from licenses which grew 39.6 per cent ($3.4m) as result of an expansion in stay-over visitor arrivals and the collection of outstanding accommodation tax receipts from some tourist accommodation establishments. In contrast, the yield from taxes on income and profits grew by 4.5 per cent ($0.3m) to $7.6m in the first half of 2016, reflective of higher receipts from the interim stabilisation levy. The $0.8m gain in tax receipts on international trade and transactions was on account of a $1.0m increase in collection of import duty. Non-tax revenue grew 1.1 per cent ($0.2m) to $14.3m.

Current expenditure grew by 5.5 per cent ($4.8m) to $92.8m, compared with a 1.7 per cent rise in the corresponding period of 2015. Outlays on interest payments grew by 22.3 per cent ($1.0m) associated with higher domestic borrowing as part of the domestic banking resolution. Outlays on goods and services grew by 8.8 per cent ($1.7m) to $21.2m. Higher current expenditure was also supported by an increase in transfers and subsidies of 4.1 per cent ($0.9m) and spending on personal emoluments of 3.0 per cent ($1.2m). The increase in transfer and subsidies was associated with a pick-up in subventions to the tourist board and the community college.

Capital expenditure stabilised at $2.1m in the review period, the same outlay recorded in the corresponding period of 2015, reflecting the inability of the government to increase expenditure in line with fiscal restraint measures and delays in the receipt of capital grants.



Public Sector Debt

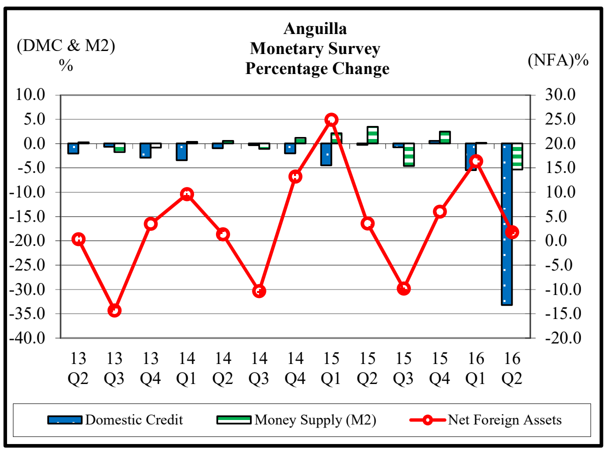
The total disbursed outstanding debt of the public sector was estimated at $420.4m at the end of June 2016, approximately 97.6 per cent ($207.7m) higher than that recorded at the end of 2015. The sharp increase in the total debt stock is attributed to domestic borrowing and the absorption of contingent liabilities by the Government of Anguilla in the domestic banking sector. Central government debt accounted for 97.5 per cent of total disbursed outstanding debt, with a structural shift in the composition with domestic debt accounting for 64.5 per cent. The outstanding debt of statutory bodies fell by 6.8 per cent to $10.4m.

Money and Credit

Monetary liabilities (M2) declined by 5.2 per cent to $1,018.0m during the first half of the year, compared with an increase of 5.7 per cent during the corresponding period of 2015. The fall in M2 can be attributed mainly to a decrease in quasi money, which fell by 4.6 per cent ($45.7m) to $958.1m, on account of a reduction in foreign currency deposits ($28.1m) and private sector savings ($19.7m). The other main component of M2, narrow money (M1), also fell by 14.5 per cent ($10.2m) to $59.9m compared with a 15.5 per cent increase recorded during the comparable period of 2015. The decline in M1 is mainly attributable to the fall in private sector demand deposits ($13.3m).

Domestic credit contracted by 36.9 per cent ($344.8m) to $589.4m, compared with a decline of 4.8 per cent during the comparable 2015 period. This development was largely attributable to reductions in outstanding credit to the private sector, combined with decreases in the net deposit positions of the non-financial public enterprises and the central government.

Private sector credit declined by 45.1 per cent ($551.1m) to $672.1m during the review period largely due to contractions of 56.7 per cent ($387.7m) in credit extended to businesses and 28.9 per cent ($149.5m) in credit to households. The net deposit position of the central government fell by 29.3 per cent ($19.1m) at the end of June 2016, largely influenced by a $15.1m decrease in central government deposits held at commercial banks and a $4.6m increase in central bank advances to the government. In the rest of the public sector, the net deposit position of non-financial public enterprises decreased by 83.6 per cent ($187.2m) reflecting a reduction in their deposits at commercial banks. The reduction in the net deposit position of non-financial public enterprises was associated with the transfer of large deposits above a threshold of $2.8m into a Deposit Protection Trust as part of the domestic banking resolution strategy. The repayment of the large deposits was secured through the issuance of government bonds with maturities of 10 and 25 years.



An analysis of changes in the distribution of credit across the sectors indicated that a 70.8 per cent ($156.5m) decline in credit for tourism was the largest contributing factor to the overall contraction in credit extension. Lower credit for construction ($126.1m) and personal use ($140.4m) particularly for home construction and the acquisition of property were also observed. The sharp reduction in credit by economic activity is attributed to the removal of impaired assets within the domestic banking sector.

The net foreign assets of the banking system grew by 18.4 per cent to $385.7m, compared with growth of 29.3 per cent during the first half of 2015. The increase was primarily influenced by a 30.9 per cent rise to $256.1m in commercial banks' net foreign assets position. Anguilla's imputed share of the ECCB reserves fell by 0.3 per cent to $129.6m.

Liquidity in the commercial banking system rose during the first half of 2016. The ratio of liquid assets to total deposits plus liquid liabilities increased by 10.1 percentage points to 41.0 per cent, while the loans and advances to deposits ratio fell by 26.7 percentage points to 55.7 per cent.

The major development influencing movements in interest rate spreads was the reduction of the minimum savings deposit rate (MSR) from 3.0 per cent to 2.0 per cent effective 1 May, 2015. The weighted average interest rate spread between deposits and loans grew by 77 basis points to 7.20 per cent, compared with that of December 2015. The weighted average interest rate on loans increased to 9.62 per cent from 9.07 per cent while that on deposits fell to 2.42 per cent from 2.65 per cent.

Prospects

In the context of both global and domestic developments, the real economy of Anguilla is expected to expand towards its growth potential of 3.0 per cent in 2016, following the recovery of 2.2 per cent in 2015. Risks to economic outlook are assessed to be broadly balanced. The downside risks relate to the possible impact of weaker growth in the global economy, while the upside risks pertain to continued strengthening of the tourism and construction sectors.

Global economic growth has been downgraded by 0.1 percentage point to 3.1 per cent in 2016, based on the July 2016 update of World Economic Outlook (WEO) report by the International Monetary Fund (IMF). This downgrade largely reflected some uncertainty resulting from the United Kingdom's vote to exit the European Union (EU). While there have been major differences in estimates of the economic impact of Brexit on the ECCU member states, it has been noted that the likely impact could be due to the varying transmission mechanisms that may be related to trade, investments, aid, labour market and tourism. Similarly, the economic outlook for the United States of America, another important trading partner, has been modest, following weak growth in the first two quarters of 2016. In addition, low inflation rates and historically low jobless rate may prompt the Federal Reserve to raise interest rates this year which could have repercussions on foreign direct investment.

Notwithstanding these downside risks, continued economic activity in 2016 is expected to be fuelled by improved performances of the tourism industry and on-going private sector construction activity. In the construction sector, several tourism-related construction projects are in their final phase of completion with anticipated tapering in the level of activity. Zemi Beach hotel opened in January 2016 and the Reef, Solaire Hotel and Villa project, and the Manoah Boutique Resorts targeting completion by November 2016. More recent tourism data signal some increased buoyancy in visitor arrivals and should remain on course to improve with the start of the tourist season. Unfortunately, the recent downgrade of the Clayton J Lloyd International Airport may limit passenger movement to the island.

Assuming a swift reinstatement of the airport to international standards, the expansion in tourism activity is expected to continue, in the absence of any further mitigating factors and is projected to positively impact the wholesale and retail trade and real estate, renting and business activities sectors. Further, the prospects for the tourism industry is supported by increased airlift via Seaborne Airlines from San Juan, Puerto Rico (April 2015) and LIAT via its intermediary Caribbean Helicopters (February 2016), forecasted expansion in the USA economy for 2016, lower fuel prices and improved marketing initiatives by the Anguillan Tourism Board.

The fiscal operations of the Central Government are expected to generate a lower overall surplus in 2016 based on anticipated increases in current and capital expenditure. Total current expenditure is estimated to rise, fuelled by higher interest payments associated with the resolution of the banking sector. Capital expenditure is expected to expand in 2016, above outlays in the previous year, commensurate with an increase in grant funding and planned infrastructural works. On the external account, the merchandise trade deficit is expected to widen reflecting higher imports, consistent with increases in tourism-related activities. Gross inflows from travel are projected to be higher in 2016, in line with the projected growth in visitor arrivals.

A few downside risks remain on the domestic front related to the banking resolution. While the initial resolution process is well underway, there may be risks to the fiscal and growth outlook which may be related to some continued tightening of credit conditions and unforeseen associated fiscal costs.

ANTIGUA AND BARBUDA

Overview

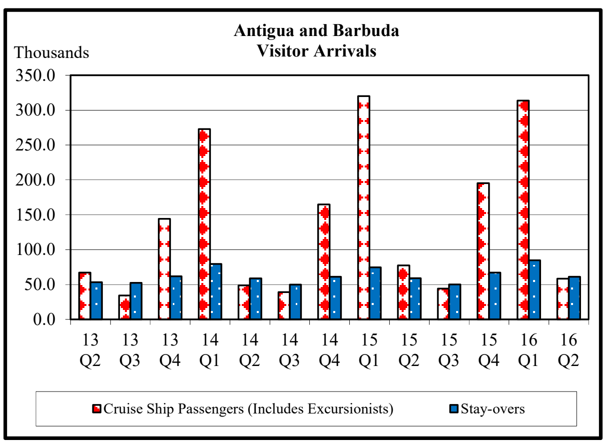
Economic output in Antigua and Barbuda is provisionally estimated to have expanded during the first half of 2016 relative to the corresponding period of 2015. The expansion was driven by activity in the tourism industry and the construction sector which contributed positively to value added in auxiliary sectors such as wholesale and retail trade; and transport, storage and communications. Over the six months' period ended in June 2016, consumer prices fell by 1.7 per cent. **The fiscal operations of the central government yielded a balanced position as total revenue collections equalized total spending.** Nevertheless, the total disbursed outstanding public sector debt increased compared with the level at the end of December 2015. In the banking system monetary liabilities expanded, while net foreign assets and overall domestic credit fell. Commercial bank liquidity remained elevated and the weighted average interest rate spread widened during the review period.

The economic outlook for the rest of the year remains positive, despite some challenges and downside risks. The growth momentum of the first half of the year is expected to persist in the second half of the year. Growth will be fuelled particularly by developments in the tourism industry, the mainstay of the economy. This industry is expected to benefit from intensified marketing efforts and enhancements to the tourism product. Activity in the construction sector is likely to strengthen somewhat in the next six months, as work is anticipated to begin in earnest on the road rehabilitation project financed by the British Government. Positive growth is also expected in key service sectors such as wholesale and retail trade; and transport, storage and communications. Consumer prices are forecasted to exhibit little upward mobility as global oil prices remain subdued. The fiscal position of the government is expected to deteriorate slightly as revenue flows will be negatively impacted by the removal of the personal income tax and lower inflows from the Citizenship by Investment Programme (CIP), coupled with greater spending. **There**

are a number of challenges and downside risks that could affect this expectation of positive growth. These include the effects of the exit of the United Kingdom from the European Union (Brexit) which could adversely affect global growth and by extension the demand for tourism services. Other threats to growth include: adverse weather conditions based on the National Oceanic and Atmospheric Administration (NOAA) forecast for an active hurricane season this year; fiscal tightening due to lower than budgeted inflows from the CIP and the slow drawdown of grant funding; and the negative effects of the mosquito borne Zika virus on tourism demand. On the upside, improvements in fiscal planning and debt management could lessen the fiscal risks and subdued global oil prices will continue to positively affect tourism demand. Furthermore, if a number of tourism related private sector projects gets off the ground, this could auger well for the economy through job creation and greater domestic demand.

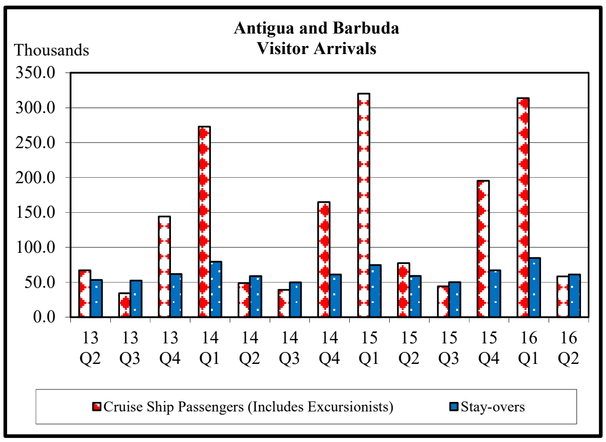
Output

Available indicators suggest that economic output expanded in the period under review. Value added in the tourism industry is estimated to have increased in the first six months of 2016, highly influenced by increased airlift; intensified sales and marketing efforts in late 2015; and a stable global economy. Stay-over arrivals, the category of visitors that contributes the most to GDP due to their greater spend, rose by 9.1 per cent to 145,564, in contrast to a decline of 3.5 per cent in the comparable period of 2015. Visitor arrivals from the largest source market, the USA, rose by 20.2 per cent, reversing the contraction of 3.3 per cent recorded in the first six months of 2015. This improvement followed additional airlift from JetBlue Airways. The European market, which is the second largest source market, recorded growth of 2.2 per cent largely driven by a 32.5 per cent increase in visitor arrivals from Italy following the commencement of a non-stop charter Alitalia service. The number of stay-over visitors from the UK, which accounted for 83.0 per cent of the European market, grew by 1.1 per cent as demand was positively impacted by increased promotional initiatives. In contrast, declines in stay over arrivals were recorded for France (14.5 per cent), Germany (12.6 per cent) and Switzerland (2.1 per cent). As a result of additional air service to Antigua and Barbuda, stay over visitors from the Caribbean showed a marked improvement, increasing by 13.7 per cent, in contrast to a decline of 2.3 per cent in the comparable period of 2015. The introduction of PAWA Airways contributed to a 42.8 per cent increase in stay over visitors from South America. Meanwhile, challenges persist in the Canadian market evidenced by the continued decline in the number of visitors from this country. Stay-over arrivals from Canada contracted by 9.6 per cent, albeit slower than the rate of 17.5 per cent recorded in the comparable period of 2015.



Activity in cruise tourism waned over the six months' period. The number of cruise ship passengers fell by 6.4 per cent to 371,936 in contrast to growth of 23.6 per cent in the first six months of 2015. The decline in the number of cruise ship visitors reflected a reduction in the number of cruise ship calls which fell to 191 from 213. Despite the increase in yacht calls due to the hosting of a number of races including the RORC 600 Yachting Race and Talisker Whisky Atlantic Rowing Challenge, the number of yacht passengers declined by 2.9 per cent to 13,082 in contrast to an increase of 8.9 per cent recorded in the first six months of 2015. Those mixed developments in the various visitor segments, contributed to an overall 2.5 per cent decline in the total number of visitors to 530,582, in contrast to growth of 15.3 per cent at the end of June 2015.

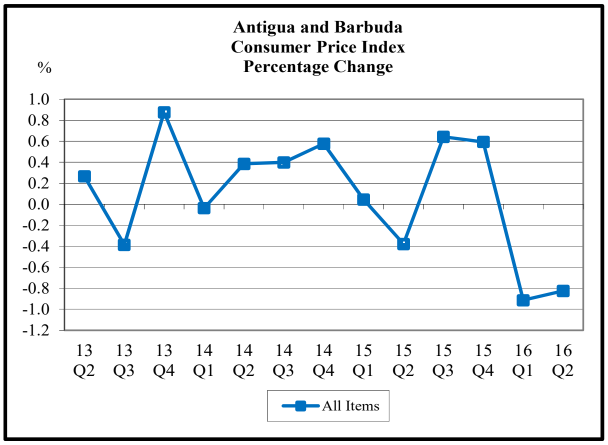
Activity in the construction sector is estimated to have increased in the first half of 2016 relative to the corresponding period in 2015. The estimation is supported by an 8.0 per cent increase in the total importation of construction materials, a major indicator of construction activity. However, the volume of cement imports is estimated to have fallen by 4.6 per cent, albeit at a slower rate than the 6.4 per cent recorded in the comparable period in 2015. In the public sector, construction activity is estimated to have increased, marked by an increase in capital expenditure which more than tripled following marginal growth in the comparable period of 2015. Public sector projects include the Fort James Restoration Project; Government Housing Development, repairs to government buildings and upgrades to five (5) secondary schools. In the private sector construction works progressed on several hotel projects and CIP funded developments.



Given the positive developments in the tourism industry and the construction sector, it is estimated that due to linkages, value added in the wholesale and retail trade and; transport, storage and communications sectors also expanded. This was further evidenced by growth of 15.1 per cent in general cargo compared with a marginal increase of 0.7 per cent at the end of June 2015. Activity in the public administration and defence, compulsory social security sector is estimated to have increased, fuelled by higher pension payments and personal emoluments.

Prices

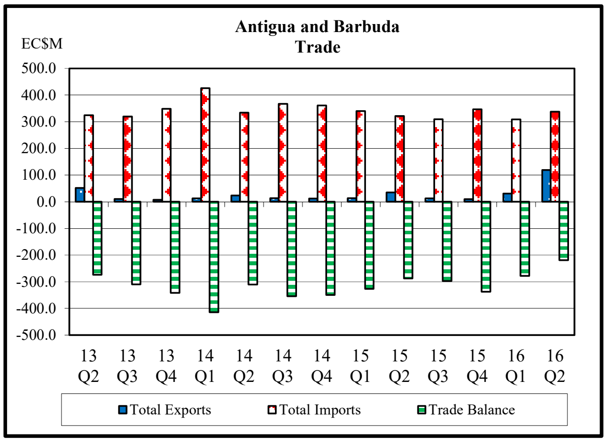
During the period of review, the methodology of measuring the change in consumer prices was modified. Instead of the arithmetic mean, the geometric mean was used to measure price changes. Based on this new methodology the Consumer Price Index fell by 1.7 per cent during the first six months of 2016, largely driven by decreases in the three largest weighted sub-indices of housing, food and transport and communications. The housing sub-index fell by 4.1 per cent on account of lower costs associated with repairs and maintenance and mortgage payments. The food sub-index contracted by 2.6 per cent reflecting declines in the costs of various meats, dairy products and fruits and vegetables. A reduction in the costs associated with the operation of personal transportation contributed to a 1.7 per cent decline in the transport and communications sub-index. Other notable declines were recorded in the sub-indices of medical care and expenses (3.2 per cent); alcoholic beverages and tobacco (3.0 per cent); and education (2.4 per cent). Those decreases were partly tempered by increases in the sub-indices of personal services (0.4 per cent); clothing and footwear (0.3 per cent) and household furnishings and supplies (0.3 per cent).



Trade and Payments

Preliminary trade statistics indicate that the merchandise trade deficit narrowed by 19.1 per cent to $495.9m in the first half of 2016, relative to the corresponding period of 2015. The narrowing of the deficit was largely on account of a significant increase in export earnings and a concomitant fall in import payments. Exports earnings more than tripled to $150.7m associated primarily with the re-exports of machinery and transport equipment which amounted to $105.8m. Furthermore, import payments declined by 2.3 per cent to $646.5m, owing to movements in the importation of mineral fuels and related materials; and machinery and transport equipment. Import payments for mineral fuels and related materials contracted by 33.6 per cent, a reflection of the global decline of oil prices. This stark decline was largely tempered by a 31.0 per cent increase in import payments for machinery and transport equipment, which were partly re-exported.

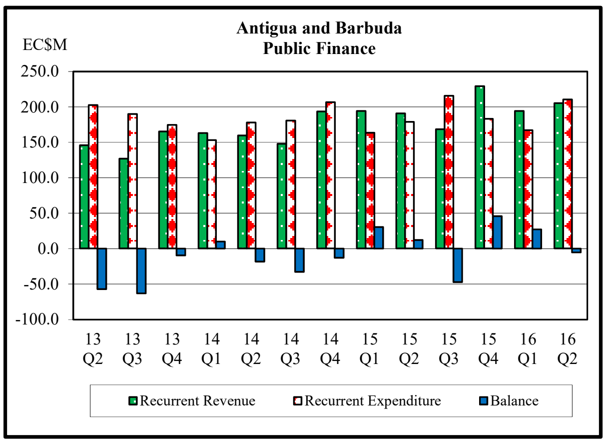
Gross travel receipts are estimated to have risen by 7.7 per cent to $506.3m in the first six months of the year, consistent with the bump in stay-over visitors. Commercial banks' transactions resulted in a net inflow of $205.7m, mainly representing the drawdown in assets from external branches of foreign branch banks. Receipts from external creditors increased by $10.1m to $38.4m associated primarily with new debt from the issuance of treasury bills. External amortization rose significantly to $93.0m from $39.3m at the end of June 2015, partly reflecting the reclassification of external investors investments in government debt issued on the Regional Government Security Market (RGSM). These transactions contributed to a net amortization position of $54.5m, relative to one of $10.9m in the comparable period of 2015.



Central Government Fiscal Operations

Government activity led to a balanced position in the first half of 2016, compared with an overall surplus of $25.1m in the corresponding period in 2015. This outturn was attributed to the offsetting of revenue inflows by government consumption and investments. The current account surplus narrowed to $21.8m from one of $42.8m, as growth in expenditure outstripped the increase in revenue. In the same vein, the primary surplus shrank to $46.1m following one of $70.9m at the end of June 2015.

Driven largely by increased tax collections, current revenue rose by 3.7 per cent to $399.8m, relative to the comparable period in 2015. Tax receipts grew by 8.7 per cent to $352.2m associated with growth in taxes on domestic goods and services and international trade and transactions. Tax revenue from domestic goods and services rose by 15.1 per cent ($21.4m) on account of a much better outturn from the Antigua and Barbuda Sales Tax (ABST). Revenue from the ABST grew by 10.8 per cent ($13.3m) highly correlated with the uptick in economic activity - especially tourism, and greater domestic consumption. Stamp duty, the other main category of domestic taxes also showed marked improvement, increasing by 64.2 per cent ($8.6m). Revenue from taxes on international trade and transactions rose by 7.7 per cent ($9.1m) due to increases in all major sub-categories namely, consumption tax; import duty; and the revenue recovery charge. Greater inflows from the consumption tax mirrored government’s savings from lower international oil prices, while the outturns for import duty and the revenue recovery charge mainly reflected improved efficiency by the Customs Department and higher compliance rates. Meanwhile, revenue from taxes on income and profits increased marginally ($0.7m) to $48.6m while the yield from property tax fell by 10.4 per cent ($1.6m). The reduction in income from property tax mainly reflected a return to normal trends as the uptick in the previous year was largely due to the collection of outstanding arrears. In contrast, non-tax revenue declined by 22.4 per cent to $47.6m mostly on account of lower inflows from the Citizenship by Investment Programme (CIP).



Current expenditure increased by 10.3 per cent to $377.9m, as all sub-categories rose. Personal emoluments which accounted for 42.4 per cent of current expenditure grew by 7.8 per cent ($11.6m) owing to the payment of outstanding overtime and risk allowance; and salary upgrades for some teachers. The allocation towards transfers and subsidies rose by 4.6 per cent ($4.9m) partly due to higher pension contributions. There was a marginal increase of 0.6 per cent ($0.3m) in interest payments chiefly due to external debt servicing as domestic interest payments contracted. Outlays on goods and services grew by 45.4 per cent ($18.7m) partially associated with the settling of outstanding payments for security services and service contracts for repairs to the cricket stadium.

On the capital account, capital revenue amounted to $41.0m at the end of June 2016, compared with $0.9m in the corresponding period of 2015. This stark increase resulted from forfeited proceeds. Consequently, capital expenditure more than tripled to $62.8m reflecting capital works being done on the Fort James Restoration Project, repairs to government buildings and the government funded housing project.

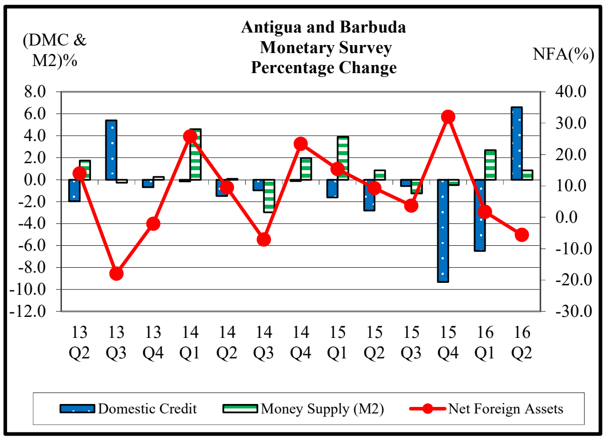
Public Sector Debt

The total disbursed outstanding debt of the public sector was estimated at $3,138.9m at the end of June 2016, up from $3,088.5m at the end of December 2015. The increase in the debt stock was largely attributable to an increase in external debt as domestic debt fell slightly. The external debt stock, which accounted for 53.5 per cent of total debt, rose by 7.1 per cent to $1,680.7m. The growth in external debt largely reflected the issuance of treasury bills, part of which was taken up by external investors. Meanwhile, total domestic debt fell by 4.0 per cent to $1,458.2m as a result of the net effect of the issuance of a bond to support the resolution of the ABI Bank and the debt for asset swap with a statutory entity. On a disaggregated level, the total debt stock of central government rose by 2.5 per cent to $2,640.9m while that of public corporations fell by 2.7 per cent to $497.9m.

Money and Credit

In the banking sector, monetary liabilities (M2) increased by 3.6 per cent to $3,210.5m during the first six months of 2016, compared with a rate of growth of 4.8 per cent during the corresponding period of 2015. The expansion in M2 was attributable to increases in both money supply (M1) and quasi money. Quasi money, which constituted 75.9 per cent of M2, grew by 1.2 per cent to $2,436.1m, reflecting a 5.4 per cent increase in private sector savings deposits. Meanwhile, private sector time deposits, the second largest component of quasi money, fell by 2.7 per cent, along with a contraction in private sector foreign currency deposits (7.5 per cent). M1 rose by 11.6 per cent to $774.4m marked by a 16.4 per cent expansion in private sector demand deposits while currency with the public contracted by 4.1 per cent.

The pace of contraction in domestic credit slowed during the first six months of 2016. The stock of domestic credit fell by 0.4 per cent to $2,242.8m, four (4) percentage points lower than the rate recorded during the first half of 2015. Credit to the private sector, which constituted the bulk of credit to the economy, recorded growth of 1.2 per cent to $1,932.2m, the first increase recorded in several years. Growth was recorded in both credit extended to households (0.6 per cent) and businesses (1.5 per cent). Net credit to the government fell by 7.8 per cent to $308.9m largely due a 9.3 per cent ($42.8m) reduction in loans and advances with commercial banks, partly resulting from the resolution of ABI Bank and the clearing of interest due on securities at the Central Bank in the amount of $1.0m. Moreover, government deposits in the banking system fell by 8.2 per cent ($17.8m). Some of these deposits were used to reduce credit balances at commercial banks and the Central Bank, hence resulting in a decrease in the governments' net credit position. In the rest of the public sector, the net credit position of non-financial public enterprises fell by \$5.1m to \$1.2m on account of a 5.3 per cent drop in credit, coupled with a 1.9 per cent contraction in deposits.



The outstanding stock of credit extended to the various sectors of the economy fell by 1.3 per cent to \$2,423.7m, compared with a decline of 3.4 per cent recorded during the first half of 2015. Declines were recorded in major economic areas including utilities, electricity and water (23.2 per cent); professional and other services (10.0 per cent), construction (8.6 per cent); public administration (7.9 per cent); transportation and storage (6.9 per cent); and distributive trades (2.9 per cent). Outstanding credit for personal use, which amounted to 49.3 per cent of total credit, rose by 0.8 per cent on account of increases in loans outstanding for house and land purchase (3.2 per cent), durable consumer goods (1.3 per cent) and other personal uses (2.6 per cent). Credit outstanding for tourism purposes showed a significant increase of 47.6 per cent (\$51.0m) related to two tourism projects.

The net foreign assets of the banking system fell by 3.9 per cent to \$1,464.3m during the first half of 2016, in contrast to a 26.1 per cent expansion during the corresponding period of 2015. This decline was on account of a contraction in commercial banks net foreign assets. Commercial banks net foreign assets contracted by 36.5 per cent (\$205.7m) to \$358.5m at the end of June 2016, relative to the amount recorded at the end of December 2015 largely on account of a drop in external assets outside the Currency Union. Commercial banks net assets with institutions outside the Currency Union fell by 66.0 per cent to \$108.7m as banks drew down on their holdings with head offices and other branches. Meanwhile, commercial banks net assets with institutions within the Currency Union rose by 2.1 per cent to \$249.7m mainly on account of a stronger asset position. In contrast, Antigua and Barbuda's share of the imputed reserves at the Central Bank rose by 15.2 per cent to $1,105.9m mirroring an increase in commercial banks deposits and bankers' reserves.

Commercial banks in Antigua and Barbuda were highly liquid during the period of review. The ratio of liquid assets to total deposits plus liquid liabilities rose by 13 basis points to 62.44 per cent, way above the ECCB prudential limit of 20.0 - 25.0 per cent. Although, the loans and advances to total deposits ratio rose to 69.3 per cent at the end of June 2016 from 68.7 per cent at the end of December 2015, it was still below the ECCB's benchmark of 75.0 - 85.0 per cent. This is an indication that commercial banks have significant lending capacity.

The interest rate spread between loans and deposits widened marginally to 7.29 percentage points at the end of June 2016 from 7.27 percentage points at the end of December 2015. The slight increase in the interest rate spread was largely attributable to a contraction in average deposits rates which outstripped the decline in average lending rates. The weighted average deposit rate fell by 14 basis points to 1.90 per cent principally due to a reduction in the interest rates on time deposits. The weighted average lending rate fell by 12 basis points to 9.18 per cent mainly due to a fall in the lending rates on loans issued in national currency.

Prospects

The economic outlook for Antigua and Barbuda is projected to be broadly positive, with some downside risks. The outlook is also contingent on global growth projections, which have been revised downwards due to Brexit, but remain positive. Growth in the domestic economy will be buoyed largely by activity in the tourism industry along with an uptick in construction activity. The stay-over sub-category of visitor arrivals is expected to remain robust as extensive marketing initiatives continue, especially in the US and UK markets. Particular focus has also been placed on the Canadian market, with some possible gains expected in the upcoming peak season. However, it is likely that given the depreciation of the British Pound and some uncertainty in the labour market, that demand for leisure travel from the UK market might contract. To counteract this effect, hotel stakeholders may need to consider discounted rates to UK visitors, while at the same time target other markets in Europe and further intensify marketing efforts in the US and Canada. Cruise tourism is also forecasted to perform well in the last quarter of the year as more cruise ship calls are expected. Construction activity in both the public and private sector is expected to strengthen. In the public sector, capital works will include the road rehabilitation project, renovations of government buildings and the government housing project. Private sector construction activity will be focused on a few CIP funded real estate developments, enhancements to the hotel stock and residential construction. Consequently, value added in the supportive sectors of wholesale and retail trade; and transport, storage and communications are projected to expand. Despite the likely expansion in economic activity, inflationary pressures will remain subdued as global oil price movements are forecasted to be relatively minimal.

The fiscal operations of the central government are expected to yield a smaller overall surplus or a marginal deficit in 2016. Revenue inflows will be adversely affected by the removal of the personal income tax (PIT) which took effect on 1 July 2016. To date the tax has been replaced with an unincorporated business tax which is likely to offset only 11.0 per cent of the PIT. While there was an earlier announcement that the removal of the PIT would be revenue neutral, amendment to existing taxes such as the ABST or the revenue recovery charge which could meet the remaining shortfall of the unincorporated business tax, has not yet been decided on. Non-tax revenue is expected to be below the amount collected in 2015, as inflows from the CIP have waned significantly in the first half of the year and is likely to continue through the second half. The slowdown in CIP inflows may be attributed to regional and global competition and an even more stringent 'due diligence' process. Those reductions in revenue will be tempered by the receipt of forfeiture funds and grant inflows. Meanwhile, efforts to improve tax administration and compliance; and contain tax concessions are on-going and will likely contribute to greater tax collections. On the expenditure side, increases are expected to be reported for personal emoluments; goods and services; and transfers and subsidies. Financed partly by grant funding from the British

Government, capital expenditure is likely to more than double in 2016.

In the external sector, the merchandise trade deficit is projected to narrow largely due to a reduction in import payments consistent with low international oil prices. Gross travel receipts are forecasted to increase in line with the expected increase in the number of stay-over visitors and an improved performance of the cruise sector. On the capital and financial account, lower inflows for equity investment in the CIP and some uncertainty regarding tourism related foreign direct investment are likely to shrink the surplus.

The aforementioned forecasts could be affected by some negative risks. In the first instance, slower than anticipated global growth, either due to the effects of Brexit, geopolitical tensions, and uncertainty about the US elections could negatively influence growth in Antigua and Barbuda. The demand for travel could also be unfavourably impacted by the prevalence of the Zika virus, especially given the travel alert issued by the US authorities. Adverse weather systems such as tropical storms or hurricanes could reverse the gains made in infrastructural development and place a greater burden on government finances. Furthermore, the country is faced with a number of challenges including a double digit unemployment rate, decline in the performance of the CIP with downside revenue implications, and high debt servicing. These risks and challenges highlight the need for careful policy making that could cushion the impact of negative spill overs from the global economy, and mitigate the risks associated with natural disasters. On a positive note, progress in fiscal planning and improvements in debt management could lessen the fiscal risks associated with the CIP and debt servicing and subdued global oil prices will continue to positively affect tourism demand. Furthermore, if a number of tourism related private sector projects for which agreements have been signed, gets off the ground, this could auger well for the economy through job creation and greater domestic demand. The authorities should also intensify efforts to control the spread of the Zika virus. In addition, overall economic planning should be holistic and should seek to generate high levels of sustainable growth that would reduce the unemployment rate and by extension improve the standard of living of all citizens.

D O M I N I C A

Overview

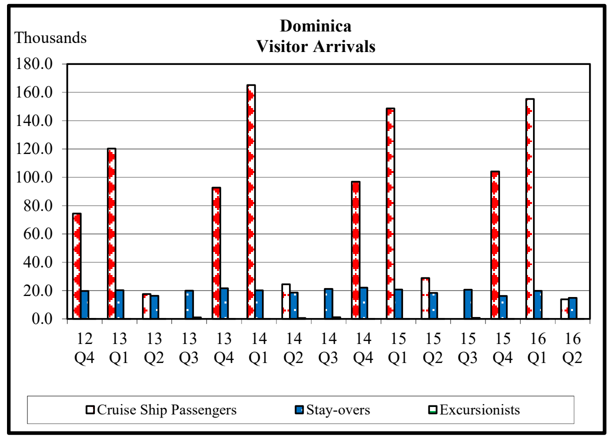
Preliminary estimates suggest that the pace of economic activity in Dominica in the first six months of 2016 has improved, relative to the corresponding period of 2015. This assessment is based on increased activity in the construction sector, notwithstanding subdued performances in the tourism, manufacturing and agricultural sectors. The consumer price index rose by 0.6 per cent on an end of period basis. In the external sector, the merchandise trade deficit is estimated to have narrowed, as a result of a decline in import payments. **The central government's fiscal operations resulted in a smaller overall deficit, compared with that recorded in the comparable period of 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 spread narrowed during the review period.

Economic activity is expected to accelerate in the remainder of 2016, based on increased activity in the construction sector and the tourism industry. The overall fiscal deficit is anticipated to widen, largely reflecting advanced investments in reconstruction. Downside risks to this outlook include the receipt of fewer grants than expected, further exposure to plant diseases, de-risking and adverse weather. Upside risks include a further acceleration of Citizenship by Investment Programme inflows and persistently low oil prices.

Output

Construction activity gained momentum in the first half of 2016, evidenced by an improvement in both private and public sector indicators. Private sector construction activity expanded, driven by a 34.6 per cent increase in the number of residential starts from 31.0 to 56.0. Consequently, a $4.5m increase in the value of residential starts to $17.4m was recorded. In the public sector, capital spending increased by $23.9m to $80.1m, reflecting a pickup in reconstruction and rehabilitation associated with the passage of tropical storm Erika in August 2015. Value added for the transport, storage and communications sector was estimated to have improved, mainly attributed to increased activity in construction.

In the tourism industry, overall visitor arrivals are estimated to have declined by 5.9 per cent to 213,058 compared with a 5.0 per cent decrease in the first half of 2015. The contraction in arrivals was mainly influenced by a 4.8 per cent reduction in the number of cruise ship passengers to 169,054, consistent with a 19.2 per cent fall in the number of cruise ship calls to 105. The number of stay over visitors also declined by 11.1 per cent to 34,644, attributable to a fall in visitors from major source markets namely the Caribbean (18.5 per cent), USA (4.5 per cent) and Europe (2.9 per cent). In addition, arrivals from Canada are estimated to have declined by 11.0 per cent. This outturn was largely a consequence of reduced airlift by the island's largest regional air carrier during the period. Decreases were also observed in the number of excursionists (48.9 per cent) and yacht passengers (2.3 per cent).

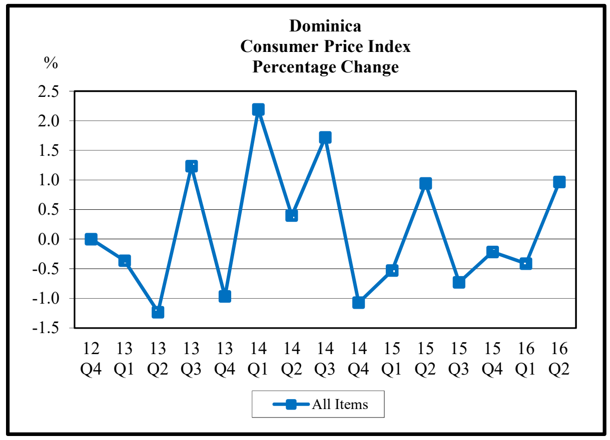


Overall output in the manufacturing sector remained flat in the first half of 2016. There was no output of soap during the period under review, relative to production of 1,260 tonnes in the corresponding period of 2015. The production of soap ceased following the closure of Dominica Coconut Products in November 2015. This development was largely associated with damage to the manufacturing facility related to the passage of tropical storm Erika. The decline in soap production was however moderated by estimated increases in the production of beverages (19.9 per cent) and paints and varnishes (10.6 per cent).

In the agricultural sector, total output is estimated to have declined in the period under review. Total banana production amounted to 247 tonnes, 370 tonnes less than the output recorded in the first two quarters of 2015, reflecting limited access to farms and the destruction of some crops following the storm. Similarly, the production of non-banana crops is estimated to have declined relative to the output in the corresponding period of 2015, also impacted by the storm.

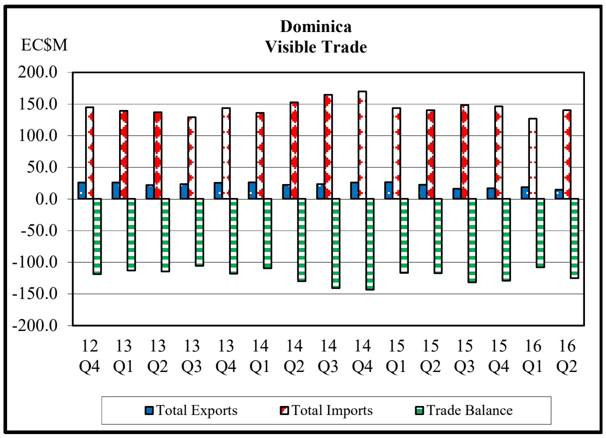
Prices

The consumer price index increased by 0.6 per cent during the first six months of 2016, compared with a 0.4 per cent rise in last year's corresponding period. The inflationary pressures were primarily associated with a 1.0 per cent expansion in the housing, utilities gas and fuels sub-index, which has the heaviest weighting. The general rise in prices was also supported by increases in the sub-indices of hotels and restaurants (3.5 per cent); recreation and culture (2.4 per cent); alcoholic beverages, tobacco and narcotics (1.5 per cent) and; transport (0.9 per cent). These increases were tempered by declines in the prices of food and non-alcoholic beverages (0.9 per cent); household furnishings, supplies and maintenance (0.2 per cent) and clothing and footwear (0.1 per cent).



Trade and Payments

Preliminary estimates indicate that the trade deficit narrowed by 0.3 per cent to $233.9m during the first half of 2016. This development was attributed to a decline in import payments which was mitigated by an estimated decrease in export receipts. The value of imports fell by 5.9 per cent to $266.6m mainly associated with decreased outlays for animal and vegetable oils, fats and waxes; commodities and transactions and; minerals fuels and related materials. Export receipts fell by 33.1 per cent to $32.7m. 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 first half of 2015. The value of the export of bananas declined by 60.0 per cent ($0.5m), 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.



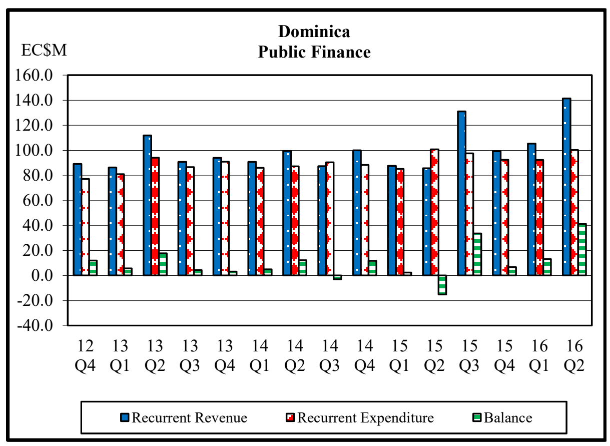
Gross travel receipts are estimated to have declined by 7.7 per cent to $166.8m, consistent with the decline in visitor arrivals. Commercial bank activities led to a net outflow of $66.7m relative to an inflow of $25.6m in the first six months of 2015. In the public sector, external loan disbursements to the central government totalled $20.9m compared with $14.1m in the comparable period of the previous year. On the other hand, external principal repayments amounted to $16.8m, up from the $11.3m recorded at the end of June 2015. These transactions led to a net inflow of $4.1m in the period under review.

Central Government Fiscal Operations

The fiscal operations of the central government, in the period under review, resulted in an overall deficit of $9.7m, compared with one of $51.6m in first six months of 2015. The overall deficit was financed mainly by domestic sources. A primary surplus of $4.1m was realized, a turnaround from the deficit of $40.0m recorded in the corresponding period of 2015. The overall deficit was largely influenced by developments on the capital account. Capital expenditure rose by $23.9m to $80.1m, mainly driven by payments for recovery and reconstruction activities. Capital grants amounted to $15.8m compared with $17.1m in the first half of 2015.

On the current account, a surplus of $54.2m was recorded, in contrast to a deficit of $12.8m in the first two quarters of 2015, as growth in current revenue outpaced that of current expenditure. Current revenue rose markedly, by $73.9m to $246.9m. This expansion was largely owing to an upsurge in non-tax revenue by $61.7m to $73.1m, mainly reflecting an increased inflow of funds from the Citizenship by Investment Programme. The rise in current revenue was also driven by an uptick in tax revenue by $12.2m to $173.7m as the authorities continued efforts to improve tax compliance. An increase was recorded for all categories of taxes with the exception of taxes on property, which yielded $3.5m in revenue, down by $1.0m from the corresponding period last year. A $7.2m increase was observed in taxes on domestic goods and services, the government's largest source of tax revenue. This outturn was mainly attributable to improvements in collections from the excise tax ($3.9m), licenses ($1.8m) and the value added tax ($1.6m). Taxes on income and profits grew by $3.7m, driven by an increase in earnings from the corporation tax, which was partially offset by a slight decline in personal income tax receipts. A smaller enhancement was recorded in revenue collected from taxes on international trade and transactions ($2.3m), partially reflecting a higher intake from the cruise ship passengers tax and the import duty.

Current expenditure rose by $6.8m to $192.6m in the first six months of 2016. This development reflected increases in spending on all subcategories with the exception of personal emoluments, which fell by $11.1m relative to the corresponding period of 2015, when retroactive payments were granted to public officers. The largest increase in spending was observed in outlays for goods and services, which rose by $10.0m, partly influenced by an upsurge in professional and consultancy fees. Spending on transfers and subsidies also expanded, by $5.6m, largely reflecting an increase in retiring benefits and grants and contributions to local institutions. A smaller enhancement of $2.3m was recorded for expenditure on interest payments, primarily the result of an increase in external interest payments.



Public Sector Debt

The total disbursed outstanding debt of the

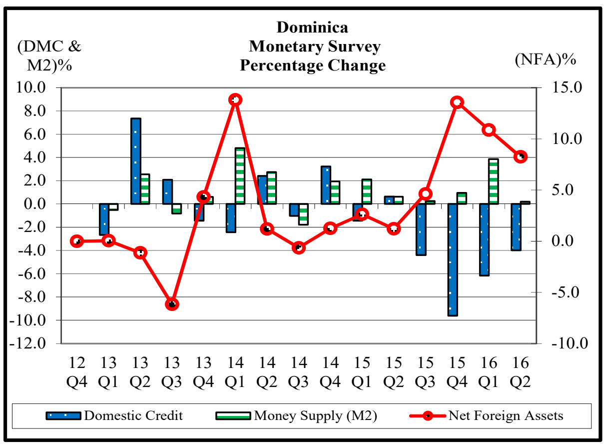
public sector fell by 0.4 per cent to $1,115.4m at the end of June 2016. This outturn was as a consequence of a decrease in both central government debt, the larger component of public debt, and public corporations' debt. Outstanding central government debt fell by 0.3 per cent to $947.5m as the decline of 2.6 per cent in its external obligations more than offset growth of 4.7 per cent in its domestic borrowing. The debt stock of public corporations fell by 1.1 per cent to $167.9m, associated with reductions in both their domestic (1.5 per cent) and external debt (0.8 per cent) obligations.

Money and Credit

Monetary liabilities (M2) expanded by 4.1 per cent to $1,351.1m during the first half of 2016, compared with growth of 2.7 per cent during the corresponding period of 2015. Growth in M2 reflected increases in both quasi money and narrow money (M1). Quasi money, the larger component of M2, rose by 1.9 per cent to $1,057.5m, attributed to a 3.3 per cent upsurge in private sector savings deposits. This expansion was tempered by declines in private sector foreign currency deposits (9.4 per cent) and private sector time deposits (1.9 per cent). An increase of 12.6 per cent in narrow money reflected growth in private sector demand deposits (15.0 per cent) and currency with the public (2.8 per cent), which was partially offset by a 12.5 per cent contraction in EC$ cheques and drafts issued.

At the end of the review period, the net foreign assets position of the banking system stood at $906.8m, registering a 20.0 per cent increase. This outturn was mainly the result of a 25.0 per cent expansion in Dominica's imputed share of the Central Bank's reserves. The improvement in overall net foreign assets was also supported by an increase of 16.0 per cent in the net foreign assets position of commercial banks, associated with growth in their net assets position with institutions both within and outside of the other ECCU territories.

Meanwhile, domestic credit decreased by 9.9 per cent to $569.1m during the period under review. This outturn was mainly influenced by an expansion in the net deposit position of the central government to $128.9m from $51.6m at the end of December 2015. Growth of 68.0 per cent in central government's deposits outpaced an expansion of 29.3 per cent in its credit from the entire banking system. The contraction in domestic credit was also driven by a 23.8 per cent improvement in the net deposit position of non-financial public enterprises but was moderated by a 4.7 per cent increase in private sector credit which constitutes the largest proportion of credit in the economy. This growth was associated with a rise in credit to non-bank financial institutions (105.0 per cent) and businesses (5.7 per cent) but was tempered by a decline in household credit (1.7 per cent).



An analysis of the distribution of commercial bank credit by economic activity revealed that total outstanding loans and advances rose by 6.6 per cent relative to an increase of 1.5 per cent during the first half of 2015. Expansions were recorded in credit allocated to financial institutions ($32.1m), utilities, electricity and water ($29.1m), public administration ($17.7m) and mining and quarrying ($1.0m). These increases were partly mitigated by declines in credit for construction ($13.2m), distributive trades ($1.6m), transportation and storage ($1.1m), personal use ($0.8m), manufacturing ($0.7m) and agriculture and fisheries ($0.5m).

Amid weak credit conditions, liquidity in the commercial banking system improved during the first six months of 2016. The ratio of liquid assets to total deposits plus liquid liabilities rose by 3.5 percentage points to 53.6 per cent at the end of June 2016. Accordingly, the ratio of loans and advances to total deposits fell by 1.8 percentage points to 52.9 per cent which is considerably below the ECCB's benchmark of 75.0 to 85.0 per cent.

During the first half of 2016, the interest rate spread narrowed by 5 basis points to 6.29 per cent, following a widening during the corresponding period of the previous year. This development was mainly as a consequence of a 25 basis point reduction in the weighted average lending rate to 8.18 per cent. The contraction in the interest rate spread was however moderated by a decline in the weighted average total deposit rate of 21 basis points to 1.88 per cent, 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.

Prospects

Economic activity in Dominica is expected to accelerate in the remainder of 2016, premised on increased activity in the construction sector and the tourism industry. Construction activity in the public sector is anticipated to increase as the rebuilding effort following tropical storm Erika in August 2015 continues. This investment is expected to be supplemented by other projects such as the construction of the new national hospital and the implementation of the Roseau Enhancement Project. Furthermore, the Range Developments' Cabrits Resort Kempinski project, which is scheduled to begin this year, is expected to drive private sector construction activity.

Amid air access challenges faced in the first half of the year, overall performance in the tourism industry for 2016 is anticipated to modestly improve relative to the previous year, but is still not projected to surpass its pre-tropical storm Erika level. This assessment is based on an increased number of flights by the island's main carrier effective 1 June 2016, allowing for same day connections for tourists from major international source markets and more flight options for visitors from regional destinations. Increased marketing efforts by Discover Dominica Authority, supported by an expanded tourism budget, are also expected to support growth in the industry in addition to the reinstatement of the World Creole Music Festival to be held in October 2016. An increased number of cruise ship passengers are also projected from an expected improvement in the number of cruise calls as the 2016/2017 cruise tourism season begins in October 2016.

Notwithstanding 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 remain subdued reflecting limited access to farms and the destruction of some crops and livestock following the storm. Manufacturing output is anticipated to contract following the November 2015 closure of Dominica Coconut Products, one of Dominica's largest manufacturing plants.

The negative overall fiscal balance is anticipated to deteriorate in the remainder of 2016, mainly as a result of increased capital expenditure for reconstruction, which will be financed by capital grants, resources from the Citizenship by Investment Programme and loans. 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. The fiscal deficit is however anticipated to be moderated by continued efforts to improve tax compliance and a sustained inflow of funds from the Citizenship by Investment programme.

In the external sector, the merchandise trade deficit is expected to widen as a result of a forecasted pickup in the import of reconstruction material. Gross receipts from travel are also expected to improve in line with the expected increase in stay over arrivals in the remainder of the year.

Downside risks to this outlook include the receipt of fewer grants than expected and/or delays in the disbursement of funds which could slow down the implementation of the public sector investment programme, which is heavily based on reconstruction. This development could adversely affect activity in the construction sector and ultimately economic activity. Additionally, while the consequences of Brexit remain uncertain, it would be prudent to consider potential negative outcomes. Further exposures to plant diseases also pose a threat and could undermine the expected recovery in the agricultural sector. Moreover, the continued spread of the Zika virus can restrict tourism demand. 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. **Upside risks include a further acceleration of Citizenship by Investment Programme inflows and persistently low oil prices.**

G R E N A D A

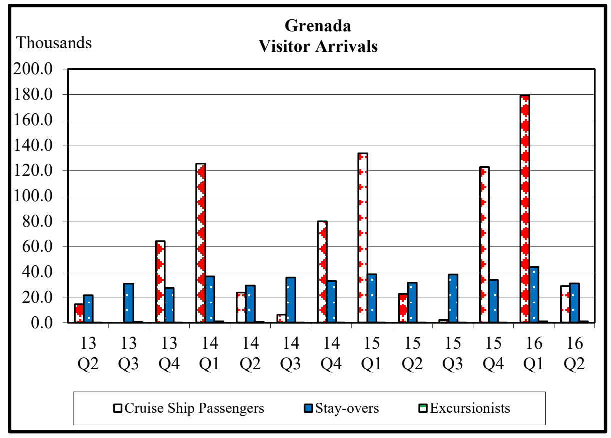
Overview

Economic activity continued to pick up in Grenada in the first six months of 2016, relative to the corresponding period of 2015. Growth was underpinned by a surge in tourist arrivals; heightened construction activity; and a rebound in fish production. Consumer prices advanced by 0.1 per cent, on an end of period basis. **Under the continued implementation of the Home-grown Programme's fiscal reforms, central government posted an overall surplus in the first half of 2016, in contrast to a deficit in the comparable period of 2015.** The disbursed outstanding public sector debt contracted from the level at the end of December 2015. In the banking sector, there was growth in monetary liabilities and net foreign assets, while the decline in domestic credit slowed. Commercial bank liquidity rose and the spread between the weighted average deposit and lending interest rates narrowed.

Grenada's current macroeconomic outlook is strong. Economic growth is projected in 2016, buoyed by continued progress with the reforms under the Home-grown Programme. Increased activity in the tourism industry and in the construction sector are expected to fuel growth. The general consumer price level is anticipated to rise marginally in 2016. Fiscal prospects are positive for the near term, as structural reforms unfold; gains are made in tax revenue collections; and growth in expenditure remains contained. **Risks to the outlook are significant and include a worsening of the impact of the Zika virus on tourism and on related public health costs; the transmission of reduced tourist arrivals and spending from Brexit; competition in arrivals from the US-Cuba opening; and the advent of de-risking on the domestic banking system.** Despite the challenges, opportunities must be leveraged. Risks can be mitigated by, first and foremost, collaborative action at the national and regional levels.

Output

The performance of the tourism industry was boosted by an expansion of 24.5 per cent to 298, 129 in overall visitor arrivals, accelerating from the pace of 4.1 per cent in the first half of 2015. There were increases in arrivals of all categories of visitors, notably cruise ship passengers. The number of cruise ship calls rose to 141 from 114, contributing to growth of 33.2 per cent to 207,800 in the number of cruise passengers. Stay–over visitor arrivals grew by 7.6 per cent to 74,671, underpinned by targeted marketing; additional airlift; and the hosting of regional and international sports events during the review period. The number of stay-over visitors from the USA and the Caribbean grew by 23.5 per cent and 10.3 per cent respectively. The performances of the remaining source markets were unfavourable. There were declines in three major European source markets, namely Germany (9.4 per cent), Italy (8.1 per cent) and the UK (6.7 per cent). Furthermore, the number of Canadian visitors fell by 3.8 per cent. Within the other visitor categories, the number of excursionists almost quadrupled to 1,714 and yacht passenger arrivals are estimated to have risen by 2.6 per cent to 13,944. The surge in visitor arrivals is likely to have had positive spin off effects on other sectors such as transport, storage and communications.



Construction indicators point to heightened activity in the sector. The volume and value of imports of construction materials rose by 10.6 per cent and 17.7 per cent, respectively. The private sector provided the main impetus for growth in the sector as work neared completion on marina projects and strengthened on hotel and resort developments. Construction activity in the public sector was concentrated on road networks, schools, the Sendall Tunnel Rock Fall project, the Parliament building and the General Hospital.

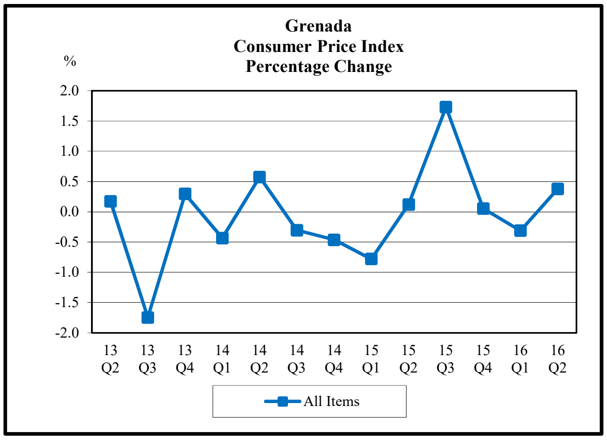
The performance of the fishing sector rebounded, registering an increase of 5.5 per cent to 3,604 tonnes in the first six months of 2016. The turnaround from the decline of 14.9 per cent (600 tonnes) in the first half of 2015 seemed to have been backed by strong local demand.

The performance of the manufacturing sector was mixed during the period under review. Among the beverage producers, increases in the volume of malt (13.4 per cent), beer (12.3 per cent), and stout (0.5 per cent), were moderated by decreases in that of soft drinks (23.3 per cent) and rum (18.0 per cent). For the manufacturers of grain mill and bakery products, the volume of macaroni rose by 7.9 per cent, while that of flour fell by 14.7 per cent. Animal feed producers experienced an 11.4 per cent drop in their total output level as a decline of 16.5 per cent in poultry feed production outweighed growth of 2.5 per cent in that of wheat bran. With regard to the chemical and paints producers, there were contractions in the output of acetylene (7.7 per cent), oxygen (5.5 per cent) and paint (2.7 per cent). The output level of toilet paper was also dismal, registering a fall of 8.6 per cent.

Agricultural output is estimated to have contracted, premised on a decline of 17.1 per cent to 1.6m pounds in the production of other crops including fruits and vegetables. Further declines were observed in the output of mace (33.4 per cent), cocoa (28.1 per cent), and nutmeg (17.7 per cent). The downturn in total agricultural activity was tempered by a recovery in banana production to 3,680 tonnes from 3,317 in the first two quarters of 2015.

Prices

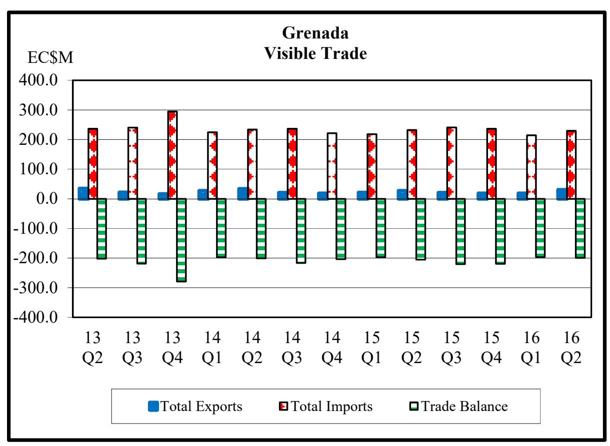
The consumer price index (CPI) is estimated to have risen by 0.1 per cent during the first six months of 2016, in contrast to a decline of 0.7 per cent during the corresponding period of 2015. A major source of the uptick in consumer prices was the transport sub-index, the third largest sub-index, which posted the largest increase of 3.1 per cent. The upward movement in this sub-index was largely the consequence of increases in the costs of motor vehicle fuels; motor vehicle maintenance and repair; and airfares. Other sub-indices registering growth were household furnishings, supplies and maintenance (1.0 per cent), health (0.5 per cent) and alcoholic beverages, tobacco and narcotics (0.3 per cent). Inflationary pressures were abated by declines in the sub-indices for food and non-alcoholic beverages (1.4 per cent), housing, utilities, gas and fuels (0.9 per cent), recreation and culture (0.2 per cent) and clothing and footwear (0.2 per cent).



Trade and Payments

The merchandise trade deficit narrowed by 1.6 per cent to $395.0m in the first half of 2016. The external position was characterized by a decline in import payments coupled with a marginal increase in export receipts. Import payments fell by 1.3 per cent ($6.0m) to $444.3m, mainly a consequence of the lower value of imports of mineral fuels and related materials as well as food and live animals. The value of total exports was up by 1.0 per cent ($0.5m) to $49.3m, solely the result of higher re-exports. Re-exports rose by $3.8m to $7.2m, comprising of largely machinery and transport equipment. Meanwhile, receipts from domestic exports were down by 7.3 per cent ($3.3m), primarily as a result of lower export earnings from cocoa, flour, animal feed, fish, mace, as well as paints and varnishes.

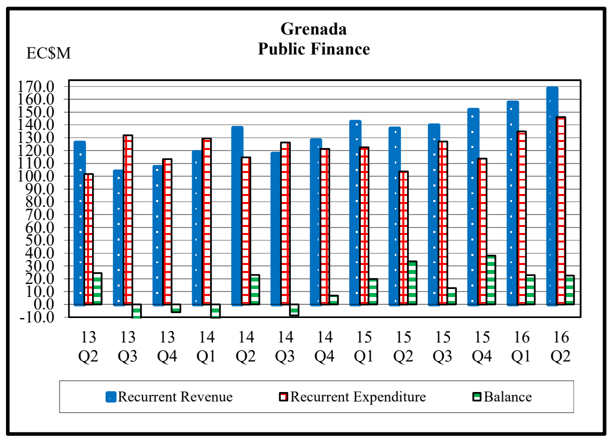
Gross travel receipts are estimated to have risen by 1.0 per cent to $195.7m, as the number of stay-over visitors in the first six months of 2016 exceeded the level in the corresponding period of the prior year. Commercial bank transactions resulted in a net outflow of $15.5m, lower than one of $112.7m recorded during the first half of 2015. External loan disbursements dropped to $16.8m from $28.4m, while external amortization amounted to $41.0m from $24.7m in the first half of 2015. As a result, the central government was in a net amortization position of $24.2m in the first half of 2016, in contrast to a net disbursement position of $3.7m in the corresponding period of 2015.



Central Government Fiscal Operations

Ongoing fiscal reforms and adjustment measures under the Home-grown Programme yielded positive results in the review period. The central government posted an overall fiscal surplus of $44.7m in the first half of 2016, a significant improvement from an overall deficit position of $3.4m in the corresponding period of 2015. A primary surplus of $82.9m was recorded, more than doubling that of $37.1m in the first six months of 2015.[1]

The current account surplus narrowed to $45.4m from $53.5m, on account of growth in expenditure. Some of the current expenses that were undertaken under projects/programmes were reclassified from capital expenditure to the relevant categories of current expenditure. Consequently, current expenditure rose by 24.1 per cent ($54.4m) to $280.8m in the review period. There were increases in goods and services (77.9 per cent or $25.0m), transfers and subsidies (40.6 per cent or $18.1m), and personal emoluments (12.6 per cent or $13.7m). By contrast, interest payments fell by 5.9 per cent ($2.4m), attributable to lower external and domestic interest obligations. Meanwhile, grant resources used for current outlays amounted to $15.4m in the period under review.



Current revenue was up by 16.6 per cent ($46.3m) to $326.1m, accelerating from the rate of growth of 9.1 per cent ($23.3m) observed in the corresponding period of 2015. Tax revenue receipts amounted to $308.2m, exceeding the corresponding period's level by 19.1 per cent ($49.4m).

[1] The fiscal accounts for the first half of 2016 were reported using the new Chart of Accounts. Reclassifications were only applied to the data for the period January to June 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.

All tax categories registered higher collections, benefitting from the increase in economic activity. Revenue from taxes on international trade and transactions rose by 27.3 per cent ($20.6m), primarily on account of larger receipts from the petrol tax, import duty and excise tax. Receipts from taxes on income and profit grew by 30.3 per cent ($15.8m) resulting from growth in the yield of both company and personal taxes, which were supported by improved collections. Revenue from taxes on domestic goods and services increased by 9.6 per cent ($11.2m), primarily associated with an increase of $10.0m to $107.0m in Value Added Tax (VAT) receipts. The yield from taxes on property was up by 12.1 per cent ($1.8m). Meanwhile, non-tax revenue declined by 14.5 per cent ($3.1m) to $17.9m. This outturn was primarily associated with lower receipts recorded for the Citizenship by Investment Programme (CBI).

On the capital account, $26.8m was recorded in capital grants, down from $38.3m in the first half of 2015. Capital expenditure fell by 55.0 per cent ($52.4m) to $42.9m, mainly due to the aforementioned reclassification of expenditure.

Public Sector Debt

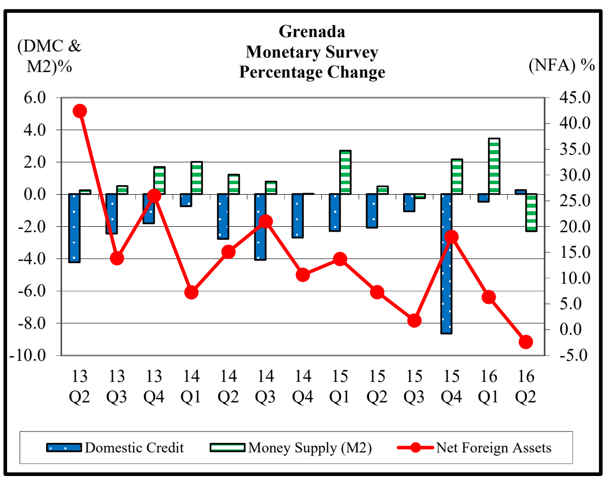
The total disbursed outstanding debt of the public sector fell by 0.5 per cent ($12.8m) to $2,328.6m at the end of June 2016 relative to the level at the end of December 2015. The total domestic debt fell by 2.8 per cent to $695.9m partly reflecting scheduled principal repayments and reduced credit from the Central Bank. By contrast, the total external debt rose by 0.4 per cent to $1,632.6m, influenced by upward movements in the exchange rates of the major borrowing currencies; and by additional disbursements including financing from the International Monetary Fund's Extended Credit Facility (ECF) Arrangement for the Home-grown Programme. Furthermore, there was some reclassification from domestic to external debt. Declines were registered in the debt of public corporations of 5.4 per cent to $149.2m, and in that of central government of 0.2 per cent to $2,179.3m. The downward movement in the debt trajectory was also supported by the Government's ongoing debt restructuring efforts.

Money and Credit

Monetary liabilities (M2) rose by 1.1 per cent to $2,145.4m during the first half of 2016, registering a deceleration from the rate of growth of 3.2 per cent during the corresponding period of 2015. This outturn reflected increases in the narrow money supply (M1) and quasi money of 3.8 per cent and 0.1 per cent respectively. Private sector demand deposits, the largest component of M1, expanded by 6.8 per cent. Within the remaining components, the issuances of cheques and drafts grew by 10.6 per cent, while currency with the public contracted by 5.8 per cent. Growth in private sector foreign currency deposits (8.0 per cent) and private sector savings deposits (1.2 per cent) outweighed a decline of 8.7 per cent in private sector time deposits, leading to the marginal rise in quasi money.

The net foreign assets of the banking system stood at $884.6m at the end of June 2016, 3.8 per cent above the level recorded at the end of 2015. This outturn was lower than the pace of growth of 22.0 per cent recorded during the first half of 2015. Transactions at the Central Bank and the commercial banks both contributed to growth in net foreign assets. Grenada's imputed share of ECCB's reserves grew by 3.3 per cent to $525.6m. The net foreign assets of commercial banks rose by 4.5 per cent to $359.0m. Commercial banks expanded their net foreign asset position with financial institutions outside the Currency Union by six-fold, while concomitantly decreasing their net foreign asset position in other ECCU territories by 13.9 per cent.

Domestic credit fell by a slower rate of 0.2 per cent to $1,317.1m, relative to a rate of 4.3 per cent during the first half of 2015. The transactions of non-financial public enterprises were primarily responsible for this outturn. The net deposit position of these enterprises expanded by 28.1 per cent, as their deposits grew by 19.0 per cent and their credit declined by 14.0 per cent. Private sector credit continued to strengthen from the first quarter of 2016, rising by 2.2 per cent during the first half of the year, a turnaround from the decline of 1.2 per cent during the corresponding period of the prior year. There were increases in credit to businesses (7.4 per cent) and households (0.3 per cent), which crowded out the reduction of 37.1 per cent in credit to non-bank financial institutions. Similar to private sector credit, the transactions of the central government also stymied the fall in total domestic credit. There was an increase of 3.5 per cent in total credit to the central government reflecting largely commercial banks' additional holdings of central government's treasury bills and bonds. This development partly reflected the successful issuance of these instruments on the RGSM in addition to the efforts by central government to restructure the debt of a public corporation. Meanwhile, there was a reduction of 4.5 per cent in the central government's total deposits in the banking system, the consequence of withdrawals from the commercial banks. Consequently, the central government's net deposit position moved to $56.9m, down from $65.9m at the end of December 2015.



Total loans and advances grew by 1.7 per cent to $1,693.4m during the first six months of 2016, a reversal of the 1.5 per cent decrease recorded in the comparable period of 2015. This outturn was largely associated with an almost four-fold expansion in credit to the utilities, electricity and water sector to $69.1m. Furthermore, credit rose by 8.2 per cent for professional and other services. Declines were observed in credit to most of the remaining sectors, notably, public administration (33.5 per cent), agriculture and fisheries (8.8 per cent), financial institutions (6.4 per cent), construction (4.5 per cent), distributive trades (3.6 per cent) and tourism (1.4 per cent). Outstanding loans for personal use, which accounts for the bulk of credit, fell by 1.1 per cent, largely associated with contractions in credit for both home construction and renovation (4.4 per cent) and house and land purchase (2.2 per cent).

Amid these credit conditions, commercial bank liquidity advanced marginally. The ratio of liquid assets to total deposits plus liquid liabilities rose by 0.4 percentage point to 41.2 per cent at the end of June 2016. The loans and advances to total deposits ratio rose by 0.6 percentage points to 61.7 per cent.

The weighted average total deposits rate declined to 1.48 per cent at the end of June 2016, from 1.57 per cent at the end of December 2015. This development followed the 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 8.47 per cent from 8.70 per cent. As a consequence, the weighted average interest rate spread between loans and deposits narrowed to 6.99 percentage points at the end of June 2016, from 7.13 percentage points at the end of the prior year.

Prospects

Economic activity is projected to increase in 2016, supported by strong ownership and continued implementation of the reforms under the Home-grown Programme. Such reforms are likely to strengthen the business environment as well as the public sector, ultimately raising private investor confidence and investment in addition to public sector productivity. Increased activity in the tourism industry and the construction sector are expected to spur the near term growth. Higher tourist arrivals are projected to have positive spin off effects on other auxiliary activities, particularly transport and storage; renting; and wholesale and retail trade. The domestic consumer price level is anticipated to rise marginally in 2016.

While developments in the country's external trade position are favourable to date, it is likely that heightened construction activity in the latter half of the year may propel imports, causing the current account deficit to widen. Additionally, export revenue is anticipated to remain relatively flat, negatively impacted by demand and supply side constraints in fishing, agriculture and manufacturing.

Fiscal prospects are positive for the near term, as structural reforms unfold, including those to improve tax administration; develop the tax incentives regime; strengthen public finance management; and introduce a rules-based fiscal policy framework. The implementation of these reforms, combined with positive growth prospects are likely to translate to the central government's attainment of an overall fiscal surplus in 2016. These forecasts hinge on projected gains in tax revenue; and expenditure that remains broadly in line with the rules set out in the country's fiscal responsibility legislation. The latter is contingent on the outcome of ongoing negotiations, on the payment of salary increment arrears, between the Government and the representatives of unions representing public sector employees.

Risks to this macroeconomic outlook remain significant. Reform fatigue and capacity constraints in the public sector can delay the progress with the implementation of key reforms. Furthermore, slow job creation may weaken support from the public for the further implementation of reforms, fueling persons to place demands on the central government and create fiscal pressures. Near term prospects could also be adversely impacted by adverse weather; a worsening of the impact of the Zika virus on tourism and on public health related fiscal costs; an economic slowdown in key trade partners or tourism source markets; the transmission of reduced tourist arrivals and spending from Brexit; competition in tourism arrivals from the US-Cuba opening; and slower-than-expected private investment growth. The uncertainty associated with CBI inflows pose an additional risk to the near term fiscal position. Another concern is the advent of de-risking activities in Grenada, by overseas banks, which can potentially disrupt inward bound international financial flows.

Despite these challenges, there may be opportunities that can be leveraged by the authorities. Firstly, the outbreak of the Zika virus is not endemic to Grenada and if more persons are developing mild symptoms from it, then this may help to reduce the fears of travelling. Urgent collaborative action at the national and regional levels may be needed to limit any impact of the Zika virus on tourism, and more so, on public health care costs. Secondly, the US-Cuba opening presents an opportunity for the authorities in Grenada to strengthen relations with Cuba to promote travel, trade and investment with both countries, for instance, by engaging in multi-destination marketing. The US-Cuba opening reflects the need to reduce concentration in the USA source market, and further explore Europe, the world's largest tourism source region, and China, which continues to lead global outbound travel. Finally, it may be difficult to quantify potential repercussions of Brexit, but tourism stakeholders can certainly take proactive responses to mitigate any associated risks by focusing not only on the price but the quality of the local tourism product.

MONTSERRAT

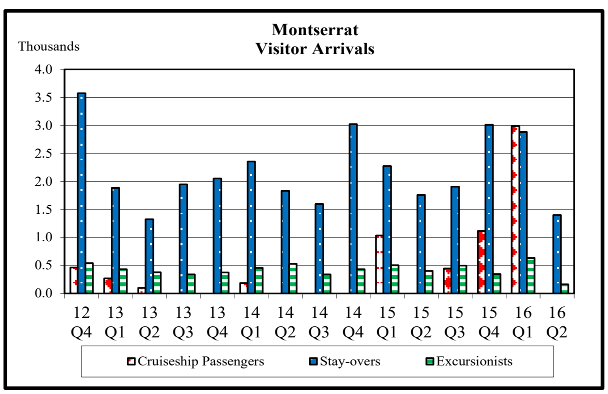
Overview

Economic activity in Montserrat is provisionally estimated to have expanded in the first six months of 2016 relative to the corresponding period of 2015. The main sectors contributing to the performance were public administration and construction, moderated by a decline in tourism activity. The consumer price index declined by 0.5 per cent, on an end of period basis while the merchandise trade deficit improved as the value of imports decreased. The fiscal operations of the central government resulted in an overall deficit, mainly as a result of a decrease in grant flows. In the banking sector, the stock of monetary liabilities increased, while domestic credit and net foreign assets contracted. Overall, the banking system remained liquid while the weighted average interest rate spread between deposits and loans contracted.

The outlook for the Montserrat economy remains uncertain with an additional challenge of assessing the risk implications of securing grants for the rest of the year, due to Brexit. Economic indicators points to an expansion in economic activity, given positive value added in a number of sectors, including public sector administration, defense and compulsory social security. Despite these positives, the global economic outlook is mixed and uncertain, which poses a threat to Montserrat's economy through transmission risks. The outturn of the fiscal balance depends largely on the level of budgetary support. The finalization of funding priorities with major development partners may delay the pace of activity in the second half of 2016. There is a possibility that the economy will experience lower tourism arrivals from the UK, induced by the depreciating pound. Moreover, the overall decline in the price level is expected to continue throughout the year as there is now calm after the Brexit vote and global markets have stabilized as well. The trade deficit is expected to continue to narrow based on the termination of regular ferry service. However, downside risks including adverse weather, potential transmission of external shocks and slow mobilisation of budgetary support, remain a concern to the Montserratian economy. On the upside, continued improvements in tax collection, compliance and enforcement can have a positive impact on the fiscal account.

Output

Available data indicate an expansion in economic activity. Value added by public sector administration, defence and compulsory social security, the largest contributor to economic output, rose in the first six months of 2016. This was evidenced by increased expenditure in personal emoluments to public servants (central government employees).

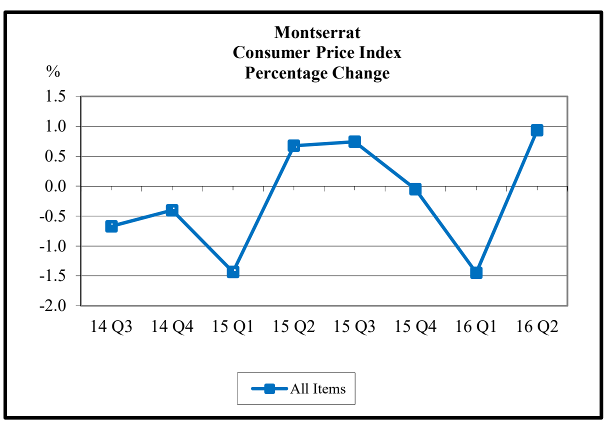


Value added in the construction sector is provisionally estimated to have increased in the January to June period of 2016. This performance was driven by an expansion in commercial and residential construction activity, which more than offset a decline in public sector construction. In the public sector, there was a 28.3 per cent decline in capital expenditure in the review period, primarily associated with a lack of finance for public sector projects.

Value added in the tourism industry, as proxied by the hotels and restaurants sector, recorded an improved performance in the first six months of 2016 relative to the corresponding period in 2015. Total visitor arrivals increased by 28.5 per cent to 9,408, compared with a 36.9 per cent rise to 7,320 in the corresponding period of the previous year. Stay-over tourist arrivals rose by 6.1 per cent to 4,275, indicative of an increase in the number of tourist from the Caribbean (11.8 per cent), UK (8.9 per cent) and the USA (7.2 per cent). The number of excursionists fell by 12.0 per cent compared with a 7.9 per cent increase in the corresponding period of the prior year. In the first six months of 2016, passenger arrivals by yacht fell by 0.4 per cent to 1352, on account of a reduction in the number of yachts visiting the island to 31.

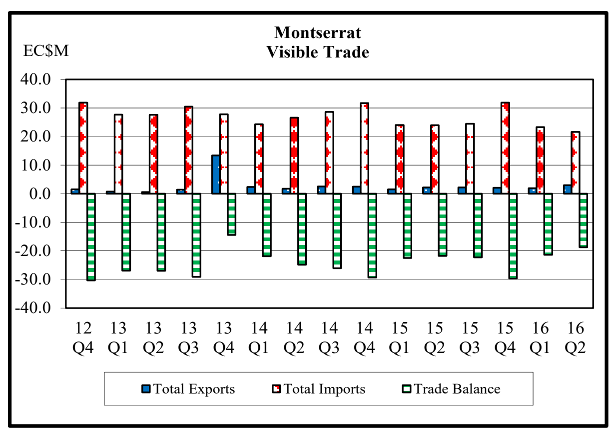
Prices

The consumer price index declined to 0.5 per cent on an end of period basis, during the first half of 2016 when compared to 0.8 for the corresponding period in 2015. The fall in the overall price level was primarily attributed to a 1.9 per cent decline in the housing, water, electricity, gas and other fuels sub-index, the most heavily weighted in the basket. Additionally, the sub-indices for furnishing, household equipment and routine household maintenance; health; and food and non-alcoholic beverages fell by 1.2 per cent, 1.0 per cent and 0.3 per cent respectively.



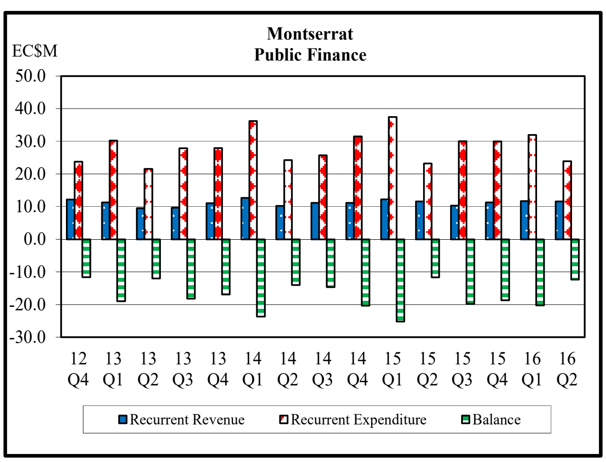
Trade and Payments

There was an improvement in the trade balance for the first six months of 2016 compared with the corresponding period last year. The trade deficit narrowed over the first half of the year by 9.3 per cent to $40.1m. This outturn was captured in a decline in the import bill of 6.2 per cent to $45.0m. The lower import bill was associated with a fall of 44.6 per cent in the value of imports of mineral fuels and related materials valuing $5.3m. Imports of food and live animals also showed a sizable impact, declining by $2.1m, representing 24.8 per cent. Further, total exports showed a positive percentage change of 30.3 in the first half of 2016 in contrast to a decline of 10.2 per cent in the corresponding period of 2015. This turnaround was as a result of total domestic exports increasing by 13.4 per cent ($0.5m), along with a more than doubling of total re-exports.



Central Government Fiscal Operations

The fiscal operations of the central government resulted in a deficit in the first six months of 2016 in contrast to a surplus in the corresponding period of 2015. An overall deficit (after grants) of $1.5m was recorded, in contrast to a surplus of $30.4m in the corresponding period of 2015. The overall fiscal outturn worsened as the current account moved to a deficit in contrast to a surplus in the corresponding period of the prior year. This development mainly reflected a fall in current grants received in the period under review. Lower grants led to a current account deficit of $4.4m from a surplus of $16.5m in the corresponding period last year. Grants totalled $40.8m for the first six months of 2016 versus $80.8m in the corresponding period of 2015.



Current revenue receipts fell by 2.3 per cent to $23.4m in contrast to an 11.2 per cent increase to $23.9m in the first six months of 2015. This performance resulted primarily from a 41.8 per cent decline in collections from non-tax revenue to $2.3m. In contrast, tax revenue rose by 5.7 per cent to $21.0m, compared with an increase of 4.3 per cent to $19.9m in the corresponding period in 2015. The upward movement in tax revenue was attributable to growth in collections from taxes on income and profits and taxes on international trade and transactions. This increase was moderated by a slight fall in revenue collected from taxes on domestic goods and services.

For the first six months of 2016, current expenditure decreased by 7.9 per cent to $55.9m relative to outlays of $60.7m in the comparable period of 2015. Government expenditure on transfers and subsides declined by $3.9m to $14.4m, due to decreases in subventions to the ferry service, as well as contributions to statutory corporations. Outlays on goods and services fell by 5.7 per cent to $20.4m. By contrast, spending on personal emoluments rose by 1.4 per cent ($0.3m) to $21.1m. In the period under review, interest payments on external debt remained at the same level as the comparable period of the previous year. Capital expenditure totalled $9.7m, which was 28.3 per cent lower than spending in the corresponding period of 2015. This movement was due to the absence of large investments for major public infrastructural projects since no new projects were started.

Public Sector Debt

The stock of public sector external debt stood at $8.4m at the end of June 2016, compared with a balance of $9.1m at the end of December 2015. The decline in debt is attributable to the amortization of the debt held with the Caribbean Development Bank for the power plant project. Of the $8.4m total debt, $1.3m was held by the central government, while the public corporation accounted for $7.2m.

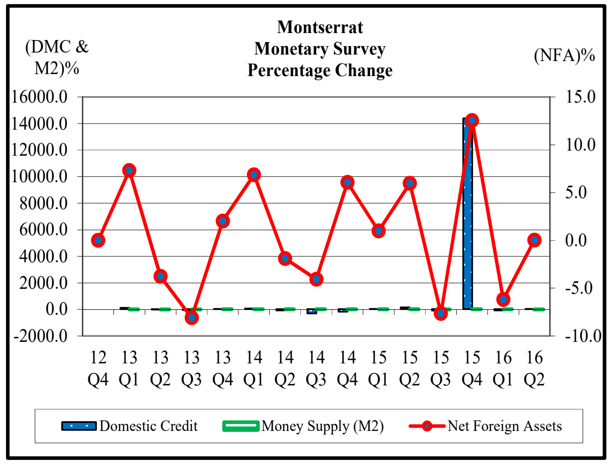
Money and Credit

The stock of monetary liabilities (M2) reflected an increase of 0.8 per cent to $246.9m during the first half of the year compared with an increase of 3.3 per cent during the comparable period in 2015. The expansion observed in the overall money supply was mainly influenced by a 0.8 per cent increase in quasi money to $198.7m, which resulted primarily from a 1.0 per cent ($1.4m) increase in private sector savings deposits. The overall expansion in the money supply was supported by an acceleration of 1.2 per cent ($0.6) in narrow money (M1) when compared with 4.2 per cent during the corresponding period in 2015. Private sector demand deposits grew by 4.5 per cent to $28.5m which was mitigated by a contraction of 4.3 per cent in currency with the public during the review period.

The net deposit position of commercial banks fell by 69.3 per cent to $9.5m as at June 2016, compared with one of $30.9m at the end of 2015. This outcome was mainly due to a decline of 19.7 per cent in the net deposit position of the central government to $66.5m, associated with drawdowns in their deposits to meet current obligations. Private sector credit increased by 3.7 per cent to $73.0m influenced by an expansion of 4.2 per cent to $66.3m in households' credit, which more than offset a decline of 5.8 per cent in business sector borrowing.

An assessment of the sectorial distribution of credit for the period showed an 8.2 per cent increase in personal credit to $72.7m, which accounted for 87.5 per cent of total credit. The major contributors to this overall outturn were increases of 6.0 per cent ($3.5m) in acquisition of property, 4.9 per cent ($2.0m) in home construction and renovation along with 8.5 per cent ($1.5m) in house and land purchases. However, declines were recorded in key economic sectors such as construction (9.7 per cent), tourism (3.7 per cent) and manufacturing (1.4 per cent).

The net foreign assets in the banking system declined by 6.2 per cent to $300.7m at the end of June 2016, in contrast to a 7.0 per cent increase noted during the comparable period last year. The main contributor to this outturn was a decline of 10.2 per cent to $163.0m in commercial banks' net assets. In addition, Montserrat's imputed share of reserves held with the Central Bank fell by 0.9 per cent to $137.8m, compared with an increase of 11.9 per cent during the comparable period last year.



The banking system continued to operate in a surplus liquidity condition as highlighted by the ratio of liquid assets to total deposits and liquid liabilities which is noted at 86.1 per cent. This level of liquidity is consistently in excess of the ECCB's prudential benchmark of 25.0 per cent. Meanwhile, the ratio of loans and advances to total deposits remained at 24.0 per cent, which is substantially below the minimum prudential requirement of 75.0 per cent.

Interest rate spread between deposits and loans contracted by 28 basis points to 6.1 per cent during the review period. The weighted average lending rate declined to 7.25 per cent, about 24 basis points from the level recorded at the end of December 2015. Further, the weighted average interest rate on deposits fell to 1.14 per cent from 1.10 per cent at the end of December 2015.

Prospects

The outlook for the Montserrat's economy remains uncertain with additional challenges ahead in light of the risk implications of Brexit. In the domestic environment, there are mix signs as indicated by the main economic drivers of the Montserrat economy. Expansion in personal emoluments suggests the Government would have created jobs in the first half of the year. However, government expenditure has been observed to decline as grants inflows fall; a scenario manifested in the first half of 2016. The fall in grant inflows may not hold well for the Montserrat's economy that depends mainly on this source of financing to conduct government spending.

The United Kingdom (UK) referendum or Brexit vote that took place at the end of June has brought about political and economic uncertainty for the UK's economy. Price Waterhouse Coopers (PWC) and other international entities have forecasted further decline for the UK economy throughout the remainder of 2016 and worsening in 2017. As the outlook for the UK remains uncertain, it also has implications for the Montserratian economy. Montserrat, a British Overseas territory, depends heavily on grant financing from the Government of the UK, thus a slowdown in the UK economy can translate into lower grants into Montserrat. In addition, the depreciation of the pound, along with prospective of job losses can potentially result in lower levels of remittance inflows to Montserrat; remittances that are used to finance basic living expenses. Moreover, there is a possibility that the economy will see lower tourism arrivals from UK also induced by the devalued pound. However, the economy is still projected to expand in 2016, as the geothermal project progresses and with government expectation to continue the road project.

The IMF Regional Economic Outlook for the Western Hemisphere highlighted mix projections for these economies. While the US economy is projected to grow at 2.4 per cent in 2016, Canada's economy is showing signs of continued sluggish growth. Further, the report also projected growth for the Caribbean of 2.2 per cent in 2016, but noted the potential benefit from the gradual increase in the US economic recovery.

Continued improvements to the tax collection, compliance and enforcement should persist as it provides revenues for government spending. In addition, the country can leverage its tourism product to increase tourism arrivals from its main source markets in this time of low energy prices. Perhaps, increasing flights to include other Caribbean destinations which are its largest tourist source, an initiative which could increase Caribbean tourist arrivals to Montserrat. The overall decline in the price levels is expected to continue throughout the year as there is now calm after the Brexit vote and global markets have stabilized as well. In addition, the trade deficit is expected to continue contracting throughout the year which gives the economy an opportunity to boost local industries such as agriculture.

In conclusion, economic performance of the UK, USA and the rest of ECCU can result in a squeeze on the economic performance of Montserrat. As such, keen attention should be paid to potential transmission of external shocks to Montserrat's economy. Therefore, Montserrat should not wait. Placing priority that includes managing vulnerabilities of Brexit and building resilience to the transmission risks are important as medium term growth is sought through increasing productivity and boosting leading sectors. Also, the disruption of the ferry service poses a major downside risk to the economy, as access is very important to Montserrat not only for tourism but also for trade.

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

Overview

Preliminary data suggest that the economic expansion in St Kitts and Nevis in the first half of 2016 slowed, relative to the outturn of the corresponding period of 2015. The increase was led by developments in some of the major sectors including construction, transport, storage and communications and real estate, renting and business activities. Value added in the hotels and restaurants and manufacturing sectors are estimated to have fallen. Consumer prices fell by 2.5 per cent on an end of period basis. **The fiscal operations of the Federal Government resulted in a larger overall surplus, compared with the comparable period in 2015. The total outstanding debt of the public sector declined.** In the banking system, monetary liabilities and the net foreign assets rose while domestic credit fell. Commercial bank liquidity decreased, and the weighted average interest rate spread between loans and deposits was relatively unchanged.

The economic forecast for 2016 is for continued expansion fuelled by sustained expansions in the construction; wholesale and retail trade; transport, storage and communications; and real estate, renting and business activities sectors and a modest recovery in the tourism industry. The performance however, may be partly constrained by weakness in manufacturing activity. Inflationary pressures are likely to remain low attributable to relatively depressed commodity prices, especially for fuel. Total revenue is projected to be lower than that in 2015 associated with more moderate economic activity related to lower receipts from the Citizenship by Investment (CBI) programme and the removal of Value Added Tax (VAT) on a number of consumer items. The decrease in revenue may be tempered by buoyant economic activity associated with the commencement of major public sector investments in the latter part of the year. Furthermore, a smaller surplus on the fiscal accounts is expected attributable to a more rapid decline in current revenue relative to current and capital expenditure.

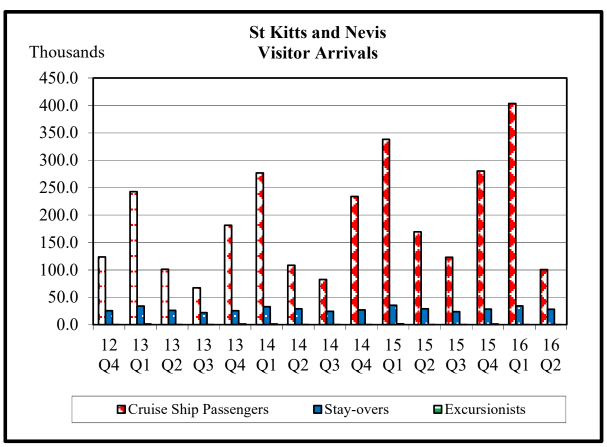
Downside risks include possible deceleration in CBI receipts associated with intensified regional competition from

other programmes and the adverse knock-on effects on the construction sector from slower activity in the CBI programme. Additionally, the operationalization of the recent referendum by the UK on 23 June, 2016, to leave the European Union (EU) may adversely impact visitor arrivals from that source market. Second order risks to the outlook for the year include moderate economic growth in the USA economy an appreciating USA currency, the coming onshore of the Zika virus, and the threat of hurricane damage.

However, on the upside, comprehensive reforms made to the CBI programme to improve the administrative and security robustness of the programme could make it more competitive and generate increased investment inflows. Also, Brexit gives the possibility of enhanced bilateral relations between the UK and St Kitts and Nevis.

Output

Value added in the construction sector, is provisionally estimated to have been relatively flat in the first half of 2016, compared with the performance in the corresponding period of 2015. Notwithstanding the stalled rate of expansion, developments were sustained by capital outlays in both the private and public sectors. Private sector activity was buoyed by ongoing construction work on a number of major hotel developments including the Park Hyatt Resort and the Koi Resort and Residences. Limited work resumed on the T-Loft Pirates' Nest development in anticipation of intensified activity in the latter part of the year. The sector was also buoyed by ongoing work on the Customs House at the Christophe Harbour marina, the Golden Rock Commercial Development, the construction of a new supermarket and a beverage factory and private residential homes. In Nevis, construction work in the private sector continued on the Four Seasons Estates, Cades Bay Villas and Marina develop and the Candy Resort. The deceleration in construction activity was substantiated by a 0.2 per cent decrease in credit to the construction sector, in contrast with a 9.6 per cent rise in the first six months of 2015, coupled with a 28.1 per cent decline in the volume of imports of construction related materials, compared with a more than doubling of the volume of imports in 2015. These developments were, however, offset by an estimated 10.0 per cent increase in the volume of stone mined from the government quarry to 24,799 cubic yards and sand to 14,478, in contrast to decreases of 21.0 per cent and 14.0 per cent respectively in 2015. In the public sector, outlays on capital expenditure fell by $29.8m in the first six months of 2016, in contrast to an increase of $13.0m in the corresponding period in 2015, as a number of major projects wound down including the resurfacing of the Dr Kennedy Simmonds Highway, and the construction of the Victoria Road Pre-School in St Kitts. In Nevis, activity in the sector was buoyed by renovations to office buildings and enhancements to roads as well as work on the Caribbean Development Bank (CDB) funded water project.



Value added in the hotels and restaurants sector, a proxy measure of tourism activity, is estimated to have declined in the first half of 2016, reflective of a decrease in the number of stay-over visitors and cruise passenger arrivals. The number of stay-over visitors is estimated to have declined by 3.2 per cent to 62,393 in the first half of 2016, in contrast to an increase of 4.5 per cent in the corresponding period of 2015. The outturn reflected decreases in all of the major source markets, including the United States of America (3.3 per cent), the Caribbean (3.1 per cent), Canada (3.4 per cent) and the UK (1.9 per cent). The reduced performance of those markets was consistent with generally benign economic growth in the USA, UK and Canada. Cruise passenger arrivals fell by 0.5 per cent (2,709) to 504,320, in the first half of 2016, in contrast to a 31.6 per cent (121,755) increase in the corresponding period of 2015. This outturn was consistent with a decrease of 20 to 257 in the number of cruise ship calls to the Federation. Meanwhile, the number of excursionists fell by 32.1 per cent to 1,560, in contrast to a 23.9 per cent rise in the first half of 2015. The number of passengers visiting by yacht fell by 17.1 per cent to 2,414, compared with a 26.5 per cent reduction in the first half of 2015. Collectively, the impact of these developments contributed to a 1.0 per cent decrease to 570,687 in total visitor arrivals, in contrast to a 27.4 per cent increase in the first six months of the previous year.

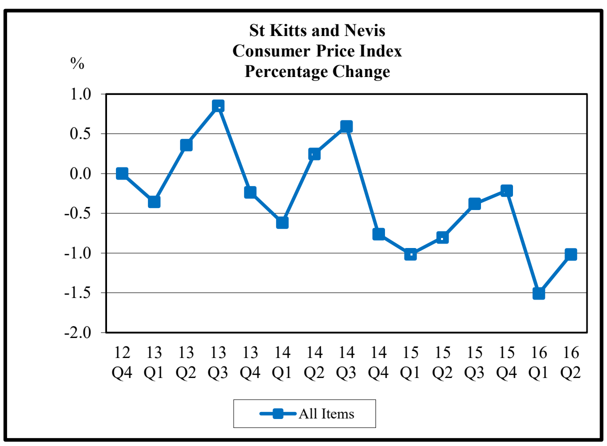
Value added in the manufacturing sector, is estimated to have declined. This assessment is proxied by decreases in the export of electronic components and alcoholic beverages, attributable to weakness in demand from external markets.

Notwithstanding the lower value added in the hotels and restaurants and manufacturing sectors, it is estimated that this development was moderated by expansions in other key sectors such as construction; transport, storage, and communications; real estate, renting and business activities and wholesale and retail trade supported by growth in imports. Also, value added in the agriculture, livestock and forestry sector is estimated to have declined, buoyed by decreases in the production of crops, despite and expansion in livestock production. By contrast, output in the livestock subsector expanded with increases registered for the production of pork (2.0 per cent), eggs (2.0 per cent) and fish (2.0 per cent), as well as higher output of mutton (2.2 per cent) and goat meat (2.4 per cent).

Prices

Prices, as measured by the consumer price index (CPI), are estimated to have declined by 2.5 per cent during the first half of 2016, compared with a decrease of 1.8 per cent during the corresponding six months of 2015. The outturn reflected declines in the majority of the sub-indices representing approximately 78.3 per cent of the total weight of the basket and was led primarily by decreases in the sub-indices for food and non-alcoholic beverages (16.0 per cent), transport (1.4 per cent) alcoholic beverages, tobacco and narcotics (8.7 per cent) and household furnishings supply and maintenance (2.2 per cent). Significant decreases were also recorded for the housing utilities gas and fuels, and recreation and culture sub-indices of 0.5 per cent and 1.1 per cent respectively. The downward movement in the food and energy related sub-indices, was largely in response to continuing relative weakness in global commodity prices and the removal of VAT on food, funeral and medical expenses in April 2015. Lower consumer prices overall were moderated somewhat by higher prices in the communication (7.6 per cent), hotel and restaurants (6.6 per cent), education (2.8

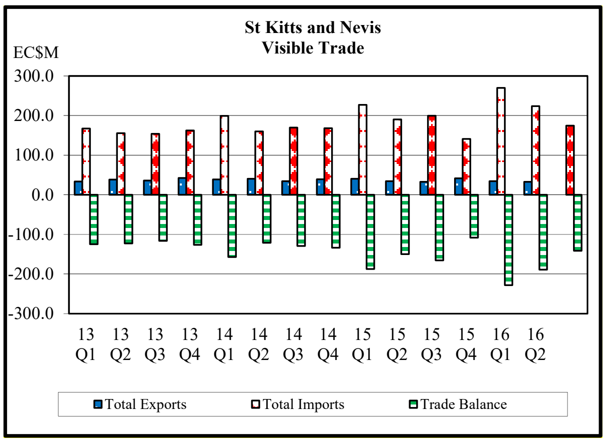
per cent) and health (2.3 per cent) sub-indices. On an individual territory basis, the decline in prices on average in Nevis (6.6 per cent) outpaced that of the decline in the CPI in St Kitts (0.4 per cent). The reduction in the CPI in Nevis was broad based, largely attributable to lower sub-indices for food and non-alcoholic beverages (29.6 per cent), household furnishings supply and maintenance (8.9 per cent) and transport (1.8 per cent), while in St Kitts the major contributors to the reduction in average consumer prices included food and non-alcoholic beverages (10.3 per cent); transport (1.0 per cent), and housing utilities, gas and fuels (0.4 per cent).



Trade and Payments

The visible trade balance recorded a deficit of $330.6m in the first half of the year, higher than one of $315.3m in the January to June period in 2015, fuelled by lower exports and higher imports. The value of total exports was $67.7m compared with $75.0m recorded in the same period of 2015, reflective of a decrease in the value of electronic components and alcoholic beverages exported. Domestic exports contracted by 17.1 per cent to $55.8m, moderated by an increase in re-exports (miscellaneous manufactured articles) by 56.1 per cent to $11.8m. The other contributor to the wider deficit, imports, rose by 2.0 per cent to $398.3m, mainly driven by increases in the value of manufactured goods, food and live animals; chemicals and related products and machinery and transport equipment. The volume of trade in goods (both exports and imports) contracted by 11.0 per cent to 179,619 tonnes.

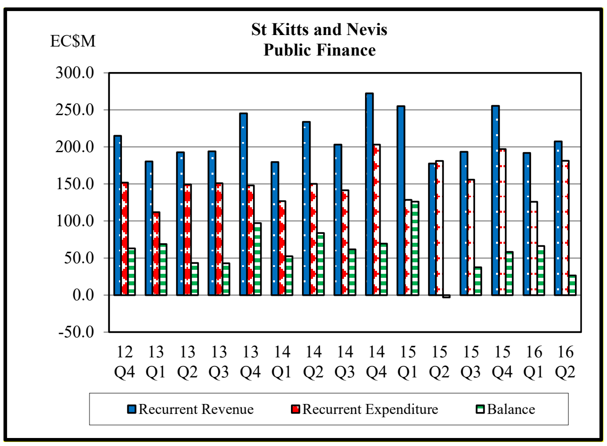
Gross travel receipts are estimated to have decreased by 2.7 per cent to $195.5m in the first half of 2016, influenced by a decrease in total visitor arrivals. Commercial banks' transactions resulted in a net inflow of $74.4m in short-term capital, in contrast to an outflow of $142.4m in the corresponding period in 2015. Government transactions resulted in a decrease in the net outflow of funds attributable to lower external principle repayments ($39.1m), compared with $42.0m in the first six months of 2015. There were no external loan disbursements during the first six months of 2016 and the comparable period in 2015.



Federal Government Operations

The provisional estimates of the fiscal operations of the Federal Government resulted in an overall surplus (after grants) of $94.0m in the first six months of 2016, compared with one of $74.3m in the corresponding period of 2015. Likewise, the primary surplus increased by 16.6 per cent to $115.1m. The higher overall fiscal surplus was mainly due to lower capital expenditure, which offset a decline in current revenue and grant receipts.

Current revenue fell by 7.6 per cent to $399.8m in the first six months of 2016, in contrast to a 4.7 per cent increase in the corresponding period of 2015. This development was attributable to decreases in both tax and non-tax receipts. Tax revenue declined by 6.3 per cent to $240.7m, associated with reduced receipts from all of the major tax categories including domestic goods and services (7.8 per cent), income and profits (7.5 per cent), international trade and transactions (2.8 per cent), and property (5.6 per cent). Collections for taxes on domestic goods and services fell, largely influenced by a decline in VAT receipts, which contributed 28.9 per cent of tax revenue. VAT receipts totalled $69.5m, a decrease of 9.5 per cent ($7.3m) compared with the amount collected in the first six months of 2015. Lower VAT receipts reflected the removal of VAT on food, medical supplies and funeral expenses in April 2015. The impact of the reduced VAT inflows on taxes on domestic goods and services was tempered by increases in the collection of stamp duties and licences of 2.8 per cent and 11.9 per cent respectively. Lower receipts of taxes on income and profits reflected the slower pace of economic activity as indicated by a fall in inflows for company tax (15.1 per cent), while reduced collections of taxes on international trade was attributable to a decrease in inflows of excise tax and customs service charge of 37.1 per cent and 7.0 per cent respectively. A decline in the collection of taxes on property reflected an estimated 16.1 per cent reduction in receipts of house tax. Non-tax revenue collections fell by 9.6 per cent to $159.0m, largely due to reduced inflows of receipts associated with the Citizenship by Investment (CBI) Programme.



Current expenditure is estimated to have declined by 0.8 per cent to $307.3m in contrast to an increase of 11.8 per cent in the first six months of 2015. This development was attributable mainly to decreases in outlays on transfers and subsidies (16.0 per cent), interest payments (13.7 per cent) and goods and services (2.4 per cent). Lower outlays on transfers and subsidies and goods and services reflected measures to control expenditure consistent with lower revenue collections. Meanwhile, lower interest expenditure was attributable to decreases in both domestic and external payments consistent with the downward trajectory of the outstanding debt. The decrease in current expenditure was moderated by higher outlays on personal emoluments of 12.8 per cent, attributed to a 3.0 per cent salary increase in conformance with the triennium wage agreement for 2014 to 2016.

Capital expenditure outlays fell by 33.4 per cent to $44.1m as work wound down on major road improvement works and enhancements to public buildings. Work continued on upgrades to the water distribution infrastructure in Nevis.

Inflows of official assistance (grants) fell by 36.5 per cent to $21.8m, in contrast to a 79.0 per cent increase in the first half of 2015. The outturn was influenced mainly by a decrease in capital grants by 50.0 per cent to $9.0m, compared with a decrease of 3.6 per cent in the corresponding period of 2015. Likewise, budgetary grants fell by 21.6

per cent to $12.8m in contrast to a thirty-two fold increase in the first half of 2015.

The overall surplus of the Central Government is provisionally estimated at $98.0m, compared with a balance of $61.4m recorded in the first half of 2016. This development was largely attributable to lower capital expenditure. Recurrent revenues decreased by 8.3 per cent to $332.7m, mainly due to lower collections of tax and non-tax receipts. Tax revenues were lower on account of lower performances in all the major tax categories. A decrease in receipts of taxes on income and profits by 8.0 per cent ($4.2m), largely reflected a 21.6 per cent decline in the collection of corporation tax, as well as a decrease in the receipt of withholding tax (5.2 per cent). The performance of tax revenue was further constrained by declines in collections from taxes on domestic goods and services, which fell by 5.6 per cent ($4.6m) largely due to lower receipts from the VAT ($5.5m). Tax collections on international trade and transactions fell by 6.2 per cent, primarily influenced by lower receipts of the excise duty and the customs service charge of 50.6 per cent and 12.5 per cent respectively.

Non-tax revenues fell to $142.3m, compared with $159.4m in the first six months of 2015, attributable primarily to a 16.2 per cent decrease to $113.9m in receipts from the CBI programme.

Recurrent expenditure was 2.4 per cent lower at $245.4m in the first six months of 2016, for the most part reflecting lower outlays on transfers and subsidies which fell by 20.1 per cent in contrast to a 40.6 per cent increase in the corresponding period of 2015. A decrease in interest payments by 19.2 per cent to $13.4m, represented the other contributing factor to the contraction in current expenditure. Lower interest payments reflected declines in both external (25.9 per cent) and domestic (14.9 per cent) payments consistent with the decrease in the outstanding debt of the central government. The reduction in current expenditure was moderated by an increase in expenditure on personal emoluments and wages by 13.9 per cent associated with the final payment of a 3.0 per cent tri-annum salary increase. Capital expenditure fell by 52.1 per cent to $27.4m, in contrast to an increase of 29.3 per cent to $57.3m in the corresponding period of 2015, associated with the completion of ongoing infrastructural projects.

The fiscal operations of the Nevis Island Administration (NIA) recorded an overall deficit of $4.0m in the first half of 2016, in contrast to a surplus of $12.9m recorded in the corresponding period of 2015. The deficit was the result of increased outlays on capital expenditure combined with higher current expenditure.

Current expenditure rose by 6.1 per cent to $61.9m compared with a 14.7 per cent increase to $58.3m in the corresponding period of 2015. Higher current expenditure reflected increased outlays on personal emoluments and wages, and transfers and subsidies of 9.5 per cent and 44.9 per cent respectively. The increase in current expenditure was constrained by reductions in spending on goods and services (11.6 per cent) and interest payments (2.2 per cent). Capital expenditure increased by 87.9 per cent to $16.6m, compared with $8.8m spent in the first half of 2015.

Current revenue fell by 4.3 per cent to $67.0m, in contrast to a 27.0 per cent increase to $70.1m in the corresponding first half of 2015. The decrease in current revenue collections reflected lower tax receipts. Tax revenues were 6.0 per cent below levels in the corresponding six-month period in 2015, attributable to decreases in receipts for most of the major tax revenue categories including; domestic goods and services (13.9 per cent), income and profits (4.9 per cent), and property (8.5 per cent). These reductions were tempered by a 14.7 per cent rise in the collection of taxes on international trade. Meanwhile, the other component of current revenue, non-tax revenue, rose by 0.9 per cent ($0.2m) to $16.7m. Official grant receipts amounted to $7.5m in capital grants, in the period under review, compared with grants of $10.0m in the first six months of 2015.

Public Sector Debt

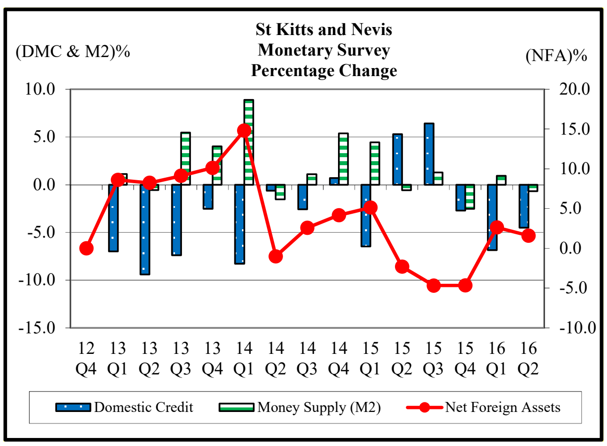
The total disbursed outstanding debt of the public sector of the Federal Government fell by 1.0 per cent to $1,540.0m during the first half of 2016 compared with $1,555.5m at the end of December 2015. The outstanding debt of the central government, which accounted for 81.3 per cent of total debt, fell by 1.7 per cent to $1,251.8m. By contrast the debt of public sector corporations rose by 2.2 per cent to $288.2m. External debt which represents 35.0 per cent of public sector debt fell by 6.6 per cent to $538.3m. Lower total outstanding debt reflected the impact of the debt restructuring exercise undertaken 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.

Money and Credit

Monetary liabilities (M2) expanded by 0.2 per cent to $3,035.0m, in comparison to an increase of 3.8 per cent during the corresponding period of 2015. The outturn reflected an increase of 0.4 per cent ($8.7m) to $2,412.5m in quasi money. The rise in quasi money was largely on account of higher private sector foreign currency deposits (0.9 per cent) and private sector savings deposits (0.7 per cent). In contrast, the narrow money supply (M1) contracted by 0.3 per cent ($1.8m), influenced by lower levels of currency with the public (2.2 per cent).

Domestic credit declined by 11.1 per cent to $917.5m, compared with a decrease of 1.6 per cent in the first six months of 2015, reflective of a lower net credit position of the Federal Government. Net credit to the Federal Government fell by 12.6 per cent ($63.9m) to $445.2m, largely driven by a 20.4 per cent ($68.2m) decline in net lending to the central government. This outturn was attributable to an increase in central government deposits held at commercial banks by 9.7 per cent ($55.6m) during the period, supplemented by a 26.7 per cent ($10.2m) increases in deposits held at the Central Bank and an 8.4 per cent ($1.1m) rise in commercial bank deposits of the Nevis Island Administration (NIA). The decrease in domestic credit was also influenced by a higher net deposit position of non-financial public enterprises (NFPEs), which rose by 5.8 per cent to $979.6m, fuelled largely by a 5.5 per cent ($53.1m) increase in deposits held at commercial banks.

In terms of the distribution of credit by economic sectors, the results were mixed, as on one hand, increases in lending were recorded mainly for distributive trades (3.4 per cent), manufacturing and mining (4.3 per cent) and other services (1.3 per cent) which largely reflected higher credit to public administration and professional and other services of 2.9 per cent and 2.2 per cent respectively. On the other hand, the increase in credit to those sectors was tempered largely by declines in credit to tourism (0.7 per cent), construction (0.2 per cent), and personal uses (less than 0.1 per cent). Lower credit extended for personal uses, was largely influenced by a 1.8 per cent reduction in lending for house and land purchase, partly moderated by increased lending (2.1 per cent) for house and land purchase.



The net foreign assets of the banking system grew by 4.3 per cent to $2,300.5m during the first six months of 2016, compared with an increase of 2.7 per cent ($63.9m) during the corresponding period of 2015. Growth in the net foreign assets position reflected a 22.3 per cent ($168.9m) rise in St Kitts and Nevis' imputed share of the Central Bank's reserves to $926.1m, due to an increase ($164.9m) in imputed assets. The increase in the imputed reserves of the Central Bank was tempered by developments with commercial banks, whose net foreign asset position fell by 5.1 per cent to $1,374.5m, reflective of an increase in the net liabilities position of financial institutions outside of the Currency Union.

Liquidity in the commercial banking system contracted during the review period. The ratio of liquid assets to total deposits decreased by 3.5 percentage points to 72.4 per cent, while loans and advances to total deposits fell to 36.7 per cent at the end of June 2016 from 37.5 per cent at the end of 2015. However, further supporting evidence of a general decrease in liquidity included a reduction in the ratio of liquid assets to total deposits plus liquid liabilities which fell by 3.5 percentage point to 55.0 per cent.

The minimum savings deposit rate (MSR) which was adjusted from 3.0 per cent to 2.0 per cent at the 81st meeting of the ECCB Monetary Council held on 27 February, 2015, was made operation on 1 May, 2015.

Prior to this adjustment, the most recent change to the (MSR) occurred in September, 2002 when it was reduced from 4.0 per cent to 3.0 per cent. Notwithstanding the revisions to the MSR, the weighted average interest rate spread between loans and deposits remained relatively unchanged at 6.51 percentage points at the end of June 2016, compared with 6.50 percentage points at the end of December 2015. This development was the result of a 14 basis points decline in the weighted average deposit rate to 1.91 per cent, virtually matching one of 13 basis points in the weighted average lending rates to 8.41 per cent.

Prospects

Following a series of events that have clouded the global economic forecast headlined by the 23 June vote by the UK to exit the EU, the International Monetary Fund (IMF) in its July 2016 update to the World Economic Outlook (WEO) made a downward revision to its baseline 2016 global growth estimate. Fuelled by the political, economic and institutional uncertainty associated with the UK referendum, global economic growth is estimated to slow to a 3.1 per cent expansion in 2016, compared with a prior 3.2 per cent estimated expansion. More importantly, growth prospects for the USA economy, St Kitts and Nevis' largest trading partner, have been revised down by 0.1 per cent to a 3.0 per cent expansion.

In the domestic economy growth will be buoyed by continued construction activity, underpinned by resort developments in the private sector and the commencement of major public sector projects; a new secondary school, a second cruise ship berthing facility and a recreational park. The performance of the tourism industry is estimated to recover in the latter half of 2016, sustained by investment in the physical plant, intensified marketing in major source markets and additional airlift. United Airlines will increase the number of weekly flights into the Federation by almost 50.0 per cent, commencing 19 November, 2016. Pre-existing seasonal airlift arrangements by United Airlines will re-commence during the winter months and be extended throughout the summer and fall of 2017. This development combined with existing daily service from American Airlines, weekly service from Delta Airlines and winter service from Air Canada greatly improve tourism prospects. As a consequence, some recovery in the number of total visitors is estimated in 2016. Consequently, the wholesale and retail trade, transport, storage and communications and real estate, renting and business activities sectors are likely to benefit from positive spill-over effects. Inflationary pressures are anticipated to remain subdued with possible upward pressure from a marginal increase in petroleum prices associated with reduced output and economic and political uncertainty.

A smaller overall surplus on the fiscal accounts is estimated based on an anticipated decline in both tax revenue and non-tax revenue, coupled with increases in current expenditure and lower grant receipts. The performance of non-tax is largely attributable to the activities of the CBI programme, which is projected to decline. In view of developments in non-tax, total revenue is projected to decrease in 2016. Tax revenue declines are estimated to reflect more moderate real sector activity. However, the implementation of a number of major public sector projects; the second cruise pier, the new Basseterre High School, the National Heroes Park and planned enhancements to tourism sites and recreational areas could generate substantial economic activity and positively impact tax revenue outcomes. Higher current expenditure is estimated, associated with increases in the wage bill, while capital expenditure outlays are anticipated to fall below that of the latter half of 2015. However, the capital expenditure outturn will be contingent on how quickly major planned capital projects can be mobilised.

The deficit on the current account of the balance of payments is anticipated to widen attributable to a larger imbalance on the merchandise trade account, fuelled by the import of primary and intermediary consumer goods as well as building materials for the construction sector. The anticipated widening in the current account deficit may be tempered by a further slowing in economic expansion as work concludes on some major private sector investments.

Major downside risks to the projections are associated with possible declines in receipts from the Citizenship by Investment programme due to intensified regional competition. The prospect of lower inflows from the CBI could further constrain activity in the construction sector, as most of the major ongoing private sector construction is tourism-centred and driven by developments in the CBI. The fall-out from the Brexit also poses a latent threat to the tourism industry particularly the UK source market. A marked deceleration in the economy of the USA, pre and post-election, could also further constrain the pace of developments in the tourism industry, depending on consumer optimism. Second order downside risks include; the possibility of damage to infrastructure associated with adverse weather systems particularly hurricanes and the looming threat of the Zika virus. Higher energy prices, during the latter half of 2016 could pose a risk to fiscal balances.

On the upside, comprehensive reforms made to the CBI programme to improve the administrative and security robustness of the programme could make it more competitive and generate increased investment inflows. The fallout from the UK Brexit may afford greater opportunities for enhanced bilateral relations between the UK and St Kitts and Nevis.

SAINT LUCIA

Overview

Based on preliminary indicators for the first half of 2016, the economy of Saint Lucia is estimated to have remained relatively flat. This assessment is reflective of reduced activity in a few key sectors including hotels and restaurants and manufacturing, amidst improvement in the construction sector. Consumer prices fell by 2.5 per cent, on an end of period basis, as Saint Lucians paid less for basic food items. An expansion of the merchandise trade deficit was recorded due to a combination of increased imports and reduced exports. **The central government's fiscal operations moved from an overall deficit position to a surplus, primarily associated with positive developments on the current account.** The total public sector debt increased, driven largely by an expansion of external indebtedness of the central government. In the banking system, monetary liabilities (M2) and net foreign liabilities increased, while domestic credit declined. The commercial banking system remained relatively liquid, while the interest rate spread between loans and deposits narrowed during the period under review.

Economic forecasts for the remainder of 2016 are fairly positive, based largely on the outlook for the construction and agricultural sectors. The private sector is expected to take the lead on fuelling construction activity for the remainder of the year, coupled with some key infrastructural development in the public sector. It is expected that, inter alia, work in the private sector will continue on tourism-related plants such as the Royalton and Harbour Club hotels, while the public sector will concentrate on reconstruction and rehabilitation of roads, bridges and other physical infrastructure. Also, it is anticipated that the pace of activity in the agricultural sector will pick up in the near term.

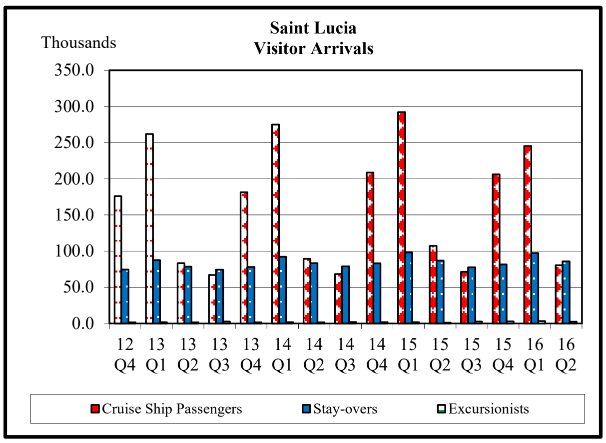
Activity in the hotels and restaurants sector is projected to contract marginally, challenged in part by the ZIKA virus and negative advisories issued by some of the source markets on travel to Saint Lucia. The improvement on the overall fiscal balance may not be sustained for the remainder of the year, as a number of proposed fiscal measures, if implemented, may adversely impact revenue flows and simultaneously augment expenditure. Deflationary pressures are likely to persist, particularly if global commodity prices, more particularly petroleum products, decline. While declining prices and the success of the Citizenship by Investment Programme present a number of opportunities for the economy, risks remain tilted to the downside. These include **the uncertainties in the global economy presented by Brexit and additional challenges in the advanced economies, other external shocks, negative travel advisories, spread of the ZIKA virus, adverse weather and local labour market issues.**

Output

Construction activity is estimated to have improved in the first half of 2016, in comparison with the corresponding period of 2015. This outturn partly reflected an estimated 20.0 per cent increase in the import of construction materials over the period under review, notwithstanding a decline of 12.2 per cent in commercial banks' credit towards the construction sector. In the private sector, construction activity continued, albeit at a relatively slower pace. That activity focused mainly on a number of tourism-related projects including the Royalton, the Harbour Club, Tides Sugar Beach Resort, Bouchan Resort and the construction and renovation of residential properties. Although construction activity in the public sector fell, as reflected by a decline in capital expenditure, work continued on infrastructural development including the reconstruction and rehabilitation of bridges and roads.

Output in the agricultural sector is provisionally estimated to have increased in the first half of 2016, mostly associated with the production of other crops. The production of other crops improved, buoyed by an increase in the output of non-traditional crops. This assessment was supported by an increase in the volume of agricultural produce sold to local supermarkets. On the contrary, production of bananas fell by 19.5 per cent to 3,973 tonnes, mainly due to a decline in the export of bananas to the UK market. The industry's performance in the review period contrasts an increase of 3.7 per cent in the comparable period of 2015.

Manufacturing output is estimated to have contracted relative to the level recorded in the first half of the previous year. This assessment was supported by declines in the production and export volume and value of a number of manufactured items. However, commercial banks' lending to the manufacturing sector increased by 7.6 per cent in the January to June 2016 period.



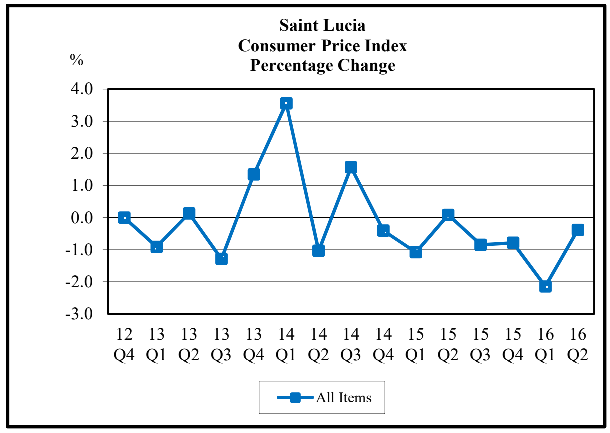
Activity in the tourism industry is estimated to have declined in the first half of 2016, in relation to the comparable period of the prior year. This outturn was mainly due to a contraction of 15.7 per cent to 515,239 in the total number of visitors, primarily reflecting a decline in the number of cruise passengers. Cruise passenger arrivals decreased by 18.4 per cent to 326,167 in contrast to growth of 9.8 per cent in the first six months of 2015.

The outturn in the cruise category was largely attributable to a reduction in the number of cruise ship calls to 230 from 244 in the first half of the last year.

Stay-over arrivals decreased by 1.2 per cent to 183,139 in the period under review, in contrast to an expansion of 5.3 per cent in the first half of 2015. The underperformance in the stay-over arrivals sub-category mainly reflected weak outturns from the Canadian and European markets. Visitor arrivals from Europe, which is the second largest source market, fell by 7.3 per cent; largely driven by a 3.6 per cent (1,275) fall in arrivals from the UK, supported by declines of 34.3 per cent (1,267) and 43.3 per cent (865) in the number of visitors from France and the Germany, respectively. The number of visitors from Canada decreased by 11.4 per cent, in contrast to growth of 7.6 per cent in the corresponding period of the prior year. However, the number of stay-over visitors from the Caribbean and the USA increased by 8.6 per cent (2,253) and 2.4 per cent (2,046) respectively. Of the other categories, the number of excursionists increased by 89.0 per cent (2,793).

Prices

The consumer price index fell by 2.5 per cent during the first six months of 2016, in comparison with a decline of 1.0 per cent during the corresponding period of 2015. The declining prices during the review period were influenced largely by downward movements in the price of housing, utilities, gas and fuels (10.7 per cent), clothing and footwear (3.0 per cent), food and non-alcoholic beverages (1.8 per cent), and recreation and culture (1.7 per cent). The overall decrease in the consumer price index was tempered somewhat by increases in a number of sub-indices including household furnishings, supplies and maintenance (5.4 per cent), communication (3.7 per cent); as cell phone charges continued to increase, alcoholic beverages, tobacco and narcotics (2.2 per cent), education (2.0 per cent) and hotels and restaurants (1.6 per cent).

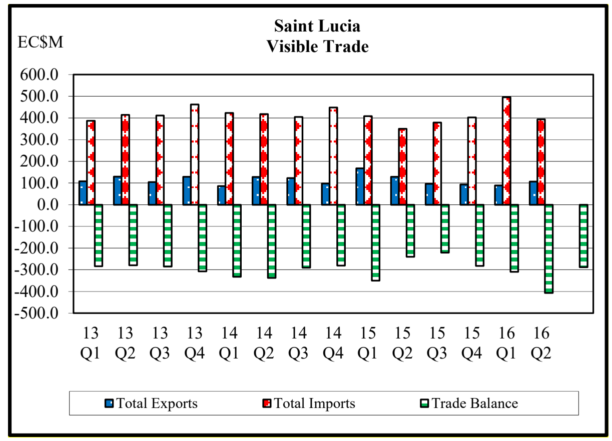


Trade and Payments

A merchandise trade deficit of $694.8m was estimated for the first six months of 2016, compared with one of $461.1m recorded in the corresponding period of 2015. This expansion of the deficit was associated with an increase in the value of imports combined with a decline in exports. The value of total imports was estimated to have risen by 17.3 per cent to $889.4m, largely influenced by increased spending for minerals, fuels, lubricants and related materials ($76.9m) and machinery and transport equipment ($35.2m). Receipts from total exports fell by 34.5 per cent to $194.6m, driven primarily by a 54.9 per cent decline in the value of re-exports, supported by a contraction in domestic exports. Earnings from domestic exports fell by 7.5 per cent, largely due to contractions in the export of crude materials

($7.2m), manufactured goods ($5.2m), machinery and transport equipment ($2.3m) and minerals, fuels, lubricants and related materials ($0.4m).

Gross receipts from travel are estimated to have decreased by 8.7 per cent to $558.0m, mainly reflective of the decline in the number of stay-over visitors. Transactions of commercial banks resulted in a net outflow of $209.3m in short-term capital during the first half of 2016, compared with an outflow of $298.7m recorded during the corresponding period of 2015. In the period under review, both principal repayments and external loan disbursements to the central government decreased to $35.8m and $66.5m, respectively. Consequently, the central government recorded a net disbursement position of $30.8m, compared with a net disbursement position of $65.0m in the first six months of 2015.

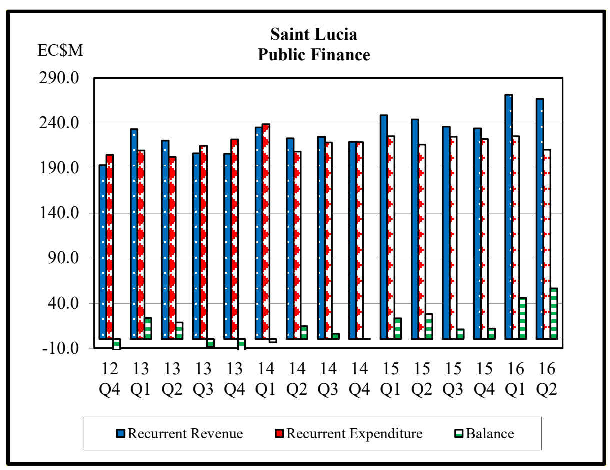


Central Government Fiscal Operations

The fiscal operations of the central government resulted in an overall surplus of $30.6m, in contrast to an overall deficit of $31.8m recorded in the first six months of 2015. The fiscal outturn largely reflected developments on the current account, while the outcome on the capital account improved from the first half of last year. Capital account operations resulted in a deficit of $71.7m, an improvement from one of $82.9m recorded in the comparable period of 2015. Capital expenditure declined by $22.9m, commensurate with a fall in capital grants. A primary surplus of $105.0m was recorded, compared with one of $42.3m realised in the January to June period of the prior year.

A surplus of $102.4m was recorded on the current account in the first six months of 2016, compared with one of $51.1m in the corresponding period of 2015. The surplus more than doubled underpinned by an expansion in current revenue, which was supported by a contraction in current spending. Current revenue grew by 9.3 per cent to $537.8m, buoyed by an increase in income from taxes, which was partly offset by a decline in non-tax revenue. Non-tax revenue fell by 26.2 per cent ($7.1m) to $20.1m, led by a decline in receipts from interest and rents.

Revenue from taxes rose by 11.4 per cent ($52.8m) to $517.7m, prompted by increases in receipts from all sub-categories of taxes. Receipts from taxes on domestic goods and services were 8.9 per cent ($18.1m) more than the amount collected in the corresponding period of 2015, attributable to increases in collections from the value added tax ($8.3m), fuel surcharge ($5.2m) and licenses ($3.9m). The improvement in VAT collections stemmed from the change in policy last year to shorten the list of exempted items. Yields from taxes on income and profits grew by 12.6 per cent ($17.3m), primarily reflecting growth of 45.0 per cent ($19.6m) in intake from the corporation tax, as inter alia, institutional changes at the Inland Revenue Department contributed to improved efficiency of collection, particularly from large corporations. The performance of taxes on income and profits was also supported by an increase of 5.4 per cent ($3.0m) from the personal income tax. Receipts from the property tax continued to increase ($1.0m). Revenue from taxes on international trade and transactions grew by 13.7 per cent ($16.5m), associated with larger collections from the service charge ($5.6m), the excise tax on imports ($4.7m) and the import duty ($3.2m).



Current expenditure contracted by 1.3 per cent to $435.5m, influenced by declines in spending on transfers and subsidies ($3.7m) and goods and services ($3.2m).

The contraction in outlays for transfers and subsidies, which account for the second largest share of current expenditure, was mainly driven by a decline of 14.5 per cent in general transfers, particularly private sector subsidies. A decline in the cost of utilities was the primary reason for the fall in expenditure on goods and services. However, the contraction was tempered somewhat by a marginal increase in outlays for personal emoluments ($1.0m), which account for the largest proportion of current spending. Additionally, there was a slight increase ($0.3m) in the amount spent on interest payments.

Public Sector Debt

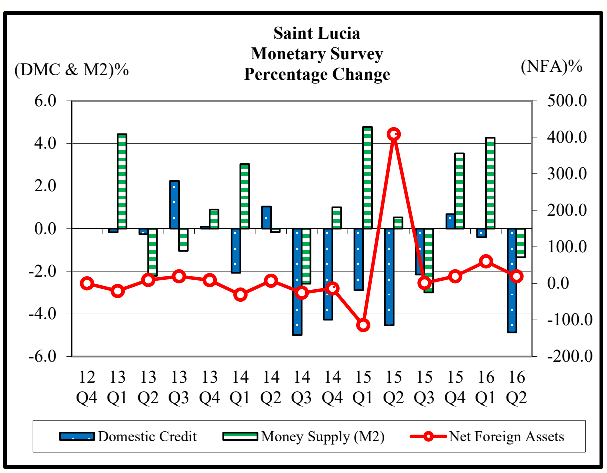
Preliminary data indicate that the total disbursed outstanding debt of the public sector stood at $2,986.1m at the end of June 2016, an increase of 1.3 per cent from the total at the end of December 2015. This outturn reflected a rise of 1.6 per cent in central government's borrowing, as its stock of external debt expanded by 5.4 per cent. However, its stock of domestic debt contracted by 1.8 per cent to $1,452.7m. The total outstanding debt of the public corporations is estimated to have contracted by 5.7 per cent to $138.0m, influenced by declines in their stock of both domestic ($6.1m) and external ($2.2m) debt.

Money and Credit

Monetary liabilities (M2) are estimated to have expanded by 2.9 per cent to $3,142.4m during the first six months of 2016, compared with growth of 5.3 per cent during the comparable period of 2015. The expansion in M2 reflected developments in both of its components. Quasi money grew by 2.9 per cent to $2,351.1m, influenced by growth in all its sub-components. Private sector time deposits rose by 8.0 per cent ($31.2m), while savings deposits and foreign currency deposits increased by 2.0 per cent ($31.7m) and 0.8 per cent ($2.6m), respectively. Narrow money grew by 2.9 per cent to $791.3m, mainly attributable to growth of 4.0 per cent in private sector demand deposits combined with growth of 0.5 per cent ($0.7m) in currency held with the public, which more than offset a decline of 59.6 per cent ($3.0m) in EC$ cheques and drafts issued.

Domestic credit fell by 5.2 per cent to $3,097.8m compared with a decline of 7.3

per cent during the corresponding period of 2015. The contraction in credit was largely influenced by transactions of the central government which resulted in a net credit position of $145.3m, compared with one of $226.7m at the end of December 2015. Net credit to central government fell by 36.3 per cent ($86.3m), mainly attributable to a decline of $17.8m in commercial bank credit to government. There was also a 2.1 per cent decline in borrowing by the private sector, reflecting a fall of $60.6m in business loans. A marginal decline (0.8 per cent) was recorded in household borrowing. In the rest of the public sector, net deposits of non-financial public enterprises rose by 3.5 per cent, influenced by an increase of 2.4 per cent in their deposits.



An analysis of the distribution of credit by economic activity suggests that outstanding loans and advances decreased by 2.5 per cent, associated with declines in lending for most categories, particularly tourism and construction. Outstanding credit for tourism contracted by 10.7 per cent ($42.4m), along with credit for construction and land development, which fell by 12.2 per cent ($33.7m). Lending to distributive trades, personal uses and agriculture fell by 3.7 per cent ($10.7m), 0.6 per cent ($10.6m) and 22.7 per cent ($4.7m), respectively. Those declines were partially offset by increases of 4.2 per cent ($24.0m) in credit for professional and other services, 6.7 per cent ($3.8m) in lending to financial institutions and 4.0 per cent ($3.8m) to the manufacturing sector.

The banking system was in a net foreign assets position of $512.0m at the end of June 2016, in comparison with a net foreign asset position of $268.4m at the end of December 2015. The positive outturn was largely associated with a 39.0 per cent decrease in the net liabilities position of commercial banks as they simultaneously increased their assets and lowered their liabilities. Assets held with institutions outside the region increased by 7.9 per cent ($70.4m), while those within the ECCU grew by 16.2 per cent ($54.0m). Foreign liabilities held within and outside the ECCU contracted by 7.6 per cent ($72.8m) and 1.5 per cent ($12.2m), respectively. Also contributing to the overall improvement in the country's position was an increase of 4.3 per cent ($34.3m) in Saint Lucia's imputed share of the reserves of the Central Bank.

Commercial banks' liquidity improved during the review period. At the end of June 2016, the ratio of liquid assets to total deposits plus liquid liabilities was at 37.8 per cent, which was 2.3 percentage points more than the level at the end of 2015 and also above the prudential minimum of 25.0 per cent. The loans and advances to total deposits ratio was 89.8 per cent or 6.7 percentage points below the ratio at end December 2015. That ratio exceeded the ECCB's outer band of 85.0 per cent.

Weighted average interest rate on deposits fell to 1.77 per cent from 1.94 per cent at the end of December 2015, while the weighted average lending rate decreased to 8.13 per cent from 8.35 per cent. Consequently, the weighted average interest rate spread decreased marginally by 5 basis points during the first half of the year.

Prospects

In its July 2016 update of the World Economic Outlook, the International Monetary Fund revised its projections for global growth in 2016 slightly downwards to 3.1 per cent; the revision is now equal to the estimated outturn for 2015. Although the global recovery seems to be slowing down it is expected to gain impetus in the short run into 2017. Near-term forecasts for advanced economies show that these countries vary in terms of the recovery time. The US economy is forecasted to expand over the next two years with growth projected at 2.2 per cent in 2016 and 2.5 per cent in 2017. Projections for 2016 for the UK and Canada are 1.7 per cent and 1.4 per cent, respectively. While the Brexit portends economic and political instability, global prospects remain positive, which augur well for the economies of the ECCU, particularly that of Saint Lucia. Notwithstanding the slower pace, economic activity in Saint Lucia is projected to expand in 2016. The expansion is likely to be driven primarily by developments in the construction sector, supported by prospects for a few other sectors, including agriculture. The authorities have committed to pursue the implementation of policy initiatives geared towards improving the country's competitiveness and attaining a sustainable level of economic growth.

Construction growth, which is likely to be the main impetus to economic activity in Saint Lucia will likely be private sector driven. It is expected that ongoing projects like the Royalton, the Unicomer Building and the Harbour Club and new initiatives like the Sunset Bay Hotel may fuel private sector activity for the rest of the year. Support is anticipated from the public sector as reconstruction and rehabilitation of roads, bridges and other physical infrastructure persist in the second half of the year.

Agricultural production is likely to increase, based on expected improvement in the livestock, poultry and other crops sub-sectors. The continuing support of the hotels and supermarkets to purchase produce from the local farmers will bode well for the sector on a whole. Although there was a decline in banana production in the first half of the year, the industry is expected to recover, as a result of investment and expansion policies, supported by the EU's Banana Accompanying Measures (BAM).

The challenges in the hotels and restaurants sector are expected to persist for the rest of the year, as outlook for major source markets remain uncertain. Also, the advisory alert issued by the Canadian Government about Saint Lucia could adversely impact the number of tourist coming from that source market. In addition, the ZIKA advisory issued against Saint Lucia as the number of infected cases increase have implications for tourism. However, the Saint Lucia Hotel and Tourism Association has received a few awards for being a good destination and in this light, the Tourist Board is hoping that such awards could counteract any fear of the ZIKA virus and the Canadian advisory. Also, the push by the Tourist Board to increase airlift from the major source market (USA) could boost visitor arrivals from that source. Plans for the launching of a ferry service later this year could augment the number of visitors from neighbouring countries such as St Vincent and the Grenadines, Barbados and the French West Indies. However, this initiative is not likely to materialize soon enough to impact tourism in the near-term, hence a brighter prospect for the industry in the medium to long term. A turn-around is anticipated in the cruise sub-sector for the remainder of the season, partly attributed to Saint Lucia becoming a home port for P & O Cruises. Any improvement in the performance of the tourism industry is expected to be transmitted to other ancillary sectors like wholesale and retail, transport and distributive trades.

Growth prospects hinge heavily on the Central Government's management of its fiscal consolidation strategy and overall debt burden. If sustained, the success attained thus far on the fiscal front can lead to an improvement in the overall balance position for 2016 and could be supported by impending inflows from the Citizenship by Investment Programme. On the contrary, the overall balance is likely to deteriorate should proposed revenue reducing measures be implemented, without commensurate cuts in spending. On the capital side, expenditure could increase if some of the pipe-lined projects are fast-tracked. With budgeted additional spending for the 2016/2017 financial year, increased borrowing is highly probable, coupled with the rolling-over of a substantial proportion of existing bonds and Treasury bills. Consequently, debt pressures are projected, notwithstanding fairly optimistic expectations for the newly instituted Citizenship by Investment Programme.

In the external sector, the merchandise trade deficit may narrow in the short term based on an anticipated increase in export earnings. It is likely that the improvement in export earnings will compensate for projected growth in import payments, necessary to facilitate the forecasted expansion in construction activity. Inflows from travel are likely to increase, contingent on the performance of the stay-over visitor sub-category. as the tourism season begins in October, along with further collaboration with Martinique. Deflationary pressures may persist mainly the consequence of declining global commodity prices.

Major downside risks to the projections for the Saint Lucian economy include the inability to implement policies to stimulate growth, while simultaneously containing debt. Other challenges confronting policy makers include a sudden stop in foreign investments used for the major tourism-related projects; the dependence of the tourism industry on developments in the advanced economies, which are uncertain due to Brexit; the impact of adverse advisories and the continued spread of the ZIKA virus on tourism; the adverse effects of global warming and climate change and chronic unemployment. On the upside, falling commodity prices could provide further gains on the external accounts and the Citizenship by Investment Programme presents a number of opportunities that could be leveraged if managed successfully and the expected inflows are realized.

ST VINCENT AND THE GRENADINES

Overview

An analysis of selected indicators suggests that economic activity in St Vincent and the Grenadines was slightly more robust in the first half of 2016, relative to the corresponding period of 2015. This growth was supported by modest gains in certain segments of the manufacturing and services sectors, which was offset by a slower pace in construction activity. Inflationary pressures started to rise again, as the consumer price index increased by 1.2 per cent on an end-of-period basis. The merchandise trade deficit is preliminarily estimated to have widened, attributed to a combination of rising import payments and falling export receipts. **The operations of the central government yielded a narrower overall deficit, while the outstanding stock of public sector debt was lower relative to that at the end of December 2015.** The banking sector was characterised by an increase in net foreign assets, weaker credit growth, which continued to be largely targeted at households, a deceleration in monetary liabilities and narrowing interest rate spreads.

The growth outlook for St Vincent and the Grenadines for the remainder of 2016 has been dampened since the March 2016 report, in part due to some unfavourable developments in the global economy. The global economic outlook is likely to be characterized by the potential impact of the United Kingdom's exit from the European Union,[2] as well as the possible normalization of monetary policy in the United States of America. On the upside, the country may benefit from the likely operationalisation of the airport with possible spillovers to the tourism and construction sectors. Other upside risks include improved output in the agricultural sector from a number of ongoing initiatives, the positive impact from the culmination of several road projects and the marina in Canouan. The fiscal operations of the central government are expected to be muted, reflecting the net effect of positive and negative developments. **This outlook may be restrained by a number of downside risks, including weaker growth of key trading partners from geopolitical**

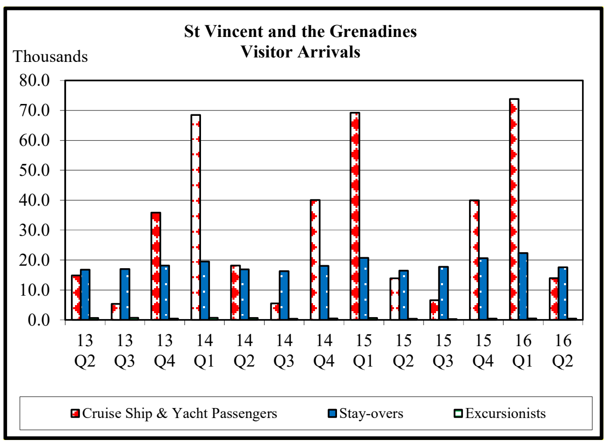
[2] That is, pending final negotiation

risks related to terrorism and increasing vulnerability to disasters. The materialization of any of these risks suggests that global and domestic economic developments may not be as encouraging for the remainder of the year as were initially expected.

Output

Activity in the tourism industry is estimated to have strengthened in the first half 2016, reflective of the improved performance in visitor arrivals and tourism expenditure. Preliminary data indicate that total visitor arrivals rose by 6.2 per cent to 128,642, in contrast to a 2.5 per cent contraction in the corresponding period of the preceding year. This overall strengthening reflected increases in all but one of the major categories of arrivals. Specifically, stay-over arrivals is estimated to have risen by 7.7 per cent to 39,909, faster than the growth rate of 1.9 per cent recorded in the first six months of 2015. The growth was attributed to increases in arrivals from three of the main source markets. The number of visitors from the United States of America, which accounted for the largest share of stay-over arrivals, advanced by 6.7 per cent relative to that of the previous year. Visitor arrivals from the Caribbean, the second largest source market, rose by 21.2 per cent, as St Vincent and the Grenadines hosted several regional meetings and conferences in the period. In light of some initial uncertainty surrounding the United Kingdom referendum, the number of visitors from the United Kingdom grew by 3.0 per cent, a much slower pace than the 7.5 per cent increase in the corresponding period of the previous year. These improvements were partly mitigated by reductions in the number of visitors from Canada (1.9 per cent) and an aggregate of the other smaller, less-established markets (1.7 per cent). Based on the other visitor categories, the number of cruise passengers was 8.0 per cent higher relative to the corresponding period of 2015, while the frequency of port calls by cruise ships rose by 32 to 161 for the six-month period. The number of excursionists fell further in the period, albeit at a slower pace of 5.5 per cent, following a 23.1 per cent decline in the corresponding period of the previous year.

In the first six months of 2016, the manufacturing sector continued to perform modestly relative to the corresponding period in the previous year, underpinned by the positive contribution of the beverage sub-sector, given a relatively successful 2016 carnival season. Beverage production grew by 7.1 per cent, offsetting some of the decline in the grains segment of the sector. While the production of animal feed increased during the period, lower demand, industry-specific challenges and a general decline in cost competitiveness resulted in contractions in the production of flour (1.6 per cent) and rice, which diminished substantially in recent months.



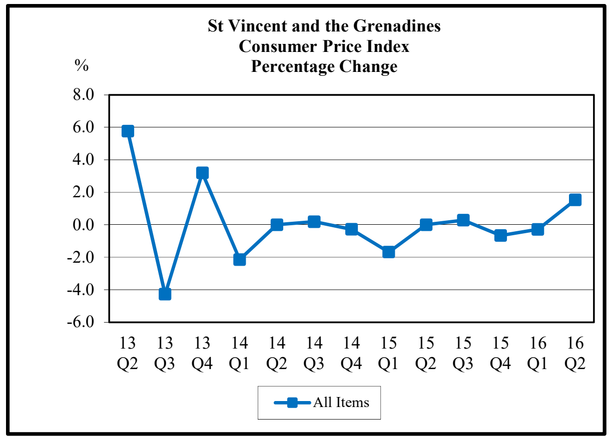
Sustained by positive developments in stay-over visitor-related activities, the wholesale and retail trade sector is assessed to have expanded, consistent with the increase in the volume of imports. Similarly, a small positive contribution is estimated for utilities, as the amount of electricity consumed in the period increased by 3.4 per cent, while water usage declined by 4.2 per cent.

Preliminary data for the first half of 2016 indicate that the pace of activity in the construction sector was slower, compared with that in the corresponding period in 2015. The deceleration in the sector was driven by developments in both government-led infrastructural projects and residential construction. Public sector construction, proxied by capital expenditure, fell sharply by 27.0 per cent to $24.2m owing to the culmination of the Argyle International Airport and the modern medical complex project, as well as the slowing of a number of road projects. In the residential sub-sector, the pace of construction of private dwellings decelerated, reflected in an easing in commercial bank lending to residential construction and renovation of 2.9 per cent relative to the rate of 5.9 per cent observed in the corresponding period of 2015. The diminished level of construction activity was further evidenced by an estimated 1.9 per cent reduction in the value of imported construction materials and supplies in the period.

Anecdotal information suggests that output in the agricultural sector was modest, on account of a slight improvement in non-crop production following the successful artificial insemination project in the livestock sub-sector in mid-2015, which resulted in increased production of livestock. In the traditional sub-sector, initial estimates indicated that year-on-year banana exports rose by 1.8 per cent in the first half of 2016. Conversely, fish production was 5.0 per cent lower than that produced a year ago.

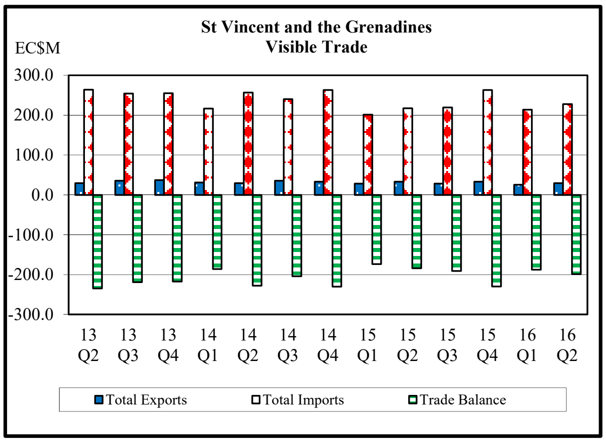
Prices

Inflationary pressures began to emerge during the first half of 2016 as **the consumer price index rose to 1.2 per cent in contrast to a decline of 1.7 per cent during the comparable period of 2015**. The upward movement in the index was driven by increases in the three largest sub-components. The transport sub-index rose by 2.6 per cent on account of higher airfares to selected US and Caribbean destinations, while the food and non-alcoholic beverages and the housing, water, electricity, gas and other fuels sub-indices registered increases of 1.7 per cent and 0.8 per cent respectively. Higher price levels were also observed in alcoholic beverages, tobacco and narcotics (2.5 per cent), clothing and footwear (2.4 per cent); and communication (2.2 per cent) sub-indices. The only two sub-indices which recorded declines were education and health, which were both 1.5 per cent lower than twelve months prior.



Trade and Payments

Provisional trade data indicate that the merchandise trade deficit widened by 8.1 per cent to $385.9m in the first half of 2016 relative to that of the corresponding period of 2015. The widening deficit was the result of a 5.4 per cent rise in import payments to $441.3m, coupled with a 10.3 per cent contraction in total exports to $55.4m. The fall in exports receipts reflected a 7.2 per cent reduction in the export earnings from domestic goods, largely associated with lower receipts for rice and flour of 13.2 and 4.4 per cent respectively. Notable increases in import payments were recorded in machinery & transport equipment (20.9 per cent) and mineral fuels and related materials (5.0 per cent).



Consistent with the improvement in total visitor arrivals, gross travel receipts are estimated to have advanced by 8.7 per cent to $151.6m. Transactions of commercial banks resulted in a net outflow of $41.0m in short-term capital during the first half of 2016, in contrast to an inflow of $27.8m registered during the corresponding period of 2015. Based on current estimates for the first half of 2016, disbursements from external loans to the central government rose by $8.5m to $27.4m relative to the first half of the preceding year. Meanwhile, external principal repayments rose by $2.0m to $22.0m. Consequently, central government financial activities resulted in a net inflow of $5.5m in the review period, relative to a net outflow of $5.0m one year earlier.

Central Government Fiscal Operations

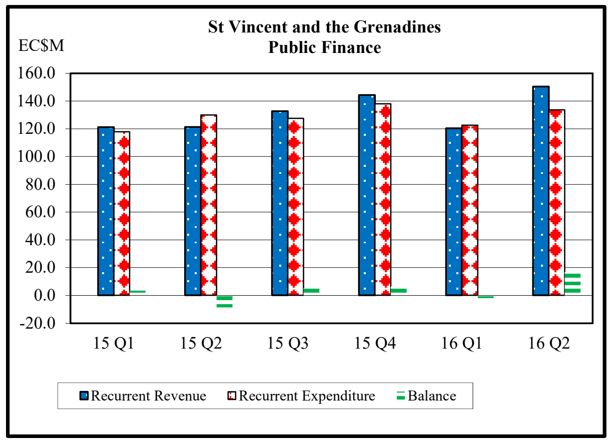
Provisional fiscal data for the first half of 2016 indicated a sharp narrowing in the overall deficit to $1.7m from $24.3m in the corresponding period of 2015, as growth of revenue outpaced that of expenditure. This improvement was driven by a shift on the current account from a deficit to a surplus, coupled with a contraction in capital spending. A primary surplus of $19.3m was recorded, following a deficit of $0.9m in the first six months of 2015.

The current account balance shifted to a surplus of $14.7m in the review period, from a deficit of $5.1m in the first half of 2015. This outturn was associated with an 11.7 per cent increase in current revenue to $270.7m.[3] Tax receipts, which accounted for approximately 87.0 per cent of current revenue, increased by 10.9 per cent to

[3] 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.

$235.1m, primarily on account of increases in inflows from all major tax categories. Increases were recorded in receipts from taxes on income and profits ($9.0m), taxes on international trade ($5.9m), taxes on goods and services ($5.5m) and taxes on property ($2.6m).[4] The growth in revenue from taxes on goods and services was partly boosted by higher inflows from the value added tax, which grew by 3.9 per cent ($1.5m), and may have partly reflected the impact of the elimination of tax exempt status on selected goods, effective 01 May 2016. Meanwhile, other revenue, the sundry revenue category, was $5.3m higher, largely reflecting improvements in the intake from sales of goods and services and property income of $2.1m and $0.2m respectively.

Current expenditure increased by 3.4 per cent ($8.5m) to $256.0m, reflecting higher outlays in two of the major sub-categories. Compensation to employees, which comprised 54.0 per cent of current expenditure, rose by 4.5 per cent ($5.9m), while spending on transfers and other social benefit payments grew by 10.6 per cent ($6.8m). Conversely, interest payments fell by 10.3 per cent ($2.4m) on account of declines in both external and domestic obligations. Similarly, spending on goods and services declined by 5.9 per cent ($1.7m) largely due to a decline in outlays on office supplies, materials and maintenance services.



Investment in the government's capital programme stood at $24.2m in the first half of 2016, a further contraction of 27.0 per cent ($8.9m) from the comparable period in 2015. The consecutive declines were consistent with the culmination of construction activity associated with a number of projects including the Argyle International Airport, which is scheduled to be completed later this year; the modern medical complex; as well as a post-disaster housing rehabilitation programme, associated

[4] In St Vincent and the Grenadines Taxes on Property comprise property tax, alien land-holding licence and stamp duty on property (GFS 2014)

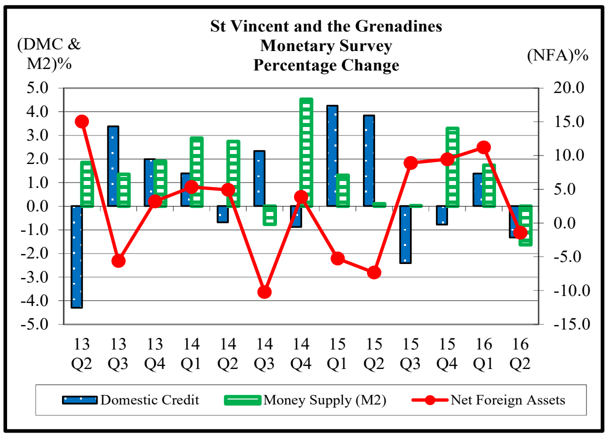
with the Christmas Trough of 2013. The capital programme was partially funded by capital revenue and grants totaling $7.9m, which were substantially less than the intake of $13.9m in the first half of the previous year. Of this total, the value of grants more than doubled during the period to $7.0m from $3.4m in the corresponding period.

Public Sector Debt

The total outstanding debt of the public sector stood at $1,603.1m at the end of June 2016, 0.4 per cent ($6.7m) lower than the stock at the end of December 2015. Central government outstanding debt, which at the end of June 2016 accounted for 85.3 per cent of total debt, contracted by 0.7 per cent reflecting declines in both external (0.7 per cent) and domestic (0.6 per cent) debt. The modest decline in central government debt reflected scheduled amortization payments and the partial repayment of its overdraft. Debt incurred by statutory corporations rose by 1.0 per cent ($2.3m) to $235.2m.

Money and Credit

Initial banking sector data suggest a deceleration in the monetary liabilities during the first six months of 2016, relative to the comparative period in 2015. **Broad monetary aggregate (M2) grew by 0.1 per cent to $1,476.8m, below the growth rate of 1.4 per cent recorded during the corresponding period in 2015.** The deceleration in M2 was largely attributable to a 1.9 per cent contraction in quasi money to $1,018.8m. The contraction was largely influenced by two of the smaller components of quasi-money, namely private sector time deposits and private sector foreign currency deposit, which declined by 7.4 per cent and 21.2 per cent respectively. The sharp contractions in these components may have been attributed to the introduction by the Republic Bank of Trinidad and Tobago (RBTT) of a $25 charge on several of its accounts beginning 23 May 2016. The increased fee resulted in many depositors closing their accounts at the commercial bank. Meanwhile, private sector savings deposits, which accounted for approximately four-fifths of quasi money, grew at a marginal rate of 1.1 per cent, a slower pace relative to the rate of 3.6 per cent in the corresponding period of the previous year. Meanwhile, growth in narrow money (M1) accelerated by 4.6 per cent to $458.0m, mainly due to movements in private sector demand deposits and currency with the public, which grew by 4.0 per cent and 2.0 per cent respectively.



Domestic credit remained virtually unchanged and posted a value of $1,069.7m during the period under review. Of this total, net claims on the central government fell by 12.2 per cent ($13.6m) to $97.6m, and mostly stemmed from an increase in government's deposits with a concomitant reduction in government's outstanding credit. The net deposit position of non-financial public enterprises fell by 3.8 per cent to $107.4m due to a reduction in deposits. Credit to the private sector rose by $9.6m (0.9 per cent) at the end of June 2016, largely associated with an increase in outstanding loans to households (2.5 per cent). This expansion was partially offset by a contraction in outstanding loans extended to the business sector which slid by a further 4.4 per cent, following a 1.1 per cent decline in the previous year.

Consistent with the estimated deceleration in the level of economic activity in the review period, total outstanding credit extended to major sectors slowed by 1.1 per cent to $1,219.6m. The period was marked by declines in outstanding credit to a number of economic sectors including manufacturing (12.0 per cent), construction (9.3 per cent), tourism (6.8 per cent) and distributive trades (4.0 per cent). The notable exception was credit extended to agriculture, whose growth almost doubled, but which comprises less than one per cent of total outstanding credit in the banking sector. The other increases in credit recorded in the non-productive sectors during the period were in the personal category (2.3 per cent) and the miscellaneous aggregated (other) category (2.9 per cent). Of the estimated expansion in personal credit, acquisition of property, which constitutes more than half of the loans to households, expanded at a rate of 2.2

per cent, more slowly than the increase of 5.4 per cent of the comparable period in the preceding year. The remainder of personal lending, comprising durable consumer credit registered an expansion of 10.9 per cent, while other household lending rose by 1.9 per cent, suggesting encouraging consumer sentiment.

During the first half of 2016, the net foreign assets of the banking system is estimated to have expanded by 9.6 per cent to $583.2m. The expansion was mainly influenced by a 47.0 per cent increase in commercial banks' net foreign asset position and supported by an uptick of 2.3 per cent in St Vincent and the Grenadines' imputed share of the Central Bank's reserves to $455.2m.

Liquidity of the commercial banking sector declined during the first six months of 2016 but remained at a comfortable level. The ratio of liquid assets to total deposits plus liquid liabilities fell to 43.8 per cent at the end of June 2016 from 44.3 per cent at the end of December 2015, well above the prudential ratio of 25.0 per cent. Meanwhile, the loans and advances to deposits ratio rose by 0.9 percentage points to 68.8 per cent, which was below the prudential threshold of 75.0 to 85.0 per cent.

The weighted average interest rate spread between loans and deposits narrowed to 6.46 per cent at the end of June 2016, relative to a spread of 7.30 per cent at the end of December 2015. This narrowing reflected adjustments in the weighted average rates on both deposits and loans. There was a 0.07 percentage point reduction in the weighted average deposit rate to 1.85 per cent, with a concurrent 7 basis point decline in the weighted average rate charged on outstanding loans to 9.15 per cent.

Prospects

The growth outlook for St Vincent and the Grenadines for the remainder of 2016 has been dampened since the March 2016 report, in part due to some unfavourable developments in the global economy. The global economic outlook is likely to be characterized by the potential impact of the United Kingdom's imminent exit from the European Union,[5] as well as the possible normalization of monetary policy in the

[5] That is, pending final negotiation

United States. Although the IMF suggests that the impact of the former development is likely to be mild, the Fund has noted that the Brexit vote may result in a considerable increase in economic, institutional and political uncertainty which may still potentially have adverse macroeconomic consequences. Consequently, based on the July 2016 update of its World Economic Outlook report, the Fund revised its global growth forecast downwards to 3.1 per cent in 2016. The materialization of any of these risks suggests that global and domestic economic developments may not be as encouraging for the remainder of the year as were initially expected.

In addition, initial estimates for US GDP registered tepid growth in the second quarter as business investment continued to weaken. Gross domestic product initially rose by 1.2 per cent after a downward revision to the first quarter of 0.8 per cent. Together these developments suggest that the global economy may be slowing and could portend negatively on St Vincent and the Grenadines in terms of trade, tourism, investment and remittances.

These global developments may be mitigated by some upside risks. Domestically, the country is expected to benefit from the operationalisation of the airport which may fuel activity in the tourism and construction sectors. Other potential benefits to the outlook include a better-than-expected performance in the agricultural sector from a number of ongoing sectoral initiatives, positive spillovers from the culmination of a number of road projects and the marina in Canouan. With respect to the household sector, the positive impact from a salary increase to public servants in 2016 may provide a boost to economic activity.

The banking sector remains sound with relatively high levels of liquidity to support growth in credit. However, the recent trend towards increasing bank charges and fees by some commercial banks may trigger a decline in consumer and business confidence which could adversely impact credit for the remainder of the year.

The fiscal operations of the central government are expected to be muted, reflecting the net effect of positive and negative developments. From a positive perspective, the Government introduced several new revenue measures in its 2016 Budget, which are expected to take effect this year and conservatively yield approximately $15.0m in additional revenue. Efforts are also ongoing in enhancing taxpayer compliance and the collection of substantial arrears. Concurrently, capital expenditure is likely to be lower but this decline may be offset by increased expenditure in transfers for the commissioning of the new airport with its expected completion.

This outlook may be restrained by a number of downside risks, including even weaker growth of key trading partners from geopolitical risks related to terrorism and increasing vulnerability to disasters. In addition, with the threat of global warming there is a possibility of increasing frequency and intensity of natural disasters during this year's hurricane season. If any of these risks materialise, a lower growth outcome may be expected for the remainder of the year.

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.

STATISTICAL TABLES INDEX

GRENADA

MONTSERRAT

ST KITTS AND NEVIS

SAINT LUCIA

ST VINCENT AND THE GRENADINES

Table 1
ECCU - Selected Tourism Statistics

	2015[R] 2nd Qr	2015[R] 3rd Qr	2015[R] 4th Qr	2016[R] 1st Qr	2016[P] 2nd Qr	2015 Jan - Jun	2016[P] Jan - Jun
Total Visitors	732,482	538,492	1,268,381	1,767,340	594,822	2,430,783	2,362,162
Stay-Over Visitors	261,491	244,595	267,329	330,086	258,920	574,128	589,006
Of which:							
USA	116,887	96,248	106,394	143,758	123,063	248,026	266,821
Canada	16,717	12,073	21,793	39,538	15,964	60,673	55,502
UK	48,792	42,358	57,315	62,300	44,545	108,511	106,845
Caribbean	53,257	67,171	50,045	47,080	50,879	93,987	97,959
Other Countries	25,838	26,745	31,782	37,410	24,469	62,931	61,879
Excursionists \1	30,644	32,507	27,880	35,902	27,389	71,644	63,291
Cruise Ship Passengers \2	409,573	241,361	937,829	1,352,019	287,345	1,691,632	1,639,364
Yacht Passengers \4	30,774	20,029	35,343	49,333	21,168	93,379	70,501
Number of Cruise Ship Calls \3	190	113	579	917	175	1,111	1,092
Total Visitor Expenditure (EC$M)	**833.39**	**751.13**	**905.84**	**1,178.92**	**798.05**	**1,999.45**	**1,976.96**

Sources: ECCU Central Statistics Offices and Eastern Caribbean Central Bank

[1] Excursionists include Sea Arrivals for Saint Lucia and excludes Antigua and Barbuda.

[2] Cruise ship passengers exclude Anguilla but includes Antigua and Barbuda.

[3] Cruise ship calls exclude Anguilla and St Vincent and the Grenadines.

[4] Yacht passengers do not include Anguilla and exclude Saint Lucia from 1st Qr 2016.

Data as at 24 August 2016

Table 2
ECCU - Monetary Survey
(EC$M at end of period)

	2015 1st Qr	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016 2nd Qr[P]
Net Foreign Assets	**5,703.34**	**5,988.73**	**5,927.28**	**6,532.89**	**7,033.44**	**7,133.22**
Central Bank (net)	**3,945.03**	**4,119.79**	**4,080.91**	**4,205.97**	**4,646.97**	**4,711.83**
External Assets	3,947.01	4,123.32	4,082.94	4,211.41	4,655.81	4,715.80
External Liabilities	(1.97)	(3.53)	(2.02)	(5.44)	(8.84)	(3.97)
Commercial Banks (net)	**1,758.30**	**1,868.94**	**1,846.37**	**2,326.92**	**2,386.48**	**2,421.40**
External Assets	5,633.14	5,632.84	5,616.72	5,904.76	5,931.57	5,825.57
External Liabilities	(3,874.83)	(3,763.90)	(3,770.35)	(3,577.84)	(3,545.09)	(3,404.18)
Net Domestic Assets	**9,930.01**	**9,723.50**	**9,646.33**	**9,189.81**	**9,055.22**	**8,811.93**
Domestic Credit	**11,823.14**	**11,642.31**	**11,555.46**	**11,084.55**	**10,785.48**	**10,375.45**
Central Government (net)	1,525.86	1,551.20	1,576.18	1,246.39	1,058.55	1,017.13
Other Public Sector (net)	(1,956.93)	(2,039.55)	(2,078.49)	(2,002.93)	(2,115.18)	(1,948.72)
Private Sector	12,254.20	12,130.65	12,057.77	11,841.09	11,842.12	11,307.05
Households	6,812.84	6,851.04	6,828.00	6,776.08	6,761.07	6,629.08
Business	5,111.54	4,930.77	4,895.79	4,719.03	4,730.45	4,322.07
Non-Bank Financial Institutions	177.29	195.09	178.94	199.12	205.57	225.16
Subsidiaries & Affiliates	152.54	153.76	155.03	146.86	145.03	130.74
Other Items (Net)	**(1,893.13)**	**(1,918.80)**	**(1,909.13)**	**(1,894.74)**	**(1,730.26)**	**(1,563.52)**
Monetary Liabilities (M2)	**15,633.34**	**15,712.24**	**15,573.61**	**15,722.70**	**16,088.66**	**15,945.16**
Money Supply (M1)	**3,400.32**	**3,434.19**	**3,325.75**	**3,525.93**	**3,734.15**	**3,708.19**
Currency with the Public	689.15	681.25	679.15	763.92	744.11	749.88
Demand Deposits	2,625.23	2,662.87	2,576.16	2,697.48	2,930.59	2,884.17
EC$ Cheques and Drafts Issued	85.95	90.07	70.44	64.52	59.46	74.15
Quasi Money	**12,233.02**	**12,278.05**	**12,247.87**	**12,196.77**	**12,354.51**	**12,236.97**
Savings Deposits	6,908.68	6,963.93	6,943.72	7,002.09	7,122.38	7,165.17
Time Deposits	2,778.35	2,773.71	2,730.38	2,572.90	2,558.68	2,500.07
Foreign Currency Deposits	2,545.98	2,540.41	2,573.77	2,621.79	2,673.46	2,571.72

Source: Eastern Caribbean Central Bank
Data as at 11 AUG 2016

Table 3
ECCU - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2015[R] 2nd Qr	2015[R] 3rd Qr	2015[R] 4th Qr	2016[R] 1st Qr	2016[P] 2nd Qr	2015 Jan - Jun	2016[P] Jan - Jun
Current Revenue	1,017.40	1,053.58	1,169.40	1,107.39	1,197.73	2,133.00	2,305.12
Tax Revenue	892.13	846.58	939.45	949.84	996.75	1,803.10	1,946.59
Taxes on Income and Profits \1	200.80	177.35	190.76	226.04	226.30	410.75	452.33
Of which:							
Personal /1	90.52	85.09	85.13	103.66	92.84	187.69	196.50
Company/Corporation /2	78.23	75.17	84.00	97.28	107.12	163.81	204.40
Taxes on Property	32.93	19.57	15.93	18.89	33.95	54.52	52.84
Taxes on Domestic Goods and Services	398.76	394.81	418.27	434.91	448.16	830.43	883.07
Of which:							
Accommodation Tax	6.43	2.60	2.11	9.50	5.02	14.85	14.52
Licences	23.44	29.46	33.51	34.30	30.53	59.16	64.82
Sales Tax \3	60.15	51.21	56.69	69.33	67.74	123.78	137.07
Value Added Tax \5	235.23	227.80	243.80	247.35	252.65	484.05	499.99
Consumption Tax \4	0.01	0.04	0.23	0.04	0.02	0.01	0.06
Stamp Duties	29.93	30.52	31.89	29.45	37.93	62.38	67.38
Taxes on International Trade and Transactions	259.65	254.86	314.49	270.00	288.33	507.40	558.34
Of which:							
Import Duties	113.83	110.72	139.47	114.39	120.83	217.99	235.22
Consumption Tax \6	22.03	15.94	22.09	21.46	25.07	37.76	46.53
Customs Service Charge	54.01	57.64	64.85	52.59	56.70	104.39	109.29
Non-Tax Revenue	125.27	206.99	229.95	157.54	200.98	329.91	358.53
Current Expenditure	978.70	1,027.28	1,022.48	941.57	1,057.44	1,901.64	1,999.01
Personal Emoluments	430.71	420.88	447.72	435.02	455.94	846.17	890.96
Goods and Services	172.39	204.54	228.19	177.45	221.27	351.19	398.72
Interest Payments	110.59	131.36	98.41	104.33	115.46	224.14	219.80
Domestic	67.40	70.72	62.45	59.53	60.01	124.07	119.55
External	43.19	60.64	35.96	44.80	55.45	100.07	100.25
Transfers and Subsidies	265.01	270.51	248.15	224.76	264.77	480.14	489.53
Of which: Pensions	74.40	75.25	79.54	71.66	66.53	147.58	138.19
Current Account Balance	38.70	26.30	146.93	165.82	140.29	231.36	306.11
Capital Revenue	11.96	7.37	61.71	1.83	42.40	15.91	44.22
Grants	95.57	54.34	159.79	32.72	101.39	193.63	134.11
Of which: Capital Grants	49.21	54.21	114.08	27.88	49.95	123.99	77.83
Capital Expenditure and Net Lending	201.00	209.95	261.54	122.06	200.20	407.05	322.26
Of which: Capital Expenditure	185.44	180.57	285.47	142.76	201.25	386.11	344.01
Primary Balance after grants	55.81	9.42	205.31	182.64	199.34	257.99	381.98
Overall Balance after grants	(54.78)	(121.94)	106.89	78.31	83.87	33.85	162.18
Financing	54.78	121.94	(106.89)	(78.31)	(83.87)	(33.85)	(162.18)
Domestic	16.61	143.98	(448.96)	7.85	(56.55)	(120.74)	(48.70)
ECCB (net)	3.99	5.37	(103.01)	(37.27)	29.97	37.27	(7.31)
Commercial Banks (net)	21.64	23.23	(218.96)	(152.09)	(52.72)	(89.59)	(204.81)
Other	(9.02)	115.38	(126.99)	197.21	(33.80)	(68.42)	163.42
External	28.57	(59.02)	211.32	(75.60)	(21.44)	79.10	(97.04)
Net Disbursements/(Amortisation)	(44.07)	(62.01)	211.43	(64.68)	(18.85)	4.53	(83.53)
Disbursements	56.93	67.07	299.40	49.04	121.61	182.40	170.65
Amortisation	101.00	129.08	87.97	113.73	140.45	177.87	254.18
Change in Government Foreign Assets	72.64	2.99	(0.11)	(10.91)	(2.59)	74.56	(13.51)
Arrears \7	-	-	-	-	-	-	-
Domestic	9.59	10.58	4.88	(41.01)	(5.88)	7.79	(46.89)
External	10.74	3.70	3.42	(22.35)	(6.45)	(21.27)	(28.81)

Source: ECCU Ministries of Finance and Eastern Caribbean Central Bank
/1 Taxes on Income & Profits include stabilization levy collected in Anguilla and Social Services Levy in St Kitts and Nevis
/2 Excludes Anguilla
/3 Includes Antigua and Barbuda and Dominica
/4 Excludes Montserrat
/5 Excludes Anguilla, Antigua and Barbuda, Montserrat
/6 Excludes St Vincent and the Grenadines
/7 Excludes Montserrat, St Kitts and Nevis and Saint Lucia

Data as at 24 August 2016

Table 4
ECCU - Total Public Sector Disbursed Outstanding Debt (DOD)*
(In millions of Eastern Caribbean dollars)
at end of period

	2015R 2nd Qr	2015R 3rd Qr	2015R 4th Qr	2016R 1st Qr	2016P 2nd Qr
Anguilla	206.91	213.64	212.71	202.86	420.42
Antigua and Barbuda	3,222.47	3,230.67	3,088.48	3,048.91	3,138.85
Dominica	1,108.79	1,112.66	1,119.95	1,114.96	1,115.42
Grenada	2,319.55	2,323.07	2,341.31	2,351.54	2,328.56
Montserrat	6.01	7.52	9.13	8.93	8.42
St Kitts and Nevis	1,763.41	1,632.96	1,555.50	1,542.25	1,540.04
Saint Lucia	2,811.06	2,925.65	2,949.12	2,975.39	2,986.10
St Vincent and the Grenadines	1,516.32	1,535.52	1,609.80	1,615.79	1,603.11
TOTAL ECCU	**12,954.53**	**12,981.69**	**12,885.99**	**12,860.63**	**13,140.92**

Source: Ministry of Finance, ECCB
* Includes arrears of principal
Data available at 11 August 2016

Table 5
ECCU - Central Government Disbursed Outstanding Debt (DOD)
(In millions of Eastern Caribbean dollars)
at end of period

	2015R 2nd Qr	2015R 3rd Qr	2015R 4th Qr	2016R 1st Qr	2016P 2nd Qr
Anguilla	195.07	202.05	201.52	192.08	409.99
Antigua and Barbuda	2,695.92	2,712.41	2,576.56	2,541.61	2,640.93
Dominica	933.49	937.48	950.22	942.40	947.49
Grenada	2,154.04	2,161.97	2,183.50	2,197.58	2,179.33
Montserrat	1.38	1.35	1.32	1.30	1.27
St Kitts and Nevis	1,490.04	1,348.64	1,273.57	1,251.35	1,251.84
Saint Lucia	2,653.09	2,772.10	2,802.88	2,828.87	2,848.15
St Vincent and the Grenadines	1,287.51	1,303.32	1,376.94	1,374.08	1,367.93
TOTAL ECCU	**11,410.54**	**11,439.33**	**11,366.51**	**11,329.25**	**11,646.93**

Source: Ministry of Finance, ECCB
Data available at 11 August 2016

Table 6
ECCU - Total Central Government Debt Service Payments
(In millions of Eastern Caribbean dollars)

	2015R 2nd Qr	2015R 3rd Qr	2015R 4th Qr	2016R 1st Qr	2016P 2nd Qr
Anguilla	3.70	3.71	6.71	6.69	21.04
Antigua and Barbuda	127.02	68.06	103.59	121.89	96.24
Dominica	11.48	14.72	12.25	18.22	13.59
Grenada	36.31	42.66	31.13	21.76	62.26
Montserrat	0.04	0.04	0.04	0.04	0.04
St Kitts and Nevis	40.62	78.22	20.49	36.17	25.87
Saint Lucia	79.80	54.90	74.13	65.74	69.59
St Vincent and the Grenadines	37.72	29.18	36.51	29.74	40.68
TOTAL ECCU	**336.68**	**291.50**	**284.85**	**300.25**	**329.31**

Source: Ministry of Finance, ECCB
Data available at 11 August 2016

Table 7
Regional Government Securities Market (RGSM)
Activity on the Primary Market (EC$M)

	2015 2^{nd} Qr	2015 3^{rd} Qr	2015 4^{th} Qr	2016 1^{st} Qr	2016^{P} 2^{nd} Qr
Total Bid Amount	356.7	375.8	464.5	322.2	376.6
Total Offer Amount	202.0	252.0	349.1	226.0	222.0

Source: Eastern Caribbean Central Bank
Data as at 24 August 2016

Table 8
Regional Government Securities Market (RGSM)
Weighted Average Interest Rates

	2015 2^{nd} Qr	2015 3^{rd} Qr	2015 4^{th} Qr	2016 1^{st} Qr	2016^{P} 2^{nd} Qr
91-day Treasury Bills	2.67	2.47	4.80	4.56	3.74
180-day Treasury Bills	4.68	2.62	5.03	4.50	3.94
365-day Treasury Bills	*	5.19	5.33	4.50	*
2-year Bond	*	4.95	*	*	*
3-year Bond	*	*	6.50	*	*
4-year Bond	*	*	*	*	*
5-year Bond	*	*	6.74	*	*
6-year Bond	*	*	7.25	7.00	*
7-year Bond	*	*	*	*	*
8-year Bond	*	*	*	*	*
10-year Bond	*	*	*	7.50	*
15-year Bond	*	*	*	*	*

Source: Eastern Caribbean Central Bank
Data as at 24 August 2016

Table 9

Regional Government Securities Market (RGSM)
Secondary Market Activity on the RGSM (EC$M)

	2015 2^{nd} Qr	2015 3^{rd} Qr	2015 4^{th} Qr	2016 1^{st} Qr	2016^{P} 2^{nd} Qr
Volume	0.18	0.11	0.30	0.96	1.49
Value	0.19	0.12	0.30	0.95	1.49

Source: Eastern Caribbean Securities Exchange
Data as at 24 August 2016

Table 10
Anguilla - Selected Tourism Statistics

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016P 2nd Qr	2015 Jan - Jun	2016P Jan - Jun
Total Visitors	45,858	41,788	39,720	54,369	42,048	104,560	96,417
Stay-Over Visitors	18,519	14,759	17,118	24,983	19,428	41,355	44,411
Of which:							
USA	12,641	7,371	11,092	17,318	13,216	28,785	30,534
Canada	604	437	810	1,395	736	2,150	2,131
UK	565	666	688	893	645	1,399	1,538
Caribbean	3,042	4,443	2,807	2,774	2,967	5,247	5,741
Other Countries	1,667	1,842	1,721	2,603	1,864	3,774	4,467
Excursionists	27,339	27,029	22,602	29,386	22,620	63,205	52,006
Total Visitor Expenditure (EC$M)	**79.40**	**73.73**	**80.43**	**112.81**	**78.32**	**191.93**	**191.12**

Source: Anguilla Statistics Department, Ministry of Finance, Economic Development, Investment, Commerce and Tourism
Data as at 12 August 2016

Table 11
Anguilla - Consumer Price Index
March 2010 = 100

			Percentage Change*						
			Quarter over Previous Quarter						
	Weight	Index Jun 2016	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016P 2nd Qr	Jun-15 Dec-14	Jun-16 Dec-15
All Items	100.0	158.55	(0.26)	0.11	(1.29)	(1.12)	1.65	(0.61)	0.51
Food & Non-Alchoholic Beverages	12.8	111.29	0.34	0.10	(0.63)	(0.40)	(0.02)	(1.28)	(0.42)
Alchoholic Beverages, Tobacco & Narcotics	2.3	120.60	2.28	(1.40)	0.22	(0.04)	0.97	1.37	0.93
Clothing & Footwear	3.3	109.29	(0.97)	(1.62)	-	4.58	1.15	(1.00)	5.78
Housing, Utilities, Gas & Fuels	25.6	96.02	0.05	(0.52)	0.14	(1.52)	0.08	(1.19)	(1.44)
Household Furnishings, Supplies & Maintenance	4.0	112.45	0.51	(1.47)	0.63	4.59	(0.61)	0.34	3.96
Health	2.3	115.81	0.11	(1.02)	-	(6.81)	7.18	(0.11)	(0.12)
Transport	16.0	102.86	0.09	(0.09)	(7.99)	(4.96)	0.45	0.59	(4.53)
Communication	13.4	116.77	(3.09)	3.27	0.35	-	11.59	(1.82)	11.59
Recreation & Culture	3.8	90.72	1.62	(0.15)	0.99	(1.63)	(2.67)	0.10	(4.25)
Education	5.9	121.84	-	-	-	-	-	-	-
Hotels & Restaurants	4.0	103.90	(0.71)	(0.50)	0.95	(0.21)	(0.77)	0.02	(0.98)
Miscellaneous	6.5	102.74	0.29	0.13	(0.08)	0.19	0.69	0.00	0.87

Source: Anguilla Statistics Department, Ministry of Finance, Economic Development, Investment, Commerce and Tourism
*at end of period
Data as at 22 September 2016

Table 12
Anguilla - Selected Trade Statistics
(EC$M)

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016P 2nd Qr	2015 Jan - Jun	2016P Jan - Jun
Total Exports	1.03	1.05	1.08	1.11	1.15	2.02	2.26
Total Imports	102.77	99.93	104.28	104.19	102.73	206.76	206.92
Trade Balance	(101.74)	(98.88)	(103.19)	(103.07)	(101.59)	(204.74)	(204.66)

Source: ECCB Estimates
Data as at 12 August 2016

Table 13
Anguilla - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2015 2ndQr	2015 3rdQr	2015 4thQr	2016 1st Qr	2016P 2ndQr	2015 Jan - Jun	2016P Jan - Jun
Current Revenue	48.88	42.11	45.21	54.54	46.21	#####	100.75
Tax Revenue	42.03	36.18	36.95	47.42	39.08	89.62	86.50
Taxes on Income and Profits	3.48	3.07	3.48	3.80	3.82	7.30	7.63
Of which: Stabilisation Levy	3.48	3.07	3.48	3.80	3.82	7.30	7.63
Taxes on Property	1.18	0.87	0.99	0.60	0.56	2.94	1.17
Taxes on Domestic Goods and Services	16.55	12.32	8.84	20.70	14.65	37.81	35.34
Of which:							
Licenses	2.91	2.54	2.70	7.57	4.45	8.62	12.03
Accommodation Tax	6.10	2.31	1.90	9.13	4.98	14.12	14.10
Stamp Duties	2.60	2.05	1.82	1.02	1.76	7.06	2.79
Taxes on International Trade and Transactions	20.82	19.92	23.64	22.31	20.05	41.56	42.36
Of which:							
Import Duty	15.95	15.04	18.38	17.06	15.65	31.71	32.71
Customs Surcharge	4.36	4.16	4.92	4.52	4.11	8.62	8.63
Embarkation Tax	0.29	0.44	0.07	0.53	0.09	0.88	0.62
Non-Tax Revenue	6.85	5.93	8.26	7.12	7.14	14.10	14.26
Current Expenditure	45.35	49.01	46.57	41.30	51.46	87.94	92.76
Personal Emoluments	20.90	20.79	20.99	20.75	21.50	41.04	42.25
Good and Services	10.16	10.79	12.50	7.29	13.92	19.50	21.20
Interest Payments	2.09	2.08	1.98	1.97	3.31	4.32	5.28
Domestic	0.55	0.54	0.63	0.30	2.53	1.24	2.83
External	1.53	1.53	1.35	1.67	0.78	3.08	2.45
Transfers and Subsidies	12.20	15.35	11.10	11.29	12.73	23.09	24.02
Of which: Pensions	2.54	2.35	2.12	2.12	2.15	4.73	4.27
Current Account Balance	3.53	(6.90)	(1.36)	13.24	(5.24)	15.79	7.99
Capital Revenue	-	-	-	-	-	-	-
Grants	1.25	1.49	0.98	0.06	0.06	1.27	0.12
Of which: Capital Grants	1.25	1.49	0.98	0.06	0.06	1.27	0.12
Capital Expenditure and Net Lending	1.74	2.49	2.79	0.46	1.67	2.06	2.13
Of which: Capital Expenditure	1.74	2.49	2.79	0.46	1.67	2.06	2.13
Primary Balance before grants	3.88	(7.31)	(2.17)	14.75	(3.60)	18.05	11.15
Primary Balance after grants	5.13	(5.82)	(1.20)	14.80	(3.54)	19.32	11.26
Overall Balance before grants	1.79	(9.39)	(4.16)	12.77	(6.91)	13.73	5.86
Overall Balance after grants	3.04	(7.90)	(3.18)	12.83	(6.85)	15.00	5.98
Financing	(3.04)	7.90	3.18	(12.83)	6.85	(15.00)	(5.98)
Domestic	(2.70)	8.14	6.72	(9.80)	9.77	(14.74)	(0.03)
ECCB (net)	(3.69)	0.75	0.37	3.61	0.97	(1.07)	4.57
Commercial Banks (net)	4.88	9.02	10.65	(11.23)	25.71	(10.16)	14.48
Other	(3.90)	(1.64)	(4.30)	(2.18)	(16.91)	(3.51)	(19.08)
External	(0.22)	(0.25)	(3.34)	(3.25)	(3.34)	(0.45)	(6.59)
Net Disbursements/(Amortisation)	(0.22)	(0.25)	(3.34)	(3.25)	(3.34)	(0.45)	(6.59)
Disbursements	-	-	-	0.08	-	-	0.08
Amortisation	0.22	0.25	3.34	3.33	3.34	0.45	6.67
Change in Government Foreign Assets	-	-	-	-	-	-	-
Arrears	(0.11)	0.01	(0.20)	0.22	0.42	0.19	0.64
Domestic	(0.11)	0.01	(0.20)	0.22	0.42	0.19	0.64
External	-	-	-	-	-	-	-
Other Financing	-	-	-	-	-	-	-

Source: Treasury Department, Anguilla and the Eastern Caribbean Central Bank
Data as at 12 August 2016

Table 14
Anguilla - Monetary Survey
(EC$M at end of period)

	2015 1st Qr	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016 2nd Qr[P]
Net Foreign Assets	**329.06**	**340.77**	**307.22**	**325.69**	**379.03**	**385.74**
Central Bank (Net)	**137.15**	**135.50**	**120.40**	**129.99**	**128.91**	**129.62**
Commercial Banks (Net)	191.91	205.27	186.82	195.70	250.12	256.12
External (Net)	84.34	70.81	40.10	35.02	75.67	96.42
Assets	251.21	231.05	205.07	198.07	247.00	259.66
Liabilities	166.87	160.24	164.97	163.05	171.33	163.24
Other ECCB Territories (Net)	107.57	134.46	146.72	160.68	174.45	159.70
Assets	169.97	187.92	187.59	201.08	210.58	180.81
Liabilities	62.40	53.46	40.87	40.40	36.13	21.10
Net Domestic Assets	**733.59**	**758.41**	**741.18**	**748.25**	**696.53**	**632.25**
Domestic Credit	**939.12**	**936.36**	**929.26**	**934.13**	**882.94**	**589.35**
Central Government (Net)	(86.94)	(85.75)	(75.97)	(64.95)	(72.58)	(45.90)
Other Public Sector (Net)	(219.36)	(211.20)	(225.76)	(224.05)	(250.54)	(36.83)
Private Sector	1,245.42	1,233.31	1,230.99	1,223.13	1,206.06	672.08
Household	510.05	531.81	518.39	517.30	509.55	367.83
Business	713.63	679.73	690.86	684.15	675.19	296.49
Non-Bank Financial Institutions	3.95	3.97	3.94	3.88	3.52	1.04
Subsidiaries & Affiliates	17.80	17.80	17.80	17.80	17.80	6.72
Other Items (Net)	**(205.53)**	**(177.95)**	**(188.08)**	**(185.88)**	**(186.41)**	**42.90**
Monetary Liabilities (M2)	**1,062.65**	**1,099.18**	**1,048.40**	**1,073.94**	**1,075.56**	**1,017.99**
Money Supply (M1)	**50.95**	**59.51**	**51.15**	**70.14**	**57.50**	**59.94**
Currency with the Public	12.59	14.17	16.22	17.38	17.40	18.81
Demand Deposits	37.79	40.27	34.46	52.04	39.23	38.71
EC$ Cheques and Drafts Issued	0.57	5.07	0.47	0.72	0.87	2.42
Quasi Money	**1,011.70**	**1,039.67**	**997.25**	**1,003.80**	**1,018.06**	**958.06**
Savings Deposits	122.62	126.84	132.25	131.43	131.25	133.43
Time Deposits	134.15	139.46	128.14	121.40	112.97	101.72
Foreign Currency Deposits	754.92	773.37	736.86	750.97	773.85	722.90

Source: Eastern Caribbean Central Bank
Data as at11AUG2016

Table 15

Antigua and Barbuda - Selected Tourism Statistics

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016R 1st Qr	2016P 2nd Qr	2015 Jan - Jun	2016 Jan - Jun
Total Visitors	140,190	94,890	266,438	407,578	123,004	544,346	530,582
Stay-Over Visitors	58,922	50,172	66,863	84,566	60,998	133,415	145,564
Of which:							
USA	24,037	18,745	23,437	34,640	28,362	52,435	63,002
Canada	4,322	2,500	5,569	9,900	3,835	15,201	13,735
Europe	21,122	18,220	26,543	29,530	19,158	47,654	48,688
UK	18,215	15,062	22,688	24,141	16,442	40,140	40,583
Germany	458	198	669	1,071	360	1,638	1,431
Switzerland	248	124	325	400	252	666	652
Italy	1,381	2,276	1,840	2,354	1,509	2,916	3,863
France	343	323	495	594	270	1,011	864
Other Europe	477	237	526	970	325	1,283	1,295
Caribbean	6,726	8,268	7,718	6,585	7,132	12,066	13,717
South America	381	513	845	662	375	726	1,037
Other Countries	2,334	1,926	2,751	3,249	2,136	5,333	5,385
Cruise Ship Passengers	77,472	43,867	195,138	313,442	58,494	397,453	371,936
Number of Cruise Ship Calls	32	17	109	164	27	213	191
Yacht Passengers	3,796	851	4,437	9,570	3,512	13,478	13,082
Number of Yacht Calls	955	190	847	1,992	946	2,904	2,938
Total Visitor Expenditure (EC$M)	**197.53**	**163.56**	**232.41**	**303.92**	**202.33**	**470.12**	**506.25**

Source: Ministry of Tourism, Antigua and Barbuda

Data as at 12 August 2016

Table 16
Antigua and Barbuda - Consumer Price Index
January 2001 = 100

			Percentage Change*						
	Weight	Index Jun-16	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016P 2nd Qr	Jun-15 Dec-14	Jun-16 Dec-15
All Items	100.00	133.27	(0.38)	0.64	0.59	(0.91)	(0.83)	(0.33)	(1.73)
Food	21.42	155.95	(0.31)	0.22	2.03	(2.14)	(0.43)	0.43	(2.56)
Alcoholic Beverages and Tobacco	0.16	136.91	0.23	0.11	0.06	(1.53)	(1.48)	0.90	(2.98)
Housing	21.83	104.65	-	-	-	(1.45)	(2.69)	(0.51)	(4.10)
Fuel and Light	6.39	131.73	(8.20)	-	-	-	-	(12.20)	-
Clothing and Footwear	11.06	103.74	(0.29)	0.39	0.41	1.16	(0.82)	0.73	0.33
Household Furnishings and Supplies	12.60	143.22	0.07	1.62	(0.01)	(0.86)	1.17	1.65	0.30
Transport and Communications	15.35	135.63	0.26	(0.04)	(0.01)	(1.25)	(0.43)	(0.94)	(1.67)
Medical Care and Expenses	2.76	139.09	3.27	-	0.31	(0.01)	(3.15)	1.80	(3.16)
Education	2.34	212.44	-	7.86	-	-	(2.36)	-	(2.36)
Personal Services	4.30	163.40	2.90	0.84	1.34	1.60	(1.22)	7.30	0.36
Miscellaneous	1.79	123.12	(0.06)	1.16	(1.13)	0.68	(1.16)	(0.31)	(0.48)

Source: Statistics Division,Ministry of Finance, The Economy and Public Administration, Antigua and Barbuda
*at end of period
Since April 2016, the Geometic Mean is used to calculate the index. The Arithmetic Mean was used prior to April 2016.
Data as at 12 August 2016

Table 17
Antigua and Barbuda - Selected Trade Statistics
(EC$M)

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016R 1st Qr	2016P 2nd Qr	2015 Jan - Jun	2016 Jan - Jun
Visible Trade Balance	(287.05)	(296.81)	(337.60)	(277.39)	(218.50)	(613.29)	(495.89)
Total Exports	34.97	12.87	9.62	31.41	119.25	48.42	150.65
Total Imports	322.02	309.67	347.22	308.80	337.75	661.71	646.54

Source: Statistics Division,Ministry of Finance, The Economy and Public Administration, Antigua and Barbuda
Data as at 12 August 2016

Table 19
Antigua and Barbuda - Monetary Survey
(EC$M at end of period)

	2015 1st Qr	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016 2nd Qr[P]
Net Foreign Assets	**1,018.92**	**1,113.25**	**1,154.71**	**1,524.05**	**1,550.90**	**1,464.34**
Central Bank (Net)	**749.42**	**892.42**	**985.27**	**959.86**	**1,092.88**	**1,105.88**
Commercial Banks (Net)	269.51	220.83	169.44	564.19	458.03	358.46
External (Net)	(40.60)	(15.41)	20.79	319.59	121.23	108.72
Assets	726.27	768.17	751.60	1,090.41	852.81	857.40
Liabilities	766.86	783.57	730.81	770.82	731.58	748.67
Other ECCB Territories (Net)	310.10	236.23	148.65	244.60	336.80	249.74
Assets	1,445.59	1,411.92	1,368.87	1,422.33	1,516.11	1,443.59
Liabilities	1,135.49	1,175.69	1,220.22	1,177.73	1,179.31	1,193.85
Net Domestic Assets	**2,109.78**	**2,041.90**	**1,961.11**	**1,576.46**	**1,632.88**	**1,746.19**
Domestic Credit	**2,568.75**	**2,496.25**	**2,481.68**	**2,251.10**	**2,104.38**	**2,242.79**
Central Government (Net)	504.84	476.37	473.02	335.31	234.05	309.36
Other Public Sector (Net)	(52.40)	(74.25)	(65.36)	6.32	(10.96)	1.23
Private Sector	2,116.31	2,094.13	2,074.01	1,909.47	1,881.29	1,932.21
Household	1,219.45	1,217.22	1,218.12	1,173.93	1,172.27	1,180.95
Business	831.57	812.10	798.10	713.57	680.31	723.98
Non-Bank Financial Institutions	21.66	21.66	14.95	14.95	23.05	21.62
Subsidiaries & Affiliates	43.63	43.15	42.85	7.02	5.66	5.66
Other Items (Net)	**(458.98)**	**(454.35)**	**(520.57)**	**(674.63)**	**(471.51)**	**(496.60)**
Monetary Liabilities (M2)	**3,128.70**	**3,155.15**	**3,115.83**	**3,100.51**	**3,183.78**	**3,210.54**
Money Supply (M1)	**669.02**	**691.08**	**655.63**	**694.15**	**764.98**	**774.43**
Currency with the Public	146.76	143.24	141.04	159.59	155.52	153.03
Demand Deposits	499.60	506.99	485.98	510.67	595.39	594.28
EC$ Cheques and Drafts Issued	22.66	40.85	28.62	23.89	14.07	27.12
Quasi Money	**2,459.67**	**2,464.07**	**2,460.20**	**2,406.36**	**2,418.80**	**2,436.11**
Savings Deposits	1,356.24	1,376.74	1,378.07	1,375.93	1,418.62	1,450.62
Time Deposits	821.54	792.79	785.70	664.57	652.69	646.97
Foreign Currency Deposits	281.89	294.54	296.43	365.86	347.48	338.53

Source: Eastern Caribbean Central Bank
Data as at 11 August 2016

Table 20
Dominica - Selected Tourism Statistics

	2015R 2ndQr	2015R 3rdQr	2015R 4thQr	2016R 1st Qr	2016P 2ndQr	2015 Jan - Jun	2016 Jan - Jun
Total Visitors	50,500	22,780	122,563	181,445	31,613	226,340	213,058
Stay-Over Visitors	18,275	20,594	16,131	19,824	14,820	38,982	34,644
USA	3,638	3,055	3,246	4,146	3,307	7,800	7,453
Canada	531	425	613	888	454	1,507	1,342
UK	985	1,300	1,242	1,286	841	2,437	2,127
Caribbean	9,029	12,260	7,155	7,948	6,611	17,858	14,559
Other Countries	4,092	3,554	3,875	5,556	3,607	9,380	9,163
Excursionists	310	728	144	215	103	622	318
Yacht Passengers	3,071	1,458	2,223	6,215	2,827	9,257	9,042
Cruise Ship Passengers	28,844	-	104,065	155,191	13,863	177,479	169,054
Number of Cruise Ship Calls	13	-	57	97	8	130	105
Total Visitor Expenditure (EC$M)	**80.52**	**80.03**	**76.36**	**102.30**	**64.46**	**180.58**	**166.76**

Sources: Discover Dominica Authority and ECCB Estimates
Data as at 12 August 2016

Table 21
Dominica - Consumer Price Index
June 2010 = 100

			Percentage Change*						
			Quarter over Previous Quarter						
	Weight	Index Jun 2016	2015 2ndQr	2015 3rdQr	2015 4thQr	2016R 1st Qr	2016P 2ndQr	Jun-15 Dec-14	Jun-16 Dec-15
All Items	100.00	102.41	0.94	(0.73)	(0.22)	(0.41)	0.97	0.41	0.55
Food and Non-Alcoholic Beverages	18.08	110.41	(0.18)	1.01	0.01	(0.51)	(0.37)	(0.83)	(0.88)
Alcoholic Beverages, Tobacco and Narcotics	0.77	109.94	0.38	(0.10)	1.47	1.61	(0.07)	1.59	1.53
Clothing and Footwear	5.08	106.29	-	-	0.63	(0.09)	-	(0.07)	(0.09)
Housing, Utilities, Gas and Fuels	30.62	93.78	3.06	(2.96)	(1.19)	(0.96)	1.93	2.37	0.96
Household Furnishings, Supplies and Maintenance	5.23	106.64	0.30	(0.22)	0.48	(0.13)	(0.07)	(0.72)	(0.20)
Health	3.36	106.43	-	4.24	-	0.03	-	-	0.03
Transport	20.11	103.85	0.23	(0.37)	0.09	(1.03)	1.91	(0.50)	0.86
Communication	3.95	100.67	-	0.67	-	-	-	-	-
Recreation and Culture	3.74	104.95	0.50	(2.51)	0.66	2.42	-	0.69	2.42
Education	1.33	102.66	0.08	-	-	-	-	0.08	-
Hotels and Restaurants	2.88	109.80	(0.57)	-	0.57	3.37	0.07	(0.57)	3.45
Miscellaneous	4.85	104.37	(0.02)	0.05	0.46	0.09	-	(0.30)	0.09

Sources: Central Statistical Office, Dominica and ECCB Estimates
*at end of period
Data as at 12 August 2016

Table 22
Dominica - Selected Trade Statistics
(Value: EC$M; Volume: tonnes)

	2015R 2ndQr	2015R 3rdQr	2015R 4thQr	2016R 1st Qr	2016P 2ndQr	2015 Jan - Jun	2016 Jan - Jun
Visible Trade Balance	(117.62)	(132.16)	(129.34)	(108.42)	(125.45)	(234.47)	(233.87)
Total Imports	140.02	148.10	146.11	126.72	139.85	283.34	266.57
Total Exports	22.40	15.94	16.77	18.30	14.40	48.87	32.70
Re-Exports	1.75	1.31	3.61	6.51	1.79	8.12	8.30
Domestic Exports	20.65	14.63	13.16	11.78	12.62	40.75	24.40
Of which:							
Bananas							
Value	0.37	0.24	0.15	0.17	0.15	0.79	0.32
Volume	335	278	88	113	134	617	247

Source: Central Statistical Office, WINFRESH and ECCB Estimates
Data as at 12 August 2016

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

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016[R] 1st Qr	2016[P] 2nd Qr	2015 Jan - Jun	2016 Jan - Jun
Current Revenue	85.60	131.14	99.18	105.39	141.47	173.01	246.86
Tax Revenue	80.16	82.29	85.93	86.31	87.42	161.59	173.74
Taxes on Income and Profits	15.12	14.25	18.26	19.54	17.58	33.43	37.12
Of which:							
Personal	9.29	7.13	6.91	9.85	7.86	18.50	17.71
Company/Corporation	6.25	7.40	11.89	9.83	10.38	15.90	20.21
Taxes on Property	2.52	1.71	1.56	1.58	1.93	4.51	3.51
Taxes on Domestic Goods and Services	45.77	49.41	47.34	48.90	51.24	92.96	100.14
Of which:							
Licences	4.74	6.68	3.61	5.50	6.08	9.76	11.57
Value Added Tax	31.76	32.79	31.45	31.44	33.45	63.34	64.89
Excise Tax	8.72	9.45	11.81	11.59	11.21	18.86	22.79
Taxes on International Trade and Transa	16.75	16.92	18.75	16.29	16.68	30.69	32.96
Of which:							
Import Duty	9.59	9.47	10.87	8.82	8.98	17.19	17.81
Customs Service Charge	3.81	3.99	4.12	3.35	3.79	6.97	7.14
Environmental Levy	2.41	2.48	2.64	2.42	2.36	4.50	4.79
Non-Tax Revenue	5.45	48.85	13.25	19.08	54.04	11.42	73.13
Current Expenditure	100.77	97.58	92.48	92.33	100.31	185.82	192.64
Personal Emoluments	50.48	38.28	38.24	37.54	38.54	87.21	76.08
Goods and Services [1/]	25.20	31.88	25.49	22.84	35.39	48.20	58.23
Interest Payments	6.07	8.04	5.61	8.88	4.99	11.55	13.87
Domestic	2.10	1.53	1.58	1.57	1.25	3.61	2.82
External	3.97	6.52	4.02	7.30	3.74	7.95	11.05
Transfers and Subsidies	19.01	19.37	23.14	23.07	21.38	38.86	44.45
Of which: Pensions	4.66	4.83	4.76	4.84	4.89	9.34	9.73
Current Account Balance	(15.17)	33.56	6.69	13.06	41.16	(12.81)	54.23
Capital Revenue	0.01	0.04	0.00	0.02	0.07	0.03	0.09
Grants	13.28	0.72	11.80	(1.58)	17.42	17.14	15.84
Of which: Capital Grants	13.28	0.72	11.80	(1.58)	17.42	17.14	15.84
Capital Expenditure and Net Lending	40.95	3.72	22.63	21.38	58.51	55.93	79.89
Of which: Capital Expenditure	41.12	3.78	22.64	21.46	58.62	56.16	80.08
Primary Balance after grants	(36.75)	38.64	1.48	(1.00)	5.14	(40.02)	4.14
Overall Balance after grants	(42.82)	30.60	(4.13)	(9.88)	0.15	(51.57)	(9.73)
Financing	42.82	(30.60)	4.13	9.88	(0.15)	51.57	9.73
Domestic	34.57	(42.23)	(32.62)	29.07	(10.09)	34.04	18.97
ECCB (net)	8.98	12.78	(12.64)	(20.05)	0.78	(5.92)	(19.27)
Commercial Banks (net)	(0.67)	(55.76)	(65.73)	(13.07)	(44.89)	16.68	(57.96)
Other	26.25	0.75	45.74	62.18	34.02	23.28	96.20
External	7.34	6.32	38.44	(17.45)	11.53	14.11	(5.92)
Net Disbursements (Amortisation)	(1.82)	6.33	38.54	(8.03)	12.13	2.86	4.10
Disbursements	3.09	12.57	44.24	1.03	19.82	14.13	20.85
Amortisation	4.91	6.24	5.69	9.06	7.68	11.28	16.75
Change in Government Foreign Assets	9.16	(0.01)	(0.11)	(9.41)	(0.61)	11.25	(10.02)
Arrears	0.92	5.32	(1.68)	(1.74)	(1.58)	3.42	(3.32)
Domestic	0.92	5.32	(1.68)	(1.74)	(1.58)	3.42	(3.32)
External	-	-	-	-	-	-	-
Other Financing	-	-	-	-	-	-	-

Source: Ministry of Finance, Dominica and ECCB
[1/] Adjustments to goods and services made by the ECCB to account for unprocessed and pending claims. Corresponding adjustments are also made to domestic arrears
Data as at 12 August 2016

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

	2015 1st Qr	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016 2nd Qr[P]
Net Foreign Assets	**628.06**	**635.74**	**665.17**	**755.48**	**837.69**	**906.80**
Central Bank (Net)	**287.49**	**319.24**	**310.33**	**338.65**	**356.63**	**423.32**
Commercial Banks (Net)	340.58	316.50	354.85	416.83	481.07	483.48
External (Net)	61.91	63.10	101.03	147.03	184.69	176.69
Assets	334.36	338.91	375.26	423.54	465.67	461.19
Liabilities	272.45	275.82	274.24	276.51	280.98	284.50
Other ECCB Territories (Net)	278.67	253.41	253.82	269.80	296.38	306.79
Assets	329.35	328.13	337.37	353.82	371.98	384.31
Liabilities	50.68	74.72	83.55	84.02	75.60	77.52
Net Domestic Assets	**647.22**	**647.48**	**621.20**	**542.99**	**510.86**	**444.34**
Domestic Credit	**726.64**	**731.32**	**699.05**	**631.72**	**592.81**	**569.09**
Central Government (Net)	61.41	69.72	26.74	(51.62)	(84.74)	(128.85)
Other Public Sector (Net)	(103.45)	(101.05)	(97.81)	(92.26)	(90.22)	(114.18)
Private Sector	768.67	762.65	770.12	775.60	767.77	812.13
Household	453.65	460.41	463.22	464.38	459.14	456.71
Business	295.77	283.14	286.30	284.68	281.38	301.03
Non-Bank Financial Institutions	12.69	12.53	14.03	26.53	27.26	54.39
Subsidiaries & Affiliates	6.57	6.57	6.57	-	-	-
Other Items (Net)	**(79.42)**	**(83.84)**	**(77.85)**	**(88.73)**	**(81.96)**	**(124.75)**
Monetary Liabilities (M2)	**1,275.28**	**1,283.22**	**1,286.37**	**1,298.47**	**1,348.55**	**1,351.14**
Money Supply (M1)	**245.16**	**239.93**	**246.10**	**260.78**	**282.60**	**293.64**
Currency with the Public	43.63	42.07	42.71	46.59	46.29	47.91
Demand Deposits	196.68	194.20	199.16	212.31	231.83	244.08
EC$ Cheques and Drafts Issued	4.84	3.66	4.22	1.88	4.48	1.65
Quasi Money	**1,030.13**	**1,043.28**	**1,040.27**	**1,037.69**	**1,065.95**	**1,057.51**
Savings Deposits	778.85	801.32	797.21	802.30	827.46	828.73
Time Deposits	216.36	212.68	213.02	208.18	206.76	204.13
Foreign Currency Deposits	34.92	29.29	30.05	27.21	31.73	24.64

Source: Eastern Caribbean Central Bank
Data as at 11 August 2016

Table 25
Grenada - Selected Tourism Statistics

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016R 1st Qr	2016P 2nd Qr	2015 Jan - Jun	2016P Jan - Jun
Total Visitors	59,228	43,932	160,982	232,883	65,246	239,477	298,129
Stay-Over Visitors	31,390	37,770	33,552	43,864	30,807	69,413	74,671
Of which:							
USA	10,010	13,650	11,014	16,303	11,555	22,561	27,858
Canada	2,282	2,034	2,499	4,549	2,114	6,928	6,663
United Kingdom	6,678	5,295	5,831	7,517	5,258	13,696	12,775
Caribbean	5,764	7,584	4,831	6,249	5,459	10,612	11,708
Other Countries	6,656	9,207	9,377	9,246	6,421	15,616	15,667
Excursionists	234	305	261	857	857	457	1,714
Cruise Ship Passengers	22,591	1,900	122,597	179,193	28,607	156,021	207,800
Yacht Passengers	5,013	3,957	4,572	8,969	4,975	13,586	13,944
Number of Cruise Ship Calls	16	11	76	121	20	114	141
Total Visitor Expenditure (EC$M)	**78.91**	**104.39**	**94.31**	**124.01**	**71.68**	**193.80**	**195.69**

Source: Grenada Tourism Authorities

Data as at 12 August 2016

Table 26
Grenada - Consumer Price Index
January 2010 = 100

			Percentage Change*						
			Quarter over Previous Quarter						
		Index	2015	2015	2015	2016^R	2016^P	Jun-15	Jun-16
	Weight	Jun 2016	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr	Dec-14	Dec-15
All Items	100.0	108.94	0.12	1.73	0.06	(0.31)	0.38	(0.66)	0.06
Food & Non-Alcoholic Beverages	20.4	114.21	(0.44)	(0.10)	(0.65)	(1.51)	0.14	(0.38)	(1.37)
Alcoholic Beverages, Tobacco and Narcotics	1.8	124.43	0.65	0.06	0.21	0.42	(0.09)	0.06	0.33
Clothing and Footwear	3.7	102.02	(0.91)	(0.15)	2.84	(0.22)	-	(0.73)	(0.22)
Housing, Utilities, Gas and Fuels	29.1	101.25	0.11	(0.72)	(0.52)	(1.13)	0.22	(1.42)	(0.91)
Household Furnishings, Supplies and Maintenance	4.5	110.96	(0.16)	1.77	(0.43)	0.77	0.20	(2.02)	0.97
Health	1.9	133.66	0.69	0.93	0.77	0.48	0.02	1.32	0.50
Transport	18.7	110.09	0.66	(2.81)	1.00	1.58	1.47	(0.68)	3.07
Communication	10.0	114.41	-	25.75	0.03	-	-	-	-
Recreation and Culture	2.7	110.30	-	3.46	0.21	(0.24)	-	(0.69)	(0.24)
Education	0.8	124.34	-	1.64	-	-	-	1.13	-
Hotels and Restaurants	1.8	107.25	-	-	-	-	-	-	-
Miscellaneous	4.6	106.63	1.53	(0.14)	0.86	(0.10)	0.18	1.44	0.08

Source: Central Statistics Office, Ministry of Finance, Planning, Economy, Energy and Cooperatives, Grenada and ECCB Estimates
*at end of period
Data as at 12 August 2016

Table 27
Grenada - Selected Agricultural Production

		2015	2015	2015	2016^RR	2016^P	2015	2016^P
	Unit	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr	Jan - Jun	Jan - Jun
Bananas	(tonnes)	1,496	1,630	2,031	2,121	1,560	3,317	3,680
Cocoa	(tonnes)	109	32	67	345	140	675	485
Nutmeg	(tonnes)	184	161	116	130	117	300	247
Mace	(tonnes)	23	12	8	11	10	31	21

Source: Central Statistics Office, Ministry of Finance, Planning, Economy, Energy and Cooperatives, Grenada and ECCB Estimates
Data as at 12 August 2016

Table 28
Grenada - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016R 1st Qr	2016P 2nd Qr	2015 Jan - Jun	2016P Jan - Jun
Current Revenue	137.26	139.75	151.73	157.59	168.52	279.78	326.11
Tax Revenue	130.40	131.01	140.44	147.01	161.16	258.78	308.16
Taxes on Income and Profits	24.84	23.35	26.12	32.05	36.06	52.27	68.11
Of which:							
Personal	12.69	12.55	13.26	15.95	14.90	27.05	30.85
Company/Corporation	12.14	10.80	12.87	16.10	21.16	25.22	37.26
Taxes on Property	9.48	5.51	3.37	4.27	11.94	14.45	16.21
Taxes on Domestic Goods and Services	56.56	58.15	57.59	64.55	63.31	116.67	127.86
Of which:							
Value-added Tax	48.57	47.57	52.49	52.68	54.30	96.95	106.98
Stamp Duties	1.04	1.13	1.07	1.17	0.74	2.04	1.91
Licences	3.78	7.02	1.74	4.85	4.70	9.64	9.55
Taxes on International Trade and Transa	39.53	44.00	53.37	46.14	49.86	75.39	95.99
Of which:							
Import Duty	14.26	15.70	19.33	14.63	16.60	27.96	31.23
Customs Service Charge	11.19	11.82	13.35	10.91	11.82	21.71	22.73
Non-Tax Revenue	6.86	8.74	11.29	10.58	7.36	20.99	17.94
Current Expenditure[1/]	103.69	127.00	113.65	134.75	146.01	226.33	280.76
Personal Emoluments	54.20	52.96	53.26	60.67	62.07	109.04	122.74
Goods and Services	16.11	19.44	24.30	26.98	30.18	32.13	57.16
Interest Payments	10.39	33.33	16.00	9.69	28.49	40.58	38.18
Domestic	4.34	8.57	10.85	5.31	2.93	9.31	8.24
External	6.05	24.76	5.14	4.38	25.56	31.27	29.94
Transfers and Subsidies	22.99	21.28	20.10	37.41	25.27	44.58	62.68
Of which: Pensions	7.92	7.75	7.78	7.93	8.00	15.42	15.93
Current Account Balance	33.57	12.75	38.09	22.84	22.51	53.45	45.35
Capital Revenue	0.05	0.00	0.00	0.00	-	0.12	0.00
Grants	17.77	19.19	29.70	14.45	27.76	38.28	42.21
Of which: Capital Grants	17.77	19.19	29.70	9.66	17.14	38.28	26.80
Capital Expenditure	44.09	51.33	77.02	20.65	22.24	95.29	42.89
Of which: Capital Expenditure	44.09	51.33	77.02	20.65	22.24	95.29	42.89
Primary Balance after grants	17.69	13.95	6.77	26.34	56.52	37.14	82.85
Overall Balance after grants	7.29	(19.39)	(9.23)	16.64	28.03	(3.44)	44.67
Financing	(7.29)	19.39	9.23	(16.64)	(28.03)	3.44	(44.67)
Domestic	(3.61)	(12.26)	(62.01)	(19.10)	(5.53)	(27.63)	(24.63)
ECCB (net)	(7.70)	2.38	(52.48)	(1.77)	(4.16)	4.06	(5.93)
Commercial Banks (net)	8.94	(8.31)	(25.47)	4.75	10.16	(3.41)	14.92
Other	(4.84)	(6.33)	15.94	(22.08)	(11.53)	(28.28)	(33.62)
External	(5.25)	10.85	73.32	(1.72)	(22.50)	3.66	(24.21)
Net Disbursements/(Amortisation)	(5.25)	10.85	73.32	(1.72)	(22.50)	3.66	(24.21)
Disbursements	9.00	18.95	87.56	7.90	8.85	28.37	16.75
Amortisation	14.25	8.11	14.24	9.62	31.35	24.71	40.97
Change in Government Foreign Assets	-	-	-	-	-	-	-
Arrears	1.57	20.80	(2.07)	4.17	(0.00)	27.41	4.17
Domestic	0.70	(0.40)	(2.07)	1.78	(0.00)	2.41	1.78
External	0.87	21.20	-	2.40	-	24.99	2.40
Other Financing	-	-	-	-	-	-	-

Source: Ministry of Finance, Planning, Economy, Energy and Cooperatives, Grenada and the ECCB
[1/] Some reclassifcaitions were made from January 2016 to reflect the New Chart of Accounts, where necessary
Data as at 12 August 2016

Table 29
Grenada - Selected Trade Statistics
(Value: EC$M; Volume: 000 tonnes)

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016R 1st Qr	2016P 2nd Qr	2015 Jan - Jun	2016P Jan - Jun
Visible Trade Balance	(204.72)	(220.02)	(218.80)	(196.04)	(198.99)	(401.55)	(395.03)
Total Imports	232.21	240.85	237.05	214.70	229.61	450.32	444.30
Total Exports	27.50	20.84	18.25	18.65	30.62	48.77	49.27
Re-Exports	2.05	0.95	0.82	0.95	6.22	3.37	7.17
Domestic Exports	25.45	19.89	17.43	17.70	24.40	45.40	42.10
Of Which:							
Bananas							
Volume	-	-	-	-	-	-	-
Value	-	-	-	-	-	-	-
Nutmeg							
Volume	139.91	163.82	160.33	171.27	135.36	188.75	306.63
Value	3.70	4.29	3.67	4.06	2.82	5.18	6.88
Mace							
Volume	16.85	11.83	15.34	8.87	3.95	31.63	12.81
Value	0.43	0.35	0.38	0.25	0.14	0.88	0.39
Cocoa							
Volume	144.88	73.88	12.99	270.92	148.09	588.16	419.00
Value	1.71	0.87	0.15	3.06	1.45	6.59	4.50
Manufactured Exports							
Value	9.17	9.62	10.02	7.92	9.26	18.71	17.19

Source: Central Statistics Office, Ministry of Finance, Planning, Economy, Energy and Cooperatives, Grenada and ECCB Estimates

Data as at 12 August 2016

Table 30
Grenada - Monetary Survey
(EC$M at end of period)

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016 2nd Qr[P]
Net Foreign Assets	**710.00**	**722.48**	**852.48**	**906.32**	**884.60**
Central Bank (Net)	**442.43**	**449.29**	**508.98**	**526.26**	**525.55**
Commercial Banks (Net)	267.58	273.18	343.50	380.06	359.04
External (Net)	(43.83)	(39.77)	12.21	77.49	73.83
Assets	458.53	468.53	493.91	550.16	539.59
Liabilities	502.36	508.30	481.70	472.67	465.76
Other ECCB Territories (Net)	311.40	312.96	331.29	302.56	285.21
Assets	341.23	353.33	362.00	356.73	338.96
Liabilities	29.83	40.37	30.71	54.17	53.75
Net Domestic Assets	**1,372.49**	**1,354.97**	**1,269.88**	**1,289.61**	**1,260.77**
Domestic Credit	**1,460.88**	**1,445.28**	**1,320.07**	**1,313.78**	**1,317.11**
Central Government (Net)	18.00	12.07	(65.88)	(62.89)	(56.89)
Other Public Sector (Net)	(152.32)	(150.53)	(166.44)	(212.06)	(213.14)
Private Sector	1,595.21	1,583.74	1,552.39	1,588.73	1,587.14
Household	1,094.63	1,081.26	1,073.59	1,066.61	1,076.86
Business	491.50	493.31	469.46	513.09	504.40
Non-Bank Financial Institutions	9.09	9.17	9.34	9.03	5.87
Subsidiaries & Affiliates	-	-	-	-	-
Other Items (Net)	**(88.39)**	**(90.31)**	**(50.19)**	**(24.16)**	**(56.34)**
Monetary Liabilities (M2)	**2,082.49**	**2,077.45**	**2,122.37**	**2,195.93**	**2,145.37**
Money Supply (M1)	**511.06**	**512.69**	**543.00**	**597.45**	**563.80**
Currency with the Public	121.72	120.52	131.55	123.95	123.98
Demand Deposits	378.33	383.27	402.11	464.75	429.49
EC$ Cheques and Drafts Issued	11.01	8.89	9.34	8.76	10.33
Quasi Money	**1,571.43**	**1,564.76**	**1,579.37**	**1,598.48**	**1,581.57**
Savings Deposits	1,167.25	1,159.22	1,160.49	1,179.30	1,174.38
Time Deposits	284.96	277.35	271.43	256.84	247.90
Foreign Currency Deposits	119.23	128.20	147.45	162.33	159.29

Source: Eastern Caribbean Central Bank
Data as at 11 August 2016

Table 31
Montserrat - Selected Tourism Statistics

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016P 2nd Qr	2015 Jan-Jun	2016 Jan-Jun
Total Visitors	2,698	3,004	4,766	7,378	2,030	7,320	9,408
Stay-Over Visitors	1,756	1,906	3,010	2,880	1,395	4,028	4,275
Of which:							
USA	432	416	766	814	412	1,144	1,226
Canada	67	42	179	223	64	319	287
UK	425	512	830	774	312	997	1,086
Caribbean	728	850	1,149	948	530	1,322	1,478
Other Countries	104	86	86	121	77	246	198
Excursionists	400	493	345	635	159	902	794
Cruise Ship Passengers	-	445	1,114	2,987	-	1,032	2,987
Number of Cruise Ship Calls	-	2	5	7	-	4	7
Yacht Passengers	542	160	297	876	476	1,358	1,352
Number of Yachts	159	36	67	214	126	371	340
Total Visitor Expenditure (EC$M)	**4.32**	**4.35**	**7.12**	**8.61**	**3.48**	**11.41**	**12.10**

Source: Statistics Department, Ministry of Finance and Economic Development, Montserrat
Data as at 12 August 2016

Table 32
Montserrat - Consumer Price Index
January 2014 = 100

			Percentage Change*						
			Quarter over Previous Quarter						
	Weight	Index Jun-16	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016R 1st Qr	2016P 2nd Qr	Jun-15 Dec-14	Jun-16 Dec-15
All Items	99.91	98.38	0.68	0.74	(0.05)	(1.45)	0.93	(0.77)	(0.53)
Food & Non-Alchoholic Beverages	16.32	98.91	0.21	(0.19)	0.35	(1.37)	1.10	0.33	(0.28)
Alchoholic Beverages, Tobacco & Narcotics	0.43	100.10	0.03	(0.39)	(0.43)	0.20	0.56	0.37	0.77
Clothing & Footwear	4.76	97.14	0.04	0.38	0.20	(0.34)	0.00	0.05	(0.34)
Housing, Water, Electrcity, Gas and Other Fuels	33.05	98.32	1.51	4.30	(0.03)	(3.44)	1.61	(2.69)	(1.89)
Furnishing, household equipment and Routine Household Maintenance	3.48	101.67	0.30	1.08	1.61	(0.06)	(1.15)	(0.68)	(1.20)
Health	1.89	104.42	0.49	1.86	0.00	(1.03)	0.00	3.58	(1.03)
Transport	18.08	92.82	0.54	(5.32)	(0.76)	(1.40)	1.43	0.65	0.01
Communication	8.33	103.35	0.00	1.73	0.41	2.32	0.00	(1.57)	2.32
Recreation & Culture	2.44	98.87	(0.80)	(0.24)	0.18	0.00	(0.02)	(0.88)	(0.02)
Education	2.85	102.66	0.00	1.85	0.00	0.00	0.00	0.00	0.00
Restaurants and Hotels	2.11	101.41	0.00	0.37	(0.30)	1.34	0.00	0.22	1.34
Miscellaneous goods and services	6.17	101.71	0.79	1.32	(1.02)	0.23	(0.04)	1.12	0.19

Source: Statistics Department, Ministry of Finance and Economic Development, Montserrat
*at end of period
Data as at 12 August 2016

Table 33
Montserrat - Selected Trade Statistics
(Value: EC$M)

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016R 1st Qr	2016P 2nd Qr	2015 Jan-Jun	2016 Jan-Jun
Visible Trade Balance	(21.77)	(22.26)	(29.77)	(21.40)	(18.74)	(44.24)	(40.14)
Total Imports	23.94	24.46	31.89	23.30	21.69	47.96	44.99
Total Exports	2.17	2.20	2.12	1.90	2.95	3.72	4.85
Total Domestic Exports	1.95	2.04	2.04	1.76	2.05	3.36	3.81
Total Re-Exports	0.22	0.15	0.09	0.14	0.90	0.36	1.04

Source: Statistics Department, Ministry of Finance and Economic Development, Montserrat and ECCB Estimates
Data as at 12 August 2016

Table 34
Montserrat - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016P 2nd Qr	2015 Jan-Jun	2016 Jan-Jun
Current Revenue	11.60	10.34	11.31	11.75	11.60	23.89	23.35
Tax Revenue	9.56	9.06	10.10	10.63	10.39	19.88	21.01
Taxes on Income and Profits	4.57	3.62	3.37	4.50	5.18	8.84	9.68
Of which:							
Personal	2.77	2.96	2.82	3.36	2.84	6.06	6.20
Company/Corporation	1.62	0.57	0.16	0.97	1.95	2.28	2.92
Taxes on Property	0.02	0.03	0.56	0.08	0.03	0.08	0.11
Taxes on Domestic Goods and Servic	0.76	0.96	0.76	1.60	0.86	2.54	2.47
Of which:							
Licences and Stamp Duties	0.52	0.71	0.51	0.89	0.61	1.52	1.51
Hotel Occupancy	0.02	0.00	0.01	0.01	0.01	0.03	0.02
Insurance Company Levy	0.04	0.07	0.06	0.04	0.09	0.09	0.13
Taxes on International Trade and Tran	4.21	4.46	5.41	4.44	4.32	8.43	8.76
Of which:							
Import Duty	1.37	1.47	1.89	1.58	1.56	2.79	3.15
Consumption Tax	2.54	2.72	3.18	2.56	2.47	5.01	5.03
Customs Service Charge	-	-	-	-	-	-	-
Non-Tax Revenue	2.04	1.28	1.21	1.13	1.21	4.02	2.34
Current Expenditure	23.22	30.04	29.99	31.94	23.94	60.70	55.88
Personal Emoluments	10.22	10.29	10.64	10.65	10.45	20.82	21.10
Goods and Services*	6.07	9.46	9.36	13.39	7.03	21.64	20.41
Interest Payments	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Domestic	-	-	-	-	-	-	-
External	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Transfers and Subsidies	6.93	10.29	9.99	7.89	6.46	18.22	14.35
Of which: Pensions	2.61	2.97	3.16	3.32	2.69	6.28	6.01
Current Account Balance before gran	(11.62)	(19.70)	(18.67)	(20.19)	(12.34)	(36.80)	(32.53)
Current Account Balance after grants	18.65	(19.70)	26.99	(20.19)	15.74	16.53	(4.44)
Capital Revenue	-	-	-	-	-	-	-
Grants	33.19	-	55.16	12.67	28.08	80.82	40.75
Of which: Capital Grants	2.92	-	9.50	12.67	-	27.48	12.67
Capital Expenditure and Net Lending	3.64	5.88	6.87	8.57	1.17	13.59	9.74
Of which: Capital Expenditure	3.64	5.88	6.87	8.57	1.17	13.59	9.74
Primary Balance before grants	(15.26)	(25.57)	(25.54)	(28.75)	(13.51)	(50.38)	(42.26)
Primary Balance after grants	17.93	(25.57)	29.62	(16.08)	14.58	30.44	(1.50)
Overall Balance before grants	(15.27)	(25.57)	(25.55)	(28.76)	(13.51)	(50.39)	(42.27)
Overall Balance after grants	17.93	(25.57)	29.62	(16.09)	14.57	30.43	(1.52)
Financing	(17.93)	25.57	(29.62)	16.09	(14.57)	(30.43)	1.52
Domestic	(17.90)	23.97	(31.23)	16.10	(14.54)	(30.37)	1.56
ECCB (net)	(0.35)	(0.04)	0.13	(0.14)	0.13	13.95	(0.00)
Commercial Banks (net)	(14.15)	21.06	(38.64)	23.72	(12.07)	(26.43)	11.65
Other	(3.40)	2.96	7.29	(7.48)	(2.60)	(17.89)	(10.08)
External	(0.03)	1.61	1.61	(0.01)	(0.03)	(0.06)	(0.04)
Net Disbursements/(Amortisation)	(0.03)	1.61	1.61	(0.01)	(0.03)	(0.06)	(0.04)
Disbursements	-	1.64	1.64	0.02	-	-	0.02
Amortisation	0.03	0.03	0.03	0.03	0.03	0.06	0.06
Change in Government Foreign Asse	-	-	-	-	-	-	-
Arrears	-	-	-	-	-	-	-
Domestic	-	-	-	-	-	-	-
External	-	-	-	-	-	-	-
Other Financing	-	-	-	-	-	-	-

Source: Ministry of Finance, Montserrat and Eastern Caribbean Central Bank
*Goods and Services include Miscellaneous Payments
Data as at 12 August 2016

Table 35
Montserrat - Monetary Survey
(EC$M at end of period)

	2015 1st Qr	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016 2nd Qr[P]
Net Foreign Assets	**290.95**	**308.34**	**284.77**	**320.51**	**300.69**	**300.75**
Central Bank (Net)	**115.21**	**136.24**	**133.35**	**138.96**	**137.38**	**137.79**
Commercial Banks (Net)	175.74	172.10	151.42	181.55	163.32	162.95
External (Net)	95.65	109.35	91.32	117.04	100.45	107.04
Assets	160.51	175.20	158.45	186.35	169.52	176.72
Liabilities	64.85	65.85	67.14	69.31	69.07	69.69
Other ECCB Territories (Net)	80.09	62.74	60.10	64.51	62.87	55.92
Assets	88.68	73.72	74.71	77.92	75.62	68.84
Liabilities	8.59	10.97	14.61	13.41	12.75	12.92
Net Domestic Assets	**(44.86)**	**(61.29)**	**(42.55)**	**(75.65)**	**(52.01)**	**(53.83)**
Domestic Credit	**(8.36)**	**(19.83)**	**(0.21)**	**(30.88)**	**(7.65)**	**(9.49)**
Central Government (Net)	(50.75)	(65.24)	(44.23)	(82.75)	(59.16)	(66.45)
Other Public Sector (Net)	(24.56)	(22.73)	(25.54)	(18.89)	(19.85)	(16.03)
Private Sector	66.96	68.15	69.56	70.76	71.36	73.00
Household	59.39	60.61	62.04	63.67	64.64	66.31
Business	7.57	7.53	7.52	7.10	6.72	6.69
Non-Bank Financial Institutions	-	-	-	-	-	-
Subsidiaries & Affiliates	-	-	-	-	-	-
Other Items (Net)	**(36.50)**	**(41.46)**	**(42.34)**	**(44.77)**	**(44.37)**	**(44.34)**
Monetary Liabilities (M2)	**246.09**	**247.05**	**242.22**	**244.86**	**248.68**	**246.92**
Money Supply (M1)	**49.99**	**46.95**	**43.86**	**47.64**	**50.33**	**48.21**
Currency with the Public	16.37	16.17	17.02	20.20	19.46	19.33
Demand Deposits	33.53	30.48	26.74	27.31	30.44	28.52
EC$ Cheques and Drafts Issued	0.10	0.30	0.11	0.14	0.43	0.36
Quasi Money	**196.11**	**200.10**	**198.36**	**197.22**	**198.35**	**198.71**
Savings Deposits	141.03	144.47	143.28	143.39	144.25	144.75
Time Deposits	46.18	46.54	45.84	45.40	44.67	44.66
Foreign Currency Deposits	8.90	9.09	9.24	8.44	9.43	9.30

Source: Eastern Caribbean Central Bank
Data as at11AUG2016

Table 36
St Kitts and Nevis - Selected Tourism Statistics

	2015^R 2^nd Qr	2015^R 3^rd Qr	2015^R 4^th Qr	2016^R 1^st Qr	2016^P 2^nd Qr	2015^R Jan - Jun	2016^P Jan - Jun
Total Visitors	199,711	148,195	310,198	440,816	129,871	576,676	570,687
Stay-Over Visitors	29,010	23,936	28,320	34,256	28,137	64,439	62,393
Of which:							
USA	17,346	13,614	16,282	22,390	16,725	40,454	39,115
Canada	1,261	1,089	1,838	2,833	1,231	4,207	4,064
UK	2,404	2,196	2,802	2,713	2,373	5,183	5,086
Caribbean	6,373	5,704	5,771	4,655	6,243	11,247	10,898
Other Countries	1,626	1,333	1,627	1,665	1,565	3,348	3,230
Excursionists	778	804	1,026	903	657	2,296	1,560
Cruise Ship Passengers	169,082	122,936	280,273	403,772	100,548	507,029	504,320
Yacht Passengers	841	519	579	1,885	529	2,912	2,414
Number of Cruise Ship Calls	59	33	137	209	48	277	257
Total Visitor Expenditure (EC$M)	**87.08**	**70.96**	**89.90**	**112.83**	**82.63**	**200.78**	**195.46**

Source: Statistics Department, Sustainable Development, St Kitts and Central Statistics Office, Nevis and ECCB Estimates
Data as at 12 August 2016

Table 37

St Kitts and Nevis - Consumer Price Index
January 2010 = 100

			Percentage Change*						
			Quarter over Previous Quarter						
	Weight	Index Sept 2014	2015R 2ndQr	2015R 3rdQr	2015R 4thQr	2016R 1st Qr	2016P 2ndQr	Jun-15 Dec-14	Jun-16 Dec-15
All items	100.00	104.03	(0.80)	(0.38)	(0.22)	(1.51)	(1.02)	(1.81)	(2.51)
Food and Non-Alcoholic Beverages	15.98	85.63	(6.37)	(1.74)	0.21	(6.72)	(9.97)	(6.36)	(16.02)
Alcoholic Beverages, Tobacco & Narcotics	2.71	108.98	0.99	(1.15)	(0.65)	1.58	(10.08)	2.14	(8.65)
Clothing and Footwear	4.20	116.29	0.03	(1.68)	0.40	0.04	0.41	0.70	0.45
Housing, Utilities, Gas and Fuels	27.56	100.68	0.06	(0.16)	-	(0.32)	(0.18)	(0.27)	(0.49)
Household Furnishings, Supplies and Maintenance	6.10	104.94	(0.46)	(1.34)	(1.06)	(1.86)	(0.38)	0.01	(2.24)
Health	2.38	109.37	(0.75)	(0.26)	-	0.12	2.19	(2.63)	2.31
Transport	16.14	110.67	1.57	1.36	(0.65)	(2.38)	1.04	(3.97)	(1.36)
Communication	8.47	118.68	0.25	(0.01)	(0.11)	0.89	6.63	1.55	7.58
Recreation and Culture	2.92	104.75	1.57	(0.83)	(0.40)	(0.28)	(0.78)	1.85	(1.06)
Education	2.41	125.98	-	(5.05)	-	2.80	-	1.03	2.80
Hotels and Restaurants	5.60	117.78	(0.92)	0.56	0.02	0.00	6.63	(0.92)	6.63
Miscellaneous Goods and Services	5.54	104.14	(2.54)	(0.21)	(0.73)	0.88	(1.64)	(4.45)	(0.78)

Source: Statistics Department, Sustainable Development, St Kitts
* at end of period
Data as at 12 August 2016

Table 38
St Kitts and Nevis - Selected Trade Statistics
(Value: EC$M)

	2015R 2ndQr	2015R 3rdQr	2015R 4thQr	2016R 1st Qr	2016P 2ndQr	2015R Jan - Jun	2016P Jan - Jun
Visible Trade Balance	(165.33)	(108.15)	(228.51)	(189.17)	(141.41)	(315.32)	(330.58)
Total Imports /1	199.62	141.27	269.91	223.77	174.48	390.29	398.26
Total Exports	34.28	33.12	41.40	34.60	33.07	74.96	67.67
Total Domestic Exports	30.16	26.63	33.71	27.23	28.60	67.38	55.84
Total Re-Exports	4.12	6.49	7.70	7.37	4.46	7.58	11.83

Source: Statistics Department, Sustainable Development, St Kitts
/1 Excludes some fuel imports
Data as at 12 August 2016

Table 39
St Kitts and Nevis - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2015R 2ndQr	2015R 3rdQr	2015R 4thQr	2016R 1st Qr	2016P 2ndQr	2015R Jan - Jun	2016P Jan - Jun
Current Revenue	177.68	193.42	255.43	192.09	207.66	432.74	399.75
Tax Revenue	124.64	108.29	143.86	118.69	122.04	256.79	240.74
Taxes on Income and Profits	29.50	29.12	40.45	30.88	27.12	62.67	58.00
Of Which:							
Personal	14.04	12.09	12.98	13.43	12.50	25.63	25.93
Company/Corporation	12.55	13.01	23.50	14.08	12.90	31.76	26.97
Taxes on Property	6.93	5.10	5.03	3.03	7.54	11.20	10.58
Taxes on Domestic Goods and Servi	54.71	47.01	56.37	51.34	53.03	113.19	104.37
Of Which:							
Licences	1.03	1.44	4.57	3.22	1.56	4.26	4.77
Value Added Tax	36.55	29.35	35.79	32.06	37.41	76.75	69.47
Stamp Duties	10.96	9.88	10.85	10.41	10.17	20.03	20.58
Unincorporated Business Levy	1.59	1.76	1.77	1.68	0.76	3.12	2.44
Island Enhancement Levy	1.43	0.89	0.82	1.26	0.31	2.89	1.57
Taxes on International Trade and Tra	33.50	27.06	42.01	33.45	34.34	69.73	67.79
Of Which:							
Import Duty	14.59	12.18	19.73	14.58	15.96	25.97	30.54
Customs Service Charge	10.38	8.71	12.39	9.92	10.44	21.89	20.37
Excise Tax	4.56	2.71	3.98	4.57	4.14	13.85	8.71
Non-Refundable Duty Free Store I	0.70	0.52	2.29	1.18	0.72	2.72	1.90
Non-Tax Revenue	53.04	85.13	111.57	73.39	85.62	175.95	159.01
Current Expenditure	181.08	155.77	197.33	125.99	181.29	309.76	307.28
Personal Emoluments	63.48	64.42	80.77	67.20	75.14	126.21	142.34
Goods and Services	40.28	37.20	59.10	26.11	47.00	74.88	73.11
Interest Payments	15.28	11.88	10.61	7.97	13.08	24.40	21.05
Domestic	11.78	7.42	6.26	5.27	10.67	17.44	15.94
External	3.50	4.46	4.36	2.70	2.41	6.96	5.11
Transfers and Subsidies	62.05	42.26	46.85	24.70	46.07	84.27	70.78
Of Which: Pensions	7.80	7.95	10.27	8.21	6.11	15.52	14.32
Current Account Balance	(3.40)	37.65	58.10	66.10	26.37	122.98	92.47
Capital Revenue	1.33	1.92	1.31	1.35	0.93	4.34	2.28
Grants	26.76	6.24	12.72	0.31	21.46	34.26	21.76
Of which: Capital Grants	10.66	6.11	12.67	0.25	8.73	17.96	8.98
Capital Expenditure and Net Lending	53.62	60.07	21.19	1.35	21.15	87.28	22.50
Of which: Capital Expenditure	37.88	30.64	45.11	21.97	22.09	66.10	44.06
Primary Balance after grants	(13.65)	(2.38)	61.55	74.38	40.69	98.71	115.06
Overall Balance after grants	(28.93)	(14.26)	50.93	66.41	27.60	74.31	94.01
Financing	28.93	14.26	(50.93)	(66.41)	(27.60)	(74.31)	(94.01)
Domestic	52.92	79.68	(42.01)	(39.25)	(16.26)	(33.25)	(55.51)
ECCB (net)	28.74	42.73	(3.05)	(1.22)	(12.86)	35.75	(14.08)
Commercial Banks (net)	7.91	28.92	(20.23)	(50.08)	0.28	(37.28)	(49.80)
Other	16.28	8.03	(18.72)	12.05	(3.69)	(31.72)	8.36
External	(23.99)	(65.41)	(8.93)	(27.16)	(11.34)	(41.06)	(38.50)
Net Disbursements/(Amortisation)	(23.99)	(65.41)	(8.93)	(27.16)	(11.34)	(41.06)	(38.50)
Disbursements	0.63	0.72	0.38	0.41	0.15	0.92	0.55
Amortisation	24.63	66.13	9.30	27.57	11.49	41.98	39.05
Change in Government Foreign Ass	-	-	-	-	-	-	-
Arrears	-	-	-	-	-	-	-
Domestic	-	-	-	-	-	-	-
External	-	-	-	-	-	-	-
Other Financing	-	-	-	-	-	-	-

Source: Ministry of Finance, St Kitts and Nevis and ECCB Estimates
Data as at 12 August 2016

Table 40
St Kitts and Nevis - Monetary Survey
(EC$M at end of period)

	2015 1st Qr	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016 2nd Qr[p]
Net Foreign Assets	**2,485.09**	**2,427.76**	**2,314.16**	**2,206.09**	**2,264.26**	**2,300.54**
Central Bank (Net)	**856.61**	**781.16**	**715.99**	**757.19**	**921.46**	**926.07**
Commercial Banks (Net)	1,628.48	1,646.59	1,598.17	1,448.91	1,342.79	1,374.47
External (Net)	1,769.45	1,693.39	1,597.60	1,600.48	1,567.87	1,642.90
Assets	2,743.80	2,641.89	2,570.51	2,388.23	2,395.51	2,314.70
Liabilities	974.35	948.50	972.91	787.75	827.64	671.80
Other ECCB Territories (Net)	(140.97)	(46.79)	0.57	(151.57)	(225.08)	(268.43)
Assets	733.28	839.67	893.23	809.89	834.05	734.18
Liabilities	874.26	886.46	892.66	961.47	1,059.12	1,002.60
Net Domestic Assets	**600.81**	**639.77**	**792.55**	**821.93**	**791.84**	**734.41**
Domestic Credit	**946.74**	**996.82**	**1,060.82**	**1,031.99**	**961.08**	**917.53**
Central Government (Net)	424.02	460.67	532.32	509.03	457.74	445.16
Other Public Sector (Net)	(874.01)	(894.33)	(907.84)	(926.04)	(946.03)	(979.60)
Private Sector	1,396.74	1,430.48	1,436.34	1,448.99	1,449.38	1,451.98
Household	851.29	859.30	861.59	865.43	859.97	862.33
Business	490.17	501.77	517.43	527.07	532.92	533.72
Non-Bank Financial Institutions	15.33	29.32	15.28	15.22	15.19	15.34
Subsidiaries & Affiliates	39.94	40.10	42.05	41.28	41.29	40.58
Other Items (Net)	**(345.93)**	**(357.05)**	**(268.27)**	**(210.06)**	**(169.24)**	**(183.12)**
Monetary Liabilities (M2)	**3,085.90**	**3,067.52**	**3,106.71**	**3,028.02**	**3,056.10**	**3,034.95**
Money Supply (M1)	**599.01**	**608.81**	**624.36**	**624.28**	**606.34**	**622.46**
Currency with the Public	150.44	152.16	155.79	168.26	162.87	164.49
Demand Deposits	417.72	445.01	454.98	441.59	429.94	441.25
EC$ Cheques and Drafts Issued	30.85	11.64	13.60	14.43	13.53	16.72
Quasi Money	**2,486.89**	**2,458.71**	**2,482.35**	**2,403.75**	**2,449.75**	**2,412.49**
Savings Deposits	903.38	917.44	917.13	936.64	952.59	942.80
Time Deposits	630.99	627.83	628.51	620.45	642.92	615.67
Foreign Currency Deposits	952.52	913.45	936.71	846.65	854.25	854.02

Source: Eastern Caribbean Central Bank
Data as at 11 AUG 2016

Table 41
Saint Lucia - Selected Tourism Statistics

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016R 1st Qr	2016P 2nd Qr	2015 Jan - Jun	2016 Jan - Jun
Total Visitor Arrivals	203,629	159,384	302,732	346,191	169,048	610,903	515,239
Stay Over Arrivals 1/	87,205	77,771	81,713	97,367	85,772	185,424	183,139
USA	43,484	34,418	34,578	41,799	43,989	83,742	85,788
Canada	6,086	4,104	8,116	17,366	6,083	26,457	23,449
UK	16,326	13,914	18,492	18,957	15,537	35,769	34,494
Caribbean	16,557	21,351	15,038	12,803	15,806	26,356	28,609
Other Countries	4,752	3,984	5,489	6,442	4,357	13,100	10,799
Excursionists	1,214	2,836	3,104	3,392	2,541	3,140	5,933
Cruise Ship Passenger	107,528	71,475	206,173	245,432	80,735	399,746	326,167
Number of Cruise Ships	48	22	121	184	46	244	230
Yacht Passengers 1/	7,682	7,302	11,742	-	-	22,593	-
Total Visitor Expenditure (EC$M)	**252.63**	**205.23**	**255.19**	**320.18**	**237.78**	**611.32**	**557.96**

1/ From January 2016, yacht passengers staying in paid accomodation was recorded as part of stay-over arrivals

Source: Saint Lucia Tourist Board

Data as at 12 August 2016

Table 42
Saint Lucia - Consumer Price Index
January 2008 = 100

			Percentage Change*						
			Quarter over Previous Quarter						
		Index	2015	2015	2015	2016^R	2016^P	Jun-15	Jun-16
	Weight	Jun 2016	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr	Dec-14	Dec-15
All items	99.87	113.48	0.08	(0.85)	(0.78)	(2.14)	(0.38)	(0.99)	(2.52)
Food and Non-Alcoholic Beverages	25.02	123.21	(4.34)	0.38	0.05	(1.11)	(0.73)	(3.78)	(1.83)
Alcoholic Beverages, Tobacco & Narcotics	6.53	135.37	(2.64)	(0.32)	6.34	0.67	1.55	(3.25)	2.23
Clothing and Footwear	1.66	145.59	6.55	(1.93)	0.73	(2.21)	(0.83)	15.82	(3.02)
Housing, Utilities, Gas and Fuels	17.36	103.96	0.90	(0.70)	0.10	(6.89)	(4.09)	7.53	(10.70)
Household Furnishings, Supplies and Maintenance	3.31	100.73	0.91	(3.68)	(9.22)	5.29	0.10	(1.16)	5.40
Health	3.96	120.04	0.57	0.87	(0.45)	0.56	(0.35)	1.08	0.21
Transport	16.40	109.85	7.33	(4.61)	(2.72)	(1.26)	2.04	(2.14)	0.75
Communication	12.54	118.68	-	-	(0.00)	3.65	-	8.78	3.65
Recreation & Culture	1.37	86.72	(13.82)	3.38	(8.20)	(1.22)	(0.45)	(11.24)	(1.67)
Education	3.70	157.80	-	-	(0.00)	2.55	(0.51)	7.75	2.04
Hotels & Restaurants	1.10	122.44	10.05	(0.11)	2.57	(0.00)	1.59	10.52	1.59
Miscellaneous Goods and Services	6.92	94.96	0.69	0.30	(1.02)	(0.63)	(1.37)	(20.21)	(1.99)

*at end of period
Source: Central Statistical Office, Saint Lucia and ECCB Estimates
Data as at 12 August 2016

Table 43
Saint Lucia - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016R 1st Qr	2016P 2nd Qr	2015 Jan - Jun	2016 Jan - Jun
Current Revenue	243.79	235.88	233.94	271.18	266.64	492.12	537.82
Tax Revenue	226.47	224.31	224.25	258.70	258.98	464.84	517.68
Taxes on Income and Profits	67.17	55.11	38.26	80.91	73.18	136.82	154.09
Of which:							
Personal	25.79	25.07	22.73	31.27	26.23	54.54	57.50
Company/Corporation	18.59	22.10	3.43	34.12	29.09	43.60	63.21
Taxes on Property	2.26	2.05	2.12	4.32	1.91	5.24	6.23
Taxes on Domestic Goods and Servic	95.92	101.34	109.75	110.01	110.07	202.02	220.08
Of which:							
Consumption Duty	-	0.02	0.00	-	0.00	-	0.00
Licences	4.18	5.46	11.76	6.37	5.89	8.39	12.26
Excise Tax	1.12	0.90	0.83	1.06	0.80	2.06	1.85
Hotel Occupancy Tax	0.24	0.11	0.03	0.29	0.04	0.53	0.33
Value Added Tax	82.94	85.06	85.99	92.38	90.18	-	160.23
Taxes on International Trade and Tran	61.12	65.81	74.12	63.46	73.82	120.76	137.28
Of which:							
Consumption Tax	-	0.03	-	0.24	-	0.00	0.24
Import Duties	26.11	25.68	29.31	25.08	27.57	49.50	52.65
Customs Service Charge	14.40	18.92	19.52	16.01	17.87	28.33	33.89
Excise Tax	18.68	17.56	20.49	16.93	22.81	35.01	39.74
Non-Tax Revenue	17.32	11.57	9.69	12.48	7.66	27.29	20.14
Current Expenditure	215.90	224.81	222.08	225.25	210.22	441.02	435.47
Personal Emoluments	93.66	93.54	94.21	95.22	93.50	187.69	188.72
Goods and Services	36.44	43.65	40.51	47.22	34.23	84.63	81.45
Interest Payments	42.47	37.86	36.79	38.95	35.40	74.08	74.35
Domestic	23.54	28.61	22.30	29.18	21.25	46.52	50.43
External	18.93	9.26	14.50	9.76	14.15	27.56	23.92
Transfers and Subsidies	43.32	49.75	50.57	43.86	47.09	94.62	90.95
Of which: Pensions	16.55	18.79	20.37	18.73	18.75	33.96	37.48
Current Account Balance	27.90	11.07	11.87	45.94	56.42	51.10	102.35
Capital Revenue	0.05	0.01	0.01	-	-	0.05	-
Grants	1.16	15.24	18.74	5.83	0.61	18.06	6.44
Of which: Capital Grants	1.16	15.24	18.74	5.83	0.61	18.06	6.44
Capital Expenditure and Net Lending	23.83	59.51	58.57	54.41	23.75	101.03	78.16
Of which: Capital Expenditure	23.83	59.51	58.57	54.41	23.75	101.03	78.16
Primary Balance after grants	47.75	4.67	8.83	36.30	68.68	42.27	104.98
Overall Balance after grants	5.27	(33.20)	(27.96)	(2.64)	33.28	(31.81)	30.64
Financing	(5.27)	33.20	27.96	2.64	(33.28)	31.81	(30.64)
Domestic	(57.61)	39.21	43.27	3.86	(65.25)	(96.73)	(61.38)
ECCB (net)	1.35	(27.93)	14.68	20.47	(8.90)	(13.45)	11.57
Commercial Banks (net)	13.16	21.48	4.99	(48.86)	(44.15)	(30.22)	(93.01)
Other	(72.11)	45.66	23.60	32.26	(12.20)	(53.07)	20.06
External	52.33	(6.02)	(15.31)	(1.22)	31.97	128.54	30.75
Net Disbursements (Amortisation)	(11.17)	(6.02)	(15.31)	(1.22)	31.97	65.04	30.75
Disbursements	12.93	8.26	10.44	13.22	53.31	101.20	66.54
Amortisation	24.10	14.28	25.75	14.44	21.34	36.16	35.79
Change in Government Foreign Asse	63.50	-	-	-	-	63.50	-
Arrears	-	-	-	-	-	-	-
Domestic	-	-	-	-	-	-	-
External	-	-	-	-	-	-	-
Other financing	-	-	-	-	-	-	-

Source: Ministry of Finance, Saint Lucia
Data as at 12 August 2016

Table 44
Saint Lucia - Banana Production

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016[R] 1st Qr	2016[P] 2nd Qr	2015 Jan - Jun	2016 Jan - Jun
Volume (tonnes)	2,041	1,576	1,932	1,911	2,062	4,937	3,973
Value (EC$M)	3.68	2.87	3.51	3.52	3.74	8.87	7.27
Unit Price (EC$/ tonnes)	1,803.47	1,818.65	1,814.89	1,843.50	1,815.46	1,796.49	1,828.95

Source: Winfresh Ltd

Data as at 12 August 2016

Table 45
Saint Lucia - Selected Trade Statistics
(Value: EC$M)

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016[R] 1st Qr	2016[P] 2nd Qr	2015 Jan - Jun	2016 Jan - Jun
Total Exports	128.95	96.45	93.19	88.36	106.28	297.20	194.64
Total Domestic Exports	71.96	59.42	60.09	55.99	62.26	127.77	118.24
Total Re-Exports	56.99	37.04	33.10	32.37	44.03	169.43	76.40
Total Imports	350.14	378.63	402.21	495.39	394.05	758.25	889.44
Visible Trade Balance	(221.19)	(282.17)	(309.02)	(407.03)	(287.77)	(461.05)	(694.79)

Source: Central Statistical Office, Saint Lucia and ECCB Estimates

Data as at 12 August 2016

Table 46
Saint Lucia - Monetary Survey
(EC$M at end of period)

	2015 1st Qr	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016 2nd Qr[p]
Net Foreign Assets	**43.70**	**222.30**	**224.74**	**268.38**	**429.74**	**511.97**
Central Bank (Net)	**834.14**	**864.15**	**816.52**	**804.87**	**826.32**	**839.16**
Commercial Banks (Net)	(790.43)	(641.85)	(591.79)	(536.49)	(396.59)	(327.19)
External (Net)	(138.66)	(2.72)	37.84	91.17	228.83	173.71
Assets	797.36	807.40	857.95	892.87	1,003.48	963.24
Liabilities	936.03	810.12	820.11	801.69	774.66	789.53
Other ECCB Territories (Net)	(651.77)	(639.13)	(629.62)	(627.66)	(625.41)	(500.90)
Assets	301.48	328.75	332.99	333.34	359.16	387.32
Liabilities	953.25	967.88	962.61	961.00	984.58	888.22
Net Domestic Assets	**2,981.87**	**2,819.26**	**2,725.78**	**2,786.32**	**2,755.27**	**2,630.45**
Domestic Credit	**3,475.85**	**3,318.40**	**3,247.06**	**3,269.23**	**3,256.24**	**3,097.80**
Central Government (Net)	198.99	213.50	207.05	226.72	198.32	145.28
Other Public Sector (Net)	(467.45)	(498.93)	(509.97)	(480.38)	(485.76)	(497.09)
Private Sector	3,744.31	3,603.83	3,549.98	3,522.89	3,543.68	3,449.61
Household	1,789.31	1,773.80	1,777.83	1,771.13	1,777.93	1,756.97
Business	1,926.38	1,800.12	1,742.56	1,689.50	1,703.13	1,628.92
Non-Bank Financial Institutions	18.96	18.71	18.71	14.93	15.76	17.66
Subsidiaries & Affiliates	9.66	11.20	10.87	47.34	46.85	46.06
Other Items (Net)	**(493.99)**	**(499.15)**	**(521.27)**	**(482.92)**	**(500.97)**	**(467.36)**
Monetary Liabilities (M2)	**3,025.57**	**3,041.56**	**2,950.52**	**3,054.70**	**3,185.01**	**3,142.42**
Money Supply (M1)	**790.52**	**783.98**	**714.88**	**769.09**	**836.40**	**791.32**
Currency with the Public	143.39	139.21	135.24	153.85	153.15	154.54
Demand Deposits	637.91	635.96	575.40	610.27	671.92	634.77
EC$ Cheques and Drafts Issued	9.22	8.81	4.24	4.97	11.33	2.01
Quasi Money	**2,235.05**	**2,257.58**	**2,235.63**	**2,285.61**	**2,348.60**	**2,351.10**
Savings Deposits	1,563.75	1,553.31	1,532.59	1,556.01	1,567.64	1,587.70
Time Deposits	385.01	408.30	389.38	387.72	405.95	418.90
Foreign Currency Deposits	286.30	295.97	313.67	341.88	375.02	344.50

Source: Eastern Caribbean Central Bank
Data as at11AUG2016

Table 47
St Vincent and the Grenadines - Selected Tourism Statistics

	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016R 1st Qr	2016P 2nd Qr	2015R Jan - Jun	2016P Jan - Jun
Total Visitors	30,668	24,519	60,982	96,680	31,962	121,161	128,642
Stay-Over Visitors	16,414	17,687	20,622	22,346	17,563	37,072	39,909
Of which:							
USA	5,299	4,979	5,979	6,348	5,497	11,105	11,845
Canada	1,564	1,442	2,169	2,384	1,447	3,904	3,831
UK	3,194	3,413	4,742	6,019	3,137	8,890	9,156
Caribbean	5,038	6,711	5,576	5,118	6,131	9,279	11,249
Other Countries	1,319	1,142	2,156	2,477	1,351	3,894	3,828
Excursionists	369	312	398	514	452	1,022	966
Yacht Passengers	9,829	5,782	11,493	21,818	8,849	30,195	30,667
Cruise Ship Passengers	4,056	738	28,469	52,002	5,098	52,872	57,100
Number of Cruise Ship Calls	22	28	74	135	26	129	161
Total Visitor Expenditure (EC$M)	**53.01**	**48.88**	**70.12**	**94.26**	**57.38**	**139.51**	**151.64**

Source: St Vincent and the Grenadines Tourism Authority
Data as at 12 August 2016

Table 48
St Vincent and the Grenadines - Consumer Price Index
January 2010 = 100

			Percentage Change*						
			Quarter over Previous Quarter						
		Index	2015	2015	2015	2016	2016^{P}	Jun-15	Jun-16
	Weight	Jun 2016	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr	Dec-14	Dec-15
All Items	100.0	106.40	-	0.28	(0.66)	(0.29)	1.53	(1.68)	1.24
Food and Non-Alcoholic Beverages	21.91	112.00	(7.84)	(0.09)	(0.27)	(0.82)	2.56	(1.95)	1.73
Alcoholic Beverages, Tobacco and Narcotics	3.87	113.90	0.46	0.36	0.54	1.35	1.15	0.27	2.52
Clothing and Footwear	3.22	105.10	-	(0.29)	0.10	1.85	0.57	-	2.44
Housing, Water, Electricity, Gas and Other Fu	30.06	98.50	1.01	(1.00)	(1.11)	(0.41)	1.23	(2.73)	0.82
Furnishing, Household Equipment and Routine	6.59	102.80	-	0.10	0.39	0.39	0.59	(0.10)	0.98
Health	1.79	107.70	0.96	1.90	2.15	(1.37)	(0.09)	2.04	(1.46)
Transport	11.84	120.00	(0.08)	0.92	(3.23)	(0.60)	3.18	(4.69)	2.56
Communications	9.41	108.60	(1.18)	5.36	0.09	-	2.16	0.50	2.16
Recreation and Culture	3.81	104.00	0.19	(0.29)	0.10	0.58	0.78	0.19	1.36
Education	1.32	108.50	-	1.10	-	(1.54)	-	-	(1.54)
Restaurants and Hotels	1.87	102.40	(0.10)	0.29	(1.06)	-	-	(0.29)	-
Miscellaneous Goods and Services	4.31	101.40	-	-	0.10	0.10	0.10	0.10	0.20

Source: Statistical Office, Central Planning Division, Ministry of Finance and Economic Planning, St Vincent and the Grenadines
*at end of period
Data as at 12 August 2016

Table 49
St Vincent and the Grenadines - Selected Trade Statistics
(Value: EC$M; Volume: 000 tonnes)

	2015	2015	2015	2016	2016^{P}	2015^{R}	2016^{P}
	2nd Qr	3rd Qr	4th Qr	1st Qr	2nd Qr	Jan - Jun	Jan - Jun
Visible Trade Balance	(183.96)	(190.86)	(229.39)	(187.49)	(198.46)	(357.18)	(385.94)
Total Imports	217.37	219.51	262.63	213.38	227.94	418.88	441.32
Total Exports	33.41	28.64	33.24	25.89	29.48	61.70	55.37
Re-Exports	4.21	1.92	2.78	1.34	2.57	6.23	3.90
Domestic Exports	29.20	26.73	30.46	24.55	26.92	55.48	51.47

Source: Statistical Office, Central Planning Division, Ministry of Finance and Economic Planning, St Vincent and the Grenadines
Data as at 12 August 2016

Table 51
St Vincent and the Grenadines - Monetary Survey
(EC$M at end of period)

	2015 1st Qr	2015 2nd Qr	2015 3rd Qr	2015 4th Qr	2016 1st Qr	2016 2nd Qr[P]
Net Foreign Assets	**481.57**	**446.25**	**486.00**	**531.94**	**591.62**	**583.24**
Central Bank (Net)	**398.34**	**387.22**	**411.68**	**444.81**	**493.86**	**455.16**
Commercial Banks (Net)	83.23	59.03	74.32	87.13	97.76	128.08
External (Net)	8.90	(5.75)	(2.53)	4.38	30.26	42.09
Assets	219.61	211.71	229.35	231.39	247.43	253.08
Liabilities	210.71	217.45	231.88	227.01	217.17	210.99
Other ECCB Territories (Net)	74.33	64.78	76.86	82.75	67.51	86.00
Assets	200.85	190.88	203.72	200.27	193.76	202.10
Liabilities	126.52	126.10	126.86	117.52	126.25	116.10
Net Domestic Assets	**945.39**	**982.20**	**942.70**	**943.84**	**909.79**	**893.55**
Domestic Credit	**1,063.65**	**1,104.49**	**1,077.80**	**1,069.38**	**1,084.14**	**1,069.70**
Central Government (Net)	126.62	133.66	118.71	111.16	120.26	97.57
Other Public Sector (Net)	(107.67)	(100.84)	(112.30)	(111.66)	(107.57)	(107.39)
Private Sector	1,044.70	1,071.67	1,071.39	1,069.89	1,071.45	1,079.52
Household	792.20	818.60	814.42	817.52	822.82	837.81
Business	232.94	233.04	237.26	232.88	229.32	222.59
Non-Bank Financial Institutions	15.56	16.04	15.71	15.49	15.31	15.12
Subsidiaries & Affiliates	4.00	4.00	4.00	4.00	4.00	4.00
Other Items (Net)	**(118.26)**	**(122.30)**	**(135.10)**	**(125.54)**	**(174.35)**	**(176.15)**
Monetary Liabilities (M2)	**1,426.96**	**1,428.45**	**1,428.70**	**1,475.78**	**1,501.41**	**1,476.79**
Money Supply (M1)	**419.68**	**427.09**	**408.98**	**437.83**	**462.00**	**458.00**
Currency with the Public	51.82	50.63	48.73	64.62	63.59	65.88
Demand Deposits	359.31	367.73	349.95	364.05	392.41	378.57
EC$ Cheques and Drafts Issued	8.55	8.73	10.30	9.16	5.99	13.55
Quasi Money	**1,007.28**	**1,001.36**	**1,019.73**	**1,037.95**	**1,039.41**	**1,018.79**
Savings Deposits	799.97	807.73	807.88	820.61	828.97	829.96
Time Deposits	128.29	130.14	128.55	126.90	129.06	117.57
Foreign Currency Deposits	79.01	63.49	83.30	90.44	81.39	71.26

Source: Eastern Caribbean Central Bank
Data as at11AUG2016

Sovereign Wealth Funds: A Model for Citizenship by Investment Programmes in the ECCU (Summary)[6]

by

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and

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EASTERN CARIBBEAN CENTRAL BANK

ST KITTS

[6] The full paper can be accessed on the ECCB's website – http://www.eccb-centralbank.org

Key Recommendations

1.0 Establishing a regional Sovereign Wealth Fund is a proactive step towards a sustainable long term economic strategy.

2.0 The excess flows from the citizenship by investment programmes can be used to create a SWF which will become useful in insulating the economy when the inflows from the CBI are not forthcoming.

3.0 The establishment of an appropriate body, with responsibility for compliance, to monitor the activities of the SWF to ensure that the managers adhere to the regulations.

4.0 The development of appropriate legislation by Parliament to ensure that the SWF's financial statements are published and that the assets' size and portfolios are known.

1.0 Introduction

Subsequent to an increase in corporate sector investments over the last decade, sovereign wealth funds have been a popular subject in the debate on international investments. Sovereign wealth funds (SWF) are state-owned investment funds developed with the purpose of investing surpluses or excess reserves. The growing interest in sovereign wealth funds emanated from the steady increase in the value of their total assets since the beginning of the recent global economic and financial crisis. Sovereign wealth funds' assets were estimated at US$5.4 trillion at the end of 2013, recording growth of $750b over the level in 2012. This improved performance is attributed to an increase in both the volume and value of these funds world-wide. These investments therefore yield substantial returns, which the governments may utilize for various purposes, including imminent liability.

The Eastern Caribbean Currency Union (ECCU) comprises of eight countries in a common financial arrangement governed by a Monetary Council. Recently there has been much discussion on the issue of economic citizenship programmes or citizenship by investment (CBI) programmes that have been undertaken by a few of the countries within the ECCU. Currently, there are programmes in Antigua and Barbuda, Dominica, Grenada and St. Kitts and Nevis. The legislation for a CBI programme in Saint Lucia was passed in the House of Parliament and the programme was officially launched in January 2016. Available data indicate that the programme in St Kitts and Nevis is the most popular, as it provides visa-free access to at least 100 countries worldwide. Additionally, these investment programmes constitute a significant proportion of non-tax revenue in three of the ECCU countries.

Cognizant of the significance of the OECS economic union and the importance of the CBI programme to majority of the territories in the ECCU, how useful or efficient would the framework of sovereign wealth funds be to these countries or to the ECCU on a whole? Will the establishment of a sovereign wealth fund assist in the effective management of the inflows from the CBI programmes? The rest of the note is as follows; Section 2.0 provides an analysis of the strengths and weaknesses of sovereign wealth funds, Section 3.0 examines what a CBI funded SWF should look like, Section 4.0 looks at the source and use of SWF funds and finally Section 5.0 concludes the note.

2.0 Strengths and Weaknesses of a Sovereign Wealth Fund

There are tremendous benefits to be had from creating SWFs and as (Dedu & Nitescu, 2014) pointed out these include protecting the national wealth and economic diversification especially for economies that depend on limited raw material exports. A sovereign wealth fund also contributes to a sustainable long term economic strategy and can aid central banks in sterilizing the surplus of liquidity, countering macroeconomic cycles and assist in sustaining key infrastructural projects.

In comparison to other forms of asset management, SWFs are not only highly liquid, but attract long term investors who are less sensitive to market conditions and have a high risk appetite (Dedu & Nitescu, 2014). Additionally, SWFs are highly diversified in locating higher yields and attract little to no debt. If the fund is incorporated, its cost of capital is determined using the weighted average of the cost of debt and the cost of equity, and therefore with little or no cost of debt or cost of equity, SWFs may be able to accept lower returns on investments than listed companies – private or public. Considering that SWFs are not liable to any individual or institutions per se, they do not have to worry about paying returns or dividends to investors, who may threaten to withdraw, and as a consequence SWFs have more leverage in adopting longer term investment strategies (Jory et al, 2010).

A SWF should be considered in the context of an overall sovereign balance sheet, as it aids in the mitigation of risks associated with exchange rates, monetary policy and fiscal policy (Al-Hassan, et al., 2013). SWFs assist in reducing the pro-cyclicality of fiscal policy, as withdrawal rates are clearly stipulated and remain consistent with the purpose of the fund. Also, since SWFs do not borrow money and have the backing of central governments, it is not necessary to account for any default risk in their cost of capital (Jory et al, 2010). Consequently, SWFs have the ability to successfully compete with other funds by accepting lower rates of return on investments, which results in more valuable investments than those financed through debt or equity.

In times of crisis it is more likely that much needed funding will come from SWFs. During the most recent global economic and financial crisis, on the onset of the crisis, SWFs invested almost US$40 billion in the US financial sector; indicating that SWFs help cushion the negative impact of a crisis (Jory et al, 2000). Finally, SWFs are efficient in the redistribution of capital and credit from wealthy nations to needy underdeveloped countries and so a number of developing countries stand to benefit from the financial resources of sovereign funds for much needed infrastructural development.

Given the sheer size of sovereign wealth funds, these investment vehicles can and have become systemically important in global financial sector development. Jory et al (2010) warns that while SWFs have grown significantly over the years on an international level, concerns about their political risks have remained elevated, due largely to issues with transparency and disclosure. In this light, limitations associated with SWFs include not only a lack of transparency, but also political interference. It is difficult and perhaps near impossible to totally eliminate political involvement in SWFs given that they are owned by governments, both democratic and non-democratic. A fund may be influenced by the political mandate through representatives on its board or management committee. This influence may inevitably lead to corruption in the form of nepotism, which can hinder the recruiting and retaining of scarce, highly demanded, skilled managers, who are paramount to the sustainability of any fund.

While institutions may be set up to own and manage SWFs, the policy framework generally reflects the objectives set by the state and may be biased towards identified priorities, which could compromise the achievement of optimal returns. Also, the nature and structure of these funds may promote a level of protectionism, where countries are likely to carefully select investors, who may not be the best candidates, for particular investments (Johnson, 2007).

3.0 What should a CBI - SWF in the ECCU look like?

Taking into consideration the positive impacts of SWFs on a country's economy and given that the actuarial reports for a number of social security systems in the ECCU highlight the challenges that demography is likely to pose on the existence of these pension schemes, a SWF for the ECCU may be a useful and viable undertaking. In this light, it becomes necessary to develop a framework for a SWF, which uses CBI flows as its source of funding for investments. Furthermore, it is important to create a roadmap for the establishment of a SWF and an asset allocation framework for its successful operation.

3.1 Governance and Associated legislation

The Working Group of Sovereign Wealth Funds (IWG) was set up to give support and guidance to SWFs, given their relevance in recent difficult financial times in the international economy. To encourage best practice, the organization designed the generally accepted principles and practices (GAPP) based on intense research into the governance structures of existing funds and surveys of these institutions. As a result, it is important to take on board the recommendations of the IWG for the proper set-up of SWFs and sound investment decisions. The three main pillars of any SWF are the legal framework on which it is built or developed, its institutional framework and the framework of its investment portfolio and management of risk. Following the enactment of the appropriate legislation, identifying the main objectives and ensuring that they harmonize with the main macro-economic policies, proper governance is imperative.

Since the ECCU consists of eight territories, the governance structure will have to include representatives from each country. The main function of Parliament in each territory will be to approve the legislation, hence ensuring that the basis for existence and operation is legal. While the ultimate beneficiaries of the fund will be the governments, an investment company should be incorporated to act as owner and manager of the SWF. The Executive board, at the top of the management hierarchy, will be responsible for the internal guidelines of the organization and will appoint the CEO. The CEO will oversee all the managers, giving them guidance and instruction on the goals set by the Executive Board.

On the supervisory side, the internal audit, although accountable to the Executive Board, will assist the board in overseeing the fund's management to ensure that it operates in line with all regulations and procedures. External audits will ensure that the fund is adequately supervised and that the control mechanisms are efficiently executed. In most of the ECCU countries, the Public Accounts Committee (PAC) is charged with the responsibilities of examining public audits and questioning policy makers – ministers, permanent secretaries and other ministry officials. These audits may be conducted, reviewed or commissioned by the Auditor General. Therefore, the Auditor General is well poised to commission, conduct or review audits of the SWFs; present these to the PAC when necessary and ensure that reports on the activities of the fund submitted to Parliament are accurate and timely.

Table 1: Roadmap to Establishment of ECCU Sovereign Wealth Fund

Activity	Responsibility	Time Frame
Legislation – SWF Regulation	Attorney(s) General, ECCB LSD, OECS Must be passed by Parliament in all countries	12-24 months
Determination of Model – Manger Model or Investment Company Model	Parliament, Ministers of Finance (Monetary Council), other stakeholders including Central Bank and OECS	9 – 18 months
Establishment of Governance Structure	Parliament, Ministries of Finance, Central Bank, OECS, other	6 - 9 months
Appointment of Executive Board	Cabinets with guidance from OECS and Central Bank	3 - 6 months
CEO	Recruitment Agency appointed and monitored by Executive Board	3-6 months
Managers	Recruitment Agency with input from CEO	3-6 months
Establishment of Compliance Unit – with requisite operational autonomy and manned by adequately qualified and trained personnel	CEO and Managers with assistance and guidance from Executive Board	4-5 months
Appointment of Auditors	Management Team with input from OECS and ECCB	3-5 months

Source: Authors' Estimates

4.0 Source and use of SWF funds

To develop a SWF in the ECCU, member governments actively involved in economic citizenship programmes can provide a percentage of excess revenue to the fund on a quarterly/annual basis. For example, the Federation of St Kitts and Nevis received \$414.7m in non-tax revenue for 2014 of which \$296.1m was attributed to the CBI. The budgeted amount for the CBI in 2014 was estimated at \$100.0m. Presumably, the government of St Kitts and Nevis can allocate a portion of the excess \$196.1m to a SWF for investment purposes. A conservative allocation of 15.0 to 20.0 per cent can provide \$29.4m to \$39.2m to the fund.

The Government of Saint Lucia projects average collections of approximately \$70m per annum from its Citizenship by Investment Programme. An allocation of 15 to 20 per cent will contribute approximately \$10.5m annually to a SWF. The Government of Antigua and Barbuda and Grenada have seen annual inflows of over \$100m from the economic citizenship programme, while the government of Dominica budgeted on average \$75m per fiscal year for the last 2 years. The conservative 15 to 20 per cent allocation towards an ECCU wide SWF could range from about \$15m to \$38m per annum on average from each country with a CBI programme.

Another strategy that could be adopted is one used by the SWF in Ireland, which is supported by the Government, through an allocation of 1.0 per cent of GNP per annum. The ECCU can decide to combine the allocations from the CBI, with a 1.0 per cent (or a percentage agreed on) of GDP from the countries without the CBI so that they too could be included in the SWF. Anguilla, Montserrat and St Vincent and the Grenadines will together contribute approximately \$20m yearly. These funds can yield favourable returns if invested using a 50/30/20 split in fixed income, equity and cash respectively.

The returns associated with SWFs are used for a variety of purposes and often reflect the initial purpose for which the fund was constructed. SWFs are designed to provide an additional cash flow stream to governments when it is absolutely necessary. Often these flows are used as fiscal balancing tools and may offset budget deficits or increase transfers and subsidies to specific social groups or productive sectors. Evidence of these or similar activities was noted with the SIDF in St Kitts and Nevis. The SIDF has been used to provide grant funding to entrepreneurs in the country, as well as to develop infrastructure.

Using the experiences from countries outside the region and what currently obtains in the ECCU countries with a CBI programme, an ECCU SWF can be a useful tool for developing important sectors within the region, proportionate to a country's contribution to the SWF. Further, the fund may be utilized as a fiscal tool, under specific guidelines, in times of economic malaise. Since a SWF is countercyclical in nature, the fund may be used to off-set macroeconomic volatility in the fiscal balances of a country. Countries may draw from the funds to offset fiscal deficits and reduce the impact of an external shock. The region is susceptible to natural disasters, particularly with the adverse impacts of global warming. A buffer immediately following an unfortunate weather occurrence augurs well for impact mitigation and recovery.

It is important to note that seventy-five per cent of the ECCU territories consistently register fiscal balance deficits and more than fifty per cent record annual external deficits. Consequently, saving and investing funds have become a challenge for these countries. Since SWFs are mainly funded by surpluses, it may be prudent to implement a SWF for the ECCU on a phased level. It would begin with St Kitts and Nevis, since the Federation has been realizing surpluses and its CBI programme is very successful. The second phase would gradually incorporate the remaining countries with the CBI programmes, as their fiscal situations turn around. In the final stage, the non-CBI countries will be taken on board. Also, the fund could start with short term investments to satisfy government liquidity needs and gradually develop into a full-fledged SWF for long term purposes.

5.0 Conclusions and Recommendations

Based on the foregoing analyses, some very useful deductions can be postulated. Foremost is that there are a number of benefits to be derived from establishing a SWF for the ECCU. Given the region's vulnerability to natural disasters and other external shocks, which ultimately impact fiscal operations and growth objectives, a SWF would serve as a significant buffer in these critical times. A key platform for the implementation of a sovereign wealth fund framework is the work currently being conducted in the Commonwealth of Dominica on a resilience fund using the inflows from the CBI. Further, the history of the region has shown that annually, at least one of the territories is adversely affected by an exogenous shock, with consequent fiscal and growth setbacks. The region's policy makers need to be a bit more proactive and put additional measures in place, which allow for immediate response and also to mitigate the negative impact of these occurrences. A sovereign wealth fund, according to the literature, has proven to be a very appropriate medium for this level of fiscal consolidation.

Since SWFs vary based mainly on their stated objectives, management and investment strategy, it is therefore important that those are clearly defined from the onset. The important issues have to be addressed prior to the establishment of a fund. What is the purpose of the fund? Who will manage it and how will the investment strategy be determined? Additionally, it is imperative that the management framework for the SWF be enshrined and clearly stated in the legislation. Hence, before the establishment of a SWF, the proper legislation must be developed and passed by Parliament to ensure that the financial statements are published and that the assets' size and portfolios are known. An appropriate body, responsible for compliance should be appointed to monitor the funds' activities to ensure that the managers of these SWFs adhere to the regulations. Making the relevant information on a SWF available to the public is likely to reduce the level of resistance towards that fund and combat the current challenge of non-disclosure.

The main stakeholders should be involved in the discussions about the SWF so that best practice can be used in the setting up, management and continuous monitoring of these funds. Due to their nature, political interference may not be eliminated but governments should avoid using these funds as a tool for geopolitical advancement. The International Working Group of SWFs advocates the use of the generally accepted principles and practices (GAPP) of SWFs in understanding the objectives, general management and operative functions of a SWF. Although adopting the GAPP principles is voluntary, careful consideration should be given to their implementation when operationalizing a SWF.

SWFs have a track record of being used for fiscal consolidation and stability, which can augur well for the state of the region at this juncture. The regional focus continues to be on, inter alia; fiscal reform programmes that are expected to translate into more effective debt management and contribute to overall economic growth. A SWF fuelled largely by the excess flows from the citizenship by investment programmes, may be extremely useful in insulating the economy when the inflows from the CBI are not forthcoming. As the region has been warned by experts, there will come a time when due to competition, changes in the global economy or otherwise, the CBI programmes may not be able to yield the anticipated flows for budgetary support. The region needs to prepare and not be caught unaware as serious fiscal imbalances are likely. Establishing a regional SWF is a very proactive step towards a sustainable long term economic strategy.

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Offshoring Manufacturing Services: An Alternative to Traditional Manufacturing in the ECCU

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Offshoring Manufacturing Services:

An Alternative to Traditional Manufacturing in the ECCU

Executive Summary

Manufacturing has been on the policy and growth agenda of Eastern Caribbean countries individually and collectively since the first wave of global industrialisation. However, several characteristics such as size, scale and cost of production have impeded the advancement of the sector in the traditional way that we have attempted to develop it. In other words, as evidenced by the small and declining presence of the sector, the conditions that currently exist (or do not exist) are perhaps not suitable for 'the production of goods for use by final consumers from raw materials'; that is, traditional manufacturing, at least on a large scale. Policymakers must therefore become creative and develop methods by which manufacturing can make a visible contribution to the economy with the conditions that currently exist. Given the service based nature of our economies, one alternative that can be considered is the offshoring of manufacturing services.

Context and Importance of the Problem

The manufacturing sector has undoubtedly been essential to the growth and development of the global economy. It is largely responsible for the growth of many advanced countries today and has allowed others to catch up. However, in the case of the Eastern Caribbean Currency Union (ECCU), as shown in Figure 1 of the appendix, the manufacturing sector has remained moribund over time, contributing an average of 4.4 per cent to the Gross Domestic Product (GDP) between 2000 and 2014 despite the existing generous fiscal incentive regime. By this measure, Montserrat has the smallest manufacturing sector in the region, contributing an average of 1.5 per cent to GDP while St Kitts and Nevis has the largest, contributing an average of 7.6 per cent to GDP during the same period.

For a traditional manufacturing sector to function successfully, the following conditions are often necessary: high quality human capital required for the increasingly capital intensive manufacturing sector which demands technical skills; low cost of production; adequate hard and soft infrastructure to facilitate the production and distribution of manufactured goods; reliable low cost energy; access to markets and materials; and investment in research and development to drive innovation in light of the competitive nature of the sector. The ECCU is however characterised by its small size, vulnerability to external shocks, a largely service oriented workforce; the migration of a large proportion of its skilled workers; relatively high cost of production; infrastructural constraints and; low investment in research and development (Eastern Caribbean Central Bank, 2009). Therefore, provided that a vision for manufacturing as a transformational sector exists, policymakers may attempt to develop the sector by creating some of the above-mentioned conditions necessary for a sustainable manufacturing industry, but the sector will still be constrained by size and scale (and by the time it will take to develop these conditions).

Alternatively, they may seek to develop a manufacturing sector adaptable to the aforementioned conditions that exist currently. Given the service oriented nature of ECCU economies; the intangible inputs (services) involved in the manufacturing process (shown in Figure 2 of the appendix) and; the globalisation of the manufacturing value chain, adaptation may be achieved through offshoring manufacturing services as opposed to production. In the context of this brief, offshoring will refer to the relocation of a part of the business process of a company to another country. Accordingly, the offshoring of manufacturing services involves the relocation of the business services of a company to another country while production offshoring involves the relocation of the production of goods of a company to another country. Over the past few decades, the governments of the ECCU have been attempting to create a favourable environment for production offshoring via generous fiscal incentive regimes.

In light of the fact that the manufacturing sectors of the region are miniscule and our economies are relatively well off, some may argue that developing the sector is not important. However, the region can reap significant benefits from its development, such as productivity gains through innovation, technological advancement and research which often spill over into other sectors, income through export earnings and employment creation. In general, the sector has the potential to accelerate the development of the ECCU.

Policy Options

Import Substitution

In a discussion about production offshoring, it is worthy to mention that many Caribbean countries employed another industrialisation strategy; that is, import substitution. The import substitution industrialisation strategy involves the establishment of domestic production plants to manufacture goods that were previously imported. In addition to the fiscal incentive regime, development corporations and attendant protectionist policies were established to support this approach. As evidenced by the small contribution of manufacturing to economic activity over the decades, this strategy has not successfully developed the manufacturing sector as policymakers had hoped for. Observable reasons for this outcome include the difficulty in achieving economies of scale owing to small scale of production and consequent underutilisation of plant capacity; few backward and forward linkages due to the generally high import content of locally manufactured goods; high degree of concentration in industry; and arguably the pursuit of nationalistic approaches by member territories as opposed to a regional strategy (Thomas, 1988).

Production Offshoring

In accordance with the industrialisation strategy offered by Sir Arthur Lewis, ECCU countries attempted to attract foreign investment to the manufacturing sector. This strategy was primarily supported by a generous fiscal incentive regime, which sought to attract manufacturing related FDI, more specifically production offshoring (as implied by the Fiscal

Incentives Acts of ECCU countries) in order to facilitate economic development and to address market failures such as market power, externalities and labour market rigidities. Despite these fiscal incentives, the cost of production in the ECCU remains high, partially owing to lack of resources and high cost of labour and energy. In addition, the fiscal incentive regime does not address issues important for production offshoring such as resource deficiencies and infrastructural constraints. Therefore, production offshoring is relatively difficult to accomplish in regions such as ours.

Offshoring Services

Services such as product design, research and development and or; supporting services such as accounting, marketing after sales care and customer service offered through call centres are therefore easier for the ECCU to offshore because they accommodate higher cost labour and do not require natural resources and the quality of hard infrastructure necessary is arguably more easily achieved. Additionally, multinationals can take advantage of the fact that many of the ECCU countries are low tax jurisdictions.

Increasingly, offshoring is becoming an important element of a multinational delivery strategy. More specifically, results from the Offshoring Research Network survey (2009) reveal that manufacturing firms are among the major users of service offshoring, including engineering services, after sales care, research and development, and product design among other services. The makeup of the ECCU economy is service based. Therefore, for manufacturing to be a transformational sector in this region, it is more practical to develop a service based manufacturing sector as opposed to a traditional product based one.

Why is the offshoring of manufacturing services a more viable alternative to production offshoring?

- The ECCU economy is already service based. Hence, as alluded to above, it can develop the capacity and the conditions necessary for offshoring services faster and more easily than it can create those to suit production offshoring.
- The ECCU is predominantly an English speaking region which is an important factor in selecting offshoring service destinations. Also it is in a similar time zone to many potential customers, making business coordination easier.
- The cheap labour typically required for production offshoring is not necessarily required for service offshoring. In fact, the price of manufacturing services is likely to be based on the quality of service rather than the cost of inputs. Since labour costs are relatively high in the ECCU, it becomes less attractive as a production offshoring destination.
- A manufacturing services sector could be more resilient to natural disasters unlike the traditional manufacturing sector that could be more easily destroyed by such events.
- Service offshoring is likely to absorb more labour thereby boosting employment while modern production processes tend to be more capital intensive.
- Manufactured products increasingly rely on complementary services.

Policy Recommendations

To facilitate this type of activity, the following recommendations should be considered. It is however critical that the countries of the ECCU frame these considerations within the context of a vision for the development of the sector.

- An assessment of the current state of the manufacturing sector must be done in order to create measureable and realistic targets for the sector. Data availability and reliability for the purpose of analysis and policy recommendations must also be improved.

- A clear investment policy that is based on the country's vision for the development of the manufacturing sector should be formulated and fully integrated with the overall development strategy. Such a policy is necessary and must be established prior to considering the following medium to long term recommendations. The investment policy should be based on explicit policy objectives and have a prioritized action plan and timeframes. Further coherence with other policies such as education must be ensured.

- While cheap labour and natural resources may not necessarily be required for manufacturing services offshoring, human capacity is. It is therefore necessary that education policy in the ECCU be crafted to produce a suitably equipped labour force. In addition, the creation of such opportunities in the manufacturing services sector can decelerate the rate at which skilled workers migrate from the region. We therefore need an education policy and system that are fully integrated and consistent with the development strategy.
- The telecommunications sector, which is essential for the provision of services, must be improved. Currently, Information and Communication Technology (ICT) connectivity in the Eastern Caribbean remains relatively weak owing to minimal competition, partial liberalization, and high prices for services and devices (World Bank, 2014). Progressive reform in the ICT sector is therefore critical. Programmes such as the World Bank Caribbean Regional Communication Infrastructure Project (CARCIP) should be exploited by countries in the region.

- Services standards parallel to those that apply internationally must be developed and mutual recognition of services agreements should be sought, in order to facilitate the movement of persons and greater market access.

- The CARICOM Single Market and Economy (CSME) trade agreement should be exploited to boost the intraregional trade of manufacturing services. Awareness may need to be raised among service providers in the region in this regard.

By implementing these recommendations and ultimately tapping into the intangible segments of the manufacturing value chain, the region's services would become more tradable thereby generating income through export earnings. In addition, it would also improve the number and quality of services for domestic consumption.

Appendix

Figure 1: Average contribution of Manufacturing to GDP from 2000 to 2014 (%)

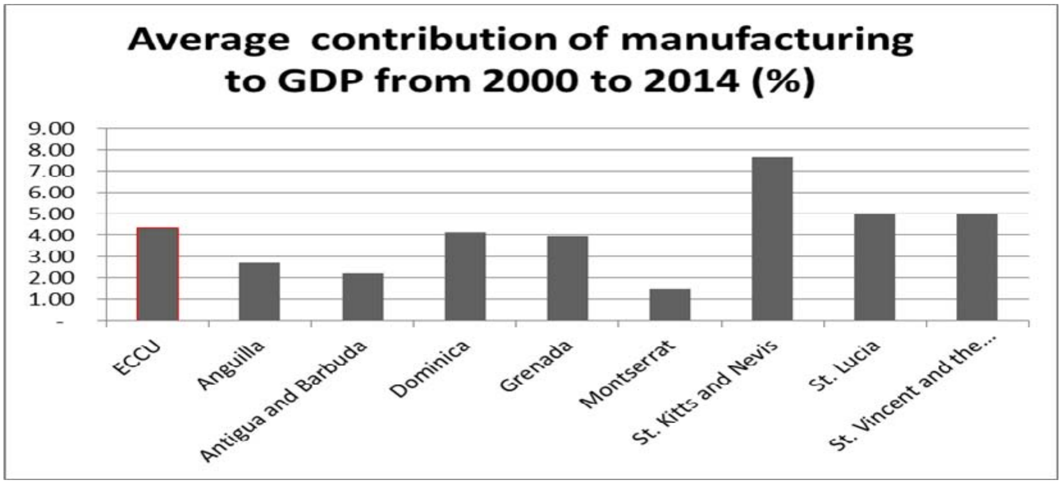
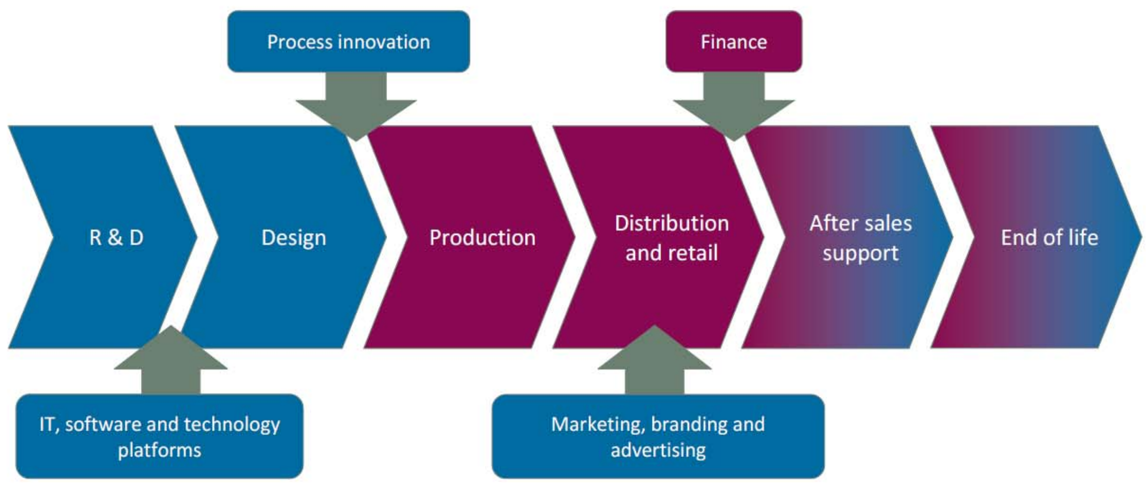


Figure 2: The manufacturing value chain



Source: The Work Foundation. Intangible parts of the value chain are shown in blue, with tangible and financial parts in purple.

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